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Update

California Assembly approves workers comp reform package

SACRAMENTO, Calif.—The California Assembly narrowly approved an extensive workers compensation reform package last week and sent it on to an uncertain future in the Senate.

Assembly action on A.B. 2032, sponsored by Assemblyman Burt Margolin, D-Los Angeles, came after weeks of negotiation and numerous amendments by several committees.

The bill is backed by employers, workers comp insurers and the San Fran-

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Crash won't hike rates

Liability losses from Iowa crash to top $100 million

By CAROLYN ALDRED and LINDA J. COLLINS

Liability losses from Wednesday's crash of a United Airlines DC-10 jetliner in Sioux City, Iowa, could total between $100 million to $200 million, London aviation insurance market observers estimate.

But brokers and underwriters last week predicted that losses from the United crash would not be sufficient to reverse rapidly falling aviation insurance rates, though underwriters did point out that the aviation reinsurance market is beginning to firm.

While 184 passengers and crew members survived the July 19 crash at Sioux Gateway Airport, with many of these people reporting only minor injuries, officials said late last week that 109 people are thought to have been killed.

And, since the DC-10 was "an American aircraft which crashed in the U.S.," liability payouts will likely be large, noted one Lloyd's of London underwriter.

Underwriters estimate the average payout for a U.S. citizen killed in a domestic airliner crash at between $1 million and $1.25 million. Larger awards or settlements are commonly paid to seriously injured survivors of a crash.

However, the overall liability loss stemming from the United crash depends on several factors, including the cause of the accident and the income and profession of passengers aboard, underwriters pointed out.

For instance, a federal court last year awarded $7.97 million to the estate of an International Business Machines Corp. executive killed in a 1985 Delta Air Lines crash near Dallas (*BI*, March 28, 1988).

Lloyd's of London aviation underwriter David Peachey, who leads United's aviation coverage at Lloyd's, said last week that it was too early to set a liability reserve.

A liability reserve will be established by underwriters' legal representatives once details of the accident, the passenger list and the exact number of fatalities and injuries are compiled, he said.

United Airlines, a subsidiary of UAL Inc. based in Elk Grove Village, Ill., has up to $850 million in liability insurance, according to London market sources. The 15-year-old wide-body hull, registration number N1819U, was insured for $15.3 million.

United's hull and liability insurance is placed in the London market by Sedgwick Group P.L.C. and in the U.S. market by Chicago-based Rollins Burdick Hunter Co.

About 42% of the coverage is placed in the London market. The coverage is led at Lloyd's by syndicates managed by Janson Green Management Ltd. and underwritten by Mr. Peachey. The coverage is led in the London company market by The Orion Insurance Co. P.L.C.

Associated Aviation Underwriters in Short Hills, N.J., leads the U.S. portion of the coverage, sources say. A small

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Appellate ruling to hike pollution damage costs

By JUDY GREENWALD

WASHINGTON—A federal appellate court ruling that strikes down a government regulation used to calculate the cost of pollution damage to natural resources could increase restoration costs by billions of dollars.

The District of Columbia Court of Appeals ruled July 14 that an Interior Department regulation that assessed polluters for damage to the environment on the basis of the "lost use" or market value of a natural resource, rather than the higher replacement cost, was contrary to Congress' intention when it passed environmental legislation, including the Superfund law.

"This decision signals that the money awarded for natural resources damages could increase," said Marc Whitehead, a policyholder attorney with Popham, Haik, Schnobrich & Kaufman Ltd. in Minneapolis.

Observers disagree, however, whether insurers will pay these added costs under the terms of comprehensive general liability insurance policies or whether the costs will be borne by policyholders.

The 104-page decision also:

- Holds that the Interior Department regulations do not have to provide for the recovery of punitive damages from polluters. States and an environmental group had contended that because the Superfund law does not preclude the recovery of punitive damages, the regulation must include a mechanism to recover punitive damages in pollution cases (see story, page 53).
- Instructs the Interior Department to clarify the extent to which its regulations extend to non-government-owned lands.

The Interior Department said it has not yet decided whether to ask the U.S. Supreme Court to review the decision.

In its decision, the District of Columbia Court of Appeals notes that a 1986 department regulation limits the amount of monetary damages recoverable by government trustees for "damages for injury to, destruction of or loss of natural resources" to whichever is less: the cost of restoring or replacing the equivalent of an injured resource, or the lost-use value of the resource.

The court specifically notes that this

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Wide World Photos

Workers still are attempting to clean up the Exxon Valdez spill in Alaska.

Risk management systems & analysis
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New pension proposals reduce employer control

By JERRY GEISEL

WASHINGTON—Employers would be required to share control of defined benefit and defined contribution pension plan assets with employees under a proposal approved by a House panel.

Described by some benefit experts as outrageous and irrational, the proposal calls for an employer's plan assets to be controlled by a new "joint board of trustees," composed of an equal number of employer and employee representatives.

This proposal is just one of a recent series that would discourage employers from offering pension plans, benefits experts contend.

The pension management bill, contained in an amendment to a budget reconciliation bill approved by the House Education and Labor Committee, is intended to give employees a voice in the operation of defined benefit and defined contribution plans, says Rep. Peter Visclosky, D-Ind., who sponsored the bill.

"The moneys which are contributed to a pension plan represent another form of compensation to which workers are entitled. It is only fair that employees should have a voice in the management of their pension funds," he said.

But benefit lobbyists and consultants are appalled at the proposal and warn that employers would terminate their pension plans before sharing control with employees.

"This is not the nail in the coffin

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Update

California nears comp reform

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cisco-based California Labor Federation. It would implement numerous changes aimed at lowering the cost of the state's $7.4 billion workers comp system while increasing maximum weekly disability benefits to an estimated $511 in 1992 from the current $224 (*BI*, May 1).

However, about 60 amendments ranging from technical corrections to substantial changes have been made since the legislation was drafted by the coalition of employers, insurers and labor.

Among the amendments: A section that would have limited the compensability of work-related stress claims was deleted and replaced with a general statement that restrictions on the compensability of psychiatric injury claims would be added later. Also, a council that would designate impartial medical evaluators was enlarged, and a provision that assures workers are fully informed about vocational rehabilitation options was added.

Increased benefits under A.B. 2032 are estimated to cost $2 billion over three years, but the added expense is intended to be absorbed by cost containment measures.

"Legislative deadlines are forcing us to move the bill forward even though it is still incomplete," Assemblyman Margolin said.

The Senate is expected to further amend the reform package when the legislators return from a summer recess next month.

State may postpone health plan

BOSTON—The Massachusetts Legislature last week moved closer to delaying until 1994 the scheduled 1992 implementation of the state's universal health care plan.

A bill to delay the program is ready for a third and final reading in the House after unanimous approval in its second reading. A bill must pass three House readings before going to the Senate.

"The bill has a great deal of support, and we are optimistic about its future success," said a spokesman for Rep. Francis Woodward, D-Walpole, sponsor of the proposal to delay the plan.

"The state has finally realized that universal health care is a huge and expensive undertaking that it cannot afford and they are putting the brakes on it," said Carolyn Boviard, state director for the Boston-based National Federation of Independent Businesses.

Under the $16 million universal health care program, the state will form a pool to provide health insurance for those without coverage. In addition, employers can be assessed a "medical security contribution" tax of up to $1,680 per employee. However, an employer can offset this tax by the amount it spends per employee for its health care plan (*BI*, May 2, 1988).

Rhonda Davis, a legal consultant in the Boston office of Hewitt Associates, said: "We wouldn't be surprised to see major changes in the plan because there is a lack of funds in the commonwealth and a tremendous amount of pressure from the small business groups who don't think they should absorb the cost."

Howden exec denies 'stealing'

LONDON—Former Alexander Howden Group Ltd. Chairman Kenneth V. Grob denied in court last week that he conspired to steal $2.5 million from Howden underwriting agencies and Lloyd's of London syndicates to purchase a stake in a Swiss bank owned by Howden.

Mr. Grob said that he did not know that former Howden Director Allan Page had transferred $2.5 million from Howden into four Panamanian trusts owned by Messrs. Page and Grob and two other former Howden directors to finance part of the secret purchase of 51% of Geneva-based Banque de Rhone de la Tamise.

Mr. Grob, who is on trial in Southwark Crown Court, said he believed the money to purchase the Swiss bank came from his personal accounts at the bank, adding that he didn't know funds came from Howden until an investigation was launched in 1983.

Mr. Grob admitted, though, that he and three former Howden officials in 1980 set up Southern International Reinsurance S.A. in Panama through secret trusts in Liechtenstein and Panama "primarily" to buy the Swiss bank. And, he confirmed that he and the others did not tell the Howden board that they owned SIR.

Mr. Grob is charged with 16 counts of fraud and theft in regard to stealing funds from Howden and Lloyd's syndicates.

Iowa wins licensing ruling

ST. LOUIS—Swanco Insurance Co. must be licensed in Iowa before it can write coverage for a risk purchasing group that includes Iowa residents, the 8th U.S. Circuit Court of Appeals has ruled.

The 1986 amendments to the Risk Retention Act do not pre-empt Iowa Insurance Commissioner William Hager from applying state licensing rules to purchasing group insurers, so long as they do not directly conflict with provisions in the act that pre-empt state regulation, a three-judge appellate court panel ruled July 12 in affirming a lower court decision.

However, in overturning a lower court finding, the appellate panel ruled that a purchasing group is "located" only in the state in which it is domiciled (*BI*, May 9, 1988). Iowa had argued that a group was located in every state in which its members reside.

Mr. Hager said he is "elated" at the decision because it allows for "ongoing regulatory oversight" by all states in which a purchasing group has members.

Meanwhile, Swanco, which is domiciled in Arizona, is still reviewing the case and has not determined what action, if any, it will take, said Swanco attorney John Schachterle of Dreher, Wilson, Simpson, Jensen, Sellers, Butters, Adams & Kaiser in Des Moines.

The National Risk Retention Assn. is "disappointed" that the court upheld licensing requirements for purchasing group insurers, especially since the court decided the location issue in favor of insurers, said Michael Mullen, counsel for the group.

The Iowa Insurance Division in September 1987 summoned to an administrative hearing 23 insurers, including Swanco, that had intended to write insurance for Iowa members of purchasing groups

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Regulator, syndicates sue IEA's accountant

By DOUGLAS McLEOD

MIAMI—The Florida Insurance Department and seven insolvent Insurance Exchange of the Americas syndicates are suing accountant Coopers & Lybrand, claiming that numerous reports produced by the firm failed to uncover problems that led to the exchange's demise.

The suit, filed earlier this month in 11th Judicial Circuit Court for Dade County, charges Coopers & Lybrand with breach of contract, professional malpractice, negligence and breach of fiduciary duty. Among other things, the suit alleges that a Coopers & Lybrand audit failed to expose false information in one IEA financial statement and that the firm negligently assigned IEA work to junior auditors who were not adequately supervised.

Coopers & Lybrand also was aware of severe problems in IEA's system of internal accounting controls, but failed to warn the exchange, its syndicates or the Insurance Department, the lawsuit says.

The Florida department first learned of the alleged problems with the Coopers & Lybrand reports after retaining Price Waterhouse in April 1987 to conduct a separate review of the IEA's operations, the suit says.

The Insurance Department's complaint does not specify a dollar amount of damages, though the suit seeks to recover the full amount of the insolvency of the seven IEA syndicates that still are in rehabilitation.

The seven syndicates are AIB Syndicate Inc., Hispano American Syndicate Inc., RAM Syndicate Inc., Syndicate One Inc., Syndicate Two Inc., Syndicate Three Inc. and Syndicate Four Inc.

The combined deficit in the policyholders surplus of six of these syndicates, not including AIB, was $26.7 million as of Dec. 31, 1988, according to an Insurance Depart-

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Comp controversy

Doctor bills disputed

By MICHAEL BRADFORD

KENOSHA, Wis.—Chrysler Corp. is challenging about $900,000 in workers compensation claims filed by workers at its Kenosha assembly plant after an audit determined the claims were excessive.

An audit of more than 2,000 work comp claims submitted since Dec. 1, 1988, for services rendered by six Kenosha-area physicians, a chiropractor and a physical therapist found that some of the disputed bills covered treatment unrelated to worker injuries, the company says. In other cases, the treatment was excessive or unnecessary, according to Chrysler.

Joe Wilssens

Chrysler Corp. is challenging the appropriateness of medical care provided to workers comp claimants at its Kenosha assembly plant.

The audit was conducted by William M. Mercer Meidinger Hansen Inc.'s National Medical Audit group, a nationwide network of physicians that conducts medical necessity reviews.

The dispute centers on "very inappropriate care and extensive overutilization of services," said David A. Lewsley, Chrysler's manager of workers compensation.

The problem, he added, "has developed incrementally over many years."

"People have been aware for many years" some area doctors had submitted unjustified claims, "but nobody has done anything about it. The doctors just got more and more brazen with their billing," he said.

However, at least one of the doctors whose claims are being disputed alleges that Chrysler's decision to withhold payment is linked to its 1988 closing of assembly operations at the Kenosha plant.

Chrysler, which self-insures its workers compensation risk in Wisconsin, has stressed that its dispute is solely with the doctors; it is not charging that workers have filed bogus claims.

About 5,000 workers were laid off in 1988 after Chrysler bought the Kenosha assembly plant from American Motors Corp. in 1987. About 1,300 workers still are employed at the location.

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BI plans annual Info issue

Business Insurance will publish its annual Info issue on Sept. 11.

The issue will contain listings of educational and informational literature concerning programs, products and services related to risk management and employee benefits.

Companies that want to offer literature must complete a special fact sheet that describes each item to be listed and send it with a copy of the item. The literature must be available to readers at no charge and must be less than 1 year old.

To request information on how to submit items for publication in the special Info issue, call Christine Woolsey, Associate Directory Editor, at 312-649-5460.

Business Insurance must receive a completed fact sheet and sample copy of all items to be listed no later than Aug. 7.

Inside

✔ This week's editorials call for a rejection of the notion that OSHA protects negligent employers from criminal prosecution and applaud employers' successful lobbying efforts for Section 89 reforms. **PAGE 8**

✔ In Perspectives, Risk Sciences Group Inc.'s Richard F. Denning describes how computers have improved risk managers' access to information. **PAGE 33**

✔ These are exciting times to be a risk management professional, says educator George L. Head in Perspectives. **PAGE 34**

✔ Buyers and sellers of commercial insurance need to improve their communications to help reduce the increasing conflicts that exist in their relationships, agree experts at the XXV International Insurance Society Seminar in Chicago. **PAGE 44**

✔ Mentor Insurance Ltd.'s liquidators are asking the full 5th U.S. Circuit Court of Appeals to rehear their appeal of a lower court ruling dismissing the liquidators' racketeering complaint against Mentor's parent and 10 other defendants. **PAGE 48**

✔ The Occupational Safety and Health Administration's strategy of levying huge fines against companies that violate federal safety laws is a failure, a workplace safety group contends. **PAGE 51**

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RMIS in the 1990s

Vendors to emphasize customer satisfaction

By CHRISTINE WOOLSEY

As risk management information systems head into the 1990s, user support and service will be the name of the game, experts say. In fact, a vendor's service reputation will distinguish it from others in today's crowded RMIS marketplace.

And, while RMIS vendors continue to offer risk managers a variety of software compatible with personal computers, vendors will increasingly design custom-tailored systems to remain competitive in the RMIS arena, observers say.

As the 1980s come to a close, "not many new vendors will enter the fray," predicts David A. Tweedy, a senior consultant at Betterley Risk Consultants Inc. in Worcester, Mass. "We're at the market saturation stage," he said, adding that any players that do enter the market likely will be vendors offering more microcomputer-based systems.

"In the '80s, the PC product helped establish a user expertise level and understanding of how to apply a risk management information system," commented Mark Dorn, vp and principal with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. in Livonia, Mich.

In the next decade, "user confidence levels will continue to increase," he said, adding that vendors "cannot simply introduce a new PC-based product and think it will have a big effect."

Rather, "in the '90s every vendor that was successful in the '80s will have to offer better support services," Mr. Dorn suggested. "Now that good systems are in place, support features are really going to be the new focus vendors should concentrate on."

• Risk management information systems can be protected from computer viruses. Page 16.
• Expert systems help loss control professionals spot trouble with machinery. Page 18.
• Workers comp case management software can help employers control costs. Page 26.

Although most RMIS vendors currently offer telephone assistance to clients, more comprehensive user support services—which may include a combination of user groups and meetings, online assistance, on- and off-site training, consulting or periodic newsletters—are less common.

For example, while each of the 40 companies listed in this year's *Business Insurance* directory of risk management information system vendors offers telephone assistance at least eight hours per day, only 50% offer regional or national user groups and meetings (see directory, page 30).

However, leading vendors are recognizing the role that comprehensive customer support plays in developing better risk management information systems and maintaining client allegiance, RMIS industry observers say.

"Service is what will win out overall," stressed Kenneth F. Martino, assistant director of Travelers Cos. Risk Management Information Services, the Hartford, Conn.-based unit of Travelers Corp.

"I can have the best hardware and

Continued on next page

Systems diagnose hospitals' ills

Roger Schillerstrom

RMIS ties in with quality assurance

By DONNA DiBLASE

Repeated claims from patients injured during a stay in the hospital, like slip and fall cases, can throw any hospital risk manager off balance.

These incidents not only drive up loss costs for the hospital, but also affect the quality of care patients receive while in the hospital.

However, at least one hospital risk manager was able to identify the causes of patient falls and then take action to avoid these occurrences. His treatment plan: use an automated risk management information system that could access patient care quality assurance information.

Using this coordinated information—which revealed that the majority of the falls occurred between midnight and 5 a.m. and usually involved sedated or elderly patients—the hospital risk manager was able to reduce patient falls by requiring nursing staff to more closely monitor elderly patients and to restrain sedated patients during night shifts.

An automated RMIS such as this one increasingly is becoming a required tool for hospital risk managers, risk managers and RMIS consultants and vendors say.

Driving this need for the efficient collection and analysis of information to identify, evaluate and reduce risks is an increased blending of risk management functions and patient care quality assurance functions in hospitals, some experts say.

Yet another impetus are new clinical risk management standards developed by the Chicago-based Joint Commission on Accreditation of Healthcare Organizations.

Among other things, the JCAHO requires as a condition of hospital accreditation that medical staff be involved in risk identification, evaluation and reduction, and that hospital risk management and quality assurance departments actively share patient risk information.

"In my opinion, the JCAHO standards are geared toward the more thorough integration of risk management and quality assurance. And that's a perfect marriage: risk management and quality assurance," asserted Sue Nixon, manager of insurance programs for National Medical Enterprises Inc., a for-profit multihospital concern based in Los Angeles. In addition to five years of hospital risk management experience, Ms. Nixon also has worked in the quality assurance area.

"The blending together of risk management and quality assurance is a trend that's occurring right now," noted Sylvia Brown, a vp in the health care risk management division of Corroon & Black Corp. in Nashville, Tenn.

However, "to blend these functions, risk managers will need some software" or automation support, she added.

Tracking hospital risk management information "has gotten beyond the manual level," Ms. Nixon agreed. "Most hospitals today have automated risk management information systems. And, for those that don't have a system now, they want one" but may lack the financial means to purchase a system.

However, she predicts that "as the field of hospital risk management progresses, the prices of these systems will become more reasonable," adding that "health care risk management is such an ideal application for automated information systems."

Since 1984, NME has used the Hospital Risk Information Management System, a personal computer-based RMIS software program sold by Beverly Hills, Calif.-based Cantor & Co. NME, in fact, was the test client for the system and helped fund its research and development, she said.

NME spent about $200,000 on the development and implementation of Hospital RIMS, but the hospital firm receives consulting and support services at no cost from Cantor & Co., she said. However, the system now is available to other hospitals for between $7,500 and $35,000 on an unbundled hardware and software basis.

NME uses the system to perform claims management for its self-insured liability program covering its 37 acute care hospitals, she said. NME has a self-insured retention of $500,000 per occurrence and then purchases excess insurance.

Hospital RIMS includes financial analysis reporting, actuarial analysis, cost allocation, and reinsurance analysis and management functions.

NME has 12 years' worth of manually collected data stored in the on-line Hospital RIMS data base, although it has only been using Hospital RIMS software for about five years, she said.

"The system enables us to feed information back to our facilities, such as descriptions of losses plus the financial cost of the losses. It

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RMIS market

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software, and it won't make a bit of difference" to risk managers unless the vendor offers training and service support, Mr. Martino said.

Consequently, Travelers is planning to expand and reorganize its customer service division to deal with clients more efficiently.

Rather than require all service representatives to handle an equal number of clients, accounts will be distributed based on the complexity of their RMIS. For example, one Travelers service representative may handle 10 different corporations, while another may only be responsible for five clients. But, those five clients' information system needs may be much more demanding than the 10 smaller clients, Mr. Martino explained.

The new service arrangement will make certain "each service rep has a reasonable number of accounts to manage," he said.

Another vendor jumping on the support service bandwagon is Hartford Specialty Co. John A. MacDonald, senior vp at the Hartford, Conn.-based unit of Hartford Insurance Group, said his company has recently expanded its customer service operations.

Mr. MacDonald joined Hartford's Customer Service Division in February 1988, with only seven co-workers. Today the division, which supports claim, customer, loss control and management information services, has a staff of 27, he said.

"We're really moving into that support mode," he said, adding that Hartford also is in the process of forming national and regional user committees that will meet annually or biannually to discuss Hartford system enhancements.

"Because our customers tend to be more aware of what is going on competitively in the (RMIS) industry," these meetings could prove to be very valuable to Hartford, he said.

ESIS Inc., a subsidiary of CIGNA Corp. in Philadelphia, also is gearing up its support services. The vendor increased its support staff over the last five years to about 100 service representatives from 25. And, in April of this year, ESIS—which markets CRIS risk management information systems—created a separate Risk Management Services division.

"Formerly, we offered support services only out of our Philadelphia office," explained Gerhard Klinke, director of CRIS Risk Information Services. "With the formation of Risk Management Services, we've placed services at our local branch offices around the country."

ESIS clients can now meet for seminars in regional locations to discuss their risk management information systems. The program has been well-received: "Users are calling us asking us when there will be a meeting in their area," Mr. Klinke said.

Although risk managers and other users have become more sophisticated operators of risk management information systems, RMIS capabilities haven't changed much over the last five years, noted Betterley's Mr. Tweedy.

"The No. 1 improvement (in RMIS) is the emergence of the microcomputer stand-alone system," he said. "Because of improved computer chip technology, PC-based software can do most everything a mainframe used to do at a fraction of the cost of time-sharing arrangements. The micro system is becoming a pre-eminent product because you can use it stand alone or network it."

Local area networks, or LANs, are becoming more common, he said, explaining that personal computers can now be linked together forming "micro workstations," which can emulate the power of larger minicomputer and mainframe systems.

Early RMIS were oriented toward financial management, providing claims and loss information previously available only from hard-copy loss runs. Today, an RMIS is a more flexible computerized management information system that allows users to manipulate claims, loss control information and other data to assist in risk management decision making.

The data—which includes information on insurance coverages, reserve levels for self-insured programs, claims, settlements, and employee accidents and workers compensation records—can be run on various types of computers, including PCs, minicomputers or mainframes.

Although it is difficult to estimate how many corporations are using an RMIS today, consultants say the number has increased dramatically during the 1980s.

Douglas K. Nishimura, a consultant with The Wyatt Co. in Chicago, estimates that at least 95% or more of Fortune 500 corporations have an RMIS. However, "less than half of smaller companies have risk information systems," he said.

"The number of users from a cost factor has increased dramatically," Mr. Tweedy said, pointing out that as the price of RMIS hardware and software continues to fall, more and more companies will make an RMIS part of their risk managers' arsenals.

According to Mr. Tweedy, comprehensive claims tracking software costs about $5,000. For both minicomputer- and microcomputer-based systems, many of the ensuing costs are minimal and most likely relate to the purchase of additional modules, system enhancements or "trouble-shooting," he said.

Running the software on mainframe systems on a time-sharing basis, on the other hand, is likely to include continuing expenses for risk management departments, he said. For example, "risk managers may want additional reports from their vendors, so costs don't really go down that much," Mr. Tweedy said.

The sixth annual RMIS Update, published in Betterley Risk Management Commentary, noted that overall mainframe RMIS costs generally far exceed the costs of a personal computer- or minicomputer-based system. For example:

- A PC-based system handling 1,000 claims annually will cost a risk management department $6,000 to $40,000 in the first year, while a PC-based system handling 10,000 claims will cost a maximum of $60,000 in the first year.
- A minicomputer-based system handling 1,000 claims will cost $26,000 to $60,000 in the first year, while a minicomputer-based system handling 10,000 claims will cost a maximum of $150,000.
- A mainframe system, used on a time-sharing basis, handling 1,000 claims will cost $12,000 to $65,000 in the first year, while a mainframe system handling 10,000 claims will cost up to $180,000.

Wyatt's Mr. Nishimura said that while clients tend to have big expectations about what an RMIS can accomplish, they often are taken aback by the cost of the system. However, after the initial shock wears off, the clients still are willing to pay the price for a system.

And, "they aren't looking for the cheapest system," he added.

RMIS experts agree that corporation size is not a predominant factor in choosing whether or not to automate a corporate risk management department.

"The larger you are, the more necessary it is," Mr. Tweedy of-

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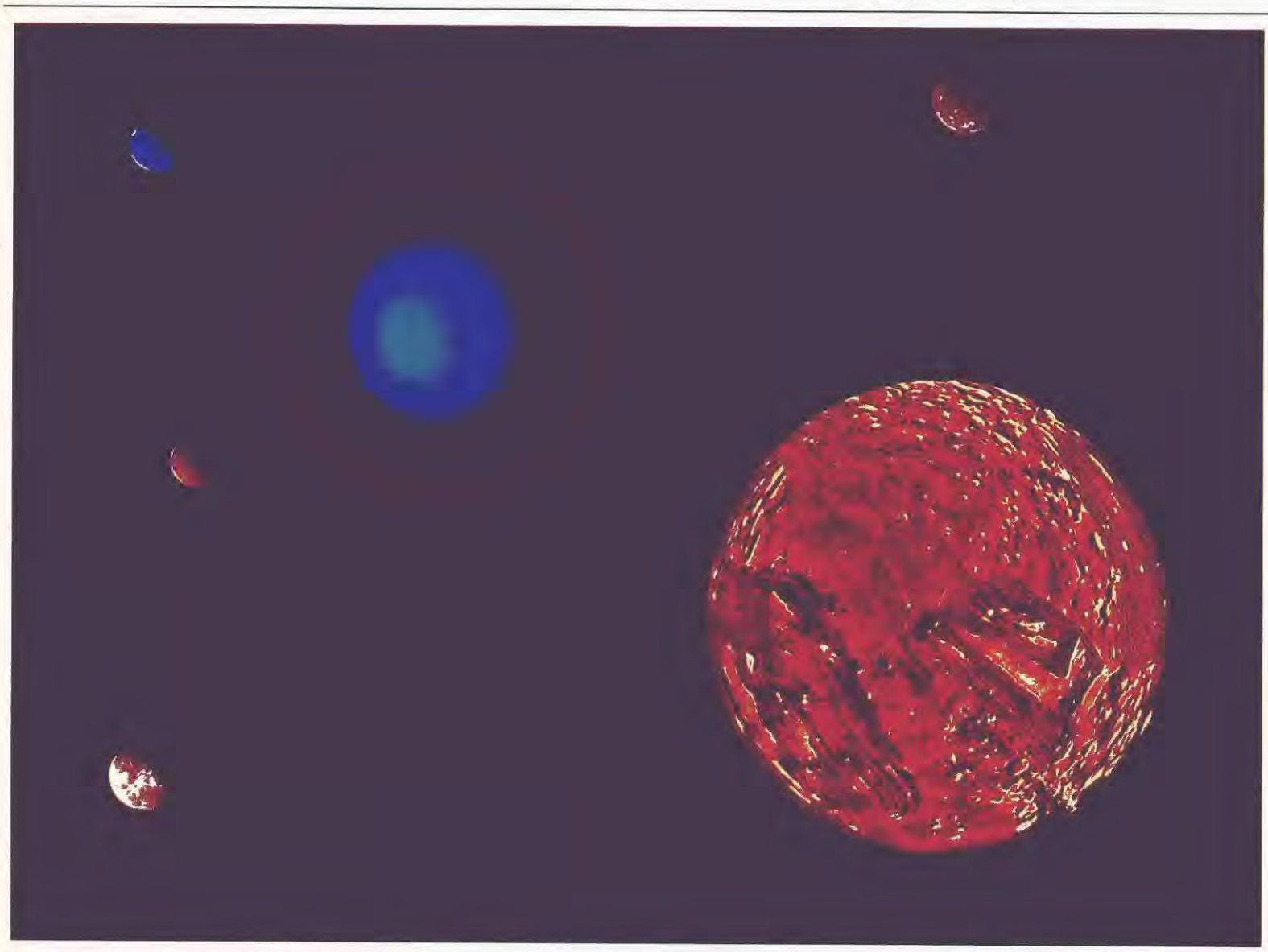

CELESTIAL VISIONS

What an awe-inspiring view of Uranus and five of its moons shot by Voyager II in 1986. What breathtaking scientific progress, considering that Uranus was only discovered in 1781. Who accomplished this remarkable feat? It was a son of Hannover, Friedrich Wilhelm Herschel, who detected the 7th planet. Mankind's unquenchable thirst for knowledge propels us on. We endeavour to recapture his spirit of determination, ingenuity and professionalism in our worldly universe of Reinsurance. May your Reinsurance protection always be under a lucky star.

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By Lee Weinberger
President and CEO
Wausau Insurance Companies

I was delighted to attend a banquet recently that honored Tad Bretting as America's Small Business Person of the Year.

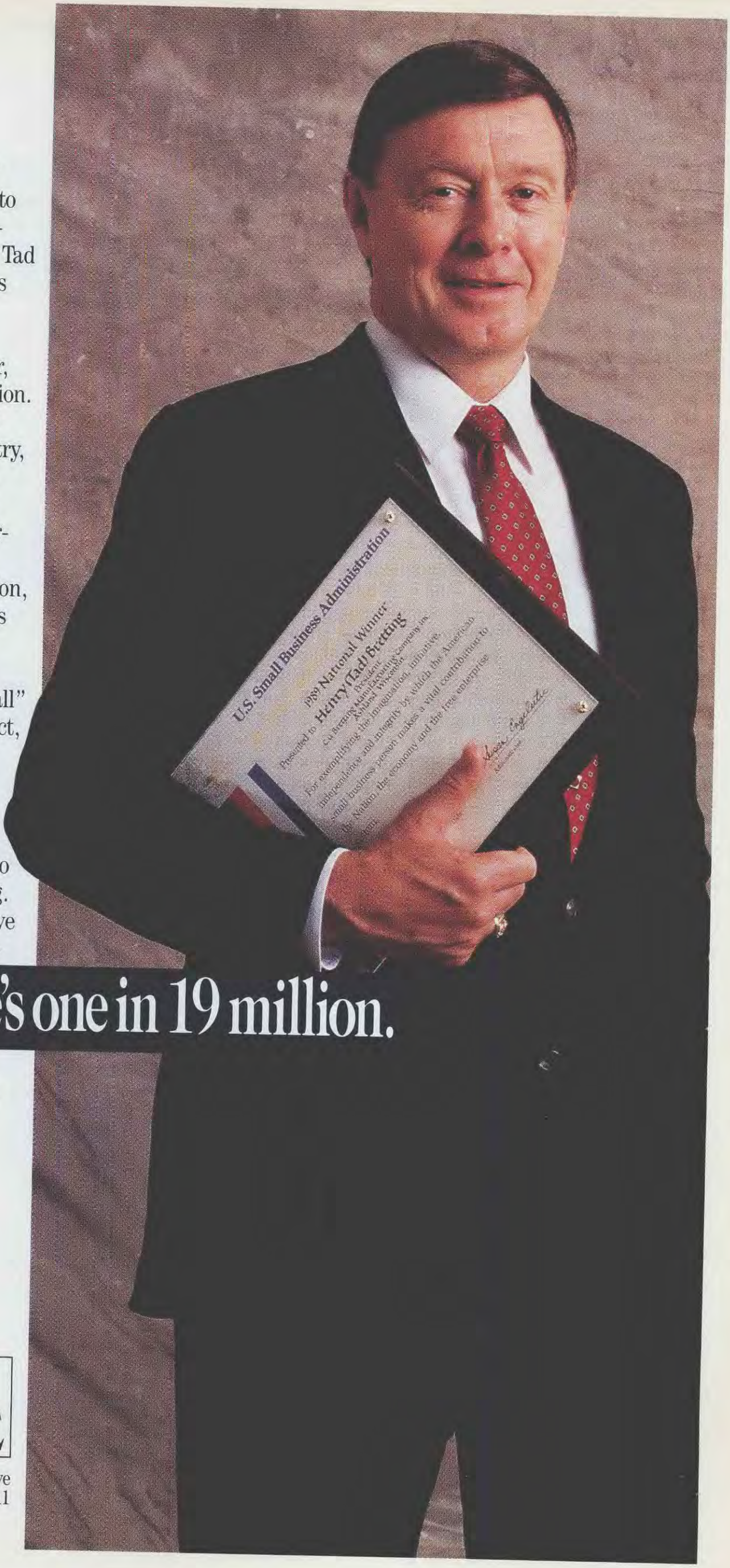
The award was presented by President Bush and Susan Engeleiter, head of the Small Business Administration. When you consider that there are 19 million small businesses in the country, Tad's was no small accomplishment.

Tad is president of C.G. Bretting Manufacturing Co., a maker of paper-folding and printing equipment in Ashland, Wisconsin. Under his direction, the firm has grown from 11 employees with sales of $120 thousand, to 260 employees and sales of $30 million.

This hardly makes Bretting a "small" business to my way of thinking. In fact, Bretting typifies many of Wausau's policyholders — medium to large in size, preferring long term relationships (Bretting's been a Wausau policyholder for 53 years), and committed to their employees' safety and well being.

At Wausau Insurance, we may have a good many larger policyholder companies in our book of business, but none that we are prouder of than Tad Bretting's company.

Tad Bretting. He's one in 19 million.



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RMIS market

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fered. But, he said, "you would be surprised at the big organizations that don't have (an RMIS) and the small ones that do."

Indeed, there are still some giants in corporate America who have yet to take the RMIS plunge.

"We're still seeing some big companies that aren't automated," Mr. Martino said, noting that Travelers recently met with a corporation with sales of $6 billion that expressed an interest in an RMIS.

Risk managers well-acquainted with RMIS continue to express a desire for more custom-tailored systems, experts say.

As the generic, off-the-shelf information system loses popularity and risk managers demand more customization, vendors say client feedback will become an integral part of their 1990 system design strategies.

"Our products are driven by customer needs, and we're listening constantly to risk managers and what they want," Travelers' Mr. Martino said.

"There is not really a great demand for do-all systems," said Wyatt's Mr. Nishimura. Rather, risk managers want a tailor-made RMIS that will address the particular areas of concern within their corporation.

Vendors and consultants say that is part of the reason mainframe, on-line claims information systems are not enough for today's risk manager. "You're not managing your own destiny with mainframes, and today risk managers want control," Mr. Tweedy said.

In response to requests from clients, The Wyatt Co. is designing RMIS "shell" software that can be customized for particular needs.

The shell will consist of a liability module, that can be coupled with a workers compensation module, Mr. Nishimura said. Both modules will include claims tracking, reserve and payment changes, loss summary reports and ad hoc reporting functions. The workers compensation module also will include a check writing feature.

Risk managers 'want up-to-the-minute loss and payment detail and are intolerant of data error and correction delays' inherent in some time-sharing arrangements, says Dennis Aaron, vp of product design at Risk Sciences Group Inc. in Atlanta.

The system, which is about six months away from completion, will cost between $10,000 and $15,000 depending on enhancements, he said.

"It will be a PC-based system very specific to clients' needs," Mr. Nishimura said. "Most RMIS are very generic, but ours will not include a lot of extraneous" functions clients may not need or want.

Along with customization, risk managers are demanding more ad hoc reporting, a RMIS capability that allows risk managers to choose whatever variables they wish and manipulate them to answer a specific question or identify trends.

"These managers want more detailed and intimate contact with loss information," explained Dennis Aaron, vp of product design at Risk Sciences Group Inc. in Atlanta. "They want up-to-the-minute loss and payment detail and are intolerant of data error and correction delays" inherent in some time-sharing arrangements, he said.

"Risk management is looking beyond loss control; they want information to identify and prevent future occurrences," Mr. Aaron said.

"The loss prevention area is a big advantage of RMIS," Mr. Tweedy agreed. "It is the quickest payback for justifying an RMIS."

Consequently, vendors are developing incident tracking modules that make it possible for risk managers to keep track of employee accidents or injuries, but for which no remedial action has yet been taken.

"Safety managers want to track incidents to see if they can pick up trends and prevent accidents," Mr. Aaron said. "Having that kind of record helps in the defense or settlement of a claim."

In addition, recent government accounting requirements have created a great demand for financial and accounting functions, vendors say.

Proposed accounting standards by the Governmental Accounting Standards Board, which would require self-insured public entities to report claims and other liabilities on an accrual basis, have vendors busy designing modules to address these issues.

"RMIS is very much involved in the solution to financial problems," commented Karen Foley, senior vp and director of sales/marketing at Anistics Inc., a New York-based subsidiary of Alexander & Alexander Services Inc.

"The new GASB regulations are a perfect linkage to blend RMIS and financial needs," she said.

Downloading mainframe data to run on personal computer programs is another area on which vendors are concentrating efforts, industry observers say.

"Almost all major vendors are coming out with downloading products that will integrate with d-BASE III, Lotus 1-2-3 and other popular personal computer software products," Mr. Tweedy said.

This capability allows risk managers to take claims and loss data from their RMIS and manipulate it using the capabilities of their other in-house computer systems.

"You have the flexibility to massage risk data and the capability of putting it into many different formats," explained C. Scott Gilmour, vp of marketing at Corporate Systems, an Amarillo, Texas-based RMIS vendor.

"The data is extracted from the mainframe and downloaded" in different formats, he continued, enabling users to create customized data bases or take advantage of graphics applications.

Another advantage to downloading data to other programs is that "the information is in the risk manager's hands," explained ESIS' Mr. Klinke. "You can add confidential information to it that you may not want us or another vendor to see," he said.

For example, a risk manager can combine claims data with payroll information or other confidential employee data and create reports that address a specific concern within the corporation, Mr. Klinke explained.

"Now that the risk manager is getting so sophisticated, he understands information management makes or breaks him," said Don St. Jacques, director of product research at Corporate Systems.

"Lots of people learned from the last hard market," Mr. St. Jacques said. "Risk management is evolving to the point where managers are going to be able to cost justify their program and identify their return on investment to the corporation." ■

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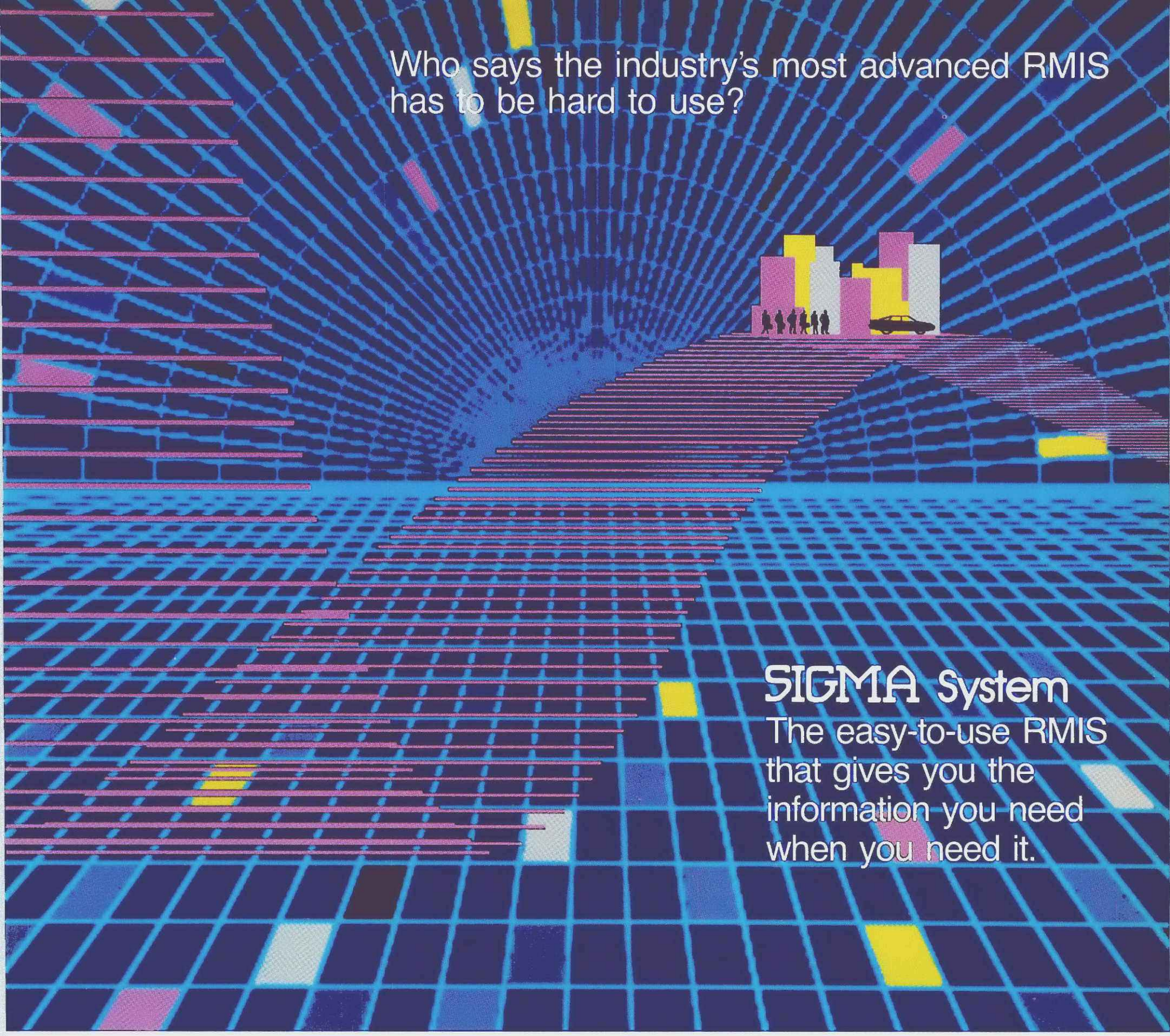

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BI

Opinions

Reject OSHA pre-emption

BRINGING STATE CRIMINAL charges against employers that willfully expose their workers to unsafe working conditions is fair and proper.

Three courts in the past 16 months have rightfully rejected employers' contentions that federal safety regulations pre-empt state criminal prosecution of businesses and their officers for allegedly subjecting employees to unsafe conditions.

Business groups, including the U.S. Chamber of Commerce, have argued that federal standards, as regulated by the Occupational Safety and Health Administration, should supercede states' right to bring criminal charges against employers in workplace death and injury cases because multistate employers need the uniformity that federal standards provide.

In addition, if states are allowed to bring criminal charges in these cases, local prosecutors will be quick to pursue dubious cases against employers to make a name for themselves, some groups contend.

While we believe businesses should be protected from onerous government regulations to the fullest extent possible, we don't buy these arguments.

Doing business in more than one state means having to comply with the laws of each state. For example, businesses already must comply with different workers compensation laws in each state in which they do business. And, while businesses generally would prefer that state workers comp laws be more uniform, the thought of a uniform federal workers compensation system sends chills up the spines of most business leaders. Shouldn't uniform criminal penalties do the same?

In addition, we do not think prosecutors will file many—if any—frivolous criminal charges against businesses in workplace injury and death cases. And, employers, like any other criminal defendant, can prove their innocence in court.

There are many good reasons why criminal charges should be brought against employers who willfully expose their workers to occupational hazards. First and foremost, recklessly disregarding the safety of an employee should be grounds for criminal punishment, including—when applicable—murder charges. An OSHA fine, no matter how large, is an insufficient penalty in cases in which an employer is truly guilty of criminal behavior that costs a worker his or her life.

In addition, while OSHA does have the power to bring criminal charges, its primary responsibility is to promote workplace safety, not to punish criminal behavior, as the Michigan Supreme Court pointed out earlier this month.

Of course, this issue need not be a concern for the vast majority of businesses, which take workplace safety seriously and devote time and money to make their workplaces safe. But, employers that willfully shirk their responsibility to their employees and expose workers to hazards should be punished accordingly, just like any other criminal.

Employers' voices heard

WE APPLAUD HOUSE Ways and Means Committee Chairman Daniel Rostenkowski and his staff for their willingness to take employer suggestions into account in coming up with a new Section 89 reform package.

As we reported last week, the committee approved a reform package, proposed by Rep. Rostenkowski, that is a significant improvement over a Section 89 reform measure the Illinois Democrat unveiled earlier this year.

Improvements in the latest reform package, attached to a budget reconciliation bill that the Ways and Means Committee is hammering out, include a delay in Section 89's effective date to Jan. 1, a new and more sensible affordability test to determine if health care plans are non-discriminatory and a special, easier-to-pass non-discrimination test for flexible benefit plans that allow employees to make pretax contributions (*BI*, July 17).

The package also would allow employers to exclude employees working fewer than 30 hours a week when running the non-discrimination tests. This is a significant improvement over the current Section 89 statute, which sets a totally unrealistic 17.5-hour-a-week standard for including part-time employees in the non-discrimination tests.

With these changes, the Rostenkowski Section 89 proposal is at least as attractive as reforms developed by Senate Finance Committee Chairman Lloyd M. Bentsen, D-Texas, and passed by the Senate last month as part of child care legislation.

These changes and improvements in Rep. Rostenkowski's Section 89 reform proposal are no accident. They are the result of intense employer pressure on the Ways and Means Committee chairman and his staff.

Rather than just complain about Rep. Rostenkowski's earlier proposal, employer groups offered specific suggestions for improvement.

For example, employers' suggestions helped committee staff develop the new non-discrimination test for flexible benefit plans, in which discrimination would be tested by comparing benefits actually received by employees.

At the same time, employers led the charge for the new affordability test, which would be based on the percentage of the health care premium paid by employees rather than on flat dollar amounts.

These Section 89 changes show that employers can most definitely influence the legislative process when they offer constructive proposals rather than only complaints.

While the latest Section 89 changes are welcome, we hope that Congress goes even further.

If, for example, a Section 89 reform package is not enacted until the end of the year, we would hope that compliance with Section 89 is delayed until at least Jan. 1, 1991. Employers will need that extra time to comply with a new Section 89 law that contains a very different set of rules.

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Spotlight report

Mainframe systems still are supported by RMIS vendors

By CHRISTINE WOOLSEY

Despite growing interest in personal computer-based risk management information systems, a need still exists for online mainframe systems, experts agree.

But, while leading RMIS vendors report that the number of clients using online mainframe systems still is growing, PC-based systems are closing the gap.

"In terms of the number of installations, the mainframe is still the most popular" system, said David A. Tweedy, senior consultant at Betterley Risk Consultants Inc. in Worcester, Mass.

But, he said, the microcomputer —or personal computer—is gaining on the mainframe and in the next two or three years will become the most popular type of RMIS in terms of users.

And, while many RMIS vendors continue to offer standardized mainframe products, vendors appear to have accepted the fact that each client's information processing needs are partially based on its unique corporate culture and business philosophies.

Anistics Inc., the New York-based subsidiary of Alexander & Alexander Services Inc., has taken this reality so seriously that the company discontinued its mainframe business and developed a new business strategy focused on customized "projects" for clients (see story, page 12).

Sophisticated, proactive risk managers are beginning to rely less on traditional mainframe-based RMIS, which typically produce batch reports and do not allow much data manipulation, market observers point out.

This has forced vendors to concentrate on designing speedier, customized modules with specific applications.

One vendor developing such modules is RMIS market leader Corporate Systems. The Amarillo, Texas-based company relied heavily on client feedback as the backbone for the CS Claims Administration system, said C. Scott Gilmour, vp of marketing.

The product, released in the past year, consists of eight modules—claims management, check writing, automatic diary narrative, accident reporting, legal tracking, vocational rehabilitation tracking, supervisor/adjuster reporting and word processing.

The system is available in both online and minicomputer versions, Mr. Gilmour said, at a cost ranging from $17,500 and up, depending on system size and complexity.

Among the modules designed to speed claims reporting and adjusting is CS Teleclaim.

This new module allows clients to enter data concerning a workplace injury, create a claim record and file a first report of injury by calling a toll-free number.

Data entry can be handled by the client or the service can be purchased from Corporate Systems, Mr. Gilmour said.

For an organization with multiple locations, claims data can be called in to a central data entry station. "This process eliminates the necessity for sending hard copy documentation from the field and expedites the process of claims reporting, investigation and follow-up," he added.

In addition, the system produces forms adaptable to meet injury reporting requirements in all 50 states and also can produce general liability, automobile liability and property and crime claims reports, Mr. Gilmour said.

Another Corporate Systems' product, CS Online, which is a combination of the eight Claims Administration System modules plus several risk and financial capabilities, is the RMIS most widely used by risk managers (see chart, this page). The system's cost ranges from $20,000 up to $250,000, and is currently installed

Continued on next page

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	1,500	1978	$20,000	mainframe
SISDAT Crawford & Co.	472	1975	$14 per new claim annually	mainframe
Sailor On-line The Travelers Cos.	400	1985	$6,000	mainframe
CRIS-CIGNA Risk Information Services ESIS Inc.	351	1983	$11,000	personal computer
OSCAR Hartford Specialty Co.	216	1980	$10,000	personal computer with modem
RISKMASTER Software Series (PC) Tillinghast Division of Towers,Perrin, Forster & Crosby Inc.	200	1982	$17,000	personal computer
PCMS/Incident Reporting & Claims Management System Canter & Co.	160	1985	$10,000	personal computer
SIGMA System (Service Bureau Services) Risk Sciences Group Inc.	135	1978	$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

John Hall

Continued from previous page
in about 1,500 risk management departments nationwide, a 25% increase over the 1,200 installed systems reported last July (*BI*, July 18, 1988).

Crawford & Co. in Atlanta, which sells SISDAT—a basic online system that provides loss, risk control and payment information, has added 22 new risk management clients, bringing its total number of risk management installations to 472. The cost of the system is included in clients' claims administration fee.

Carol Eskola, product manager of SISDAT Services, said no major changes are planned for SISDAT. However, she said, "I'm keeping my eye on statutory requirements which may affect the type of reports desired by our clients."

Crawford & Co. clients that need a more specialized RMIS have access to products marketed by subsidiary Risk Sciences Group Inc. in Atlanta. These products allow risk managers to add or edit data to create more customized reports.

Among the enhancements to Risk Science's online SIGMA System, currently installed in 135 risk management departments, are menu-driven screens that allow speedier report generation, said Dennis Aaron, vp of product design.

With the menus, users no longer have to input commands when creating a report. Rather, users are offered several criteria that appear simultaneously on the screen, enabling them to simply position the cursor over their choices, he said.

The SIGMA System, including computer services and data conversion, costs approximately $15,000 annually, Mr. Aaron said. Fixed annual fees vary by claim volume and number of data conversion sources, he added.

Another vendor offering enhanced data reporting capabilities is The Travelers Cos.-Risk Management Information Services.

The RMIS unit of Hartford, Conn.-based Travelers Corp. has added a "flexible reporting system" to its CARMA mainframe system, said Kenneth F. Martino, assistant director of risk management services.

"We've redesigned 'canned' reports," Mr. Martino said. "The format is the same, but the risk manager gets to select the type of report he wants—for example, historical or loss run."

Travelers' mainframe CARMA system is installed in 230 risk management departments at an average cost of $50,000 to $60,000 under a time-sharing arrangement.

Travelers' other time-sharing RMIS, Sailor On-Line, still remains one of the most popular among users.

Used at 400 risk management departments nationwide, Sailor On-Line costs about $1,500 to $6,000 for the first year, depending on claims volume and system complexity, Mr. Martino said.

Hartford Specialty Co.—which has been offering OSCAR, an online claims information system, since 1980—also stresses improved loss reporting services.

One of OSCAR's unique features is the daily input of claims data, said John A. MacDonald, senior vp at the Hartford, Conn.-based unit of the Hartford Insurance Group.

"Compared with the more typical 30- to 60-day waiting period required for other systems, with OSCAR risk managers may often see claims on their screens before they receive a written accident report," he explained.

OSCAR, which is accessed by risk managers through a personal computer with a modem, is available as an unbundled claims service or as a supplement to a client's insurance package, Mr. MacDonald added.

Currently installed in 216 risk management departments, unbundled OSCAR costs start at $10,000 annually, based on claims activity.

Mr. MacDonald said Hartford plans to add further enhancements to OSCAR in the next six to 12 months, including "loss triangling" capabilities that will allow users to project losses.

In addition to enhancements to OSCAR, Hartford also plans to make its RMIS unit a more customer-oriented operation, Mr. MacDonald said.

"We do $22 million a year just in client services that are claim, loss control and information management related," he said. This service area, "which is not related to Hartford's insurance services, is an area that will grow significantly in the next three to five years," he said.

ESIS Inc. is developing system enhancements to improve the quality of the data managed by the vendor's most popular RMIS: CRIS—CIGNA Risk Information Services.

According to Gerhard Klinke, director at the Philadelphia-based unit of CIGNA Corp., "the major enhancement to CRIS is our ability to perform proactive quality control checks."

Mr. Klinke said ESIS had modified the system to extract all claims for a given location that are not coded correctly. "The system was deliberately designed to extract errors," he explained. "The risk manager can now pull all those claims out and investigate them or fix them."

One of the biggest advantages of this feature is the ability to detect duplicate claims, he said.

For example, a workers compensation claim may be reported twice—once by the employee and another time by the attending physician. Or, the claims may be entered once in ESIS Inc.'s New York office and another time in its White Plains, N.Y., office, explained Mr. Klinke.

"The system will identify offenders by pulling out similar claims," he said.

While it is difficult to estimate how widespread the "double-dipping" problem is, experts say it is a costly problem for some organizations. According to Mr. Klinke, one ESIS client averaged $80,000 in double-dipping costs per quarter.

CRIS requires the risk manager to have a personal computer compatible with the vendor's mainframe. The system currently is installed in 351 risk management departments, a 40% increase from last year. Installation of the system costs approximately $11,000, Mr. Klinke said, with an additional cost of about $9 per claim in the first year of service.

The ongoing cost of the system varies depending on claim volume and system complexity, he added.

Tillinghast is adding new product lines to its popular RISKMASTER software series, reports Mark Dorn, vp and principal at the Livonia, Mich.-based division of Towers, Perrin, Forster & Crosby Inc.

Among RISKMASTER's new product features are the ability to download and upload data onto LOTUS 1-2-3 programs, Mr. Dorn said.

"This allows people to manipulate data into the LOTUS format for graphics and loss projections" as well as transfer the data to other computer programs, he said.

In addition, a new RISKMASTER module addresses the concerns of risk managers whose companies have undergone mergers or acquisitions. CRSS—Claims Recovery Support System—allows users "to conduct insurance archaeology into policy histories," Mr. Dorn said, explaining that the

Continued on next page

How to open an 'umbrella'

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RMIS vendors

Continued from previous page
module lets risk managers reconstruct layers of coverage the company had purchased over time.

"This is significant because most companies have gone through acquisitions and mergers, so it's very difficult to reconstruct their insurance coverage history," Mr. Dorn said, adding that the module also ties into the client's claims data base.

Tillinghast sells RISKMASTER software separately or including mainframe, midrange and personal computer hardware. To date, the PC version has been installed in 200 risk management departments. The system sells for a base price of $17,000 and has the capability to be designed in local area network, or LAN, configurations.

Expanded graphic capabilities are the focus of product improvements at Beverly Hills, Calif.-based Cantor & Co., said President Alan B. Cantor.

The latest release of the vendor's PCMS/Incident Reporting & Claims Management System can now produce graphs from virtually any part of the data base and has the capability to merge different sets of graphs together, he said.

In addition, users can now archive occurrences on any basis, he continued. Before archiving could only be done by occurrence date; now users can sort by corporate division, location, department, cause of loss, etc.

PCMS, available since 1985, currently is installed in 160 risk management departments and prices begin at $10,000. The system runs on a personal computer and, among other things, provides incident reporting, quality assurance and litigation monitoring functions.

Mr. Cantor said the company is shipping the new release this month. The enhancements are included in users' $1,800 annual support fee, which also includes unlimited toll-free telephone assistance, he said. ■

Anistics switches gears as mainframes lose favor

By CHRISTINE WOOLSEY

Anistics Inc. epitomizes the transition from off-the-shelf risk management information system products to customized, client-specific services.

The vendor, a subsidiary of Alexander & Alexander Services Inc., phased out its ARIS* mainframe-based RMIS product this year, a move Anistics executives said was prompted by finances and a lack of growth in the company's mainframe business (*BI*, Dec. 26, 1988).

The cost of maintaining and upgrading mainframe systems in a marketplace where technology is constantly changing was becoming prohibitive—both for Anistics and its clients, said Wayne E. Seel, the vendor's senior vp and director of information services.

"From a long-term perspective the fact that personal computers were really becoming state-of-the-art and mainframes were not, we felt this was the best direction to take," Mr. Seel explained.

The New York-based consultant now focuses its energies on personal computer-based custom applications rather than the sale of "off-the-shelf" software, said Karen Foley, senior vp and director of sales and marketing. "Our new strategy is project-oriented instead of product-oriented."

Anistics' mainframe RMIS had been among the most popular in the marketplace since its 1979 introduction.

"We didn't leave our clients in a lurch" when the vendor dropped its mainframe RMIS, Mr. Seel noted. Anistics scoured the marketplace to find replacement vendors for those clients that opted not to remain with it.

"We wanted (the vendors) to be companies that would be around for a long time and that were national in scope," Mr. Seel said.

Two well-known RMIS vendors met Anistics' criteria: Amarillo, Texas-based Corporate Systems; and Risk Sciences Group Inc. in Atlanta.

Individual recommendations to about 100 clients affected by the phase-out of the mainframe system were based on their RMIS needs and the ability of Corporate Systems and Risk Sciences to meet those needs.

However, only about 5% of Anistics' mainframe clients so far have switched to Corporate Systems or Risk Sciences, while another 15% have stayed with Anistics, choosing to move to a PC-based system. The remaining 80% of clients chose other RMIS vendors in the marketplace, supported their RMIS in-house or still are deciding which direction to take, Mr. Seel said.

"Some clients were thinking of going in-house and Anistics' decision to phase out the mainfame product gave them the final motivations to do it," he said.

While a few clients are upset with Anistics' decision to phase out its mainframe business, Anistics views clients' displeasure as a sign that the vendor was one of the best in the marketplace, Mr. Seel explained.

Ms. Foley said that while a great deal of Anistics' time and energy has been devoted to phasing out the mainframe business, Anistics unexpectedly is ahead of business projections for its personal computer projects.

"We're about 25% ahead of budget on our micro system," Ms. Foley reported. "But we want to finish our mainframe transition first."

The customized PC-based RMIS product now marketed by Anistics, ARIS* Customized Micro Applications, is a derivative of a PC-based system Anistics introduced in 1983.

Working with risk managers, data processing departments and other users, Anistics designs personalized risk management information systems to meet specific client needs, Ms. Foley said.

The customized RMIS has been installed for 25 clients since January. While the project fee varies, clients generally can purchase a basic system for $10,000.

The system "uses current technology that is readily available in the marketplace, and it's not so unique or proprietary that if a risk manager wanted to add to the system or get another consultant, he could. He's not handcuffed to the system," Ms. Foley explained.

The vendor also sells the ARIS* Healthcare System, a modular system designed for health care industry risk managers or quality assurance coordinators.

Two basic modules make up the system: an incident reporting module, which costs about $4,000; and a litigation tracking module, which costs $7,000.

So far, 21 clients have installed the system. ■

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Hospital RMIS

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has very powerful financial capabilities," Ms. Nixon said.

Other experts agree that hospital risk managers need a RMIS.

From now on, "I don't think hospitals will have a choice but to automate. It's going to be impossible to collect and track all of the information we need to on a manual basis," said Aileen Evans, director of risk management at Metroplex Hospital, a 78-bed acute-care hospital in Kileen, Texas. Metroplex is part of the Adventist Health System, a non-profit multihospital system based in Arlington, Texas.

Metroplex in 1987 began using the "Kivan Monitoring System," a software system sold by Kivan & Associates in Kileen, Texas. The system was designed especially for hospitals in the Adventist Health System and costs about $12,000, said Ms. Evans, who also owns Kivan & Associates.

The system enables Metroplex to collect and maintain data on all occurrences in the hospital and to perform loss forecasting and claims analysis, she said. The system also generates reports that can be sent to hospital departments for use in reviewing occurrences and preventing future occurrences. The hospital is largely self-insured for its property and casualty exposures, she said.

Also integrated into the Kivan Monitoring System is the hospital's quality assurance and physician credentialing functions, she said. Physician credentialing involves review and certification of staff privileges for physicians.

"I think we were fortunate because we realized early on that we needed a system that integrated risk management and quality assurance," Ms. Evans said.

An automated RMIS is particularly important to hospital risk managers today since "the average hospital has 4.5 incidents reported per bed per year," noted Mark Dorn, a vp and principal with Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc. in Livonia, Mich.

And, "the amount of data that has to be assimilated and analyzed by hospital risk managers today makes it very difficult to do without computerization," noted Raymond Hastings, director of health care systems for New York-based Anistics Inc., the risk management consulting division of Alexander & Alexander Services Inc. in New York.

Anistics offers the ARIS Healthcare System, a personal computer-based software program that enables hospital risk managers to collect, analyze and report information on accidents and other occurrences in the hospital. The system costs about $4,000, Mr. Hastings said.

One former hospital risk manager notes from experience that "you really need to have a risk management information system in the hospital, especially when you want to integrate risk management information with general patient quality of care information," said William E. Rogers, manager of risk management services for The Gleason Agency in Johnstown, Pa.

Mr. Rogers formerly was the director of community health services and risk management at Conemaugh Valley Memorial Hospital, in Johnstown, Pa., where he designed a custom RMIS for the hospital. He also was named to the 1986 *Business Insurance* Risk Management Honor Roll, representing tax-exempt organizations.

The hospital has since upgraded its RMIS capabilities by purchasing the RISKMASTER system sold by Tillinghast, according to Robert Nickells, who succeeded Mr. Rogers as risk manager at Conemaugh Valley.

RISKMASTER is a software program that can be used on personal computers, minicomputers or mainframe computer systems, said Mr. Dorn of Tillinghast. The cost ranges from $10,000 to $17,000 for the PC version; from $20,000 to $30,000 for the minicomputer version; and from $30,000 to $50,000 for the mainframe system version.

The system includes a general liability claims management module, a workers compensation module, a health care incident reporting and tracking module and a physician credentialing module.

RISKMASTER was "initially developed and first installed in the hospital industry because the hospital industry has unique demands for a lot of detailed reporting and risk analysis," Mr. Dorn of Tillinghast noted.

But, one expert cautions that "automation is not the only solution to a risk manager's information needs. It's part of the solution and is meaningless unless you have a well-designed manual data collection system and cooperation from medical staff" on incident reporting, said Alan B. Cantor, president of Cantor & Co.

However, aside from making information management less time-consuming and more efficient, the need for an automated RMIS also is growing as hospitals are required, also as a condition of JCAHO accreditation, to demonstrate that they are evaluating and controlling the quality of care they deliver to patients, some experts say.

"We feel that in the modern hospital, if you're truly serious about managing the quality of health care, then you've got to have a means of managing information" about risks to patients and staff members, said Dr. William Jessee, vp of education at the JCAHO.

"Information should be in one place" so that it can be used to identify and correct risks, he said. The JCAHO, which implemented its clinical risk management standards on Jan. 1, now is developing standards for hospital information systems, which it expects to implement in a year or so, he said. In addition, JCAHO offers a handbook on selecting a hospital RMIS.

Once these information system standards are implemented, "an institution that does not have in place an information system will be judged as not having met the standard of care" required for accreditation, Dr. Jessee explained.

The JCAHO clinical risk management standards implemented this year make a number of information demands on hospitals. For example, hospital risk managers must provide the JCAHO with information about liability-related incidents involving the hospital or its staff members.

And, the standards require that application forms for doctors seeking staff privileges at the hospital ask questions about voluntary or involuntary medical staff limitations at other facilities. Applications also must include information about professional liability claims.

The standards also call for a flow of information on patient care and safety from the hospital's risk management and quality assurance departments. The information-sharing standards "are restricted to information about patient injuries and are intended to see that this information is used to reduce the clinical risk to patients and improve the overall quality of care," Dr. Jessee explained.

"Our concern was that in a small minority of hospitals, this information was not getting fed back to quality assurance personnel. We are trying to encourage this sharing of information," he said.

Hospitals are assigned a score by JCAHO surveyors to determine whether or not, and to what extent, they are documenting and taking corrective action to reduce risks to patients. The surveyors look for key clinical indicators of risks such as unplanned admissions of patients to intensive care units.

"The intent is to ensure that what-

Continued on next page

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Hospital RMIS

Continued from previous page
ever the hospital labels this risk management or quality assurance, that the facility has a uniform way of identifying these indicators," Dr. Jessee said.

While risk management and quality assurance functions had been integrated to some extent in many hospitals prior to the implementation of the JCAHO standards, some hospital risk management experts note that the standards are effecting increased integration of the two functions.

In fact, the JCAHO's risk management standards were a major reason for the integration of risk management and clinical quality assurance duties at American River Hospital in Carmichael, Calif., said Rena Nunn, supervisor of risk management, quality assurance and infection control.

"We are now looking at the clinical standards as well as the loss control aspects of risk management," said Ms. Nunn, who previously worked primarily in the clinical quality assurance area of the hospital. Recently, the hospital's vp and director of risk management assigned her to combine her quality assurance expertise with new duties in the risk management area. The hospital has 220 beds and is part of the Alta Bates System of Berkeley, Calif.

"It's been so sensible that risk management and quality assurance be tied together," noted Ms. Brown of Corroon & Black

And, Dr. Jessee of the JCAHO notes that "the line between risk management and quality assurance is gray at best. Our objective was to try to eliminate that line as best as possible. We believe that both the loss prevention aspect of risk management and the clinical risk management aspect of the quality assurance function work toward the same goal: caring for patients and avoiding patient injury."

There is an increasing trend "for risk management and quality assurance to become responsibilities that are administered by one person. So, you'll see more systems available to" serve the needs of these hospital executives, said Tillinghast's Mr. Dorn.

For example, Tillinghast also offers the "QUEST" software series, which includes functions for monitoring and analyzing the quality of care delivered in a hospital. The system includes modules that help identify clinical indicators of risk, like unplanned admissions to the intensive care unit. QUEST also includes modules for performing medical staff monitoring, infection control monitoring and reporting and maintaining a physician staff data base.

QUEST can be integrated with RISKMASTER so that a risk manager can perform both risk management and quality assurance reporting and tracking, he said.

American River Hospital uses the "Patient Care Monitoring System," which, like the Hospital RIMS system, is sold by Cantor & Co. "PCMS is a very versatile system that we have been able to use just about any way we need to," said Ms. Nunn.

PCMS is a PC-based system that includes functions such as safety and loss control; quality assurance; utilization review; infection control information; risk management analysis; and incident reporting, said Mr. Cantor. The cost of the system, which was first installed in a hospital in 1985, is about $9,700.

American River Hospital uses the system for such duties as monitoring infection control, conducting physician re-credentialing and reviewing medical charts, Ms. Nunn said. The hospital also has used the PCMS to conduct special studies, like examining the reasons patients transfer to other hospitals, she said.

The hospital, which currently is in negotiations to be sold, is shopping for a complete hospital information system that will combine risk management, patient records and other management information, she said. PCMS will be easy to integrate with any system selected, she predicted.

PCMS also is used by a number of NME's hospitals, said Ms. Nixon. "PCMS truly is a combined information product. It captures both risk information and quality assurance information. It enables you to look at both the financial aspect of an occurrence—which is the risk management function—and the humanitarian aspect, like what happened to the patient, which is the quality assurance function," she said.

RMIS will become increasingly valuable to hospital risk managers as "they are geared to the need to have all incidents in the hospital reported. They have a continuing interest to keep people aware of the need to report incidents" so that risks to patients and staff are minimized, noted Robert Young, president of the claims management services division of Fred S. James & Co. Inc. in Chicago. ■

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Hospital develops own RMIS

By DONNA DiBLASE

BOISE, Idaho—When a computer-savvy hospital risk manager couldn't find a risk management information system to his liking, he decided to create one himself.

"I've been involved in doing computer programming myself since 1977. And, my impression of the off-the-shelf risk management programs was that they were limited in their capabilities because they are canned programs," said James R. Jensen, risk manager at St. Alphonsus Regional Medical Center in Boise, Idaho.

"I was very dissatisfied" with the capabilities and the cost of the systems, he added.

So, with the help of a local computer programming consultant—who worked for $15 per hour—and the input of key department managers in the hospital, Mr. Jensen designed a custom RMIS for just under $1,500.

The RMIS, which took a year to develop and has been in use at the hospital since February 1988, "has helped us to control patient complaints and to prevent minor things from turning into major exposures," he explained.

"The success of any system is based on the diligence of the user, not the design of the system. You can accomplish more with a less expensive system if you use it than you can with an expensive system that you don't use," Mr. Jensen contends.

St. Alphonsus' RMIS is a microcomputer-based system that was "designed from scratch," he said. The system includes a 40-megabyte hard disk and features software packages for spreadsheet analysis, word processing and data base management.

But before any software was created, Mr. Jensen had to simplify data collection procedures at St. Alphonsus. The first step involved streamlining the hospital's method of reporting incidents of patient or worker injury, he said.

To collect and maintain information about accidents or patient injuries, most hospitals require department supervisors to complete incident report forms that are then filed with the risk management department. There often can be a variety of different forms for reporting different types of incidents.

To simplify data collection, Mr. Jensen worked with 10 hospital department managers to design one incident report form that can be used to report all incidents. Different incidents are assigned a three-digit code that is then entered into the RMIS by the risk management department.

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Damage from computer virus insurable

By MICHAEL SCHACHNER

While there's still no all-encompassing cure for computer viruses, insurance is available to reimburse companies for the damage the electronic bugs can cause to a risk management information system.

Most electronic data processing insurance policies, which usually are written on inland marine insurance forms, cover damage due to computer viruses under the policies' malicious mischief clauses. However, many of these policies carry exclusions. For example, viruses implanted by management personnel or the accidental introduction of a virus to an RMIS through contaminated software may be excluded.

But at least one property/casualty insurer has introduced a computer virus endorsement that fills in any virus coverage gaps in its underlying EDP policy.

Still, experts advise that even risk managers who are certain that they have adequate computer virus coverage take precautions to ward off any chance of electronic infection.

While the majority of EDP policies make no specific reference to computer viruses, most indemnify policyholders for damage due to vandalism and malicious mischief caused by both in-house and outside parties.

To inland marine underwriters, the act of infecting a computer system with a virus is vandalism, just like throwing a brick through a window.

Viruses are computer programs—transmitted via several sources, including telephone linkups, electronic bulletin boards and "infected" disks—that cause problems as harmless as flashing messages or as serious as the destruction of irreplaceable data (*BI*, July 18, 1988).

Once they invade a computer system, viruses can hide until activated by a particular command. These electronic time bombs can spread throughout a system and even jump from one computer to another via infected software.

"It is important to note that insurance policies, even those tailored for the software industry, do not directly address viruses. . .with a few exceptions," said John C. Lamberson, a software specialist with Corroon & Black Corp. in San Jose, Calif.

"As a rule, there is no mention of viruses or their inclusion or exclusion with respect to insurability," said Mr. Lamberson during a speech at the Spring Symposium of the Software Publishing Assn. held this past May in San Diego.

However, a couple of inland marine underwriters point out that their existing EDP and minicomputer policies do cover damage caused by viruses.

"Our only exclusion is for illegal acts—viruses, too, if intentionally implanted—by partners, executives and other upper-level management people," said Mike Berg, field director in the inland marine department at Novato, Calif.-based Fireman's Fund Insurance Cos.

Damage from viruses implanted by non-management personnel is covered under Fireman's Fund's EDP policy, Mr. Berg said.

He explained that Fireman's Fund's EDP policy makes no mention of employee infidelity and, therefore, would in all likelihood insure against viral damage initiated by a disgruntled employee.

Fireman's Fund's EDP policy can be purchased on either a stand-alone basis or as part of a package policy, Mr. Berg explained. It covers losses to data processing equipment and data media, as well as business interruption and extra expenses.

"Currently, our policy is limitless except for damage caused by earthquake in California," said Mr. Berg, who added that Fireman's Fund is in the process of rewriting its EDP forms to provide broader coverage.

Atlantic Mutual Insurance Co. also markets an EDP policy that covers damage due to computer viruses, according to Alan K. Crater, assistant

Continued on next page

Self-made RMIS

Continued from page 14

tion from the system in many different forms. For example, in the workers comp area, the system can "sort out injuries by department, by body part affected, by type of injury or by hospital division," among other things, he said.

In the patient care area, the system can be used to determine the causes of incidents like medication errors, he said. For example, the hospital can look at the information to see if a medication error occurred because of improper dispensing by the pharmacy department or if the error was the fault of the nursing staff.

"We are able to take very specific action to correct these problems and prevent them from reoccurring," he noted.

The RMIS also can track patient or worker incidents that result from medical equipment failures, he said.

Monthly reports on worker and patient incidents are generated by the system and are sent to various departments in the hospital. The information then can be analyzed to determine what actions are necessary to minimize the risk of future occurrences, he said.

In the worker injury area, "we can see which employees are having multiple injuries, such as back injuries or needle sticks. In the work comp area, the system is a real asset because I can give these reports to the occupational health nurse," who can then determine if educational or prevention programs are necessary, he said.

In addition to helping analyze and prevent worker and patient injuries, the system is used by Mr. Jensen to track the status of litigation involving the hospital.

"I created a separate litigation data base. With the data base, the computer can sort out the information I want to retrieve by the patient's name, the date of the incident, the injury, etc.," he said.

The system generates monthly reports on open cases, which can then be sent to the hospital's insurer and attorneys, he said.

The hospital—which is part of the Holy Cross Shared Services Inc. hospital system based in Notre Dame, Ind.—is largely self-insured for its property and casualty exposures. It obtains excess general liability, professional liability and workers compensation coverage through Havican Insurance Co., Holy Cross' captive insurer domiciled in Colorado. It buys excess property insurance from the commercial insurance market.

"We've made more changes in the last 17 months than we have in six years" in risk management programs as a result of the RMIS, he said. However, "it's too early to tell the effects on our loss experience."

Plus, "since we are part of the Holy Cross health system, our experience is diluted into the pool of the other hospitals' experience," he explained. ■

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Continued from previous page
vp-marine with the New York-based insurer.

"Our policy is all-risk coverage including vandalism and malicious mischief. It covers certain proximate cause of loss. The virus itself didn't do the damage, so it's covered," he explained.

Atlantic Mutual's EDP policy provides full replacement cost for hardware and data up to $25 million. The insurance program, which was introduced in April 1988, requires a $1,000 to $2,500 standard perils deductible and a $2,500 to $5,000 mechanical breakdown deductible.

Mr. Crater estimated that the premium for a policy covering a computer system valued at approximately $2 million would be about $5,000.

Atlantic Mutual also offers a minicomputer policy providing up to $500,000 in coverage. Premiums for policies covering these systems range from about $300 to $400, and policyholders are required to pay a $500 standard deductible and a $1,000 mechanical breakdown deductible, Mr. Crater said.

Atlantic Mutual also stresses loss control and will conduct on-site examinations of complex EDP systems to develop formal loss prevention programs. An EDP loss prevention guide for risk managers is forthcoming from the insurer, Mr. Crater said.

Atlantic Mutual's EDP policy also includes, among other things: business interruption and extra expense coverages; up to $25,000 for recharging any type of EDP room's fire extinguishing system that discharges for any reason; employee dishonesty coverage; magnetic injury coverage; and power surge coverage.

St. Paul Fire & Marine Insurance Co.'s manufacturers output property policy covers viruses infecting EDP equipment as acts of vandalism.

The policy underwritten by the St. Paul, Minn.-based insurer cov2ers direct physical loss for damage to computer equipment, media, data and programs and pays for reproduction of data lost or accidentally erased. Limits are negotiable based on the level of precautionary measures a company employs to protect its EDP equipment.

Risk managers whose RMIS are covered by Northbrook Insurance Co. and are concerned about virus damage can now take advantage of a policy rider that provides up to $100,000 in additional computer virus coverage from the Northbrook, Ill.-based subsidiary of Allstate Insurance Co.

The endorsement attaches automatically at no extra charge to package policies for smaller businesses with computer operations and to more elaborate inland marine and small business computer coverages and to data processing forms policies.

The endorsement provides up to $25,000 in coverage when attached to a businessowners package policy and up to $100,000 for inland marine and business computer policies, said Milt Nachbar, assistant vp-commercial underwriting at Northbrook. It covers direct damage to valuable papers and media as well as indirect damage such as business interruption and extra expenses.

So far, no actual computer virus-related claims have been reported to any domestic property/casualty underwriter, observers point out.

According to the most recent Insurance Services Office Inc. figures from 1982-1986, 34% of EDP insurance claims were related to fire and lightning, while 11% were related to flood, 15% were theft or burglary claims and 27% occurred because of "other" reasons, not including viruses.

The ISO figures cover claims for damage to mainframe EDP systems valued at $250,000 or more.

While no computer virus claims have been reported by insurers, some large-scale viruses over the past two years have drawn the attention of the public eye and piqued the interest of risk managers and others. Among the best-known viruses:

- A man from India in 1986 introduced a virus that contaminated more than 100 of the Rhode Island-based Providence Journal-Bulletin's personal computer hard disk drives before anyone became aware of what was happening.
- Thousands of computers at Hebrew University in Jerusalem were hit with a virus set to destroy all data on hard disks on a Friday the 13th. The virus was discovered in advance by accident and was eliminated. Viruses such as this, which lie dormant until triggered by an event, are known as logic bombs.
- In 1987 a Christmas greeting sent via electronic mail was unintentionally attached to a virus, creating an electronic chain letter that shut down the computer system along International Business Machine Corp.'s mainframe network.

A message automatically appeared on screens and then sent itself to all names on users' distribution lists, simultaneously deleting itself from the directory.

- Some 80 National Aeronautics and Space Administration computers were infected with a virus earlier this year. Although no permanent damage was done, disinfection time was costly and many infected disks had to be disposed of.
- Earlier this year a Cornell University graduate student introduced a virus that multiplied far beyond his intentions, stifling network computer systems nationwide before it was diagnosed and eradicated.

While there is no electronic means to fully immunize software from unauthorized invasion, the Inland Marine Underwriting Assn. in New York recently issued several loss prevention and control programs that it believes, if followed diligently, can help insulate a computer system.

Among the prevention methods advocated by the IMUA and inland marine underwriters are:

- Suitable physical security should be provided for all computers.

It may be necessary to lock equipment when it is not in use or limit access to areas where equipment is located, the IMUA advises.

- Unlicensed, borrowed or public domain software should not be introduced to a system either directly or by downloading from an outside source.

One of the most common ways in which viruses are transmitted is known as the "Trojan Horse," which occurs when contaminated programs are downloaded off public bulletin boards.

"Many viruses are planted invisibly on bulletin boards and these bulletin boards are downloaded with a 'Trojan Horse,' " explained John O'Leary, managing director of the educational resource center of the Computer Security Institute in Plano, Texas.

"This is what the industry worries most about," he said, explaining that computer bulletin boards are ubiquitous and are filled with information on everything from products to instructions on computer hacking.

- Individual network access codes be changed frequently—preferably monthly—and those employees that need only information from the system have "read only" access.
- Off-premises systems permitting access from outside sources or from inside sources should be programmed to deny access to a caller who has three consecutive identification codes invalidated.
- Original program disks should be preserved in a safe place and programs should be duplicated.

Mr. Berg of Fireman's Fund recommended that three copies of important data be made. "Sales figures and account information should always be duplicated. Then data media insurance really isn't necessary."

"Duplicate programs really save on downtime because if some brain surgeon wants to get into your system, he will," Mr. Crater said. ■

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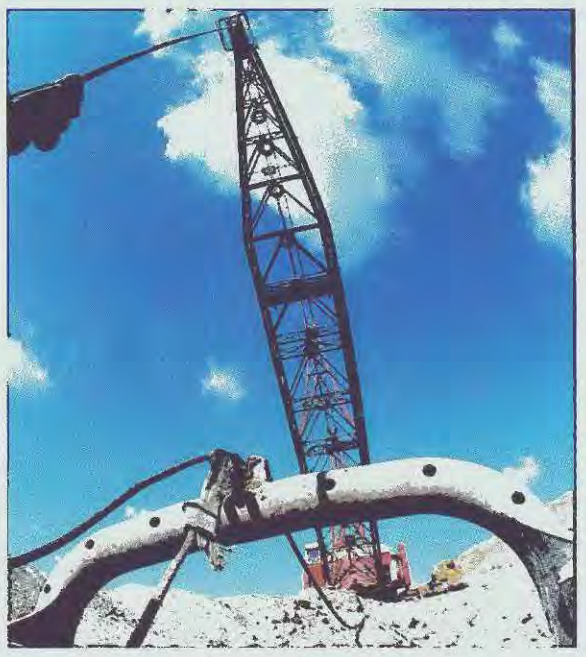

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Expert systems give policyholder extra set of eyes

By JUDY GREENWALD

HARTFORD, Conn.—The use of expert systems in loss control can lead to savings of hundreds of thousands—if not millions—of dollars for a company, say officials of an insurer that offers its policyholders two such systems.

Because of the large potential savings to both insurer and client, The Hartford Steam Boiler Inspection & Insurance Co. offers its systems free to its policyholders.

"It's in our best interests to do this," says Donald A. Smith, director of research and development in the engineering claim department at Hartford Steam Boiler. "There's a tremendous value for us as well."

The systems, which are available exclusively to Hartford Steam Boiler policyholders, are:

- TURBOMAC, a diagnostic system to detect problems in turbines and other rotating equipment.
- TOGA, or Transformer Oil Gas Analyst, which screens large power transformers for signs of trouble.

Hartford Steam Boiler also has an expert system still in the prototype stage, Datalert, that works with TURBOMAC to catch problems with turbine equipment as they begin to develop.

Expert systems are a branch of computer technology known as artificial intelligence. In addition to being used in loss control, expert systems also are now being used by insurers in underwriting (*BI*, Oct. 31).

The systems, which are significantly more sophisticated than computer programs, are designed to ask all of the questions an expert would normally ask himself, then mimic the expert's decision-making processes to emerge with an answer to a problem.

For example, while a typical computer program may produce a spreadsheet analysis based on the information that is fed into the system, an expert system is capable of drawing conclusions about this data based on the rules, or guidelines, that are encoded within the expert system, Mr. Smith explained.

TOGA reflects the expertise of a Hartford Steam Boiler employee with 30 years' experience.

Usually these rules reflect the thought processes of the experts whose help is used to design the system, he said.

For instance, TOGA, which focuses on transformers, reflects the expertise of Dick Lowe, a Hartford Steam Boiler employee with more than 30 years' experience in the area of electrical insulation and transformer problem diagnosis.

Transformers, which are commonly used by electric utilities, convert the hundreds of thousands of volts of electricity transmitted by power plants into the level of current used by homes and businesses.

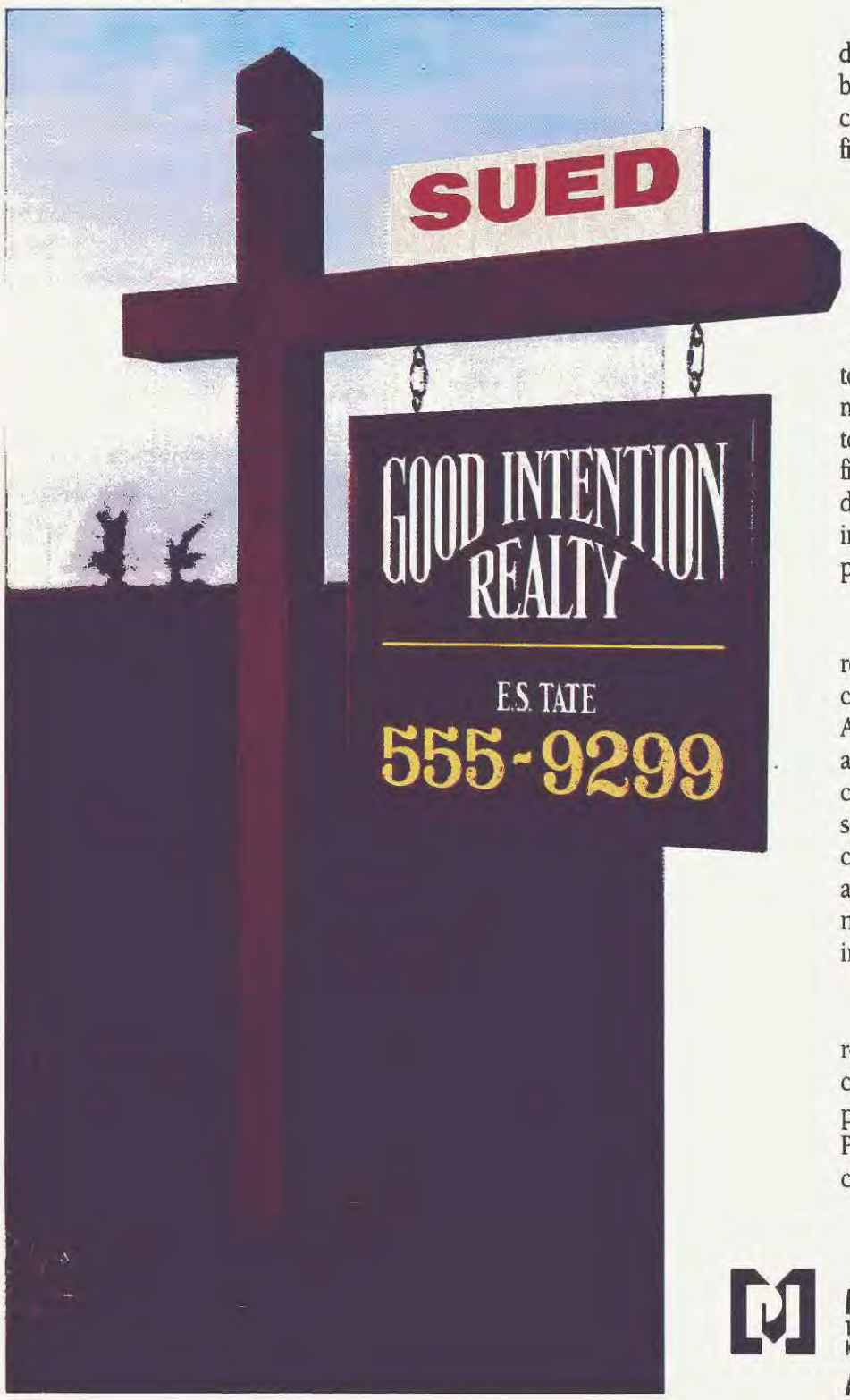
TOGA essentially works as a two-step process, Mr. Smith said. The first step involves analyzing the transformer's oil. Transformers are cooled and insulated by a mineral oil whose analysis can be used to determine their condition, he explained.

After an oil sample is drawn by either the policyholder or a Hartford Steam Boiler inspector using a specially designed syringe, the sample is sent to a lab for an analysis of the concentration of dissolved gases within it, which is known as a chromatograph. This data is then input into the expert system, which analyzes the significance of the results.

"We were able to create rules that mimic the way Dick goes about analyzing the concentration of these various gases," said Mr. Smith,

Continued on page 20

Sign of the times.



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Expert systems

Continued from page 18

referring to Mr. Lowe.

The expert system was developed to the point where it agreed with Mr. Lowe 100% of the time as to whether or not there was a problem, and 90%-95% of the time on what caused the particular problem.

The advantage of the system is that it frees Mr. Lowe to work only on those situations in which there are complex problems that need his attention, said Mr. Smith.

"Expert systems do not replace experts," said Mr. Lowe, adding that an expert system bears the same relationship to an expert as a calculator does to an accountant. "It's simply a tool that allows an expert to do his job more efficiently."

Before the introduction of TOGA, Mr. Lowe was forced to look at every oil analysis, although everything was fine in seven out of 10 cases, Mr. Smith pointed out.

Now, Mr. Lowe is free to focus on those three cases in which there is a problem. "It allows Dick to concentrate on those more unique and unusual problems," Mr. Smith said.

While TOGA and TURBOMAC are based on the same principles, there are some significant differences in the way the two systems operate.

TOGA, for instance, uses about 250 to 300 rules to reach its diagnosis, while TURBOMAC incorporates about 9,000 rules. This is largely because turbines—unlike transformers—have many moving parts, which significantly complicates the system's analysis.

Factors including the machine's vibrations, its operating conditions and even its history are taken into account, Mr. Smith said.

Turbines' greater complexity also affects TURBOMAC's diagnosis. While the TOGA expert system will give one specific diagnosis of the problem, the TURBOMAC "does not give quite as definitive an answer. It will rank all the possibilities in order of probability," Mr. Smith said.

For both systems, Hartford Steam Boiler experts are on hand to provide assistance, if needed, he added.

TOGA is just now being introduced to Hartford Steam Boiler policyholders. TURBOMAC, which has been distributed over the past year to a year and a half, is being used by about 65 policyholders in 100 locations.

Hartford Steam Boiler is also developing additional expert systems for policyholders' use in areas including fire protection engineering.

And, for its own internal use, the insurer is also researching the development of an expert system for risk evaluation and selection, Mr. Smith said.

Also available on a limited basis is an expert system called Interview, which is intended to help policyholders determine if a particular application would be appropriate for expert system development.

Both TOGA and TURBOMAC, which are constantly in the process of being modified and improved, reside in Hartford Steam Boiler's central computer, Mr. Smith said.

Policyholders can plug into Hartford Steam Boiler's computer on a 24-hour, seven-day-a-week basis with their own IBM personal computers.

To do so, they use a software disk that contains the communications software necessary to make the computer easily accessible, said Mr. Smith, who noted that employees of policyholders that use the systems are generally specialists such as mechanics and vibration analysts, not computer experts.

"They're not really into using computers," he said.

Each policyholder selects its own security pass code, of which not even Hartford Steam Boiler employees are aware.

Should a policyholder decide he wants to consult with a Hartford Steam Boiler expert concerning the computer's data, it can reveal the password so the expert can take a look at it, then subsequently introduce a new password to regain confidentiality, according to Mr. Smith.

Hartford Steam Boiler's systems can offer substantial savings by preventing problems that could lead to equipment shutdown, say official of the insurer.

It can cost $1 to $1.25 per kilowatt, or $500,000, each time a 400-megawatt turbine is taken out of service and its cover opened to investigate a problem, noted William H. Klemm, a Hartford Steam Boiler second vp.

Through application of TURBOMAC, "you could avoid that cost once or twice a year," at a possible savings of $1 million, he said.

Mr. Smith explained that the cost of replacing the power furnished by the turbine can amount to $100,000 a day, and it can take several days to shut it down, let it cool off, clear up the problem and then get it started up again. In the meantime, the utility must either purchase power from another utility, or use another less efficient plant within its system, he said.

'Expert systems do not replace experts,' says Dick Lowe, adding that an expert system bears the same relationship to an expert as a calculator does to an accountant. 'It's simply a tool that allows an expert to do his job more efficiently.'

Expert systems also are valuable because they can be used to support employee decisions, said an official of a utility insured by Hartford Steam Boiler that is now actively using TOGA.

"It gives them a real good backup," he said.

If you have a plant that is dependent for that power, "You don't want to do that without some backup. You want to be sure a problem is cooking here," the official said.

At the same time, the utility wants to avoid keeping in service a machine that could blow up. "It helps our people in the field to make that decision," he said.

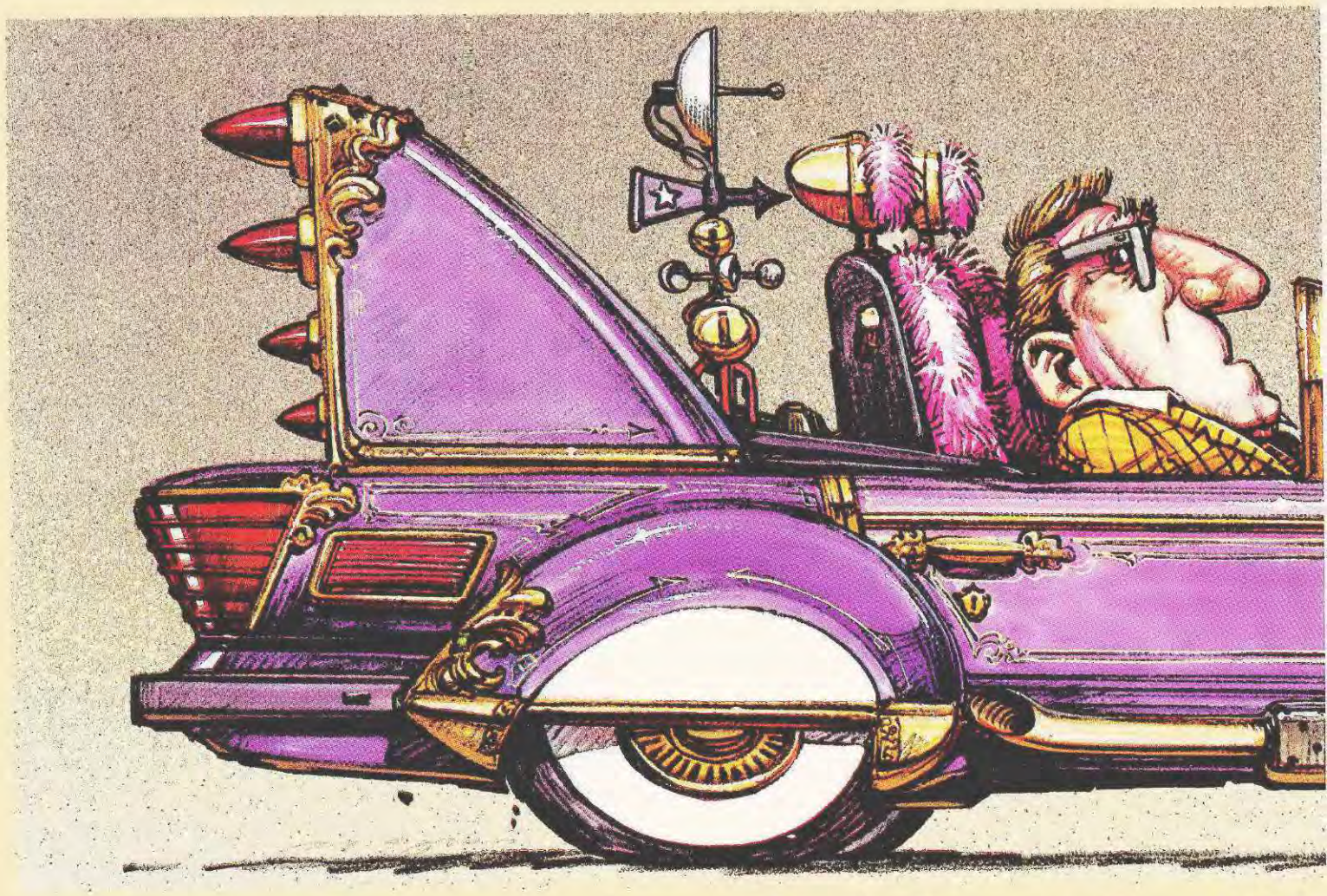
The system also is valuable in training the utility's engineers, because it can walk them through the logic it follows in reaching its decisions, according to the utility official.

"It provides a thought process to teach the engineers what to be looking for," he said.

Another official of a utility insured by Hartford Steam Boiler said the utility had used TURBOMAC six months ago to confirm the diagnosis of the original equipment manufacturer. The highest-ranking diagnosis on the TURBOMAC agreed with the manufacturers' diagnosis, which turned out to be correct, he noted.

"It's nice to have access to a system that can give you a second opinion," he said. While in most cases, utility personnel can diagnose the problem themselves, "it's always nice to bounce that idea off something independent," the official said.

"It's a luxury to have that available," he said. ■



Designing customized workers' comp claim management isn't as simple as some people think.

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Few vendors offer combined RMIS/EBIS

By MICHAEL BRADFORD

Risk managers have a short list to choose from when looking for a computer system that combines risk management and benefits information programs.

While some vendors of risk management information systems perceive a need for computerized merging of benefits and risk management data, few companies have actually taken on the task of designing such software.

Vendors cite the corporate tradition of separating the risk management and employee benefits functions as one roadblock to the development of combined systems.

And, the time-consuming task of meeting the RMIS needs of the property/casualty insurance market has kept vendors from turning their attention to the technological demands of developing combined systems.

"We're finding that so many programs have to be written on the property/casualty side," that there is little time and manpower left to address employee benefit system needs or combining the two types of data, said C. Scott Gilmour, vp of marketing at Corporate Systems in Amarillo, Texas. "We've doubled our programmers, and we continue to add programmers.

"Doing a total job on that would be more than we are willing to undertake," Mr. Gilmour said, although Corporate Systems is designing a system that will allow risk managers to incorporate disability claims information into their RMIS. "But that is a small part of the employee benefit side."

Some predict, though, that there probably will come a time when the focus of RMIS vendors will change.

"My feeling is that there is going to be an integration of the systems," said David A. Tweedy, a senior consultant with Betterley Risk Consultants Inc. of Worcester, Mass. "We are going to have to start merging the technology, but it may be five years down the road."

One impetus for the merging of risk management and benefits data is that senior management is beginning to demand that information from both areas be presented in one easy-to-read format instead of in fragmented reports, Mr. Tweedy added.

For now, California Interactive Computing Inc. of Northridge, Calif., offers probably the most extensive system combining risk management and employee benefit information. The company's GenView system works in conjunction with several other program modules the vendor offers.

GenView allows the sharing of information between the vendor's workers comp, property/casualty, group medical claims and general risk management information modules, which all operate from a common data base, explained John Bonk, CIC's director of research and development.

The GenView system can be used with all the modules or can be set up to provide integration between as few as two.

CIC began tying the modules together about five years ago as the vendor began to realize that some risk managers needed access to employee benefits information, according to Mr. Bonk. The GenView system was completed in 1988.

"Through the years, we've been able to continue to develop our packages utilizing the data bases that we work with," he said.

Since the completion of GenView, CIC has installed the system among a handful of large employers and is negotiating additional contracts.

GenView costs $250,000 with all four modules, but can be purchased for less than $150,000 when integrating fewer modules.

The product operates on microcomputer, minicomputer or mainframe hardware. CIC also offers the system on a time-sharing basis.

"Since we use the same data base structure (for each module), we're able to share information back and forth" between the modules, Mr. Bonk explained.

For example, a Social Security number can be used to tie information throughout the system. When information is entered into the system using an employee's Social Security number, information pertaining to that worker automatically is entered into each module.

So, for example, a company's payroll department could use an employee's Social Security number

'My feeling is that there is going to be an integration of the systems,' says Mr. Tweedy.

to enter lost-time information and that data would "pass through the group medical package and go into the workers comp" module.

And, when a claim is entered into the system, GenView will automatically tell the user whether the claim is a duplicate of another claim already filed by the claimant under another category. This feature eliminates the possibility of "double-dipping"—for example, filing group medical and workers compensation claims for a single injury.

GenView gives the user the ability to review several employees' claims or reports simultaneously.

The user also is able to make changes to claims or reports on a single-claim basis or for any number of claims in the system.

The GenView system, said Mr. Bonk, allows a user to overcome several problems he or she would encounter in an attempt to combine risk management and benefits information without the system:

- A single set of commands for both systems.

"Typically, you are going to have two different automated systems to extract information," Mr. Bonk observed, which means a user would have to learn a different set of commands for each system; one set for the RMIS and another for the employee benefit information system.

- A single set of codes for both systems.

Another problem, he said, would be differences in coding used by the two departments for information such as injuries, payments and other data. "So there has to be some system for them to reconcile the various different types of codes

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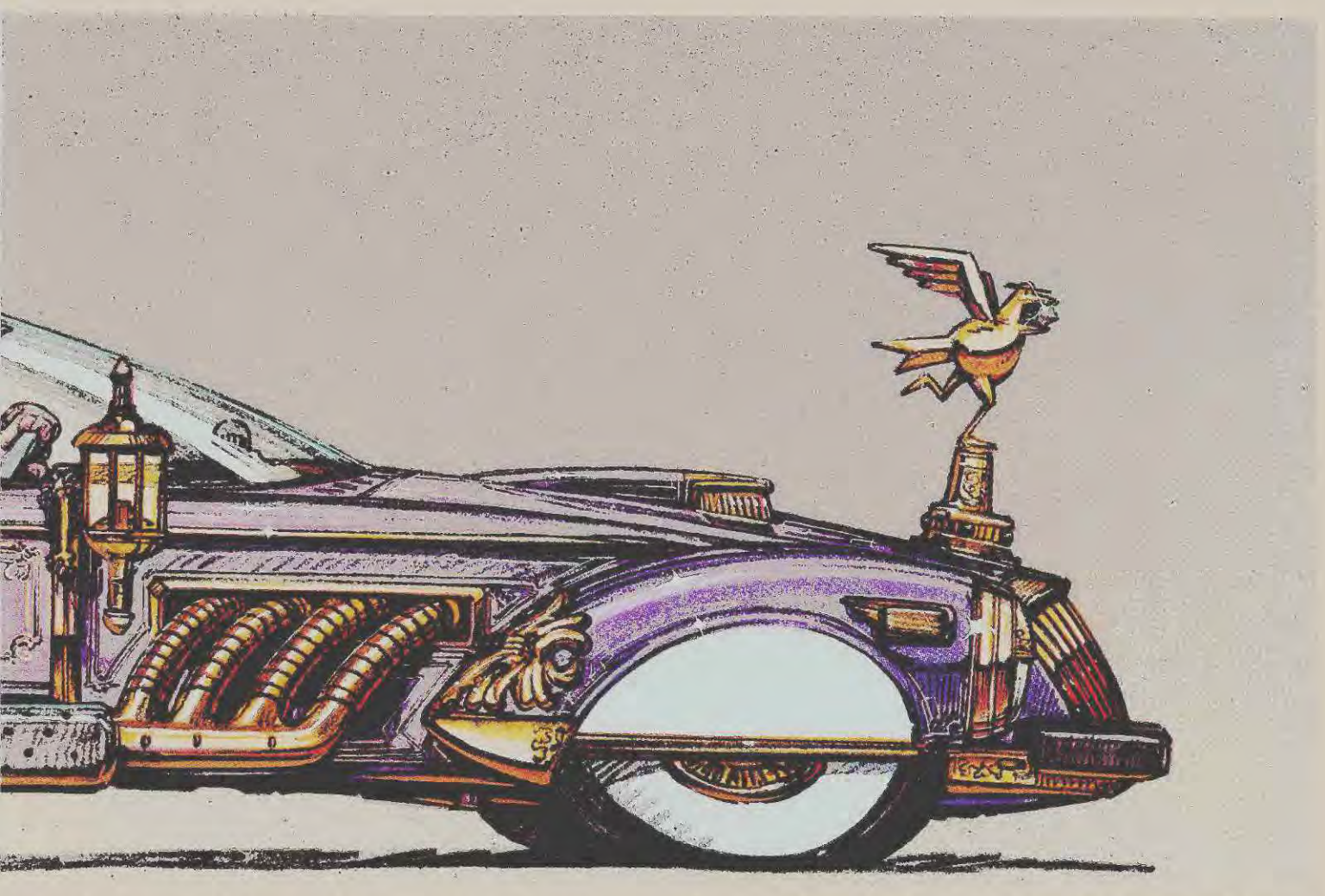

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RMIS/EBIS

Continued from previous page
in order to come up with a common report," Mr. Bonk said.

The Travelers Cos.-Risk Management Information Services also has developed a system that gives the user the choice of integrating the risk management and employee benefit systems or running them separately.

The Hartford, Conn.-based company has developed a risk management system—Group Carma—and an employee benefits system—Inform, according to Ken Martino, assistant director of risk management information services for Travelers.

Together, Group Carma and Inform can provide combined summaries of property/casualty and employee benefits information, breaking out losses associated with both areas in a single report, Mr. Martino explained.

Or, workers compensation and employee benefits information can be matched to get a "double-dipper suspect list," which "points to where there is a benefits and workers comp claim" by the same claimant, he said.

The combined program is available on a time-sharing basis. Clients can access a mainframe at the Travelers Data Center in Norcross, Ga.

The yearly cost of the system is around $70,000 to $75,000, and it is marketed to Fortune 1,000 companies, according to Mr. Martino.

About 22 clients currently use the combined service, he said.

While other vendors say they can't offer systems that merge RMIS and EBIS data, they do say they are "building bridges" between the two data bases.

Risk Sciences Group Inc. is working with several clients to link workers comp and employee benefits data in order to reduce double-dipping, commented Richard F. Denning, president of the Atlanta-based Crawford & Co. subsidiary.

He explained that a bridge between the two systems could be built by using a Social Security or employee identification number to search for duplicate claims.

Corporate Systems also is providing bridges from risk management systems into benefit systems in an effort to stop double-dipping, Mr. Gilmour added.

But if the development of combined systems is to progress, vendors point out that they will have to overcome the corporate tradition of keeping the RMIS and EBIS separate.

"In the corporate environment, often the functions are split," explained Al Erickson, marketing director of CIC. "Employee benefits and risk management are developed separately within an organization. So there are two kinds of natural barriers to integration to start with."

Betterley's Mr. Tweedy noted that "employee benefits have always been done by the personnel side and property/casualty has always been done by the risk management side."

"That's just the way it is. You really have two different perspectives," and systems have been built to accommodate those two mentalities, he added.

Risk Sciences' Mr. Denning agreed that the traditional ways of handling risk management and employee benefit data provides an obstacle to combining the two systems.

And, while some links are being made between employee benefit information systems and risk management systems, Mr. Denning said he is skeptical that a full-blown merger of systems will come about in the near future.

The two systems do not operate under the same philosophy, he pointed out, explaining that an EBIS is structured to perform its data processing tasks quickly and efficiently while a RMIS must deal with more cumbersome criteria like statutory requirements involved in workers comp claims, which ultimately takes longer to accomplish.

But Mr. Tweedy and Mr. Denning agree that interest in containing medical costs in workers comp cases will spearhead the development of systems that can combine information on those claims with medical benefit data from the employee benefits side.

In fact, Mr. Tweedy noted, risk managers already are "starting to borrow from the employee benefit side" in an effort to find ways to control workers comp medical costs.

Systems for tracking bill review and utilization review, traditionally performed on an EBIS, are beginning to show up on the corporate RMIS, he explained. ■

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Comp software tracks medical costs

By MEG FLETCHER

A growing desire among employers to control workers compensation costs is spurring the development of more sophisticated workers compensation case management software.

"We see a trend of more employers getting involved with workers compensation cases because of the costs involved," said David Duden, director of sales and marketing for San Francisco-based DAVID Corp.

Medical cost inflation over the past three years has caused a "drastic" increase in the amount employers are reserving for workers compensation-related medical costs, said Mark Dorn, vp and principal in the RISKMASTER division of Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc., in Livonia, Mich.

Employers formerly estimated that medical costs would comprise 33% of total workers compensation claims costs, but medical cost now comprise about 50% of total costs, he said.

In addition, "We are seeing more risk managers interested in analyzing their losses," said Norman Darling, vp of operations and support for Gallagher Bassett Services Inc. in Rolling Meadows, Ill.

Software vendors are responding to this demand with new products intended to contain medical and legal costs; manipulate more data in-house for reports on problem areas; and improve general claims administration.

According to David A. Tweedy, a senior consultant with Betterley Risk Consultants Inc. of Worcester, Mass., a model case management program gives a risk manager the ability to:

- Ensure that an injured worker receives appropriate care.
- Generate reports that show how, where and when workers are being injured so an employer can identify recurring problems and develop solutions.
- Monitor the effectiveness of the claims-handling function.

"Vendors are mostly targeting TPAs and large, self-administered organizations," Mr. Tweedy said.

However, some products also are purchased by large insurers as well as medium- and small-sized employers, vendors say.

A risk manager can use some software products directly on his or her own computer system or indirectly with the help of his third-party administrator's mainframe computer. In addition, some vendors offer utilization review services as part of an integrated program, or will coordinate activity with an independent UR company.

While it takes time for a risk manager to utilize case management techniques, it is generally considered time well-spent, because the information gleaned can result in cost savings through cost containment and accident prevention, workers compensation case management experts say.

Specifically, the goals of the new software developments are:

- To contain costs.

Many of the software products focus on controlling the medical component of workers compensation cases because most worksite injuries result in medical-only claims that do not include loss of workdays or indemnity benefits.

"If an employer can control medical costs, it has a big handle on controlling the cost of a claim," Mr. Tweedy said.

Several vendors are offering—or are planning to offer—products that will compare a health care provider's billed amount for a particular service with a state-established schedule of usable and customary fees, which are usually the maximum allowable fees.

Such software systems automatically permit payment of only the allowed amount, which saves an employer money by weeding out excessive bills.

Unfortunately, this module is useful only in the several states that have maximum allowable fee schedules.

Corporate Systems in Amarillo, Texas, plans to release its new CS-Plus Managed Care system in October following tests this summer at three employers, ending an 18-month development period.

The three-pronged system includes: automatic coding of diagnoses and procedures; adjudication of medical fees based on data bases of states' usual and customary fees schedules as well as factoring in discounts that may be available through preferred provider organizations; and a system to flag a wide variety of claims to be reviewed with respect to quantity and quality of medical care rendered.

Corporate Systems is working closely with Naperville, Ill.-based Republic-RSB Cos. Inc., a UR firm that can provide daily review of flagged claims, said C. Scott Gilmour, vp of marketing at Corporate Systems.

The two firms have established Diagnostic Profiles Inc., a jointly owned subsidiary, to handle claims administered through the system. However, Corporate Systems will work with another company if an employer prefers, he said.

Final prices will be set after the trial period, he said.

Tampa, Fla.-based Insurance Software Packages Inc. has offered fee schedule review software since 1985, though it is continuing to refine and update it as new states adopt such schedules, said Peter Reynolds, national account representative.

ISP's fee schedule module is unusual because it not only analyzes claims in terms of state fee schedules, but also takes into consideration a state's other workers comp rules, such as stipulations for allowable treatment frequency, Mr. Reynolds said.

For example, some states may disallow multiple office visits if they occur on the same day, or they may reduce the maximum allowable reimbursement for multiple physical therapy sessions if they occur too closely together, he said.

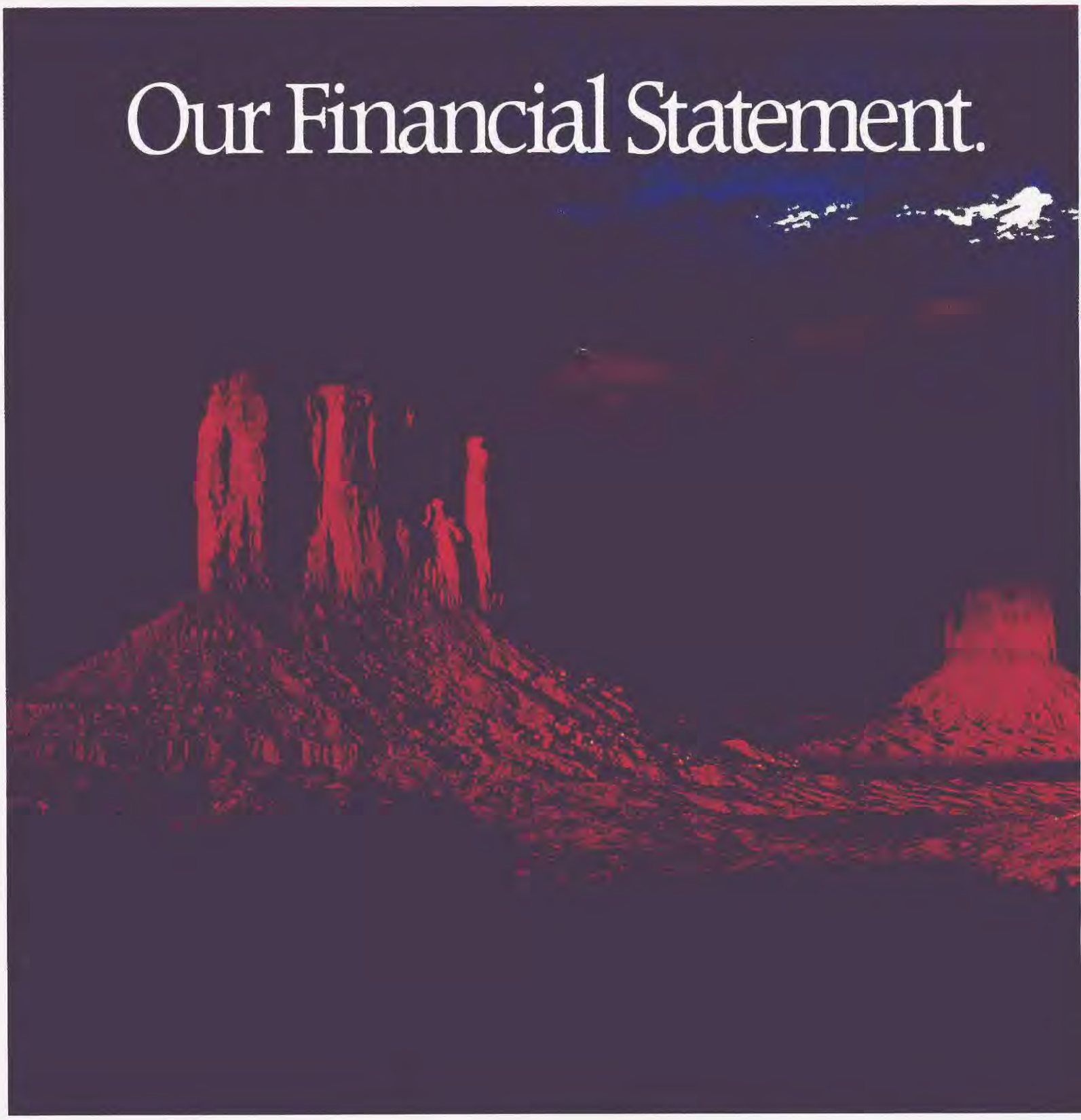
Costs for the software range from $10,000 to $40,000 for the complete software package that includes both a work comp claims adjusting module and the fee schedule module. The fee schedule module alone is priced at between $10,000 and $20,000, he added.

Meanwhile, the CompPlus program available through DAVID Corp. has offered medical fee schedule review since 1986, Mr. Duden said.

However, his company's approach does not include providing medical code information, because most employers typically use only 10% of the codes annually and providing it would drain system ca-

Continued on next page

Our Financial Statement.



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Continued from previous page
pacity, he said. As a result, users either build their own code data base or purchase the information from medical review companies, he said.

Software and hardware for the CompPlus system is available on either a bundled or unbundled basis. Outfitting one work station with hardware and software could cost about $30,000, he estimated.

Tillinghast plans to release a multistate fee schedule module this fall for its RISKMASTER system, which was first released in 1981, Mr. Dorn said.

The average cost of a typical RISKMASTER system using a single personal computer ranges between $7,000 and $14,000, depending upon modules, software and training. The price of a larger system with multiple users could range between $20,000 and $30,000, he said.

Another important cost containment measure that can be performed by a work comp case management system is targeting recommendations on the extent of disability and treatment, Mr. Tweedy said. The system should be able to track case management and recommendations for rehabilitation and then allow the employer's in-house staff to oversee an injured employee's progress.

While software vendors are just starting to work on systems to accomplish this, Mr. Tweedy is concerned that they may not go far enough, he said.

In addition, workers compensation software may also be used to assess the effectiveness of health care providers, Tillinghast's Mr. Dorn said.

A risk manager should be able to track providers in performing a medical procedure or handling a specific diagnosis in terms of how effective they are at getting the employee back to work, he said.

For example, hospitals can be evaluated in terms of several factors, including: length of stay, unplanned returns for surgery or hospital treatment and rate of hospital-acquired infections, Mr. Dorn said.

Such data allows an employer to identify those providers that have a record for cost-effective treatment and develop preferred fee arrangements with them, he said.

However, this is feasible only in those states where employers can direct or influence the injured employee's choice of physician.

In addition to controlling medical bills, risk managers also are concerned about controlling work comp-related legal costs, said Richard Denning, president of Risk Sciences Group Inc. in Atlanta, a subsidiary of Crawford & Co.

Hospitals used by employers can be evaluated in terms of several factors, including: length of stay, unplanned returns for surgery or hospital treatment and rate of hospital-acquired infections, says Mark Dorn of Tillinghast.

In 1985, Risk Sciences began marketing a litigation management support system for mainframe use. Its functions include litigation analysis, a legal diary, attorney monitoring and financial record keeping.

That system now costs about $10,000 to $15,000 to install with a $3,000 to $7,000 annual service fee. Last year, the product was also adapted to operate as a PC-based system beginning at $10,000 for software.

- To manipulate more data in-house.

The development of powerful PCs has helped spur a trend toward increased downloading of information to risk managers' computers from a mainframe, said Risk Sciences' Mr. Denning.

For example, Gallagher Bassett Services last year released its CLAIM SELECT II program, which allows information to be downloaded into a client's PC so a risk manager can have more opportunity to mix and match data for analysis, Mr. Darling said.

In addition, there is a trend—dubbed "co-processing"—to let a mainframe and PC handle that portion of the work that it can do most cost-effectively. So, for example, the mainframe would store diagnostic codes and other large volume data, which also will help ensure consistency, while the risk manager's PC would be used for basic reporting of claims information, Mr. Denning said.

Risk managers, or their staffs, now use the more detailed information to analyze where, when and how losses occur. For example, they analyze the frequency and severity of work comp injury reports by categories, including: employee age, length of service, department, plant location, part of body and cause of accident.

In the past, such data typically was available through mainframe-based systems in the form of hard copy reports that may have been less timely.

In addition, corporate risk managers now more than ever before want computer systems that allow them to merge data from multiple locations so that overall trends and numbers can be discerned, said DAVID's Mr. Duden.

- To improve general claims administration.

Alexsis Risk Management Services Inc. of Northville, Mich., a wholly owned subsidiary of New York-based Alexander & Alexander Services Inc., has improved its TPA services by adding a feature to the services it offers employers that indicates claims with high cost potential so a claims supervisor can periodically review it, said Russ Anderson, national claims coordinator.

In addition, Alexsis recently added a feature that will give a claims handler easier computerized access to a national client's directives for handling claims.

Alexsis also is working on a program to automatically generate the reports states require after a worker's injury, Mr. Anderson said.

In addition, Gallagher Bassett plans to upgrade its MICRO-FACS system in the next 60 days to enable risk managers to more easily identify employees who previously have filed workers compensation claims, Mr. Darling said.

MICRO-FACS allows a risk manager's PC to interact with a Gallagher mainframe computer to do sophisticated analysis on a batch mode basis, Mr. Darling explained. This capability costs $175 per month plus a variable usage fee.

In addition, some software vendors are offering or working on programs that risk managers can use to evaluate the services of claims handlers, Mr. Tweedy said.

On routine claims, a risk manager should be able to evaluate the speed with which the claims are processed and checks issued. In more complex cases, a risk manager may want to look at the number of times reserves changed and why, he said. ■

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Environmental data base covers international rules

By CAROLYN ALDRED

A data base that details the environmental, health and safety laws and regulations of several foreign countries and runs on a personal computer is being released this month.

Environmental Resources Ltd. of London and ERM Computer Services Inc. of Exton, Pa., jointly have developed the Enflex Info International data base, which initially will provide current information in English on the environmental, health and safety laws and regulations of up to six countries.

Brazil, France, Italy, Mexico, Spain and the United Kingdom are the first countries to be included in the data base, though the laws of more nations will be added at a rate of about one a month, depending on demand, said a spokesman for ERL, a London-based environmental engineering and consulting company.

Among the countries likely to be included soon are West Germany and the Netherlands, he added.

However, the data base's developers also are hoping to add other European Community and South American countries in the near future, said Brian Gurnham, president of ERM Computer Services, a subsidiary of Environmental Resources Management Inc. of Philadelphia.

Meanwhile, ERM and ERL also are planning to translate the Enflex data base into computer languages applicable for countries in the Pacific Rim, such as Japan and Taiwan.

"We hope to develop a data base suitable for the Japanese by the end of next year," said Mr. Gurnham.

The production of the international data base follows ERM's original Enflex Info system, which was introduced in February 1987 and includes all U.S. environmental, health and safety regulations plus the laws of 15 individual states.

Updates are issued bimonthly, and new states are continually being added to the U.S. Enflex system, according to ERM.

The international system was jointly developed by ERM and ERL following a request from the Organization Resources Counselors Inc. to develop such a data base, according to a statement from ERM.

Washington, D.C.-based ORC is a non-profit organization that provides a forum for companies to exchange ideas on pooling resources.

"ORC expressed the need for such a comprehensive international data base since current sources of accurate information are virtually impossible," ERM's Mr. Gurnham said.

"With the increased responsibility and liability facing companies today, easy access to current environmental regulatory information around the world is crucial to a company's future," ERM said.

The development of the data base is being 50% funded by a cooperative effort of ORC members including, among others Union Carbide Corp. of Danbury, Conn.; American Telephone & Telegraph Co. of New York; Scott Paper Co. of Philadelphia; Minnesota, Mining & Manufacturing Co. of St. Paul, Minn.; and Allied-Signal Corp. of Morristown, N.J.

ERM and ERL are putting up the remaining 50% of the development costs, Mr. Gurnham added.

The U.S. Enflex data base has 300-400 subscribers consisting mainly of large U.S. corporations, he said.

Currently, the international version has 12 subscribers. The subscription level likely will increase to 50 by the end of 1989, Mr. Gurnham predicted.

The company also has had requests for the data base from companies in Spain, France and Brazil. "But we have no plans yet to translate the data into any of these languages," Mr. Gurnham noted.

"In general, the level of regulation" in other areas of the world still "is less than the U.S., but there is an increasing pace of regulation on the environmental and health and safety" abroad, he said.

The Enflex Info International data base is a fully indexed system that allows users to search the data base via a key word, subject summary or specific date from numerous key laws and regulations, according to ERM.

A source document service also will be available enabling customers to obtain full text copies of any requested law or regulation in the original language.

Subscribers to the Enflex Info International data base also will be assisted by ERL's technical regulatory services staff that will provide contacts with regulatory officials and early warnings on legislative proposals, ERM says.

The Enflex data base service requires an IBM-XT personal computer or compatible with at least 512 kilobytes of random access memory, MS-DOS Version 3.0 or later and a compact disk laser reader. Annual charter subscription price per country (up to five) is $3,500 for both members and non-members of the ORC.

Further information is available by contacting ERM in Exton, Pa., at 800-544-3118. ■

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Spotlight report

Annual directory of RMIS vendors

A

A & S Consultants Inc.

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

Year founded: 1978.
Software products:
• Riskwatch: $495 per module; unbundled hardware and software; personal computer; first installation, 1987; 22 total installations, 10 in risk management departments; functions include management of auto liability, workers compensation, general liability and property damage claims.
• Riskwatch II: $15,000 per module; bundled or unbundled hardware and software; minicomputer; first installation, 1988; four total installations, two in risk management departments; functions include management of workers compensation, general liability, auto liability and property damage.
• Riskwatch-Check Writer: $3,000; unbundled hardware and software; personal computer; first installation, 1989; one installation; functions include writing checks for workers compensation claims; interacts with Riskwatch and Riskwatch II.
Staff: Six total staff members, five professional staff members.
Clients: Nine total clients; 20% of risk management department clients with gross revenues less than $200 million, 30% with $500 million-$1 billion; 50% with more than $3.5 billion.
User support: Telephone assistance available eight hours per day, on-site support for clients.
1988 gross revenues: Not reported.
Principal officers: Carol Nashawaty, president; Nancy Schwartz, treasurer.

ASI-Armada Software

13C17 Artesia Blvd., Suite D234, Cerritos, Calif. 90701; 213-926-0553

Year founded: 1984.
Software products:
• RVS-California Medical Bill Review: for personal computer, $9,500; for minicomputer, $24,500; unbundled hardware and software; first installation, 1983; three installations, all in risk management departments; functions include review of workers compensation claims.
• Workers Compensation Claims Manager: $25,000 and up; unbundled hardware and software; minicomputer or microcomputer; first installation, 1984; four installations, all in risk management departments; functions include tracking of self-insured workers compensation claims.
Staff: 13 total staff members, 11 professional staff members.
Clients: Seven total clients, three risk management department client.
User support: Telephone assistance available nine hours per day, on-site services for clients.
1988 gross revenues: $387,000 total; $300,000 from risk management information systems, 5% from hardware, 90% from software, 5% from services.
Principal officers: Christian Arndt, president; Linda Sullivan, vp; Bernard Stein, vp-software development.

Anistics Inc.

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

Year founded: 1970.
Parent company: Alexander & Alexander Services Inc.
Software products:
• The ARIS Personal Healthcare System: $10,000 and up; unbundled hardware and software; personal computer; year of first installation, 1988; 21 total installations; system includes litigation and incident tracking modules that record, analyze and report incidents; additional customized applications available.
• ARIS Customized Micro Applications: $10,000 and up; unbundled

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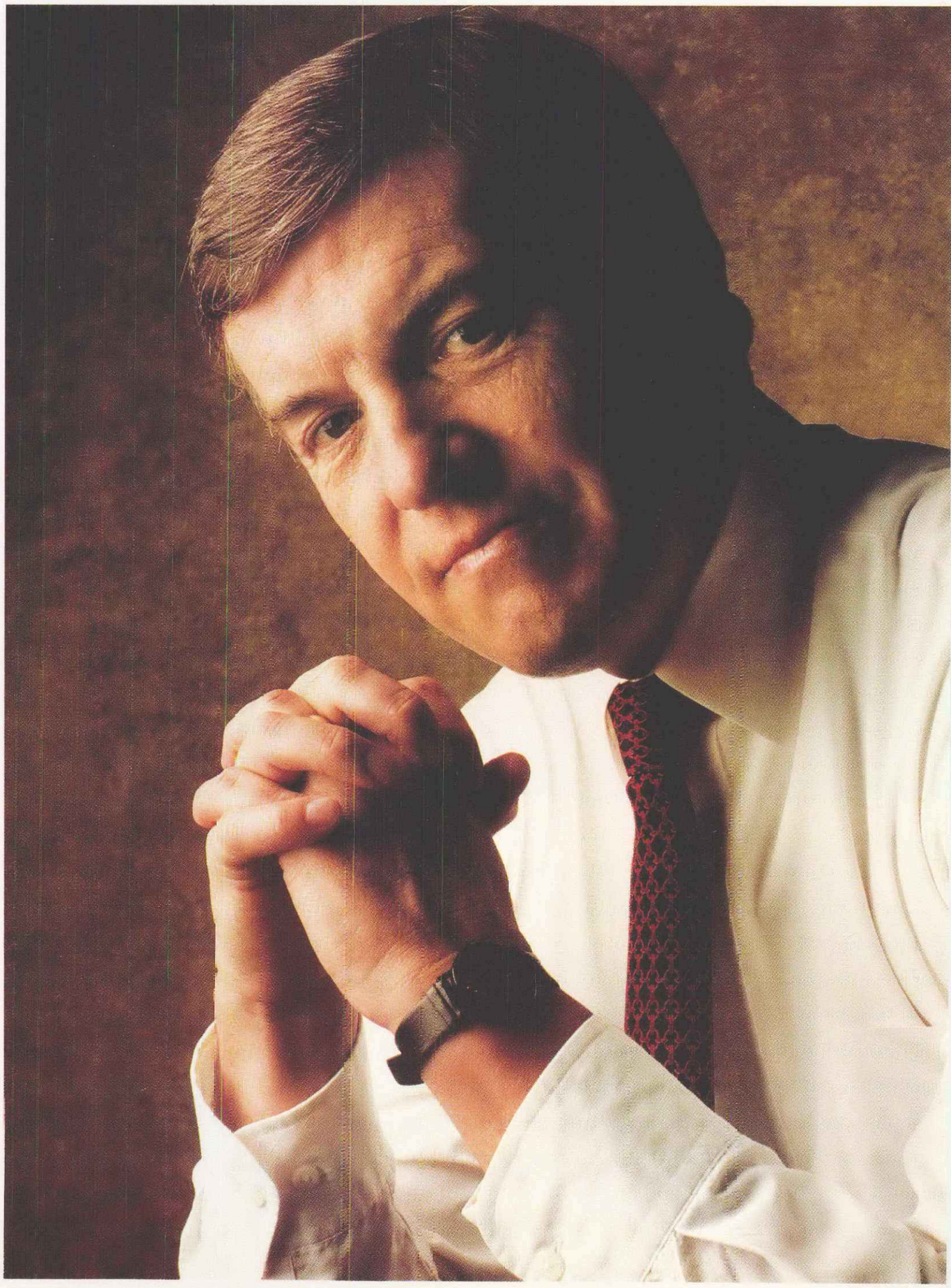

How to use directory

The directory of risk management information system vendors 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**, **clients** who purchased systems in 1988, continued **user support**, locations of **branch offices**, **1988 gross revenues** and names and titles of **principal officers** complete the listings.

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

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

Continued from previous page
hardware and software; personal computer; year of first installation, 1983; 25 installations in 1989; system includes customized modules and applications; functions include ad hoc reporting, payment processing, claim validation.

Staff: 160 total staff members, 91 professional staff members.

Clients: Not reported.

User support: User groups and meetings, telephone assistance available eight hours per day, on-site training for clients.

Branch offices: Atlanta; Chicago; Dallas; San Francisco; Toronto; London; Sydney, Australia.

Principal officers: Luther T. Griffith, president/chief executive officer; Karen G. Foley, senior vp/national director-sales/marketing; 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 Van der gaag, managing director-Anistics Pty. Ltd. (Australia).

C

California Interactive Computing Inc.

8550 Balboa Blvd., Suite 180, Northridge, Calif. 91325; 818-895-5500

Year founded: 1977.

Software products:

- GenRisk: mainframe, $183,000; minicomputer, $98,000; personal computer, $40,000; bundled hardware and software; year of first installation, 1980; 13 total installations, all in risk management departments; functions include risk analysis and reporting, policy tracking and premium allocation.
- GenComp: mainframe, $183,000; minicomputer, $98,000; personal computer, $40,000; bundled hardware and software; year of first installation, 1977; 34 total installations, 32 in risk management departments; functions include workers compensation claim management and reporting, case management, management reporting.
- GenPac: mainframe, $183,000; minicomputer, $98,000; personal computer, $40,000; bundled hardware and software; year of first installation, 1977; 12 total installations, 10 in risk management departments; functions include property/casualty and general liability claims administration, case management and management reporting.

Staff: 50 total staff members.

Clients: Five total clients; 20% with gross revenues less than $200 million, 20% with $200 million-$500 million, 40% with $1 billion-$3.5 billion, 20% with more than $3.5 billion.

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

1988 gross revenues: $5.9 million total; $4.9 million from risk management information systems; 30% from sale of hardware, 50% from sale of software, 20% from services.

Branch offices: Tacoma, Wash.; Phoenix, Ariz.

Principal officers: Jerry C. Buckley, president; Ralph M. Flygare, vp; Del K. Williams, vp-sales.

Cantor & Co.

9348 Civic Center Drive, Beverly Hills, Calif. 90210; 213-859-7277; 800-553-7267 outside California

Year founded: 1982.

Software products:

- Riskmap Risk Financing: $1,995; unbundled hardware and software; personal computer; first installation, 1983; 115 installations, 80 in risk management departments; functions include risk financing, discounted cash flow, comparative analysis.
- Riskmap Loss Forecasting: $1,495; unbundled hardware and software; personal computer; first installation, 1984; 52 installations, 10 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: $4,500; unbundled hardware and software; personal computer; first installation, 1984; two installations; functions include income statements, equity and available cash, loss reporting and payment, discounted cash-flow analysis.
- PCMS (Patient Care Monitoring System): $9,700; unbundled hardware and software; personal computer; first installation, 1985; more than 200 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 ($750) includes system updates, user meeting and emergency telephone support.
- Exposure Base Management System (EBMS): $6,000-$10,000; unbundled hardware and software; personal computer; first installation, 1986; one installation, in a risk management department; functions include tracking and reporting on worldwide exposures.
- Hospital RIMS: $7,500-$35,000; unbundled hardware and software; personal computer; first installation, 1984; 12 risk management department installations; functions include claims management, financial analysis and reporting, actuarial analysis, reinsurance analysis and management cost allocation.
- Property/Casualty RIMS: $6,500-$37,500; unbundled hardware and software; personal computer; first installation, 1984; more than 150 installations, more than 100 in risk management departments. Generic Incident Reporting/Claim Tracking version: $6,500-$10,500; 11 installations, 10 in risk management departments. Functions include claims tracking and management, safety and loss control, cost allocation, financial analysis and reporting, statistical analysis.
- Underwriting Analysis System: $8,000-$15,000; unbundled hardware and software; personal computer; first installation, 1984; two risk management department installations; functions include profit analysis and reinsurance recovery.
- PCMS/Incident Reporting & Claims Management System: $10,000; unbundled hardware and software; personal computer; first installation, 1985; more than 170 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: Six total staff members, five professional staff members.

Clients: 290 total clients; 180 risk management department clients; 25% with gross revenues less than $200 million, 60% with $200 million-$500 million, 10% with $500 million-$1 billion, 4% with $1 billion-$3.5

Continued on page 35

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Reviewing the RMIS industry

Useful criteria for evaluating vendors

JULY BRINGS such important dates as Independence Day, baseball's All-Star Game and *Business Insurance*'s annual Spotlight Report on risk management information system vendors and systems. It also is a time I look forward to so I can see whether there are any new entries to the RMIS industry.

It is my contention that the RMIS industry is a mature one. Any new entrants would most likely be in the microcomputer field due to the *relatively* lower cost of designing the appropriate software for this environment as opposed to a time-share/mainframe or minicomputer environment. Also, I like to see whether any new services or modules are being offered that I was not made aware of at the annual Risk & Insurance Management Society conference in the spring.

The *BI* survey also offers me one last chance to amend my firm's own vendor evaluation survey, "RMIS Update-Sixth Annual Review."

I would like to again cite evaluative criteria for the interested reader. This would apply whether or not there is a system in place or whether system upgrades are being considered or a full-scale bid project is under way.

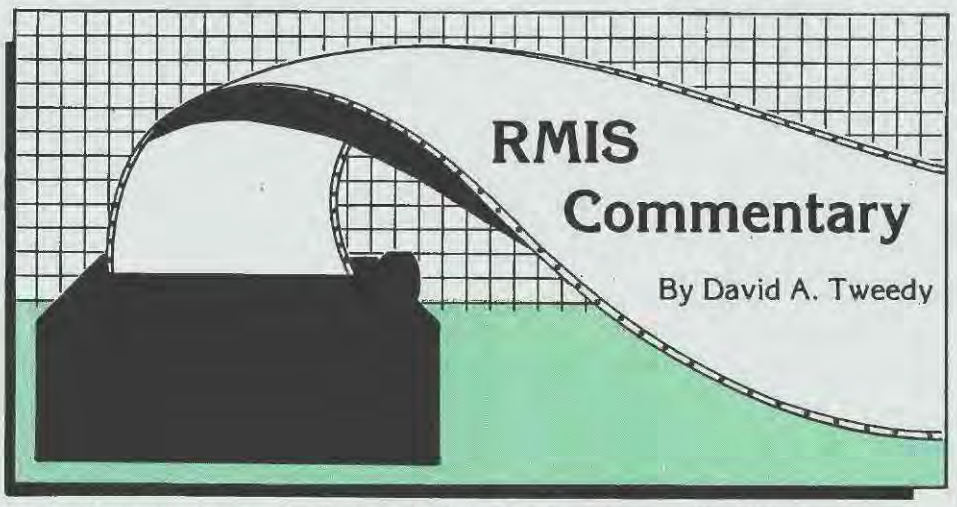
The criteria we use in our review and for any consulting engagement in which we are asked to review or comment upon a vendor and its product are briefly outlined as follows:

- Vendor analysis.

When evaluating any RMIS, the vendor first must be reviewed. Important questions to ask are:

- How long has the vendor been in business?
- Is providing RMIS and support services its sole business function?
- What is its current track record in servicing clients?
- What is the nature of the staff involved in designing, programming and servicing the RMIS—through either a marketing or technical perspective?

This information is much harder to obtain with a smaller RMIS vendor, especially those that are just entering the market with a new micro system.



However, care also should be taken when an organization such as an insurer or a broker decides to spin off a new subsidiary to market RMIS and related services. One must ask how serious they are over the long term.

For example, Weyerhaeuser Co. marketed a workers compensation claims program for several years but then decided that the RMIS business was not the most profitable. I could cite other examples, as well.

Obviously, the analysis will not be foolproof. Many experts were shocked at Anistics Inc.'s decision to remove itself from the mainframe/time-share RMIS market.

Nevertheless, careful analysis of the vendor itself is a prudent first step.

- System analysis.

After studying the available literature, one should be able to identify the system in terms of its major breakdowns: preferred hardware environment, types of software available (such as claims monitoring, claims administration and decision support), cost and servicing arrangements. Getting hold of system documentation is desirable as well, especially if you have a system expert available who is willing to spend some time in determining the configuration, software layout and the like.

Our review measures such things as make of hardware, operating and applications software and types of modules offered (such as claims

Continued on next page

Improving access to information

"To err is human;
to really screw things up
requires a computer."
—*"Murphy's Law Book Two: More Reasons Why Things Go Wrong"*

By Richard F. Denning

RISK MANAGEMENT runs on information. Any technology that transforms data into practical information is thereby of major importance. Yet in the queue to receive in-house computer support, risk managers usually stand at the very end of the line.

In 1970, risk management computer applications outside of routine insurer loss runs were rare indeed. The first computer terminal appeared at a Risk & Insurance Management Society conference in 1972. Thereafter, the acceptance of risk management information systems was rapid. Today, in fact, the RIMS exhibition hall looks like a scene from "Close Encounters of the Third Kind."

While more data is collected today and is better integrated across related needs—medical cost containment, litigation management, personnel, etc.—the major change in RMIS is the speed of the need. Once, we ran our systems on quarterly or even annual data. Insurance companies routinely allowed a 120-day delay in getting claim or incident reports. Today, the standard is daily updates with electronic instantaneous transfer of data on the near horizon.

This speed makes the risk manager a participant in claims administration and allows the production of reports where timing is critical: divestitures, changing insurers, etc.

Paradoxically, however, many risk managers do not have the resources to effectively use this technology. The reasons are many: low perceived payoffs from such investments, lack of qualified staffing, high turnover in capable users, etc.

The United States continues to lag internationally in the critical growth of productivity. This is especially so in the service sector of our economy. The investment in RMIS is one of the few ways to increase the capacity of a risk management department with a constant work force.

Although not all organizations support a "PC on every desk," many already are past that point; to them, the question is not "if" but "how many" and "where." My company provides at-home PCs for its staff as a convenience, productivity aid and benefit.

While hardware is the most visible aspect of RMIS, it is the least important. Ironically, hardware is too often the tail that wags the dog. When a new system is installed, the fundamental issue is how to make your staff more effective.

The system provider requires hardware that properly runs his application and that can be supported by his staff. Yet many companies insist on using what's already in place. Jerry-rigged hardware compromises both these needs. Saving a few dollars in annual operations costs does not compensate for the real expenses of using old, monochromatic, highly contended units.

Do yourself a favor, listen to your system vendor's recommendations.

The future path of RMIS is, of course, quite subjective. Here are some major impact areas that we see for risk management in the 1990s:

- Data exchange protocol.

Following the example set after the Tower of Babel, we do everything imaginable to make computer communications difficult. Different communication technology, different hardware, not to mention that nearly every insurance company stores its data in a unique way. The industry needs more efficient and accurate ways to exchange claim, exposure and premium data.

Common standards are critical to support risk management funding programs that are a combination of many insurers, claims administrators and self-administration programs. Billions of dollars are represented in claims, and it's time to better manage the responsibility.

With a model like ACORD—the industry-sponsored effort to improve processing of insurance agency transactions—risk managers should use RIMS, the Public Risk Management Assn. or other organizations to push for analogous procedures.

- Expert systems.

I believe we develop systems, not in the order of their need but in the order of our ability to build them. Claims reporting and analysis is an important element of risk management, yet many other important tasks of the risk manager receive little or no system support. In a sense, we have done the easy jobs, so now let's tackle the tough ones.

Key to this effort is the role of expert systems. We need to capture what is in the risk manager's head with the same priority as capturing the company's claims. Practical software is on the market. Certainly results are not more than a few short years away.

- Ease of use.

Let's face the fact that there is no limit on our demand for simplicity. On the other hand, experienced users become frustrated with the structure, menus, etc., of very "user friendly" systems. The compromise is to do both. Provide options for easy-to-use screens with pop-up help menus, and let the "chips and mips" group run in a command language mode.

And risk managers, don't despair. A recent government report for the Defense Advanced Research Projects Agency states that by 1994, computers will accept oral commands.

This, however, is not big news, as I know many risk managers who have been talking to their systems for years.

If there is one ray of light it is in the new workers now coming into your organizations. Unburdened with the need to learn computers, these folks have been raised with the technology. As they move into the ranks of the risk management profession, they will bring information technology to the next higher steps.

Richard F. Denning is president of Risk Sciences Group Inc. in Atlanta.

A promising future for risk managers

By George L. Head

THE NEXT 10 YEARS are going to be the best decade yet to be a risk management professional—whether as a risk manager coping with the loss exposures of one's own employer, as an insurance underwriter, broker or agent serving policyholders' risk control and risk financing needs, or as a risk management consultant providing expert advice and services on a fee basis.

As an educator concerned primarily with guiding others in putting risk management principles into practice, I envy—for five reasons—those who will actually be performing the risk management function in the 1990s. I envy them because:

- The responsibilities of risk management professionals will greatly expand.
- Risk control will become an increasingly important component of risk management.
- The "captive" taxation issue will be resolved through more rational, even-handed tax laws pertaining to risk financing.
- Risk financing options, and the organizations marketing them, will both become more diverse.
- The personal earnings of risk management professionals will grow to keep pace with their added value to the firms they serve.

The responsibilities of risk management professionals will expand for three basic reasons. First, the range of loss exposures they will manage or help others manage will broaden to include many uncertainties we now consider to be speculative, or "business," risks: currency fluctuations and expropriation hazards for companies operating in several countries, a proliferating group of "equal opportunity employment" and other personnel-related concerns, and their firms' obligations under consumer-oriented marketing and product safety statutes.

Further, the next decade's risk management professionals increasingly will be called upon to integrate their risk financing decisions with the overall financial strategy of their organizations, again giving more balanced treatment to both pure and speculative risks. Their concern and responsibility will be for their firms' aggregate needs for funds, not just the risk management requirements.

Moreover, risk management professionals will soon be facing their own "professional liability" responsibilities: duties they have to exercise great care in applying their special expertise for the protection of others, and potential personal liability for failing to fulfill these duties to their employers, fellow employees, clients and members of the general public.

A second reason to envy risk management professionals of the 1990s is that they will increasingly focus their efforts on risk control, rather than on the risk financing programs that have occupied most of their attention for the last two decades. Risk financing measures have, for the most part, been honed to their sharpest—not much more operating efficiency or organizational profit can be gained through more sophisticated risk financing.

The truly significant gains, real "bottom line" benefits from better risk management, will come through enhanced risk control: preventing in the first place the losses that otherwise would need to be financed. Joining with safety professionals, risk management experts of the 1990s will become leaders in bringing senior management's attention to and in effectively implementing, measures to reduce the frequency and severity of property, net income, liability and "key person" losses.

A third cause for risk managers of the 1990s to rejoice should be the final resolution of what will then be 30 years of litigation about whether "premiums" paid to "captive" insurers are tax deductible to their "parents." This knotty controversy hopefully will be unraveled not by deciding what is insurance and what is retention but, instead, by recognizing that the actuarially appropriate pre-loss funding costs of both insurance-based and retention-based financing programs are truly ordinary and necessary business expenses and, as such, merit equal tax deductibility. Any favoritism, or "subsidy," that our present tax laws extend to insurance through advance deductibility of risk financing costs will be eliminated. This resolution of the "captive" taxation dispute will generate much more rigorous regulatory demands for actuarial support of projected risk financing costs, whether through traditional insurance, standard retention or other risk financing mechanisms.

Fourth, risk financing options will become more varied, as will the range of sources offering to provide diverse risk financing plans and services. Most of these new options will be hybrids of today's retrospective-rated and "cash-flow" plans that themselves now blend elements of both transfer and retention. (This heightened blending will be another factor that leads to abandoning the transfer/retention criterion that today determines which advance-funding plans for future loss costs are tax deductible.)

These options will be marketed not only through insurance companies and banks but also through investment banking organizations and stock brokerage firms. This broadening of risk financing markets will occur because the 1990s will see a greater number of more fully integrated financial service firms targeting both commercial and personal markets on a national basis. The time will come—perhaps in the 1990s, perhaps a few years later—when any number of financial service organizations will stand ready to handle all of a firm's, or an individual's, needs for money for any purpose.

For some risk management professionals, this trend will mean that their major decisions will involve choosing which particular integrated financial service organization can best meet their employers' or their clients' needs; for other such professionals, this broadening of the risk financing marketplace will increase the number of organizations that are their potential employers.

Finally, as risk management professionals assume greater personal responsibilities for their employers or clients, as the loss exposures against which they protect them become more severe, and as they become more directly involved in decisions involving speculative risks, risk management professionals will become more valuable to those whom they serve. Their careers should then become not only more personally challenging and fulfilling but also more financially rewarding. In short, one may envy—even seek to join—those who will be the risk management professionals of the coming decade.

George L. Head is vp of the American Institute for Property and Liability Underwriters, the Insurance Institute of America and the Insurance Testing Institute, all of Malvern, Pa.

RMIS vendor review

Continued from previous page
information analysis, exposure analysis, cost-of-risk allocation, loss forecasting, financial modeling, certificates of insurance, policy management, etc.).

Finally, an in-person demonstration of the program either on-site or at the vendor's location is desirable. If possible, actually seeing the system running at a client location is perhaps the best test run possible.

- User feedback.

This is perhaps one of the most important criteria and really could be part of the first item, vendor analysis. However, I believe it deserves separate comment because of its importance.

Obtaining candid remarks from users is one of the best evaluation devices we use in our RMIS Update. Clients are selected at random from participating vendors and queried on a large number of issues involving service, response to programming changes, downtime, costs, user-friendliness of the software and flexibility of their reports, among others.

As I said above, actually visiting a client of a vendor under consideration is extremely important.

- Commentary on strengths and weaknesses of systems/vendors.

This is the last section in our analysis and really is a compilation of the previous three segments.

In a competitive situation, we encourage the establishment of a matrix that weighs various factors of key importance to the risk manager (such as user-friendliness, service responsiveness, cost, flexibility of software, etc.) in comparing the vendors/systems under consideration.

Because all installations are unique, our review does not give that kind of specific detail. We encourage people to not just use a review like ours or *Business Insurance*'s without conducting a separate analysis. Nevertheless, our review does contain a look at strengths and weaknesses over a broad range of topics.

For example, in this year's review, we compared the following mainframe vendors: Corporate Systems; Gallagher Bassett Services Inc.; and Risk Sciences Group Inc.

In addition, we looked at the following vendors of standalone systems (minis and micros): Anistics Inc.; California Interactive Computing Inc.; Cantor & Co.; Conway Computer Consultants Inc.; Corporate Systems; DAVID Corp.; Helmsman Management Services Inc.; Seligman Information Systems; the Tillinghast/RISKMASTER division of Towers, Perrin, Forster & Crosby Inc.; and The Travelers Cos.-Risk Management Information Services.

From the time-share vantage point, Corporate Systems and Risk Sciences are clearly the leaders in terms of comprehensive software and services provided. Gallagher Bassett provides an excellent claims administration system but is "bundled" and does not contain some of the decision support analyses that Risk Sciences and Corporate Systems do.

In standalone systems, the field is wide open. The ones we mentioned above all provide some degree of claims analysis and claims administration. There are obvious strengths and weaknesses in each that are too numerous to discuss here. Many of the micro systems are utilizing their ability to interface with popular spreadsheets, such as Lotus 1-2-3 and d-BASE, to perform their own ad hoc analyses.

In summary, we are impressed with the existing RMIS vendors, not only the ones that we review but also the ones listed in the *Business Insurance* survey. There now is a system application available for almost any budget, ranging from $5,000 all the way up into the six figures, depending on need. Basic claims analysis is supplemented quite nicely by decision support packages from most major vendors and at reasonable costs.

Therefore, although there are a lot more vendors to choose from, the risk manager must now be able to discern the relative benefits between or among the system options that he has.

If anyone would like a copy of "RMIS Update: A Sixth Annual Review," please contact me at Betterley Risk Consultants Inc., 446 Main St., Worcester, Mass. 01608.

David A. Tweedy is a senior consultant for D.A. 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 usually appears the third Monday of the month.

Continued from page 31
billion, 1% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance, toll-free telephone number, on-site services for clients.

1988 gross revenues: Not reported; 5% from sale of hardware, 80% from sale of software, 15% from services.

Principal officers: Alan B. Cantor, president.

CompWatch Corp.

1885 De La Cruz Blvd., Suite 201, Santa Clara, Calif. 95050; P.O. Box 6471, San Jose, Calif. 95150; 408-496-1850

Year founded: 1988.

Software products:

• CompWatch: $995; unbundled hardware and software; personal computer; year of first installation, 1988; 15 total installations, four in risk management departments; functions include workers compensation claims management, generation of risk management reports and forms, graphics.

Staff: Two total staff members.

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

1988 gross revenues: 100% from sale of software.

Principal officers: J. Jay Corbett, president; Kevin Zasio, vp; Daniel E. McDonald, secretary/treasurer.

Control Software Group Inc.

3205 E. Dublin Granville Road, Columbus, Ohio 43231; 614-882-7422

Year founded: 1986.

Software products:

• Risk-Control Plus: $2,495; bundled or unbundled hardware and software; personal computer; year of first installation, 1987; product tracks, monitors and reports operational loss exposures and resulting management performance.

• Risk-Control: $795; bundled or unbundled hardware and software; personal computer; year of first installation, 1987; product tracks, monitors and reports operational loss exposures and resulting management performance.

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

Clients: Not reported.

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

1988 gross revenues: Not reported; 90% from sale of software, 10% from services.

Branch offices: Atlanta.

Principal officers: John P. Nipps, president; John P. Nipps II, vp-sales/marketing; Melvin Irwin, vp-data operations; Randall C. Nipps, vp-finance.

Conway Computer Consultants Inc.

P.O. Box 12801, Jackson, Miss. 39236; 601-957-7400

Year founded: 1978.

Software products:

• PACCASSO: $35,000; unbundled hardware and software; operates on two types of minicomputers; year of first installation, 1986; 14 total installations, two in risk management departments; system performs claims administration and risk management functions, including check writing, fee schedules, loss development and loss experience.

Staff: 21 total staff members, 17 professional staff members.

Clients: Seven total clients.

User support: Telephone assistance available eight hours per day, software updates.

1988 gross revenues: $1.3 million total.

Principal officers: John A. Conway, president; James P. Hathcock, chief financial officer.

Coopers & Lybrand-Actuarial, Benefits & Compensation Consulting Group

1800 First Interstate Center, Seattle, Wash. 98104; 800-223-0535

Year founded: 1898 (parent company).

Parent company: Coopers & Lybrand.

Software products:

• Exhibitmaker 5: $9,500; unbundled hardware and software; personal computer; year of first installation, 1984; 200 total installations, 35 in risk management departments; functions include forecasting, estimating property/casualty loss reserves, budgeting and cash-flow analysis.

• Cliniflex: Microcomputer; system is an integrated risk management, quality assurance and credentialing product.

Staff: 11 total staff members, nine professional staff members.

Clients: 40 total clients; 10 risk management department clients; 30% with gross revenues less than $200 million, 30% with $200 million-$500 million, 30% with $500 million-$1 billion, 10% with more than $1 billion-$3.5 billion.

User support: Telephone assistance available eight hours per day.

1988 gross revenues: $380,000 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 & Compensation Group; Jim Hall, regional managing partner.

Continued on next page

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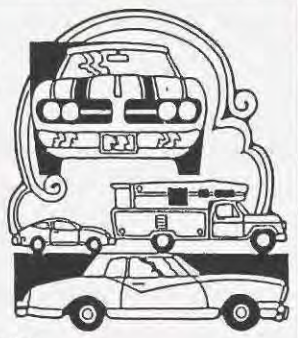

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Reliance Specialty Programs, Inc.

Continued from previous page

Corporate Systems

P.O. Box 31780, Amarillo, Texas 79120; 806-376-4223

Year founded: 1967.
Software products:

- CS Online: Unbundled hardware and software; personal computer; year of first installation, 1978; 5,504 total installations, 1,500 in risk management departments; functions include risk and financial management, safety management, claims administration, accident reporting, check writing, legal tracking, reporting.
- CS Prism Midrange: $50,000-$250,000; unbundled hardware and software; minicomputer, year of first installation, 1986; 14 total installations, all in risk management departments; functions include risk and financial management, safety management, claims administration, accident reporting, check writing, legal tracking, reporting.
- CS Prism Micro: $15,000-$30,000; bundled hardware and software; personal computer; year of first installation, 1986; 25 installations, all in risk management departments; functions include risk and financial management, safety management, check writing, coverage management.

Staff: 290 total staff members, 200 professional staff members.
Clients: 325 total clients; 295 risk management department clients; 25% with gross revenues less than $200 million, 30% with $200 million-$500 million, 25% with $500 million-$1 billion, 15% with $1 billion-$3.5 billion, 5% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance available 10 hours per day, regional seminars, conferences, client advisory council.
1988 gross revenues: $20.1 million total; all from risk management information systems; 2% from sale of hardware, 2% from sale of software, 96% from services.
Branch offices: Naperville, Ill.
Principal officers: Guyon H. Saunders, president; Don R. Riggs, senior vp; C. Scott Gilmour, vp-marketing; Johnny Mize, vp-customer service.

Crawford & Co.

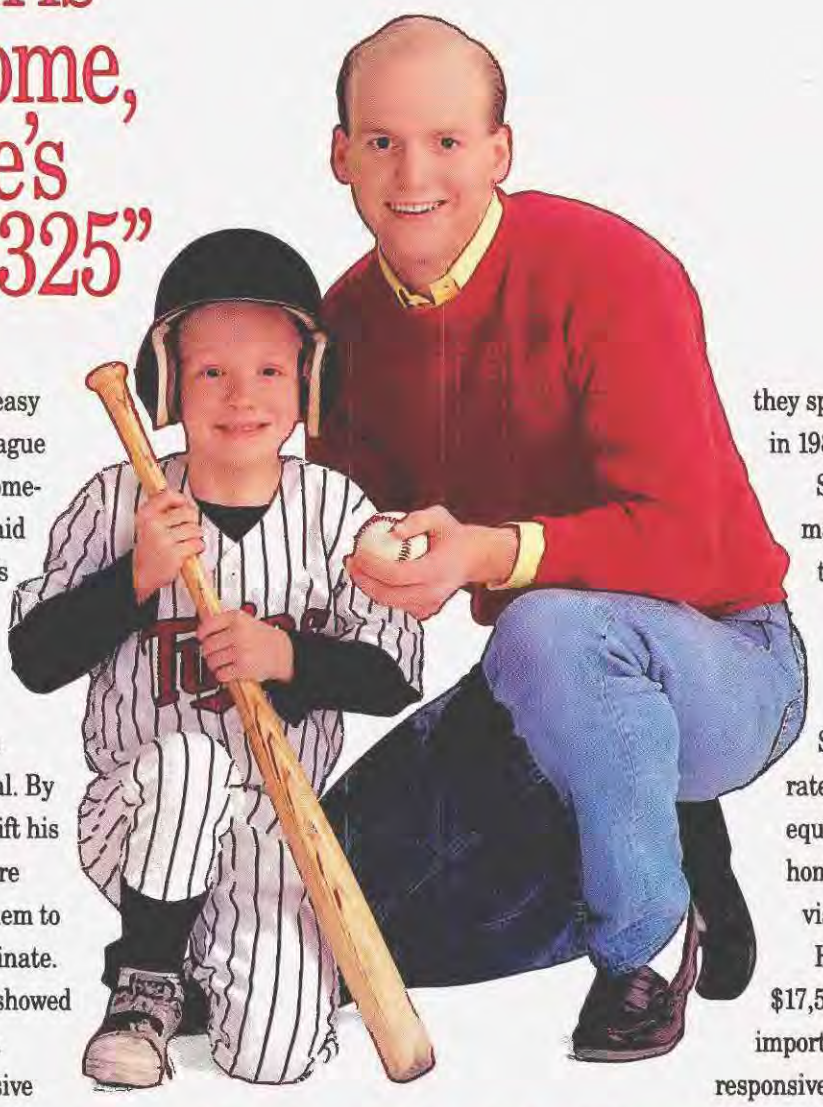
5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-847-4511

Year founded: 1941.
Software products:

- Sisdat Report: Cost included in claims administration fee; unbundled hardware and software; no hardware required; year of first installation, 1975; 472 total installations, all in risk management departments; product provides loss reports, check registers, risk control and safety reports.
- Sigma Personal Service for Sisdat Data: $250-$500 per report; unbundled; no hardware required; year of first installation, 1983; 472 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, 1989; product produces reports to monitor claims administration activity and to measure adjuster performance.

Staff: 124 total staff members, 98 professional staff members.
Clients: 472 total clients; 10% of risk management department clients with gross revenues less than $200 million, 15% with $200 million-$500 million, 30% with $500 million-$1 billion, 30% with $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.
1988 gross revenues: $6.8 million from risk management information system services.
Branch offices: Mahwah, N.J.; Corte Madera, Calif.; Chicago.
Principal officers: Carol Eskola, product manager-Sisdat Services. Risk Sciences Group Inc.; Richard F. Denning, president; Dennis M. Aaron, vp-product design; John W. Hueckstead, vp-computer operations; Carol J. Legg, vp-development; Andrew R. Daniels, R. Michael Keating and Leo Jeffers, vps-operations.

"My son is back home, and he's batting 325"



Andy fumbled some easy field balls during little league practice. His dad knew something was wrong. Andy said he felt "weird." "Maybe it's the flu," he told his dad.

Next day, when Andy's temperature spiked to 105, his parents rushed him to the hospital. By this time, Andy couldn't lift his head. A throbbing pressure behind his eyes caused them to cross. He began to hallucinate.

At the hospital, tests showed 13 abscesses on his brain. Doctors prescribed intensive intravenous (IV) antibiotic therapy. They wanted him hospitalized. Indefinitely.

After a month, however, Andy's parents wanted him home.

His dad's company then turned to HRM's Coordinated Case Management (CCM) program. CCM manages large, long-term, catastrophic cases to make sure patients like Andy receive appropriate care at appropriate costs and within appropriate timeframes.

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David Corp.

230 California St., Suite 600, San Francisco, Calif. 94111; 415-362-4555

Year founded: 1984.
Parent company: Nationwide Corp.
Software products:

- CompPlus: $30,000; bundled hardware and software; personal computer; year of first installation, 1986; 62 total installations, all in risk management departments; functions include workers compensation claims administration.
- P & C Plus: $30,000; bundled hardware and software; personal computer; year of first installation, 1988; nine total installations, all in risk management departments; functions include property/casualty claims administration.

Staff: 39 total staff members, 19 professional staff members.
Clients: 21 total clients; all risk management department clients; 25% with gross revenues less than $200 million, 70% with $200 million-$500 million, 5% with more than $500 million-$1 billion.
User support: User groups and meetings, telephone assistance available 10 hours per day.

Continued on next page

Continued from previous page

1988 gross revenues: Not reported.

Principal officers: Alan Burns, president; Neil Peterson, vp.

E

ESIS Inc.

1600 Arch St., Philadelphia, Pa. 19103; 215-523-3088

Year founded: 1792 (parent company).

Parent company: CIGNA Corp.

Software products:

• CRIS-CIGNA Risk Information Services: Unbundled hardware and software; personal computer compatible with mainframe; year of first installation, 1983; 700 total installations, 351 in risk management departments; system provides risk management, financial, loss control, claims administration, benefits and legal functions.

• CAF-CRIS Advanced Functions: $1,000 and up; unbundled hardware and software; personal computer compatible with mainframe; year of first installation, 1981; 35 total installations, 30 in risk management departments; system provides risk management, financial, loss control claims, benefit, actuarial and legal functions.

Staff: 65 total staff members, 62 professional staff members.

Clients: 77 total clients, all risk management department clients; 85% with gross revenues less than $200 million, 3% with $500 million-$1 billion, 6% with $1 billion-$3.5 billion, 6% with more than $3.5 billion.

User support: Telephone assistance available during business hours of customer, on-site training for clients, seminars.

1988 gross revenues: Not reported; 25% of risk management information system revenues from sale of hardware, 75% from services.

Branch offices: Atlanta; Boston; Chicago; San Antonio, Irving and Houston, Texas; Detroit and Grand Rapids, Mich.; New York, Woodbury, Buffalo and Syosset, N.Y.; San Francisco, Orange, Los Angeles and Rancho Cordova, Calif.; Indianapolis; Overland Park, Kan.; Englewood, Colo.; Eden Prairie, Minn.; Redmond, Wash.; Marlton, N.J.; Quincy, Mass.; Hartford, Conn.; Charlotte, N.C.; Columbia, Md.; Tampa, Fla.; Bala Cynwyd, Pa.

Principal officers: Wilson H. Taylor, president/chief executive officer; Caleb L. Fowler, executive vp/president-property & casualty; John Baney, president-international broker division.

G

Gallagher Bassett Services Inc.

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Year founded: 1962.

Parent company: Arthur J. Gallagher & Co.

Software products:

• Risx-Facs: unbundled hardware and software or available on a timesharing basis; personal computer; year of first installation, 1983; more than 750 total installations; functions include claims administration, check writing, loss reporting, electronic mail and ad hoc inquiry.

• Micro-Facs: $2,100; unbundled hardware and software; personal computer; year of first installation, 1986; 41 total clients, all risk management departments; functions include inquiries, ad hoc reporting, analysis of trends, exposure analysis, electronic mail.

Staff: 84 total staff members, 60 professional staff members.

Clients: Two total clients in 1988.

User support: Telephone assistance available eight hours per day, on-site and off-site training for clients, client manuals.

1988 gross revenues: Not reported.

Branch offices: 97 offices throughout the United States.

Principal officers: Peter J. Durkalski, president; Donald C. Klein, executive vp; Rick Rothman, vp-sales/marketing.

General Research Corp.

7655 Old Springhouse Road, McLean, Va. 22102; 703-893-5900

Year founded: 1961.

Parent company: Flow General Inc.

Software products:

• Flow Gemini Personnel Assurance System (PASS): $100,000; unbundled hardware and software; mainframe or minicomputer; new product; functions include integration of security, safety, medical and personnel records on employees to aid in making personnel risk assessments.

Staff: 2,500 total staff members, 1,800 professional staff members.

Clients: Not reported.

User support: User groups and meetings, telephone available 12 hours per day, client training.

1988 gross revenues: $244 million total.

Branch offices: Santa Barbara, Calif.; London.

Principal officers: Grant C. Ehr-

Continued on next page

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225 Borthwick Avenue
Portsmouth, NH 03801
Name
Company
Address
City State Zip
Business Phone

RISKTRAC

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Continued from previous page
lich, chairman; Robert F. Wengler, president/chief executive officer.

H

Hartford Specialty Co.

155 Founders Plaza, East Hartford, Conn. 06108; 203-275-1391

Year founded: 1979.
Parent company: ITT Corp.
Software products:
• OSCAR: $10,000 or included in insurance programs; unbundled hardware and software; personal computer with modem; year of first installation, 1980; 700 total installations, 216 in risk management departments; product is a data information service offered in conjunction with insurance and claims services; provides reports with electronic mail capability.
Staff: 27 total staff members, 24 professional staff members
Clients: 50 total clients, all risk management departments; 4% with gross revenues $200 million-$500 million, 22% with $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.
1988 gross revenues: Not reported, 100% from software services.
Branch offices: Los Angeles; Chicago; New York; Dallas; Troy, Mich.; Maitland, Fla.
Principal officers: Ramani Ayer, president/chief executive officer; John MacDonald, senior vp-customer services division; Lonnie Maytubby, assistant vp-management information systems.

Clifton F. Haughey Jr., Consultant

1105 Willow Road, Roswell, Ga. 30075; 404-992-7513

Year founded: 1987.
Software products:
• The Claims Manager (Single User): $20,000; bundled or unbundled hardware and software; personal computer; year of first installation, 1987; four total installations, three in risk management departments; functions include claims accounting, safety management, underwriting and loss forecasting, reporting.
• The Claims Manager (Multi-User LAN): $30,000; bundled or unbundled hardware and software; personal computer; year of first installation, 1987; two total installations, both in risk management departments; functions include claims accounting, safety management, underwriting and loss forecasting, reporting.
Staff: Five total staff members, three professional staff members.
Clients: Two total clients; both risk management department clients; 50% with gross revenues less than $200 million, 50% with $1 billion-$3.5 billion.
User support: Telephone assistance available eight hours per day, on-line diagnostics.
1988 gross revenues: $150,000 total; all from risk management information systems; 10% from sale of hardware, 70% from sale of software, 20% from services.
Principal officers: Clifton F. Haughey Jr., Karen D. Haughey, Helmut Forren and Richard J. Thomas.

Health Management Technologies Inc.

1042 Country Club Drive, Suite 2-C, Moraga, Calif. 94556; 415-376-0980

Year founded: 1985.
Software products:
• Return-Medical Manager: $5,000-$25,000 to license; bundled or unbundled hardware and software; personal computer; year of first installation, 1988; 25 total installations, all in risk management departments; functions include management of workers compensation and disability claims.
Staff: Four total staff members, three professional staff members.
Clients: 25 total clients; 76% with gross revenues less than $200 million, 20% with $200 million-$500 million, 4% with $500 million-$1 billion.
User support: Telephone assistance available 10 hours per day, on-site training.
1988 gross revenues: Not reported; 10% from sale of hardware, 60% from sale of software, 30% from services.
Principal officers: K.J. Wolfe, president; J.W. Wolfe, senior vp.

Helmsman Management Services Inc.

225 Borthwick Ave., Portsmouth, N.H. 03801; 603-431-1181

Year founded: 1983.
Parent company: Liberty Mutual Insurance Group.
Software products:
• RISKTRAC/ONLINE (Mainframe): $35,000; unbundled hardware and software; personal computer; year of first installation, 1988; 30 total installations, all in risk management departments; functions include claims management and reporting.
• RISKTRAC/PC: $5,000; unbundled hardware and software; personal computer with hard drive; year of first installation, 1987; 69 total installations, all in risk management departments; functions include claims management, reporting, coverage tracking.
• RISKTRAC/MINI: $20,000; unbundled hardware and software; minicomputer; year of first installation, 1986; nine total installations, all in risk management departments; functions include claims management, loss forecasting, premium allocations.
Staff: 72 total staff members, 61 professional staff members.
Clients: 74 total clients; 70 risk management department clients; 34% with gross revenues less than $200 million, 24% with $200 million-$500 million, 15% with $500 million-$1 billion, 15% with $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, client newsletters.
1988 gross revenues: Not reported.
Branch offices: Weston, Mass.; New York; Berwyn and Pittsburgh, Pa.; Atlanta; Itasca, Ill.; Irving, Texas; Pleasanton, Calif.
Principal officers: William E. Commack, president; Elliot J. Williams, vp.

I

Insurance Software Packages Inc.

5118 N. 56th St., Tampa, Fla. 33610; 813-621-6069

Year founded: 1985.
Software products:
• Workers' Compensation Claims Management System: $24,000; unbundled hardware and software; personal computer or local area network; year of first installation, 1985; 52 total installations, 17 in risk management departments; functions include check writing, state form preparation, fee schedule validation, reserve tracking, claim inquiry and reporting.
• Multi-Line Claims Management System: $12,000; unbundled hardware and software; personal computer or local area network; year of first installation, 1986; 21 total installations, six in risk management departments; functions include claim entry and validation, claim payment, accident reporting, reserve tracking, claims inquiry and reporting.
• Loss Forecasting: $1,995; unbundled hardware and software; personal computer; first installation, 1987; more than 50 total installations; functions include loss forecasting, tracking of loss development factors, trend selection; generates graphics.
Staff: 26 total staff members, 23 professional staff members.
Clients: 45 total clients; 50% with gross revenues less than $200 million, 20% with $200 million-$500 million, 20% with $500 million-$1 billion, 10% with $1 billion-$3.5 billion.
User support: User groups and meetings, telephone assistance available nine hours per day.
1988 gross revenues: $2 million

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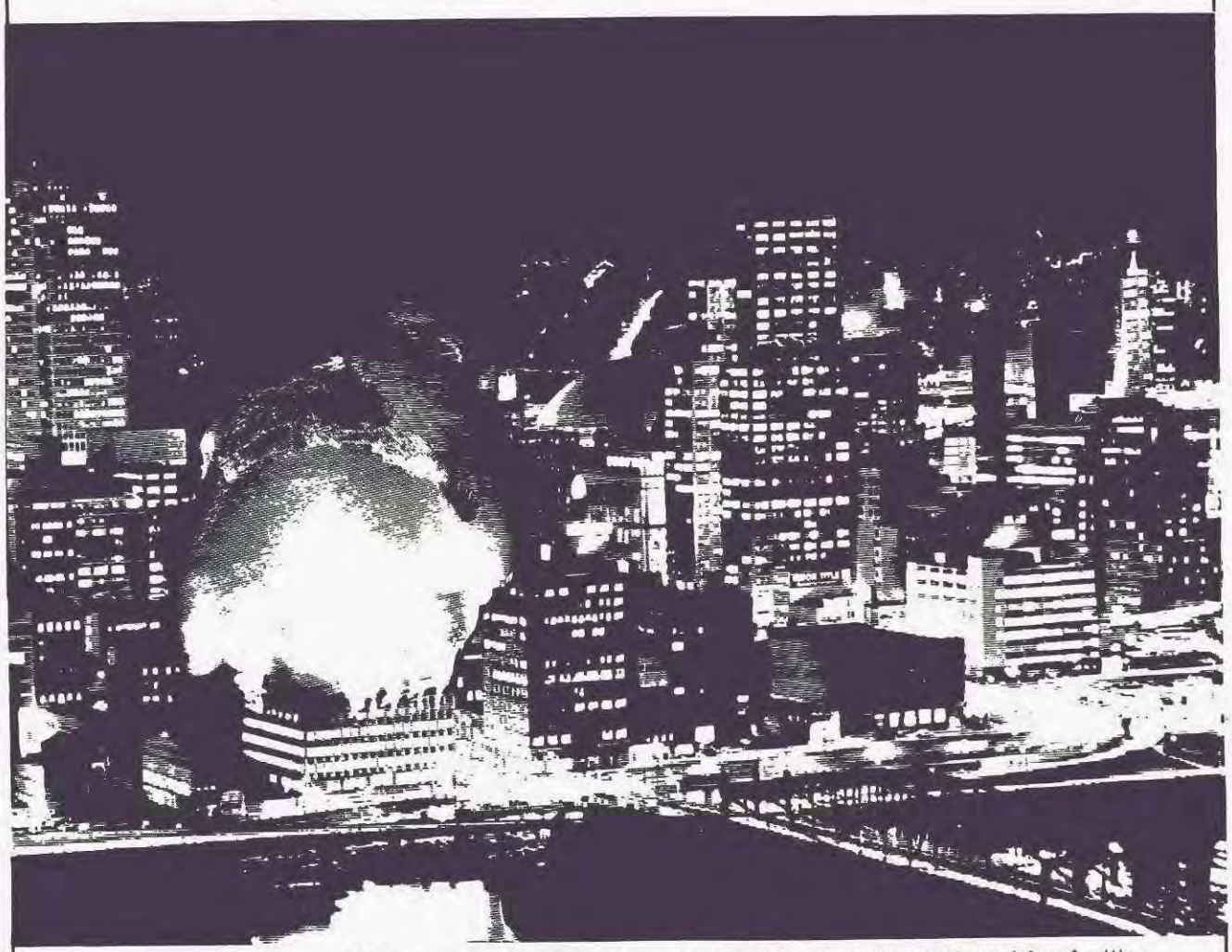

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Continued from previous page
total; 85% of risk management information system revenues from sale of hardware, 15% from sale of software.

Principal officers: A. Allan Machesney, president; David L. Wellons, vp-sales; Dan Sopes, vp-development; George H. Cannon, vp.

J

James Risk Services Group

1285 Ave. of the Americas, New York, N.Y. 10019; 212-333-8900

Year founded: 1971.

Parent company: Fred S. James & Co. Inc.

Software products:

- James Unified Risk Information System (JURIS): bundled hardware and software; minicomputer; year of first installation, 1980; 12 risk management department installations; functions include claims administration and processing.
- James Integrated Microcomputer Interface (JIMI): unbundled hardware and software; personal computer; year of first installation, 1983; 127 risk management department installations; system allows access to claims information and ad hoc report generation.
- INFORM: $20,000; bundled or unbundled hardware and software; personal computer or mainframe; year of first installation, 1979; 15 risk management department installations; system is a custom-designed risk management information system, including claims administration, premium allocation, actuarial data, loss forecasting, exposure tracking, reporting, risk financing and risk control.

Staff: 460 total staff members, 230 professional staff members.

Clients: 90 total clients.

User support: User groups and meetings, telephone assistance available 10 hours per day, user manuals, consulting.

1988 gross revenues: Not reported.

Branch offices: Atlanta; Baton Rouge and New Orleans, La.; Birmingham, Ala.; Boise, Idaho; Boston; Charlotte, N.C.; Chicago; Columbia, S.C.; Dallas; Houston; Denver; Detroit; Fairfield, Hartford and Greenwich, Conn.; West Palm Beach, Orlando, Naples, Fort Lauderdale and Fort Myers, Fla.; Hamilton, Bermuda; Philadelphia, Pittsburgh and Harrisburg, Pa.; Hato Rey, Puerto Rico; Honolulu; San Diego, San Francisco, Los Angeles and Irvine, Calif.; Jackson, Miss.; Nashville, Memphis and Knoxville, Tenn.; Reno and Las Vegas, Nev.; Little Rock, Ark.; Portland and Medford, Ore.; Minneapolis; Omaha, Neb.; Tucson and Phoenix, Ariz.; Portland, Maine; Rochester, N.Y.; St. Louis; Short Hills, N.J.; Bellevue, Yakima, Spokane, Seattle and Tacoma, Wash.; Tulsa, Okla.; Washington, D.C.

Principal officers: C. Richard Peterson, executive vp-group services; Norman A. Spargo, executive vp/director-risk services; Robert Young, president-claims management services; R. Jane Hill, president-risk management services; Alan Josefsek, vp-information systems division.

Johnson & Higgins-Risk Management Services Department

125 Broad St., New York, N.Y. 10004; 212-574-7000

Year founded: 1845 (parent company).

Parent company: Johnson & Higgins.

Software products:

- Complete Claim System (CCS): $12,000; unbundled hardware and software; personal computer; year of first installation, 1987; 25 total installations, 20 in risk management departments; functions include data consolidation, claims administration, loss reporting, statutory reporting, safety analysis and loss control, claims analysis, loss forecasting, cost-of-risk allocation.
- Property Value System (PVS): $8,000; unbundled hardware and software; personal computer; year of first installation, 1987; five total installations, all in risk management departments; functions include maintenance of property values, exposures and rates by location.

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

Clients: Five total clients.

User support: Telephone assistance available eight hours per day, on-site client support, custom programming.

1988 gross revenues: Not reported.

Branch offices: San Francisco, Los Angeles, Seattle, Cleveland and Atlanta.

Principal officers: Alan G. Page, senior vp/head-Risk Management Services Department.

M

McDonnell Douglas Information Systems Co.

P.O. Box 516, St. Louis, Mo. 63166; 800-325-1551

Year founded: 1960.

Parent company: McDonnell Douglas Corp.

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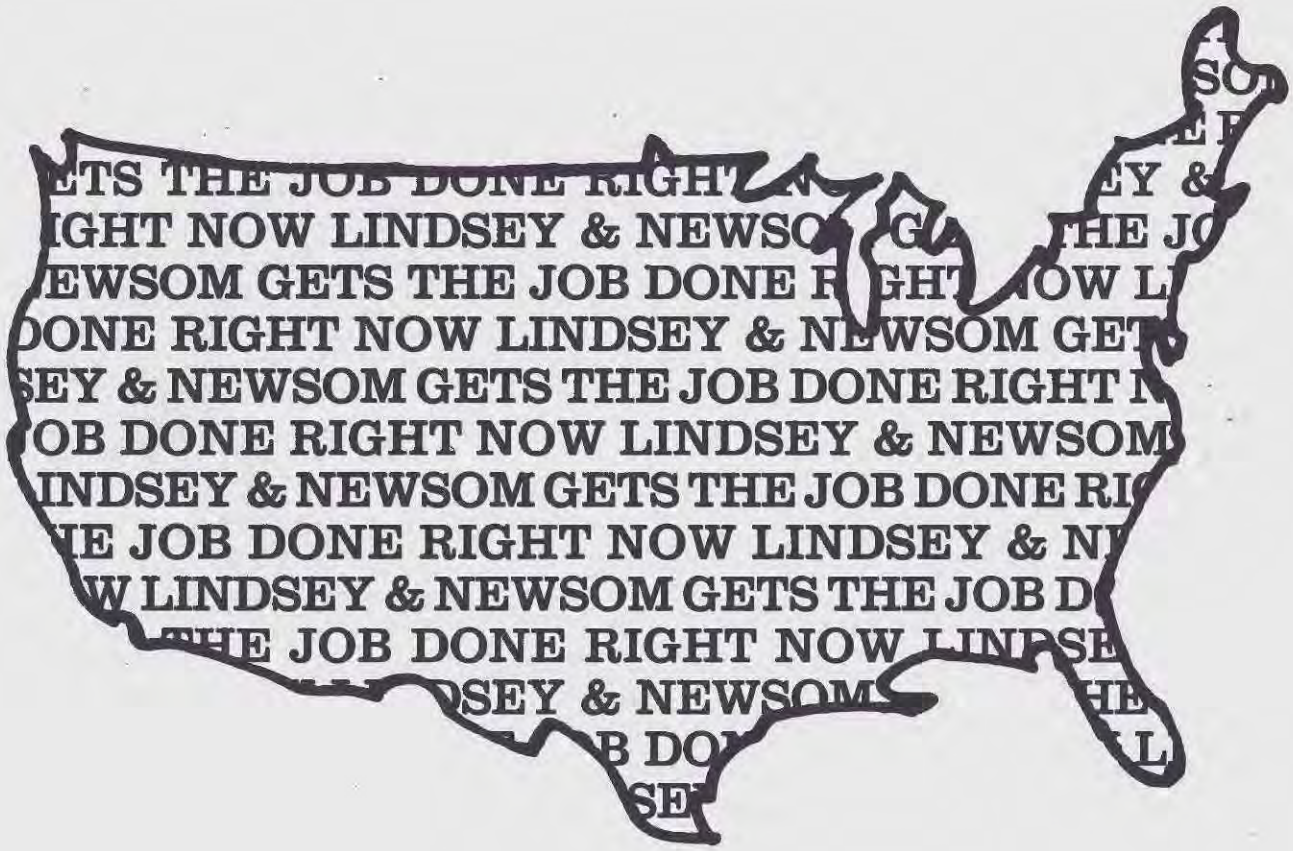

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Continued from previous page

Software products:

• Automated Claims System: unbundled hardware and software; mainframe; year of first installation, 1984; 10 total installations, one in a risk management department; functions include administration of property/casualty claims.

• Medical Bill Review: unbundled hardware and software; mainframe; year of first installation, 1989; two total installations, one in a risk management department; functions include pricing, utilization review and explanation of payment for workers compensation claims.

• Automated Reinsurance System: unbundled hardware and software; mainframe; year of first installation, 1988; four total installations; system administers ceded reinsurance for property/casualty premiums and losses.

Staff: 8,816 total staff members.

Clients: Five total clients, one risk management department client with gross revenues $1 billion-$3.5 billion.

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

1988 gross revenues: 65% from sale of software, 35% from services.

Branch offices: 78 locations in the United States and Canada.

Principal officers: John McDonnell, chairman/chief executive officer-McDonnell Douglas Corp.; Jeremy Causley, president.

O

OMEGA Claims Services Inc.

3100 Oak Road, Suite 220, Walnut Creek, Calif. 94596; 415-943-1155

Year founded: 1949.

Software products:

• CAPS (Claims Administration Processing System): $6,995 and up; unbundled hardware and software; personal computer; year of first installation, 1987; one total installation; functions as a liability management information system.

Staff: Four total staff members, three professional staff members.

Clients: One client.

User support: Telephone assistance available eight hours per day.

1988 gross revenues: Not reported.

Branch offices: San Diego, Calif.

Principal officers: Richard Ensbury, president/chief executive officer; Beverly Frahm, vp-personnel/administration; Carolyn Chin, chief financial officer; Dana Berggren, director-claims administration systems; Russ LaDue, regional manager.

P

Pacific Technical Services

2950 Merced St., Suite 111E, San Leandro, Calif. 94577; 415-351-9095

Year founded: 1987.

Software products:

• PTS Compac: $25,000; unbundled hardware and software; personal computer or minicomputer; year of first installation, 1987; 12 total installations, all in risk management departments; functions include workers compensation claims processing.

• PTS GL: $24,000; unbundled hardware and software; personal computer or minicomputer; year of first installation, 1987; 12 total installations, all in risk management departments; functions include general liability and automobile claims processing.

Staff: Six total staff members, three professional staff members.

Clients: 14 total clients; 13 risk management department clients; 58% with gross revenues less than $200 million, 25% with $200 million-$500 million, 13% with $500 million-$1 billion, 4% with $1 billion-$3.5 billion.

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

1988 gross revenues: Not reported.

Branch offices: Irvine, Calif.

Principal officers: Craig Zivolich, president.

Premium Review Associates

P.O. Box 125, Keene, N.H. 03431; 603-352-2786

Year founded: 1979.

Software products:

• PRA's Experience Modification System: $900-$1,200; unbundled hardware and software; personal computer; year of first installation, 1985; more than 400 total installations, 175 in risk management departments; system calculates and projects workers compensation experience modification.

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

Clients: 185 total clients, all risk management department clients; 75% with gross revenues less than $200 million, 25% with $200 million-$500 million.

User support: Telephone assistance available eight hours per day.

1988 gross revenues: Not reported, 100% from sale of software.

Principal officers: Norman Goodman, owner.

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Pyramid Services Ltd.

90 Grove St., Suite 206, Ridgefield, Conn. 06877; 203-438-3883

Year founded: 1987.
Parent company: Adjustco Inc.
Software products:

- Pyramid Claims Management: $20,000; bundled hardware and software; personal computer; year of first installation, 1987; 31 total installations, 21 in risk management departments; functions include claims administration, check writing, reporting and data analysis.
- Pyramid Risk Management: $10,000; bundled hardware and software; personal computer; year of first installation, 1987; 43 total installations, 38 in risk management departments; system manages claims, issues insurance certificates, generates reports and actuarial and financial statistics.
- Pyramid Association Manager: $10,000; bundled hardware and software; personal computer; year of first installation, 1987; eight total installations, two in risk management departments; functions include policy issuance, billing, experience modification.

Staff: 10 total staff members, eight professional staff members.
Clients: 11 total clients; eight risk management department clients; 25% with gross revenues less than $200 million, 12.5% with $500 million-$1 billion, 37.5% with $1 billion-$3.5 billion, 25% with more than $3.5 billion.
User support: User groups and meetings, telephone assistance available 10 hours per day.
1988 gross revenues: $40 million total; $2 million from risk management information systems; 10% from sale of hardware, 55% from sale of software, 35% from services.
Principal officers: William Kuebler, president.

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; 35 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; three 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 staff members, all professionals.
Clients: Nine total clients; three risk management department clients; 25% with gross revenues $200 million-$500 million, 50% with $500 million-$1 billion, 25% with $1 billion-$3.5 billion.
User support: Telephone assistance available 10 hours per day.
1988 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.

R

Risk Information Systems Consulting Inc.

P.O. Box 337, Huntington, N.Y. 11743; 516-424-3349

Year founded: 1988.
Software products:

- Fully Customized: $5,000; unbundled hardware and software; personal computer; year of first installation, 1989; one total installation, in a risk management department; functions include claims administration and payments, policies, exposure, allocations and forecasting.

Staff: One staff member who is a professional.
Clients: Not reported.
User support: Telephone assistance available 12 hours per day, on-site services for clients.
1988 gross revenues: Not reported.
Principal officers: Michael N. Singer, president.

Risk Sciences Group Inc.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-847-4511

Year founded: 1978.
Parent company: Crawford & Co.
Software products:

- SIGMA System (Service Bureau Services): 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, accounting, budget planning, loss prevention and control, safety analysis, program monitoring and claims administration.
- SIGMA System (License Sys-

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BI

Continued from previous page
tem): $125,000; unbundled hardware and software; mainframe; year of first installation, 1987; four total installations, all in risk management departments; functions include actuarial analysis, accounting, budget planning, loss prevention and control, safety analysis, program monitoring and claims administration.

• Litigation Management Support (PC System): $10,000; unbundled hardware and software; personal computer; year of first installation, 1988; two total installations, both in risk management departments; functions include litigation analysis, legal diary, attorney monitoring and financial recordkeeping.

• Litigation Management Support (Mainframe System): $10,000-$15,000; unbundled hardware and software; personal computer with modem; year of first installation, 1985; five total installations, all in risk management departments; functions include litigation analysis, legal diary, attorney monitoring and financial recordkeeping.

• 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; functions include forecasting and budgeting of loss and expense information by use of client and industry data.

Staff: 58 total staff members, 52 professional staff members.

Clients: 169 total clients; 67 risk management department clients; 7.5% with gross revenues less than $200 million, 7.5% with $200 million-$500 million, 25% with $500 million-$1 billion, 35% with $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.

1988 gross revenues: $5.2 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; Dennis M. Aaron, vp-product design; John W. Haecksteadt, vp-computer operations; Carol J. Legg, vp-development; Andrew R. Daniels, R. Michael Keating and Leo Jeffers, vps-operations.

Rollins Burdick Hunter Co.-Rollins Technical Services

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000

Year founded: 1898 (parent company).

Parent company: Aon Corp.

Software products:

• RISKAN II: $35,000; 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 analysis, trending and safety litigation.

• RISKAN II CORAS: $20,000; bundled or unbundled hardware and software; system runs on vendor's hardware accessed through personal computer; year of first installation, 1936; 20 total installations, all in risk management departments; functions include premium allocation, budget analysis.

• LINX: bundled or unbundled hardware and software; system runs on vendor's hardware accessed through personal computer; year of first installation, 1986; 14 total installations, all in risk management departments; functions include claims administration.

Staff: 31 total staff members, 16 professional staff members.

Clients: 35 total clients.

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

1988 gross revenues: $1.2 million from risk management information systems; 20% from sale of software, 80% from services.

Branch offices: St. Louis; Palo Alto, Calif.; services available from 43 branch locations nationwide.

Principal officers: Arthur F. Quern, chairman/president/chief executive officer; Roger M. Simpson Jr., vp; Frank W. Strenk, second vp.

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S

Self Insured Management Systems

P.O. Box 19730-171, 9320 S.W. Barbur Blvd., Portland, Ore. 97219; 503-245-9756

Year founded: 1981.

Software products:

• RiskPac: $9,500; unbundled hardware and software; minicomputer or personal computer; year of first installation, 1981; 20 total installations, eight in risk management departments; functions include claims management and financial reporting for workers compensation, general liability and property/casualty programs.

Staff: 14 total staff members, eight professional staff members.

Clients: Six total clients, all risk management department clients; 80% with gross revenues less than $200 million, 20% with $200 million-$500 million.

User support: Telephone assistance available 10 hours per day.

1988 gross revenues: $100,000 total, all from risk management information systems; 80% from sale of software, 20% from services.

Principal officers: Michael S. Gold, president; James W. Broyles, secretary.

Seligman Information Systems

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

Year founded: 1985.

Software products:

• ACCESS—The Claims Information System: $6,000; unbundled hardware and software; personal computer; year of first installation, 1986; 12 total installations, three in risk management departments; functions include workers compensation, general liability, auto and property claims administration, verification of data, report generation.

• CERTS—Certificates of Insurance-Issuing: $1,900; unbundled hardware and software; personal computer; year of first installation, 1987; six total installations, two in risk management departments; system issues certificates of insurance, produces management reports.

• CTRACK—Certificates of Insurance-Tracking: $695; unbundled hardware and software; personal computer; year of first installation, 1988; 20 total installations, 14 in risk management departments; system tracks incoming certificates of insurance, generates reminder letters as policies approach expiration.

Staff: Not reported.

Clients: Not reported.

User support: Telephone assistance available 12 hours per day, client training and consulting.

1988 gross revenues: Not reported.

Principal officers: Thomas Seligman, president.

Surplus Risk Services/ The Fisher Associates

3465 Torrance Blvd., Suite N, Torrance, Calif. 90503; 213-540-8803

Year founded: 1982.

Software products:

• ForeRisk: $2,950 per module; unbundled hardware and software; personal computer; year of first installation, 1988; 42 total installations, 28 in risk management departments; functions include loss and claim forecasting, generation of statistical data, IBNR reporting.

• ForeRisk Tracking: $4,780 single user, $11,250 multiuser; unbundled hardware and software; personal computer; year of first installation, 1989; four total installations, two in risk management departments; functions include claims tracking.

• ForeRisk Litigation/ForeRisk Certificate: $2,700 (Litigation single user); $4,200 (Certificate single user); unbundled hardware and software; personal computer; new product; functions include tracking of litigation and certificates of insurance.

Staff: 14 total staff members, 11 professional staff members.

Clients: 28 total clients; 10 risk management department clients; 63% with gross revenues less than $200 million, 17% with $200 million-$500 million, 9% with $500 million-$1 billion, 6% with $1 billion-$3.5 billion, 5% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day.

1988 gross revenues: More than $100,000 total; all from risk management information systems; 80% from sale of software, 20% from services.

Principal officers: Frederick Fisher, president; Aubrey Payne, director-marketing; Mark Thompson, director-product development.

T

3R Co.

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

Year founded: 1985.

Software products:

• Loss Development Module: $299; unbundled hardware and software; personal computer; year of first installation, 1985; 75 total installations; functions include workers compensation and general liability loss reserves analysis, graphics.

• Premium Adjustment Module: $99; unbundled hardware and software; personal computer; year of first installation, 1985; 72 total installations; functions include retrospective premium adjustments.

• Loss Rating Module: $99; unbundled hardware and software; personal computer; year of first installation, 1987; 36 total installations; system forecasts premiums based on loss history.

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

Clients: 20 total clients.

User support: Telephone assistance available one hour per day.

1988 gross revenues: Not reported; 100% from sale of software.

Principal officers: J.A. Rinaldi, owner.

Tillinghast/RISKMASTER

38705 Seven Mile Road, Livonia, Mich. 48152; 313-462-5800

Year founded: 1967.

Parent company: Towers, Perrin, Forster & Crosby Inc.

Software products:

• RISKMASTER Software Series (PC): $17,000; bundled or unbundled hardware and software; personal computer and local area network; year of first installation, 1982; 375 total installations, 200 in risk management departments; functions include general claims administration,

Continued on next page

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Continued from previous page
workers compensation, vehicle accident tracking, policy management, check processing.

• RISKMASTER Software Series (Mini): $35,000; bundled or unbundled hardware and software; mini computer or mainframe; year of first installation, 1982; 25 total installations, 20 in risk management departments; functions include general claims administration, workers compensation, vehicle accident tracking, policy management, check processing.

• RISKMASTER Software Series (Unix): $35,000; bundled or unbundled hardware and software; mini computer and mainframe; year of first installation, 1987; five total installations, all in risk management departments; functions include general claims administration, workers compensation, vehicle accident tracking, policy management, check processing.

Staff: 28 total staff members, 22 professional staff members.

Clients: 100 total clients; 10% with gross revenues less than $200 million, 50% with $200 million-$500 million, 30% with $500 million-$1 billion, 10% with $1 billion-$3.5 billion.

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

1988 gross revenues: $3.5 million total; $3 million from risk management information systems; 10% from sale of hardware, 60% from sale of software, 30% from services.

Branch offices: 55 offices worldwide.

Principal officers: James Kielley, president/chief executive officer; Lawrence Margel, chief financial officer; Mark E. Dorn, vp; Robert Sturgis, president-risk management consulting division; Randy Meir, president-life division.

The Travelers Cos. -Risk Management Information Services

1 Tower Square, Hartford, Conn. 06183; 203-277-5151

Year founded: 1984.
Parent company: Travelers Corp.
Software products:

• CARMA: bundled hardware and software; mainframe (time sharing basis); year of first installation, 1984; 230 total installations, all in risk management departments; functions include claims administration, loss control and financial analysis; Group CARMA module also available.

• PC CARMA: unbundled hardware and software; personal computer; year of first installation, 1986; 70 total installations, all in risk management departments; functions include claims administration, loss control and financial analysis.

• SAILOR On-Line: bundled hardware and software; mainframe (time-sharing basis); year of first installation, 1985; 550 total installations, 400 in risk management departments; functions include claims administration, loss control and financial analysis.

• INFORM: unbundled hardware and software; mainframe (time sharing basis); year of first installation, 1988; 35 total installations, 30 in risk management departments; functions include integration of employee benefit and risk management data; data analysis and reporting.

Staff: 116 total staff members, 88 professional staff members.

Clients: 30 total clients.

User support: User groups and meetings, telephone assistance available 10 hours per day, account representatives.

Branch offices: Los Angeles.

Principal officers: John Gardner, vp; Ken Martino, assistant director.

U

Universal Business Concepts Inc.

169 Edgewood Ave., Longmeadow, Mass. 01106; 413-567-9185

Year founded: 1984.
Software products:

• ClaimTrack: $1,900; unbundled hardware and software; personal computer; year of first installation, 1987; 10 total installations, five in risk management departments; processes workers compensation, general liability, auto liability and property claims.

Staff: Three total staff members, all professionals.

Clients: Three total clients.

User support: Telephone assistance available eight hours per day.

Principal officers: Kevin Miller, president; Joseph Mirandi, treasurer.

W

WLT Software of Florida Inc.

2087 U.S. 19 N., Suite D, Clearwater, Fla. 34623; 813-797-7814

Year founded: 1980.
Software products:

• COMPCLAIMS: Bundled or unbundled hardware and software; minicomputer and personal computer; year of first installation, 1985; functions include workers compensation claims administration and payment, security control, litigation tracking, financial accounting, letter writing, electronic mail, remote processing capabilities.

Staff: Not reported.

Clients: Not reported.

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

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

Scott Wetzel Services Inc.

500 Pacific Ave., Bremerton, Wash. 98310; 206-479-0200

Year founded: 1941.
Software products:

• SWS PC Access: $2,500; unbundled hardware and software; personal computer; year of first installation, 1983; 15 total installations, all in risk management departments; system reviews claims and generates ad hoc reports.

Staff: 35 total staff members, 12 professional staff members.

Clients: Not reported.

User support: Telephone assistance available 16 hours per day, technical support.

1988 gross revenues: Not reported.

Branch offices: Portland, Ore.; Concord and Orange, Calif.; Spokane and Seattle, Wash.; Houston; Dallas; Mountainside, N.J.; Tampa, Fla.; Atlanta; Chicago; Manchester, N.H.; Denver; Albany, N.Y.; Knoxville, Tenn.; Salt Lake City.

Principal officers: John Harrold, T.R. Neal, V. Teti, R.B. Spratt, W.E. Zimmerman and D. Alsop.

The Wyatt Co.

303 W. Madison, Suite 2400, Chicago, Ill. 60606; 312-704-0600

Year founded: 1943.
Services:

• Analysis of Needs and Objectives: $4,000-$6,000; personal computer, minicomputer or mainframe; year of first assignment, 1982; functions include claims administration, reporting, exposure and underwriting information.

• Design of System Specifications: $15,000-$25,000; personal computer, minicomputer or mainframe; year of first assignment, 1983; functions include claims administration, reporting, exposure and underwriting information.

• Independent Analysis of Proposals: $6,000-$8,000; minicomputer, mainframe or personal computer; year of first assignment, 1983; functions include claims administration, reporting, exposure and underwriting information.

• Wyatt Claims Manager: $10,000-$15,000; unbundled hardware and software; personal computer; year of first installation, 1989; one installation; functions include claims administration.

Staff: 100 total staff members assigned to risk management information services, 75 of whom are professional staff members.

Clients: Not reported.

User support: Telephone assistance, consulting.

1988 gross revenues: $330 million total.

Branch offices: San Francisco; Washington, D.C.; Dallas; Detroit; Boston; Philadelphia; Toronto; Montreal; Vancouver, British Columbia.

Principal officers: Sylvain Dion, Tom Briggin, Ed Armstrong, Jim Swanke, Hank Devlin, Art Parry and Jay Lavenson, risk management practice leaders. ■

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Professional Liability and Specialty Insurance

Insurer-buyer communication

Panel seeks to mend 'strained' relations

By KATHRYN J. McINTYRE

CHICAGO—Buyers and sellers of commercial insurance need to improve their communications to help reduce the increasing conflicts that exist in their relationships, a group of risk management and insurance experts agree.

Insurance companies also must improve their service to corporate insurance buyers to reduce growing conflicts, they also generally agree.

These were the conclusions of a six-person panel that discussed "Risk Management: Buyers and Sellers in Conflict" during the XXV International Insurance Seminar, held July 8-13 by the International Insurance Society Inc.

Panel moderator H. Felix Kloman, a vp and principal with the risk management consulting firm Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc., observed there is "a growing mutual disenchantment of risk managers with insurers and reinsurers."

Panelists agreed, to varying degrees.

Ronald Stasch, president of the Risk & Insurance Management Society Inc., observed that "seldom has the relationship" between buyer and seller of commercial insurance "appeared to be more strained."

Acknowledging that the pressures on the property/casualty insurance industry "are enormous," Mr. Stasch also commented that there are "genuine underlying problems with the insurance mechanism."

Mr. Stasch, who also is manager of risk management services for Federal-Mogul Corp. in Southfield, Mich., suggested that the "insurance industry has often been its own worst enemy."

He cited "irrational (pricing) cycles, lack of insurance products, inadequate attention to risk control and increasing coverage disputes" as insurers' self-inflicted problems.

To improve the relationship between the buyers and sellers of insurance, Mr. Stasch suggested that there has to be "open and meaningful communications. The industry has to be more sensitive to using clear, understandable language and avoid the jargon."

Mr. Stasch also called for a "return to the days when service was stressed as a primary product."

Noting that the gains in risk financing for the most part have been accomplished, Mr. Stasch said risk managers are concerned with loss control and that there is "a real need for insurers to work in partnership with risk managers" on loss control issues.

This is especially true for insurance buyers that may not have loss control expertise due to budget constraints, he said.

Insurers, however, may not be responding to this need, Mr. Stasch said, citing his concern that workers compensation insurers have not "taken the proper steps" to deal with increasing workers compensation costs resulting from cost containment efforts in employee benefit health plans.

Mr. Stasch also suggested that buyers and sellers "re-establish stable, long-term relationships," which he admitted both sides have damaged.

Federal-Mogul has dealt with the same casualty insurer for 17 years and only changed property insurers after 15 years when it was deemed necessary to do so for better service, not for a lower price, Mr. Stasch said.

Hugh R. Loader, group insurance manager for Tetra Pak Insurance Services Ltd. in Essex, England, said that as a risk manager of a multinational packaging corporation, "I often feel that there is a lack of total understanding by insurers of my needs, which may be perceived by many as a failing by the insurer to respond to the needs of industry.

"That may be a fact, but it may also be that I fail to adequately communicate my needs to the market at large to identify me as a possible buyer of the multinational service that they have to offer," he said.

Citing specific problems, Mr. Loader said insurance coverage is more difficult to obtain in the United States compared with elsewhere in the world.

Besides conflicts with insurers, risk managers can find they are in conflict with other providers of risk management services, including consultants that provide loss prevention and engineering services, architects, designers and lawyers, Mr. Loader pointed out.

While these experts help in the risk management process, there is conflict because "they do not talk to one another often enough. . .consultancy fees are always too high," and these professionals do not always appreciate that the risk manager can contribute to the process, he said.

Risk managers, for example, need to be involved in corporate takeover situations because they can ensure that "corporate philosophies are considered first rather than some of the esoteric niceties that some consultants use to pad their reports and their fee notes," Mr. Loader said.

Speaking specifically about loss prevention services, Mr. Loader encouraged a "flexible outlook" from an adviser who should "know all the alternatives that could be offered by others in addition to being a thinker with innovative solutions of his own."

Overall, Mr. Loader suggested that "if the risk manager has the right level of authority and responsibility then I am sure that he can do the job for his corporation and that conflicts can be resolved by these factors of common sense and, above all, communication."

Harry J.P. van Daal, deputy-director of insurance for Philips B.V. of Eindhoven, The Netherlands, stressed the need for better communications between buyers and sellers of insurance, who, he said, "have to listen to each other."

Continued on next page

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Continued from previous page

And in listening to each other, both sides should recognize that "both parties are entitled to a reasonable profit," according to Mr. van Daal.

He also called on insurers to assist risk managers in convincing top management that more money needs to be spent on loss control, commenting that outside advisers can have more credibility with top management.

The insurance industry panelists acknowledged at least some conflict between buyers and sellers of insurance and agreed that better communication between the two would help reduce conflict, as well as other measures.

Hans Kaufmann, a member of the executive committee and group management of Swiss Reinsurance Co. of Zurich, Switzerland, observed that "there is a lot of misunderstanding, misconceptions, dissatisfaction and some conflict, particularly between large insurance buyers and sellers."

Mr. Stasch

Mr. Bolinder

Mr. Schleisman

Mr. van Daal

While suggesting that "a lot can be done by insurers, brokers and buyers" to improve this, Mr. Kaufmann added that legal and economic environments make it difficult.

For example, in other business environments, if a buyer is unhappy with the price or quality or performance of a product, he can go to another seller, Mr. Kaufmann said.

However, because the buyers' options in the insurance markets are "somewhat limited," conflicts can "develop and persist," he said.

Insurance buyers should recognize that when they buy insurance, they are "joining a community of hazard," he suggested.

But instead, buyers seek the widest protection at the lowest price and expect their costs to go down if they have had particularly good loss experience, Mr. Kaufmann said.

Insurance buyers' "dissatisfaction with sellers stems partly from the fact that insurers are restricted from (meeting buyers' demands) on price and short-term opportunistic changes in insurance programs," he said.

While insurers and reinsurers are commonly blamed for the volatility in the price of insurance, "some of the blame ought to be shifted to buyers of insurance" for changing insurers only for price, Mr. Kaufmann said.

"Large corporations should show restraint in using economic buying power when dealing with insurance," he suggested.

Mr. Kaufmann also observed that the "full scope of risk management is practiced by only a few corporations" with too few engaging in the "complex process" of identifying all their risks, assessing their risks, deciding what risks to avoid, which to retain and which to transfer.

In addition, he suggested that risk managers should have a budget they can invest in safety techniques and loss prevention.

Mr. Kaufmann also acknowledged that the insurance industry is too preoccupied with short-term financial goals and market share. And, he observed that there is too much cheap capital supporting premium growth in certain lines that can only be accomplished by cutting rates.

Furthermore, he suggested that there is too much "artificial insurance and reinsurance through the retrocession chain" in which the original exposure gets recycled several times.

Mr. Kloman

Mr. Loader

Mr. Kaufmann

But also leading to price volatility are changes in the legal environment that result in larger losses than insurers' anticipated when underwriting, Mr. Kaufmann said. He cited specifically what he considers changes in insurance policy interpretation for asbestos and environmental impairment claims.

Even losses from natural events—whether a large single loss or an accumulation of smaller losses—can drive premiums up quickly, while the absence of such losses drives premiums down, he said.

Mr. Kaufmann characterized this as "illogical," suggesting that these losses should be spread over periods of 10 years to 50 years.

Mr. Kaufmann noted that insurance pricing volatility is less severe in Europe, where property insurance rates have fallen gradually, primary general liability insurance rates up to $3 million in limits have fallen slightly and excess liability insurance costs have gone up for only very exposed risks.

Despite this, there is "a measure of dissatisfaction among large insurance buyers," Mr. Kaufmann said. Specifically, they complain that insurers are too inflexible on the scope of coverage provided, there are not enough deductible options, especially for property insurance, and there are capacity and price problems for companies with U.S.-related exposures.

European risk managers also complain about cumbersome claims settlement procedures and slow and inefficient administration by insurers, he said.

Mr. Kaufmann agreed that better communication between buyers and sellers of insurance would help. "The insurance industry is not doing a good job of explaining to the public its function, its possibilities and constraints. Areas of conflict stem from this deficiency," he said.

William H. Bolinder, U.S. manager of Zurich Insurance Co. based in Zurich and president and chief executive officer of the Schaumburg, Ill.-based Zurich-American Insurance Group, suggested that the conflict between insurance buyers and sellers may be "an ambiguity, an irritation, a problem we are still trying to solve."

This may stem from the fact that "buyers, sellers and brokers haven't properly defined their role in the partnership," he said.

Mr. Bolinder agreed that one solution is better communication.

"When all parties focus on and understand each other's corporate goals, missions, strategies and needs, when buyers and sellers agree that their objectives—individually arrived at—purposefully coincide, there should be very little in the way of conflict," he said.

Mr. Bolinder noted that Zurich-American is organizing itself around market segments to provide better products and services to these markets, as are other insurers.

Mr. Bolinder also suggested that "indispensable to eliminating conflict" is for insurance sellers to make a commitment "to listen to the customer, and try to design products and services that meet their needs and wants."

With the growing trend to globalization, "old ways of doing business may no longer suffice. Former relationships may have to be refined, restructured or even changed," he said.

Steve A. Schleisman, president of Paris-based UNAT, the European operations of American International Group Inc., traced conflicts between buyers and sellers of insurance to the 1960s and the subsequent formation of Oil Insurance Ltd. in the early 1970s by oil companies to underwrite their insurance.

"That grew out of a conflict—unsatisfied needs," he said, referring to the oil industry's desire for particular coverage at a certain price.

If insurers had been trying to serve the needs of particular market segments, the insurance business wouldn't have lost the income that has since gone to OIL, he said.

As more recent examples, he noted the formation by corporations of excess insurers A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd. in the mid-1980s. Both are "examples of what happens when a business relationship turns into too great a conflict. The insurance industry is the major loser."

Mr. Schleisman also advocated that insurers more clearly recognize that they are in a service business and strive to provide the highest level of service possible. "Without that as a mind set, we will have to constantly deal with conflict," he warned.

In addition, Mr. Schleisman cited as another source of conflict the fact that the insurance industry is a "slow, ponderous industry, not very quick to react." If there is more conflict today in the buyer-seller relationship, he said, it reflects "the much faster world we live in."

However, Mr. Schleisman also had some advice for insurance buyers: "Too often we see buyers look at the insurance mechanism as little more than a commodity." Observing that there is always volatility in commodity trading, he suggested that buyers have to focus on insurance as a service, too.

"If we accept that our business is predominantly service, we as seller and buyers need to spend more time defining the expectations," Mr. Schleisman continued. Legitimate service standards have to be defined and monitored, he suggested.

And, insurers should expand their relationships with buyers to provide other services, such as foreign currency management, he suggested.

Mr. Schleisman also suggested that buyers and sellers of insurance engage in more joint activities where they have common interests, such as influencing the legislative process.

The panelists generally agreed that one way to improve communications between buyers and sellers of insurance is to exchange annual "stewardship" reports on each others' activities.

Mr. van Daal added that the reinsurance market should be included in such communications. ■

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EC's market shift gradual: Insurer

By MONIQUE PARSONS

CHICAGO—European insurance industry business practices will not fundamentally change in 1992, but smaller companies may be swallowed up in the increasingly competitive atmosphere, says a French insurance executive.

"Most of the changes you will see in the next decade are already in force," said Pierre Barberis, chief executive officer of the Paris-based AXA Group, which underwrites insurance in France, Belgium, Luxembourg, the United Kingdom, The Netherlands, Germany, Italy, Spain and Canada. AXA underwrites reinsurance in Paris, London, New York and Montreal.

Mr. Barberis was speaking at the International Insurance Society seminar July 8-13 in Chicago.

For example, Mr. Barberis said, insurance markets in Western Europe are primarily national and will remain so after the 1992 European Economic Community target date for the removal of trade barriers between member countries.

More than 85% of European insurance policies are written by national companies, and even large multinational companies are "at least culturally dominated by one country," Mr. Barberis said.

Because of cultural and demographic differences among the 12 EC nations, insurers that operate transnationally within the EC will have to vary marketing activities and products to suit each country, he said. Insurers will face the "difficult mixture" of operating large transnational, decentralized companies, he said.

EC insurers are free to set up operations in any EC member nation, an option most affordable for larger companies, Mr. Barberis said. Although 1,200 insurance companies exist in continental Europe, mergers are beginning to swallow up smaller ones, particularly in France, Switzerland, Italy and Germany, he said.

"Europe for '86 through '89 has already been a major concentration game," said Mr. Barberis, noting that 46 insurance related takeovers have occurred since 1986.

"Competition will favor the huger player," he predicted. "The last 500 will more or less disappear. The top 50 will compete."

Insurers will see no abrupt change among consumers in 1992, said Mr. Barberis, because most Europeans have already accepted the united market.

"Customers understand competition as the main benefit from the larger market," he said.

The changes slated for the EC in 1992 "will go far quicker than anybody expects," agreed Luc Brossier, general manager of Paris-based AXA International, who also attended the IIS seminar. "The change is already in the mind, if not yet in the law."

Even before 1992, the Second Non-Life Insurance Coordination Directive, which takes effect June 30, 1990, will allow many large companies to purchase their insurance directly from insurers located anywhere in the European Community.

The directive separates non-life insurance into "large risk" and "mass risk" categories, based on a company's balance sheet total, net turnover and average number of employees.

Large risks will be taxed and regulated according to the rules of the insurer's home country. Mass risks will be taxed and regulated in the country where the risk is situated.

"The regulatory attitudes prevailing in Europe are scattered on a very wide spectrum," said Mr. Barberis. They range from the United Kingdom, which has very few legislative restraints on contracts, to Germany, which has many strict regulations.

While the EC allows each country to retain its own tax and contract laws, Mr. Barberis predicted that countries with strict regulatory attitudes will eventually "evolve" to match other EC countries' standards.

"My personal bet is that Germany will be forced to change, but not for a very long time," he said. ■

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D ☐ Government
E ☐ Educational Inst
F ☐ Ins Agent
G ☐ Ins Broker
H ☐ Ins/Reins Co
I ☐ Actry/Consit
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
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Insurers unprepared for big quake: Expert

By MONIQUE PARSONS

CHICAGO—Although the property/casualty insurance market now has greater capacity to handle catastrophic claims than in recent years, U.S. insurers will not be able to absorb the shock of a major earthquake, an expert says.

An earthquake measuring 7.5 or more on the Richter scale along fault lines in Southern California or the Midwest could cause more than $50 billion in insured damages, said Donald W. Segraves, executive director of the All-Industry Research Advisory Council in Oak Brook, Ill.

The insurance industry's only hope of withstanding such a temblor may be a legislative proposal drafted by a property insurance advisory group, Mr. Segraves told members of the International Insurance Society Inc. during its annual seminar July 8-13 in Chicago.

The bill, which is expected to be introduced in Congress this fall, would require people in high-risk regions to buy earthquake insurance and would allow insurers to amass untaxed surpluses for catastrophic coverage, he explained.

"We have fairly good scientific knowledge of where an earthquake can happen, but we have not made very good use of that knowledge. Many people have chosen to put homes and businesses right on a fault line," Mr. Segraves said.

If "the big one" hit in a densely populated area, insurers would face approximately $24.3 billion in fire damages, $11.2 billion in commercial damages, $6.7 billion in personal injury claims, $4.5 billion in workers compensation claims, $3.4 billion in property liability claims and $2.3 billion in residential damages, he said.

"The understatement of the day is that we're not well-prepared," Mr. Segraves said, noting that damage costs from a major earthquake could cut the U.S. property/casualty insurance industry's surplus in half.

While AIRAC has not specifically studied the possible effects of a catastrophic earthquake on insurers, a 1984 AIRAC study of two hypothetical $7 billion hurricanes suggests how the property/casualty insurance industry would handle a major loss, Mr. Segraves said.

Modeling the paths of the two storms on previous hurricanes that had hit the Gulf Coast and New England, AIRAC calculated potential damages and surveyed major insurers that would cover the $14 billion loss. The study found that a total of 1,114 companies worldwide would provide coverage: 320 primary insurers, 543 reinsurers and 895 retrocessionaires. Many of the larger insurance companies also acted as reinsurers, Mr. Segraves noted.

"We discovered that the insurance mechanism does a very good job of spreading the risk," he said. "The loss just ripples out all over the world through the insurance and reinsurance mechanism."

AIRAC found that U.S. insurers would be called on to pay 57.6% of the $14 billion in damages, Lloyd's of London, 15.1%; other United Kingdom insurers, 13.7%; Western European insurers, 8.7%; and all other international insurers, 4.9%.

The study also found that the claims from the $14 billion hurricanes would consume 34.4% of U.S. reinsurers' surplus; 11.2% of other U.S. insurers' surplus; 41.4% of Lloyd's surplus; 38% of other U.K. insurers' surplus; 7.5% of Western European insurers' surplus; and 2.6% of other international insurers' surplus.

At least 12 U.S. insurance companies would lose more than 50% of their surpluses, Mr. Segraves said.

To help the U.S. insurance industry prepare for the "big one," a legislative proposal has been drafted by the Earthquake Project, a consortium of insurance industry associations and companies that has been operating under the umbrella of the Boston-based National Committee of Property Insurers.

The bill would repeal Internal Revenue Service regulations that tax insurer surpluses so that the industry could prefund such a loss, Mr. Segraves said. And, the proposal calls for a federal corporation to be established that would accumulate catastrophic coverage premiums tax-free to meet the coverage needs of a major earthquake and other disastrous losses (*BI*, Oct. 24, 1983).

The proposal also would require property owners within "earthquake zones" to purchase coverage, which would broaden the earthquake insurance premium base and build the catastrophic fund more rapidly, Mr. Segraves said.

Only 25% of all Californian residents and businesses currently have earthquake insurance, he noted, because "only a few are willing to buy the coverage for these kind of unpredicted events." ■

Greenberg, Overman are 1989 inductees of IIS Hall of Fame

CHICAGO—The International Insurance Society Inc. inducted two new members into The Insurance Hall of Fame at the society's international insurance seminar earlier this month in Chicago.

Maurice R. Greenberg, chairman, president and chief executive officer of American International Group Inc., and Edwin S. Overman, president emeritus of the Insurance Institute of America Inc. and the American Institute for Property & Liability Underwriters, were the recipients of the honor.

Mr. Greenberg

Mr. Overman

Mr. Greenberg began his insurance career in 1952 at Continental Casualty Co. of Chicago. He joined New York-based AIG in 1960 and was elected president and CEO in 1967. Earlier this year, he was named to the additional post of chairman.

Mr. Overman is a pioneer in the theory and study of risk management. He spent several years as a professor of insurance at Oklahoma State University in Stillwater and Ohio State University in Columbus before joining the Malvern, Pa.-based institutes.

Mr. Overman, who served as dean and president of the institutes, retired in 1987, after 34 years of service.

The two men were elected by the Insurance Hall of Fame's Electoral College, which consists of insurance professionals and educators from 32 countries.

The IIS Honors Society also recognized Robert J. Myers, former chief actuary of the Social Security administration, for his contributions to the insurance industry. Mr. Myers received the IIS' John S. Bickley Founders Award for Excellence.

—By Monique Parsons

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Risk and Insurance Management Society, Inc.

Insurers must please clients: Haayan

By MONIQUE PARSONS

CHICAGO—Unless U.S. insurers create new, affordable products and rebuild credibility among buyers, the insurance industry may "suffer serious harm," says an insurance executive.

"Without trying to be an alarmist I would say that the ability of U.S. insurers to provide the kind of coverage customers want, at a price they are willing to pay, is being severely tested today," said Richard J. Haayan, who retired June 30 as chairman and chief executive officer of Northbrook, Ill.-based Allstate Insurance Co., a unit of Sears, Roebuck & Co.

Mr. Haayan, who also served as chairman of the Insurance Institute of America Inc., spoke on the direction of the U.S. property/casualty and life/health insurance industry during opening remarks at the International Insurance Society seminar held earlier this month in Chicago.

Health insurance is priced like a "luxury" rather than a necessity, and 22 million working Americans, as well as 15 million unemployed Americans, are not able to afford the rising cost of health care coverage, Mr. Haayan noted.

Skyrocketing premiums have also created an "affordability crisis" in personal lines auto insurance, he added, noting that the average auto insurance premium in Los Angeles County has nearly tripled since 1980.

Although rising health care costs and auto claim costs, as well as organized fraud, have given insurers "good reasons" to raise premiums, "our customers have made it clear they don't care" by passing initiatives such as California's Proposition 103, Mr. Haayen said. "Those are our problems, not theirs to solve for us."

Resolving the affordability and credibility crises is "the key issue overshadowing the insurance industry in the United States today," Mr. Haayan said.

"Life benefit" provisions on life insurance policies that allow policyholders to collect part of their death benefit to pay for catastrophic illnesses or nursing home care, are a "creative solution" to insurers' problems, as they successfully cut costs and attract customers, Mr. Haayan noted.

Insurers also must take a more active role in promoting public health and safety as a way to "help lower the costs behind the costs," Mr. Haayan said.

"We have to work with providers and others to create a system that builds on the concept of wellness, rather than simply reacts to the consequences of illness," he said.

Current industry trends show slow growth in the property/casualty insurance business, said Mr. Haayan. He predicted that industrywide earnings will increase even less in 1989 than in 1988 due to increased competition, low net investment income and increased tax liabilities.

"On the reinsurance area, U.S. companies continue to recover from a very difficult period. More than one-quarter of the Top 100 reinsurers operating in the U.S. have gone out of business during this decade," he said.

Three long-term trends that Mr. Haayan sees as continuing to "shape the industry" are:

- State and federal regulation, including Proposition 103, which he said has "inspired similar efforts" in at least 15 other states.
- Increased competition, both from within the industry and from banks and other financial institutions if Congress repeals laws restricting banks from underwriting and selling insurance.
- Increased litigation against the insurance industry.

Other important issues that will affect the U.S. insurance industry in the short term, Mr. Haayan said, are:

- The impact of the AIDS epidemic on privacy issues and insurers' access to "relevant information regarding risks."
- The need to attract and retain qualified employees.
- Potential insolvencies, "which already number more than 100 in the property/casualty business since 1985."
- Changes in the health care delivery systems.
- Attempts at tort reform. ■

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Mentor liquidators seek rehearing of panel ruling

By ROGER SCOTTON

NEW ORLEANS—Liquidators of Mentor Insurance Ltd. are asking the full 5th U.S. Circuit Court of Appeals to rehear their appeal of a lower court ruling dismissing the liquidators' racketeering complaint against Mentor's parent, Ocean Drilling & Exploration Co., and 10 other defendants.

A three-judge panel of the Circuit Court let stand a 1988 ruling by U.S. District Court Judge Marcel Livaudais in New Orleans that found that a U.S. court is an "inconvenient" forum for the liquidation. The judge said the case should be resolved by courts in Bermuda, where Mentor is domiciled (*BI*, July 3).

Mentor liquidators Charles Kempe and Michael Arnold filed the lawsuit in March 1986, seeking to force ODECO and others to cover Mentor's estimated $500 million insolvency.

The liquidators now argue that last month's appellate panel decision is contrary to four earlier decisions of the 5th Circuit and are calling for a rehearing by the circuit's 15 judges.

Michael Murphy, an attorney for the liquidators, argues in a 15-page submission that the appeal should be heard by the full court "to secure and maintain uniformity of decisions in this court."

The appeal involves questions of "exceptional importance," said Mr. Murphy, an attorney with Lord Day & Lord, Barrett Smith in New York. He asked the court to define the circumstances under which valid racketeering claims can be barred by the procedural vehicle of a forum non conveniens dismissal.

The appellate panel in its ruling last month did not address the liquidators' "specific contentions as to why the District Court abused its discretion," charges Mr. Murphy in the filing.

He also described the appellate panel's express refusal to consider the liquidators' claims under the Racketeer Influenced and Corrupt Organizations law "as creating an interest of the federal court for the purpose of its forum analysis."

Mr. Murphy alleges that the panel's opinion "is based on a clear misreading" of 5th Circuit RICO precedent. He says the opinion "extinguished on the grounds of perceived convenience some $600 million of valid federal RICO claims which were based on culpable conduct in America by American residents, involving the repeated use of the United States mails and wires, to the ultimate detriment of not only the Mentor estate but its American creditors."

The liquidators further argued that, until last month's decision by the appellate panel, the 5th Circuit had held that dismissals on the grounds of forum non conveniens are inapplicable to antitrust cases since such a dismissal negates the enforcement policies of federal antitrust legislation.

"For the same reason, the forum doctrine should be inapplicable to RICO actions. The venue provisions of the RICO statute are undeniably patterned after the antitrust statutes and, like the federal antitrust statues, RICO is an effort to set forth a national scheme of enforcement to protect United States commerce," Mr. Murphy wrote in his submission to the court.

"To enforce that legislative scheme, Congress intended to give RICO plaintiffs a right of access to a federal forum to seek the redress specified, as it did in the antitrust laws."

The opinion 'is based on a clear misreading' of 5th Circuit RICO precedent, alleges Mr. Murphy.

Mr. Murphy said that the appellate panel's opinion suggests that because the Mentor defendants are not members of organized crime, a forum non conveniens dismissal does not contravene the RICO enforcement policies. But he points out: "Three days after the panel's opinion, however, the Supreme Court of the United States issued an opinion in which it held that the purpose and policy of the RICO statute was to reach beyond typical organized crime members."

The liquidators point out that the panel's reasoning on this point conflict's with that of the Supreme Court. They also claim that Judge Livaudais used the doctrine of forum non conveniens "to get rid of the case and what it perceived to be the drain on its time and energy."

"The proper application of the forum non conveniens doctrine raises important self-regulatory concerns which, in and of itself in an appropriate case, warrants an 'en banc' review. Wholly apart from the RICO jurisdictional questions involved, this is such a case," the liquidators' request says. In an en banc review, the entire bench of a court reviews a decision. ■

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Chrysler

Continued from page 2

While most of the disputed claims were related to care given to former employees, some were submitted by doctors who treated current workers, according to a Chrysler spokesman.

Since the audit, about 1,300 of the audited bills were paid. And, after receiving additional information on 329 more of the disputed claims, Chrysler processed 62 of them for payment, the spokesman said. But Chrysler has requested additional information from health care providers before paying the remaining $900,000 on 638 outstanding claims.

In cases where doctors do not provide the information needed to substantiate claims, "we're just plain not going to pay," Mr. Lewsley said.

Chrysler's move is unusual because of the large number of claims involved, workers comp experts say.

"It's unusual in the magnitude of claims (challenged) at one time, said Chris Faulhaber Jr., administrator of the workers compensation department at the Wisconsin Department of Industry, Labor and Human Relations in Madison.

While his department routinely sees cases in which employers question the appropriateness of care for a small number of claims, Mr. Faulhaber said he is unaware of a case in which a corporation has challenged so large a number of physician bills.

While acknowledging that this is the first time Chrysler has challenged such a large number of workers compensation claims at one time, Mr. Lewsley pointed out that insurance companies and self-insurers are always monitoring and questioning the appropriateness of care.

"A lot has been said about this, and if you are talking about the scale that we're doing it on, I guess it is" a first, he said.

However, Mr. Lewsley emphasized that it is a "very, very small minority of doctors that we are criticizing."

A workers compensation official in Chrysler's home state of Michigan said that although he has never heard of a self-insured employer challenging as many workers compensation claims as Chrysler, there is a trend toward payment disputes.

"My view is that in the past nobody paid much attention to workers comp" medical costs, said Edward M. Welch, director of the Michigan Bureau of Disability Compensation in Lansing.

'My view is that in the past nobody paid much attention to workers comp' medical costs, says Mr. Welch. However, today 'we're seeing more and more of this. Medical cost is the fastest growing component of workers comp costs.'

However, today "we're seeing more and more of this," he noted. "Medical cost is the fastest growing component of workers comp costs."

One Kenosha-area doctor who hasn't been paid for care he administered to Chrysler employees linked the automaker's move to last year's plant closing.

"While they were in business, they always paid the bills and never criticized the treatment," said Jose Kanshepolsky, a Kenosha neurosurgeon. But then "they closed the doors and suddenly stopped paying the bills."

Dr. Kanshepolsky also said he thinks it may be more than coincidence that Chrysler stopped paying the bills after it took over an $8 million fund that AMC deposited with the state to pay any outstanding work comp claims following the automaker's takeover by Chrysler.

When Chrysler purchased AMC in 1987, it assumed all of its assets, including an $8 million fund that AMC had established to pay outstanding self-insured workers compensation claims, explained Mr. Faulhaber.

"When AMC announced it was closing its doors, it was ordered to deposit $7 million into an account to be used to pay workers comp claims" if needed, he said. "It has since grown to $8 million with interest."

Because Chrysler was able to demonstrate to state officials its ability to pay claims, the company was permitted to withdraw the security deposit earlier this year, Mr. Faulhaber added.

Dr. Kanshepolsky maintains that it was "at that point" that Chrysler "started challenging every payment."

While declining to reveal the amount of his unpaid claims, Dr. Kanshepolsky did say it probably was not as much as that owed to other doctors in the area who are being challenged by Chrysler.

Dr. Kanshepolsky said his letters to Chrysler management so far have proved fruitless in getting the bills paid.

Chrysler's Mr. Lewsley denies any connection between Chrysler's assumption of the AMC fund and the decision to challenge the work comp claims. "There's nothing to that. We try to run a very equitable workers comp system. The actions that we have taken in this case are morally driven," he said.

Mr. Faulhaber concurred that the withdrawal of the fund and Chrysler's refusal to pay the claims are "completely unrelated."

"Some doctors are alleging that they've (Chrysler) got their money and now they're not paying the doctors," but that is not the case, he said.

"If we find that Chrysler must pay claims, we will order them to. They will have 10 days to pay them. And they have the money to do it," Mr. Faulhaber said.

Under Wisconsin workers compensation law, a doctor with a disputed claim cannot sue Chrysler directly. However, the doctor can sue the employee, who then can file for a hearing with the state work comp department to seek payment. Or, the employees can request a state hearing without being sued by the doctor.

"We've been forewarned by attorneys that they have authorization from several clients (Chrysler employees) to support the doctors' claims," Mr. Faulhaber said.

"Many of the workers have attorneys" who will represent them in hearings before state officials, agreed Dr. Kanshepolsky.

So far at least one local attorney says he has successfully represented one claimant before the state Department of Industry, Labor and Human Relations and may ask for hearings on behalf of other former Chrysler workers.

Paul Gagliardi with the Kenosha firm of Madrigrano, Gagliardi, Zievers & Aiello, said the state awarded his claimant $3,400 in the dispute—the full amount needed to cover a workers comp medical bill.

He criticized Chrysler's method of challenging the bills as "entirely unfair to the doctor and employee. It interferes with the doctor-patient relationship and I don't think they are being entirely up-front about their motivation for this."

Chrysler is a "bottom-line corporation" that may be disputing the claims because it knows it can profit from that tactic, Mr. Gagliardi said.

He said the dispute could cause some former employees to pay the claims themselves or doctors to absorb the loss simply because it is "too much hassle" to contest the challenge.

Or, Mr. Gagliardi noted, some claimants may compromise on the amount to be paid, saving Chrysler money. And, even if a claim is litigated, there is the possibility that the automaker could "find some hearing examiner that would side with them," he added.

Mr. Gagliardi said Chrysler has

Continued on next page

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Chrysler

Continued from previous page

"cast a dark cloud on the medical and health care community when we are trying to encourage new business to come to Kenosha."

"They're on their way out of town and I think they just don't care," he said.

However, union leaders support Chrysler's move, pointing out that AMC had been critical of the care provided by some doctors in the area for many years.

"Over the years, American Motors constantly complained about certain doctors in the area," pointed out Rudy Kuzel, shop chairman of the United Auto Workers Local 72 in Kenosha.

"It was the Local's position that the company should put their money where their mouth is and challenge the doctors in court and before medical licensing boards. Chrysler finally decided to go after the doctors," Mr. Kuzel said.

Local 72 President Dennis Meo said: "If the doctors are mistreating patients or doing unnecessary surgeries and it can be proven, then we hope Chrysler can take care of that problem."

Mr. Meo continued: "We've had problems with certain doctors in the past, this is nothing new. AMC never sought to take any action."

Mr. Kuzel said Chrysler has assured the union that its members will not be held responsible for any of the unpaid claims.

"We're very pleased that the company has decided to hold all our members harmless. They will not have to pay any bills or legal expenses," he said.

Chrysler sent letters to current and former employees with disputed claims informing them of the questionable bills and asking them not to make payments on the bills.

In addition, Chrysler has offered to pay legal defense costs of any employee who is sued for payment by one of the targeted doctors, a Chrysler official said.

Chrysler also has supplied employees with a directory of alternative physicians and chiropractors in the Kenosha area that treat workers comp-related injuries. ■

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Forum again revises restructuring plans

By DOUGLAS McLEOD

HAMILTON, Bermuda—Forum Re Group Inc. is revising its restructuring plans for the second time since October.

Under the latest plan, Concord, Mass.-based Forum Re Group Inc. will complete its previously announced merger with Forum Re Group (Bermuda) Ltd., with shareholders of the Bermuda company receiving shares in Forum Re Group Inc.

On completion of the merger, however, Jonathan Crawley will become president and chief executive of Forum Re Group Inc., the new flagship company. Mr. Crawley will also continue in his longtime position as president and chief executive of Aneco Reinsurance Underwriting Ltd., which Forum Re Group acquired in April 1988.

Mark G. Hardy, currently chairman and chief executive of the two Forum companies, will resign.

Subject to regulatory approvals, Mr. Hardy will also turn over beneficial ownership of his common shares in Forum Re Group Inc. to a trust, which will have sole power to vote and dispose of the shares. The trust will be controlled by three trustees: Mr. Crawley, a trustee nominated by Forum Re Group Inc.'s board of directors and a trustee appointed by Mr. Hardy.

In addition, on completion of the merger and with shareholder approval, Forum Re Group Inc.'s name will be changed to Aneco Group Inc.

Forum Re Group (Bermuda) is 72%-owned by Forum Reinsurance Co. Ltd., a Bermuda-based financial reinsurer that is in turn 85%-owned by Mr. Hardy, Mr. Crawley said.

Mr. Hardy also owns 5% of Forum Re Group Inc., while a Hardy family trust owns another 38%.

The stock to be placed in trust will include the current Hardy holdings in Forum Re Group Inc. as well as the Forum Re Group Inc. shares that will be issued in return for the 72% stake in Forum Re Group (Bermuda) currently held by Forum Reinsurance Co., he said.

After the merger—and the placement of Mr. Hardy's shares in trust—there will be no common ownership between Forum Re Group Inc. and Forum Reinsurance Co., he added.

The Hardy holdings to be placed in trust will still amount to less than 50% of Forum Re Group Inc.'s stock, with the balance of shares being held by the public and by an employee stock ownership plan, Mr. Crawley said.

The decision to place the Hardy shares in trust resulted from concerns that a concentration of control in a single individual could limit Forum's growth as a public company, Mr. Crawley said, explaining that the trust is designed "to overcome any inhibitions" insurers, reinsurers and investment bankers may have about dealing with the company.

Mr. Crawley said the decision to change the company's name to Aneco Group Inc. resulted from the "enormous amount of confusion" in insurance, reinsurance and investment banking circles over the various related Forum companies and an unrelated insurer, Forum Insurance Co. of Schaumburg, Ill.

Mr. Crawley also said that his appointment to head the company and Mr. Hardy's resignation resulted from a belief that "someone with more experience in the insurance and reinsurance world should take the helm."

"The potential for melding the group into a cohesive force has not been realized," Mr. Crawley observed.

Forum Re Group Inc. is the holding company for several property/casualty insurance company and reinsurance brokerage subsidiaries, including Millers National Insurance Co. and Illinois Insurance Co., both of Chicago; and Petrosurance Inc., Oil & Gas Insurance Co. and Petrosurance Casualty Co., all of Columbus, Ohio.

Forum Re Group's first restructuring plan, announced last October, called for Forum Re (Bermuda) to absorb Forum Re Group Inc. (*BI*, Nov. 7, 1988).

A revised plan announced earlier this year reversed this scheme, calling instead for Forum Re Group Inc to absorb the Bermuda company. No provision was made in the revised plan for the placement of Mr Hardy's shares in trust or for the other management changes, including Mr. Hardy's resignation (*BI*, March 6). ■

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Study blasts OSHA 'megafine' policy

By MEG FLETCHER

WASHINGTON—The Occupational Safety and Health Administration's strategy of levying huge fines against companies that violate federal safety laws is a failure, a workplace safety group contends.

OSHA began its strategy of levying "megafines"—fines greater than $100,000—in April 1986 when OSHA fined Union Carbide Corp. of Danbury, Conn., $1.4 million for alleged recordkeeping violations at a plant in Institute, W.Va., says a report by the National Safe Workplace Institute of Chicago (*BI*, April 7, 1986).

The size of the highly publicized fine "gave American workers, Congress and the media the impression that OSHA had toughened," contends the report, "Unintended Consequences: The Failure of OSHA's Megafine Strategy."

However, that fine, along with a proposed penalty of $90,000 for similar violations at another Union Carbide plant, were combined and reduced to $408,500, a 70.6% reduction, according to the report.

In fact, in the past three years, OSHA has settled $29.3 million worth of megafines for $9.5 million, or 67.5% of the original assessment, the report says. And, OSHA has only collected the entire proposed megafine in three of 35 cases, it says.

In addition to not collecting the full amount of the megafines, the workplace safety group contends that OSHA has failed to collect many reduced fines or deter safety violators.

OSHA now collects less than one-fourth of its penalties in a timely fashion, with the remainder appealed or delinquent, the NSWI says. And even reduced fines often are not paid promptly because interest is not charged as a penalty for delinquent payments, the report notes.

In addition, the effectiveness of megafines in enforcing safety regulations is "seriously hampered" by current policies that allow some employers to negotiate reductions in the amount of the fine without first correcting the situation that led to the fine, the NSWI says. "Through excessive negotiations, the federal government encourages employers to stall or diminish their compliance with job safety laws," it adds.

Substantial reform is needed because incentives are lacking for prompt abatement of violations and payment of fines, the NSWI says.

The report proposes several measures that can strengthen OSHA's megafine strategy, including:

- Requiring abatement of the condition leading to the citation prior to discussing penalty reductions.
- Limiting the amount by which a penalty can be reduced to 30% of the original amount.
- Charging interest on delinquent fine payments.
- Increasing participation of OSHA field staff and worker representatives in settlement negotiations.

Currently, the power to make settlements lies with the Department of Labor's Office of the Solicitor instead of OSHA field enforcement officials. This has led to "flawed settlements" because unions and worker representatives and OSHA enforcement personnel have been "systematically" cut out from the settlement process, the report says.

- Entering major settlements into federal court records.

Only a few major settlements are entered into U.S. District Court records, the report says. If this were done routinely, regulators could seek contempt of court citations for laggards, it contends.

- Enhancing federal officials' review of state-run OSHA plans.

Currently, 21 states have jurisdiction to regulate workplace safety, the report notes. Of those states, only Michigan has issued a fine that exceeds $100,000, the report adds.

Sy Holzman, staff director for the House Subcommittee on Safety and Health, said the report's conclusions are "accurate." The study confirms subcommittee members' complaints that federal officials' settling for 30 cents to 50 cents on the dollar diminishes OSHA's enforcement process, he said.

The subcommittee, which has held hearings on OSHA effectiveness, will review the report, he said.

An OSHA spokesman said that the agency did not have any official comment on the NSWI report because it is still under review.

However, the spokesman said that negotiating settlements often results in more prompt abatement of safety violations than would litigation.

In addition, negotiated settlements can lead to enhanced safety at worksites because violators often agree in a settlement to adopt more stringent standards than the minimum required by law and agree to enact them at all company locations, rather than merely at the site where the violation was reported, the spokesman said.

Meanwhile, the negotiation of reduced megafines is spreading like "a ripple effect" to smaller OSHA penalties, says the NSWI.

Larger employers that currently face penalties of more than $1,000 are increasingly asking to "negotiate" OSHA citations, the report says. The number of employers seeking to contest OSHA citations has increased 37% between fiscal year 1987 and fiscal year 1988, the report says, citing testimony from a House Appropriations Committee hearing.

Employers slapped with megafines are most often large corporations—especially manufacturers with large unionized workforces—that operate in states where federal OSHA officials have authority to inspect for worksite safety, the report says.

The report singles out four companies for case studies: John Morrell & Co. of Northfield, Ill.; Philadelphia-based Scott Paper Co.; Chrysler Corp. of Highland Park, Mich.; and Union Carbide.

The report is highly critical of Morrell, noting that the meat processor was cited for almost $5 million in penalties.

Milton J. Schloss, Morrell's chairman and chief executive officer, acknowledged that the company had a safety problem 1½ years ago at its Sioux Falls, S.D., plant, but said the plant now is "the safest meatpacking plant in the country."

And, Morrell's efforts to settle the violations with OSHA have been stymied while the company has been engaged in prolonged negotiations with union employees, he said.

"As soon as we settle the labor contract, then I am absolutely certain OSHA will agree to settle this on some reasonable basis," he said.

Mr. Schloss characterized the NSWI report as "union propaganda."

Joseph Kinney, executive director of the NSWI, said that the non-profit group obtained less than 1% of its $200,000 annual budget from union-related sources.

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"Unintended Consequences: The Failure of OSHA's Megafine Strategy" is available for $15 per copy from the National Safe Workplace Institute, 122 S. Michigan Ave., Suite 1450, Chicago Ill., 60603.

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The township of Randolph is soliciting proposals for its property and casualty insurance program to become effective January 1, 1990. Interested proposers may obtain a copy of the specifications from the office of the Finance Department during normal working hours 8:30 AM to 4:30 PM, Monday through Friday, as of July 5, 1989. Proposals are due to be returned to the same Township office on or before August 30, 1989, prior to 3:00 PM. Proposals should be contained in a sealed envelope clearly marked "insurance proposals". The Township will issue only one letter of authority to each interested insurance company. Agents or brokers will indicate their preference for carriers on the form supplied with the specifications and carriers will be assigned by the consultant. The Township is seeking "quotations" in accordance with NJSA 40A:11-5(l)(M) "extra ordinary unspecified services", and as such reserves the unrestricted right to reject any or all bids or any part thereof, and to accept any quotations which it deems most favorable. The Township also reserves the right to reject any quotation if in its opinion, the proposer is not considered financially or technically capable of fulfilling the contract as intended or for any reason in the Township's judgement, it is not in the best interest of the Township. Proposers are required to comply with the requirements of N.J.A.C. 5:30-14 Local Public Contract Regulations effective May 20, 1977. Public Law 1975 C.127 and P.L. 77 C.33. **FOR PROPOSALS CONTACT: Township of Randolph, 502 Millbrook Ave., Randolph, New Jersey, 07869 — Phone (201) 989-7045. Finance Department**

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Sub-total 23,959
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Government, Unions and Educational Institutions 1,299
Commercial Consumers
Sub-total 25,806
Insurance Agents and Brokers 10,745
Insurance Companies 7,557
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,580
Others Allied to the Field 2,688
TOTAL 50,376

* Source Business/Occupational breakdown of qualified circulation, November 28, 1988 issue, as submitted to BPA for December 1988 BPA Publisher's Statement.

Pollution ruling

Continued from page 1

provision goes beyond so-called removal or remedial actions—actions used to clean up a site after a pollution incident—but pertains to the damage that is done to the environment by pollution.

The three-judge appellate panel concluded that the Interior Department's approach to limiting the damages that can be assessed in these cases is "directly contrary to the clearly expressed intent of Congress and is therefore invalid."

Noting that the "lesser of" rule has "enormous practical significance," the court presented a hypothetical example to illustrate its point.

"Imagine a hazardous substance spill that kills a rookery of fur seals and destroys a habitat for seabirds at a sea-life reserve," the court wrote. "The lost-use value of the seals and seabird habitat would be measured by the market value of the fur seals' pelts (which would be approximately $15 each) plus the selling price per acre of land comparable in value to that on which the spoiled bird habitat was located.

"Even if, as likely, that use value turns out to be far less than the cost of restoring the rookery and seabird habitat, it would nonetheless be the only measure of damages eligible for the presumption of recoverability under the Interior rule."

The Interior Department rule, the appellate court explained, operates on the premise that as a restoration project's cost goes up, "at some point it becomes wasteful to require responsible parties to pay the full cost of restoration."

"The logic behind the rule is the same logic that prevents an individual from paying $8,000 to repair a collision-damaged car that was worth only $5,000 before the collision," the court said. "Just as a prudent individual would sell the damaged care for scrap and then spend $5,000 on a used car in similar condition, DOI's rule requires a polluter to pay a sum equal to the diminution in the use value of a resource whenever that sum is less than restoration cost."

Nevertheless, despite this logic, the court concluded that it is convinced that Congress "established a distinct preference for restoration cost as the measure of recovery in resource damage cases.

"This is not to say that DOI may not establish some class of cases where other considerations—i.e., infeasibility of restoration or grossly disproportionate cost to use value—warrant a different standard. We hold the 'lesser of' rule based on comparing costs alone, however, to be an invalid determinant of whether or not to deviate from Congress' preference."

An Interior Department spokesman said last week that the department has not decided whether to seek Supreme Court review of the decision.

He noted that the ruling was rendered amid the strong public emotion following the March 24 Exxon Valdez oil spill into Alaska's Prince William Sound (*BI*, April 3).

The Interior Department is worried that public policy may be decided within the atmosphere generated by that disaster, the spokesman said.

"We think that could be dangerous," the spokesman said. "In situations such as these, the emotion tends to override good sound decisions being made."

Most observers agree the decision, if either upheld or left unchallenged, will substantially increase the damages that can be assessed to polluters.

"Basically, we think that it creates a new ball game for oil spill liability and Superfund liability" and is likely to increase pollution costs because it calls for paying the full cost of restoring the environment, said Erik D. Olson, counsel at the National Wildlife Federation in Washington, one of the parties that challenged the Interior Department regulation.

Assuming the ruling is upheld, "I think it will really change the tenure of debate over how much Superfund situations and oil spill problems are addressed by responsible parties," Mr. Olson said.

"It definitely has major implications," he said, adding it could boost the cost of pollution-related costs by billions of dollars. "I don't think it's exaggerating at all to say this is likely to be significant."

Mr. Olson said he hopes the decision will encourage better protection of natural resources.

"It's becoming more and more expensive to deal with after-the-fact cleanup," he said.

Other observers agree the decision could prove costly.

"I think it will have significant dollar implications," commented Courtney Price, an attorney with Anderson Kill Olick & Oshinsky in Washington, D.C. "How do you restore Prince William Sound?"

"The gist of the decision is that it may very well increase the damages inflicted on companies under the environmental laws," said Peter J. Kalis, an attorney with Kirkpatrick & Lockhart in Pittsburgh who represents policyholders.

Deciding the cost of damage to the environment caused by a pollution incident—rather than only the remedial cleanup costs—is "the area of the future. It's a big one," pointed out Michael A. Brown, an attorney with Schmeltzer, Aptaker & Sheppard in Washington, D.C., whose firm has represented policyholders.

Until now, under Superfund, he explained, the focus has been on remedial cleanup actions rather than on restoration of polluted sites, he said. But now, he said, the focus of pollution actions will expand past simply "Get the oil off the surface of the site and I'm gone" and toward full-scale restoration of the environment.

States taking an aggressive stance toward pollution, like New Jersey, may move toward implementing this appellate court decision even while new Interior Department regulations are pending, Mr. Brown said.

"I think in the interim the states will attempt to start asserting some claims," he said.

Gordon Johnson, a New York assistant attorney general who argued the case against the Interior Department on behalf of several states, noted that although some states, including New York, have already attempted to seek the full cost of restoring damaged natural resources, they have not relied on the Interior Department regulation to do so.

"We have ignored it," he said.

Now, states will be able to use the new regulations developed as a result of this decision, he said. "That will make the job of collecting such damages easier," he said.

"I think the net result will be that in many cases the damages industry will have to pay will be greater," said Mr. Johnson.

It also is more likely that industry can be induced to restore polluted sites without resorting to litigation, he said.

"I think the potential dollar amounts are sufficiently large enough (that) it would be wiser for them to sit down and talk and work out an agreement," he said.

"This will give states a very powerful weapon in accomplishing that end, and everyone can reduce their costs by accepting that, understanding that, and working out a plan on a case-by-case basis," said Mr. Johnson.

Attorneys disagree, however, as to whether policyholders or insurers are more likely to bear the increased financial burden spawned by the ruling.

Attorneys who believe insurers are likely to pay these increased damages say there is no ambiguity that restoration costs—as opposed to remedial cleanup costs—are damages that are covered under comprehensive general liability insurance policies.

Insurers, in attempting to avoid liability for cleanup claims, have argued—sometimes successfully—that government mandated cleanup orders do not constitute damages under a CGL form.

But, while there may be a dispute over how to characterize reimbursement for cleanup costs, damages to natural resources "are clearly damages" under CGL policies, said Schnetlzer, Aptaker's Mr. Brown.

Insurers will have a "much, much more difficult time" defending themselves against paying claims in this area than they have on the issue of government-mandated cleanup costs, he said.

"These damages are likely to be covered under commonly issued liability policies," Mr. Kalis agreed.

John E. Heintz, an attorney in Popham, Haik's Washington office, concurred, saying: "It certainly puts policyholders at greater risk. They have greater exposure for damages here but, in turn, so do their carriers."

But Robert Bates, an insurer attorney with Chicago-based Phelan, Pope & John, said, "I'm not sure that decision will or should have an impact on the insurance coverage side."

This decision focuses on how much can be awarded for damages, not on the issue of whether these damages are covered under insurance policies, said Mr. Bates. "It seems to me this decision doesn't go to that at all."

Barry Ostrager, an insurer attorney with Sampson, Thacher & Bartlett in New York, commented that "to the extent that policyholders can transfer their liabilities to their insurers, if any, it's something that the insurance industry is obviously aware of."

Mr. Ostrager added, however, that the "threshold inquiry" is whether the pollution exclusion in CGL policies applies.

The pollution exclusion in most CGL policies states that there is no coverage for a pollution incident unless the incident is both "sudden" and "accidental."

Nothing in the decision, he pointed out, affects either the viability or applicability of the pollution exclusion to pollution-related damage. "That's the key point here," he said.

Other attorneys suggested any speculation over whether insurers will pay the additional damages created by the appellate decision is premature.

Ronald J. Schutz, an attorney with Robins, Kaplan, Miler & Ciresi in Minneapolis, which has represented insurers in coverage disputes, said there will be an increase in coverage litigation once new Interior Department regulations are issued and subsequently upheld by the courts.

However, he added, that is a few years away.

"I don't see this litigation as having an immediate effect" on either the relationship between government and industry, or between policyholders and insurers, Mr. Schutz said.

And Thomas W. Brunner, an attorney with Wiley, Rein & Fielding in Washington, cautioned, "I'm not sure this is the final round.

"I think the final implications very much depend on what the Department of the Interior does" when it drafts a new regulation, he said. "I think it's going to take more clarification."

•

State of Ohio vs. United States Department of the Interior, et al, No. 86-1529, U.S. Court of Appeals for the District of Columbia Circuit.

Superfund doesn't mandate punitive awards, court says

WASHINGTON—While states and environmental organizations successfully challenged an Interior Department regulation that assesses pollution damage to natural resources, they lost their quest to allow punitive damages to be levied against polluters.

Several states and the National Wildlife Federation argued that the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or Superfund law, does not preclude recovery of punitive damages when damage to the environment is assessed, says a three-member panel of the District of Columbia appellate court in *State of Ohio vs. the U.S. Department of the Interior*.

". . . .Petitioners apparently reason from that proposition that (the Interior Department) must provide for punitive damages," says the decision.

"The fatal blow to petitioners' position, however, is the evidence that Congress did make a conscious determination that punitive damages would be generally unavailable," the court ruled. "CERCLA is replete with indications that Congress intended to provide for compensatory damages only."

Besides the punitive damage issue, the appellate court also was asked to decide:

- Whether private parties—as well as federal, state, local and foreign governments—should be able to recover damages to natural resources from polluters.

The court asked the Interior Department to clarify its interpretation of its own regulations "insofar as they may extend to lands not owned by the government."

- A DOI regulation that focuses exclusively on the market values of resources, when they are available, to determine their "lost-use" value.

In ruling that the department's interpretation of the statute is not "reasonable," the court said that "while it is not irrational to look at market price as one factor in determining the use value of a resource, it is unreasonable to view market price as the exclusive factor, or even the predominant one.

"From the bald eagle to the blue whale and snail darter, natural resources have values that are not fully captured by the market system," says the decision.

The court asked the agency to revise its regulations to reflect Congress' intention of recovering the value of restoring a polluted site to its original condition.

Petitioners in the suit were the states of Ohio, New Jersey, Colorado, New York, Massachusetts and California; the National Wildlife Federation; the Washington, D.C.-based Chemical Manufacturers Assn.; Newark, N.J.-based Public Service Electric & Gas Co.; and Toledo, Ohio-based Dana Corp.

Intervenors in the case were the Edison Electric Institute, American Mining Congress and American Petroleum Institute in Washington, D.C.; Gulf & Western Inc. and ASARCO Inc. in New York; and, in certain parts of the suit, the Chemical Manufacturers Assn. and Public Service Electric & Gas.

In addition to the Department of the Interior, the department's secretary, Manuel Lujan Jr., also was named as respondent.

—By Judy Greenwald

Chief operating officer named at Corroon & Black International

Hugh A. Warren has been appointed executive vp and chief operating officer, a newly created position, at Corroon & Black International of New York.

Mr. Warren, 43, joined CBI in 1988 as senior vp overseeing multinational business production in Europe, the Middle East and Africa.

He will be based in Boston.

In other agent/broker changes:

Frank A. Owens joined Pettit-Morry Co. of California Inc. in San Francisco as vp. Most recently, Mr. Owens was senior vp of Peter E. Williams & Co.

Herbert V. Kaighan joined Rollins Burdick Hunter Co. in Los Angeles as senior vp and manager-benefits department. Previously, Mr. Kaighan was a senior consultant with Hughes Aircraft Co.

Coming & goings: industry

John Toi and **Charles F. Small** named senior vps of RBH Management Inc. in Chicago.

RBH Direct Group of Chicago announced the following promotions: **Nicholas Kihm** to executive vp; and **Alexander Galanek**, **Robert Parker** and **Joseph Coomes** to senior vps.

Larry Lehman joined Morton D. Weiner & Co. in Miami as vp.

Insurers

Bituminous Casualty Corp. of Rock Island, Ill., announced the following appointments: **Kenneth T. Workman** to vp-claims/property in Rock Island; **Barbara J. Carter** to vp-project development in Rock Island; and **Greg Ator** to resident vp-St. Louis region.

John D. Nolan joined The Dentists Insurance Co. of Sacramento, Calif., as president and chief executive officer. Most recently, Mr. Nolan was vp-mass marketing of Johnson & Higgins in San Francisco.

Philip M. Wolf named vp of National Fire & Marine Insurance Co. and National Indemnity Co., both of Omaha, Neb. Previously, Mr. Wolf was director-insurance consulting for Coopers & Lybrand's Midwest region.

James Zelko appointed senior vp-claims of Beaver Insurance Co. of San Francisco. ■

IEA lawsuit

Continued from page 2

ment spokesman.

The largest insolvency is Hispano American's at $13.2 million. Syndicate Four, on the other hand, showed surplus of $2.3 million.

The Florida department currently is trying to determine which of these syndicates can be successfully rehabilitated and which may have to be placed in liquidation, the spokesman said, adding that a decision should come within the next 60 days.

Roughly a dozen remaining IEA syndicates are not in rehabilitation and are to run off their business voluntarily, the spokesman said.

Harris J. Amhowitz, senior partner and general counsel with Coopers & Lybrand in New York, said in a statement that the firm has "the highest regard for the Florida Insurance Department, and we are hopeful that this matter can be worked out without litigation."

A Florida department official said he could not comment on whether settlement discussions are under way.

The IEA, which began writing business in 1983, had begun to encounter problems by year-end 1985, when the exchange's central processing facility was found to be having trouble keeping track of the huge volume of premium pouring into the exchange's syndicates.

Gross premium volume at the exchange ballooned to $132 million in 1985 from $36.5 million in 1984. Gross premiums in 1986 totaled $211.3 million.

In April 1986, Omaha Indemnity Co. sued one of the syndicates that was later placed in rehabilitation —RAM Syndicate—for accepting reinsurance business it was not financially capable of handling (*BI*, April 28, 1986).

As reinsurance and other losses at the exchange mounted, the Florida department moved in February and March 1987 to place RAM and the six other syndicates in rehabilitation.

The IEA also announced in February 1987 that it was closing its doors temporarily, though the shutdown turned out to be permanent. In January 1988, a state judge placed the exchange itself into receivership and four months later ordered it liquidated.

The IEA began to encounter problems by year-end 1985, when the exchange's central processing facility was found to be having trouble keeping track of the huge volume of premium pouring into the exchange's syndicates.

The IEA board of governors had hired Coopers & Lybrand in 1983 to review the internal accounting control systems of the exchange's central processing facility and to audit the exchange, certain exchange syndicates and the exchange guaranty fund, said the Florida department's complaint.

Between 1983 and 1987, the auditing firm reported that IEA's internal controls were adequate for the exchange to continue doing business, the complaint says.

Reports prepared by Coopers & Lybrand during that period included:

- Reports to management, presented to the exchange board of governors, in October 1985, June 1986 and April 1987.
- Reviews of the design of and compliance with internal accounting control systems for the years 1984, 1985 and 1986.
- Audited financial statements for the exchange for the years 1983 through 1986.

As early as 1985, however, Coopers & Lybrand knew "that the exchange syndicates were growing too big, too fast and that the accounting system of internal control was insufficient and inadequate to allow the exchange and exchange syndicates to properly track the receipt of premiums. . .and to properly handle and process claims," the lawsuit charges.

Charging the accounting firm with professional malpractice and negligence, the lawsuit alleges that Coopers & Lybrand:

- Knew or should have known that the exchange's 1985 annual report—which contained information from the income statement of the audited 1984-85 financial statement —"contained false, inaccurate and misleading information" that would be relied on by the exchange, its syndicates, the Insurance Department and exchange policyholders.

Coopers & Lybrand made no attempt to notify the exchange to cease distributing the annual report or to notify policyholders that the information should not be relied on, the suit says.

- Negligently delegated IEA work to junior auditors who did not have the "necessary degree of experience and competence" to handle the jobs.

Senior Coopers & Lybrand officials also failed to supervise the junior auditors in audits of the exchange's internal controls and the books and records of the exchange and IEA syndicates.

- Was aware of the shortcomings in the exchange's internal controls and failed to notify the exchange, its syndicates, the department and exchange policyholders.

The Florida department leveled similar allegations in accusing Coopers & Lybrand of breach of contractual and fiduciary duties.

The Insurance Department says in its complaint that it did not become aware of the alleged failures of Coopers & Lybrand until it reviewed the "limited systems review" of exchange operations completed by Price Waterhouse on April 20, 1987.

The Price Waterhouse review—based on three days of interviewing exchange employees and a limited review of records—concluded that "conditions exist which in our opinion could have materially affected the accuracy and completeness of the financial information used in the preparation of financial statements filed with the Florida Insurance Department for 1986, 1985, 1984 and 1983."

Shortcomings in the IEA's systems, according to Price Waterhouse, included:

- Controls over issuance of policies were not sufficient to guarantee that all policies written by the syndicates were reported to IEA's central office.
- A lack of control over data entry into the exchange's computer system led to inaccurate reporting of premiums and other data to member syndicates.
- Reports by the exchange's central office on reinsurance ceded by member syndicates were not accurate, but were used in preparing some syndicates' financial statements. These reports overstated amounts recoverable on excess-of-loss reinsurance contracts.
- The exchange's systems did not adequately monitor the accuracy of information supplied by ceding insurer policyholders on reinsurance assumed by IEA syndicates.
- The exchange had no systems to assure that syndicates complied with exchange and Insurance Department regulations—such as minimum capital and net premium-to-surplus requirements—before processing business submitted by syndicates or brokers. ■

123 RISK MANAGEMENT

August 14
a risk management feature:
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United crash

Continued from page 1

portion of the coverage is also placed in the French market, sources add.

An AAU official referred calls to United Risk Manager Gene Bader, who could not be reached for comment. RBH officials also would not comment on United's coverage.

However, it will not be determined for some time whether United's insurers, the insurers for DC-10 manufacturer McDonnell Douglas Corp. or insurers for engine manufacturer General Electric Co.—or a combination of the three groups of underwriters—will pay claims stemming from the United crash.

For instance, after the 1979 crash of an American Airlines DC-10 near Chicago, underwriters for McDonnell Douglas paid 75% of liability claims while insurers for American paid 25% (*BI*, May 4, 1981).

Crash investigators last week speculated that a huge fan in the plane's tail engine flew apart, slicing through the hydraulic systems that powered the aircraft's flight controls. The crew, unable to control the plane normally, attempted an emergency landing at Sioux City while en route from Denver to Chicago.

St. Louis-based McDonnell Douglas has up to $1 billion in aviation product liability insurance placed worldwide. The coverage is led at Lloyd's of London by the Ariel syndicate and in the London company market by The British Aviation Insurance Co. Ltd. The London portion of the coverage is placed by broker C.E. Heath P.L.C.

AAU is among McDonnell Douglas' U.S. insurers.

McDonnell Douglas' liability coverage, which renews Aug. 1, was in the final stages of renewal, with the same underwriters leading the program, when the catastrophe occurred, confirmed a Heath spokesman.

The crash is not likely to affect the terms of the renewal, he said. McDonnell Douglas' coverage is being renewed with a premium cut of more than 50%, sources agree.

A McDonnell Douglas spokesman could not comment on the company's insurance, nor would officials at Alexander & Alexander Inc., the company's U.S. broker.

General Electric Co. of Fairfield, Conn., the aircraft's engine manufacturer, also has $1 billion in aviation product liability insurance. The coverage is led in the United States by AAU and in London by Orion.

Marsh & McLennan Cos. Inc. and London affiliate Bowring Aviation Ltd. placed the coverage, which renews Sept. 16.

A G.E. spokesman would not discuss the company's insurance. M&M brokers would not return calls.

Meanwhile, last week's United crash alone is unlikely to cause the aviation insurance market to harden, underwriters and brokers agree.

So far in 1989, 13 jets have been declared total losses and 13 have been partially damaged, according to statistics released Thursday by London-based Aviation Information Services Ltd., which provides aviation statistics to underwriters.

The insured value of the hull losses so far this year totals $224.7 million, according to AISL. Underwriters estimated total 1989 hull premiums at only $250 million.

Passenger fatalities so far in 1989 total 484. AISL could not estimate total liability losses so far this year. Underwriters estimate total 1989 aviation liability insurance premiums to be about $250 million.

Aviation insurance rates still are plummeting, with many airlines able to obtain rate reductions of about 50% on renewal, sources agree.

For example, United obtained a 55% rate reduction when it renewed its aviation insurance in April (*BI*, Feb. 13). In addition, United earlier this year was one of the first airlines to obtain an 18-month policy period, rather than the usual 12-month policy, one broker noted.

In fact, sources say AAU only began leading the U.S. portion of United's coverage earlier this year because the previous lead, United States Aircraft Insurance Group of New York, refused to agree to an 18-month policy.

A USAIG official confirmed that it no longer writes coverage for United.

Despite the United crash, underwriters likely will continue to write aviation policies for 18-month periods or longer, predicted Glenn Stangroom, a director of Bowring Aviation Ltd. in London.

"Pure market forces—supply and demand—are governing the market at the moment rather than underwriting considerations," he said.

"My guess is that this crash alone would not have a meaningful impact on the aviation market unless the crash of another wide-body (plane) occurs" soon, said A. Kent Robinson, senior vp at Johnson & Higgins in New York.

"No single loss creates a change in the marketplace," agreed Mr. Peachey, who added that "we're in a very competitive market at the moment."

Brokers, underwriters and airline risk managers all realize the market has to turn, but nobody is quite sure when, Mr. Stangroom pointed out. As a result, some airlines—that anticipate a turn in the market within a year—are opting for 18-month or longer policy periods to lock in current low rates, while others—who believe the market will not turn until at least 1991—still are choosing 12-month policies, he noted.

The market will change only when aviation underwriters face cash-flow problems, said Mr. Stangroom. This eventually will occur if premium revenues continue to decline while claims, reinsurance, staff and other costs continue to increase, he noted.

Although the market continues to soften, with many brokers predicting that rate reductions will continue for another year or so, there has been a "slight tightening of the reinsurance market" in the last few months, Mr. Stangroom noted.

There are "very, very small signs that the reinsurance market is not so easy as it was about two months ago," agreed Lloyd's aviation underwriter Richard Maylam.

Brokers are finding it "not so easy" to obtain reinsurance coverage, which may be a sign that the market is contracting slightly, he added.

However, it is unlikely that direct aviation rates will harden until next year, and airlines renewing between now and then will continue to obtain rate reductions despite last week's crash, predicted Mr. Maylam.

Besides last week's crash, other major airline losses this year include:

- The February crash in the Azores of a Boeing 707 leased by charter operator Independent Air Inc. of Smyrna, Tenn. The crash killed 137 Italian passengers and seven American crew members.

The hull was insured for $6 million, while a New York law firm representing Independent Air has recommended underwriters set a $70 million liability reserve.

- The February crash in Malaysia of a Flying Tiger Line Inc. Boeing 747 cargo jetliner, which killed four American crew members. The hull was insured for $57 million (*BI*, Feb. 27).
- A February incident involving another United plane. Nine people were killed when a portion of the fuselage of a United Boeing 747 tore open during a flight to New Zealand from Honolulu.
- The January crash in England of a British Midland Airways' Boeing 737 jetliner. The crash killed 47 people and injured 71 (*BI*, Jan. 16).

The hull was insured for $35 million, while underwriters have reserved about 7 million pounds ($11.3 million) for liability claims.

In addition, in December, a Pan American World Airway's Boeing 747 crashed after a terrorist bomb on board exploded over Lockerbie, Scotland, killing 258 aboard and 11 others on the ground.

Pan Am's lead insurer is estimating that liability claims stemming from the crash will total only $60 million because of limits on passenger liability under an international treaty. However, London underwriters believe that the liability limits could be successfully challenged and estimate that total liability losses could exceed $250 million (*BI*, Dec. 26, 1988). ■

Delta admits crew's error triggered crash in Dallas

ATLANTA—Delta Air Lines Inc.'s admission that crew error caused the crash of Flight 1141 in Dallas last August could expose the airline to punitive damage awards, a plaintiffs' attorney says.

However, an attorney for Delta said he believes the airline's admission will not affect its liability.

The Delta Boeing 727 crashed shortly after takeoff at Dallas-Fort Worth International Airport, killing 14 passengers and crew members (*BI*, Sept. 5, 1988).

Delta last week issued a written statement saying "an exhaustive investigation" by the airline revealed that the flight crew failed to properly set the flaps and slats before takeoff. On that basis, the statement said, Delta accepts responsibility for the accident.

Delta previously had agreed not to contest liability in the crash if plaintiffs did not seek punitive damages. Lawsuits filed after the accident have not sought punitive damages.

However, now that the airline has admitted that there was a gross error, plaintiffs might amend their suits to seek punitive damages, said John Howie, a plaintiffs' attorney with the Dallas firm of Misko & Howie. "As far as punitive damages are concerned, this casts a whole new light on the subject."

Mr. Howie, who represents six plaintiffs suing Delta, did not say whether he would amend his filings to seek punitive awards.

However, Mr. Howie did say that Delta has admitted "that there was a gross error made. That's the sort of thing punitive damages are made of."

G. Luke Ashley, an attorney with the Dallas firm Thompson & Knight representing Delta, said the airline's admission "is a change, but I don't believe the lawsuits will proceed any differently."

Mr. Ashley said he did not believe Delta's admission will expose it to additional liability in "around 10 outstanding lawsuits."

A Delta spokeswoman would not confirm reports that the flight crew of Flight 1141 had been fired, but she did say: "They are no longer employed with Delta."

At the time of the crash, Delta had up to $750 million in liability insurance. The coverage was led in the United States by United States Aircraft Insurance Group in New York and in London by Lloyd's of London underwriter Richard Maylam. French insurers, including La Reunion Aerienne, also participated in the coverage. ■

Update

Iowa wins licensing ruling

Continued from page 2

but were not admitted or approved in Iowa (*BI*, Aug. 17, 1987).

Since then, the 22 other insurers have become admitted or approved surplus lines insurers in Iowa or have decided not to write insurance in the state, Mr. Hager said.

Court overturns bad-faith ruling

SAN FRANCISCO—The attorneys and expert witnesses of an insurer involved in a bad-faith lawsuit cannot be sued for conspiring to improperly deny or delay payment of a claim, the California Supreme Court has unanimously ruled.

The decision overturned a 1983 California Court of Appeals ruling that allowed plaintiffs in bad-faith suits to also sue an insurer's attorneys and expert witnesses for conspiring to deny claims, said Alan G. Martin, a partner in the Beverly Hills, Calif., law firm of Greines, Martin, Stein & Richland, who represents The Doctors' Co., a Santa Monica, Calif.-based medical malpractice reciprocal.

The case stems from a medical malpractice suit filed in 1980, said Dr. Bruce Fagel, an independent Beverly Hills attorney who represented the plaintiff. The plaintiff, who sued his doctor for injuries received at birth, was awarded $2 million in a jury verdict in 1985. However, the doctor had only $500,000 in medical malpractice insurance with The Doctors' Co., so the plaintiff filed a bad-faith suit against the insurer, its attorneys and expert witnesses.

Dr. Fagel noted that while the state Supreme Court decision prohibits bad-faith suits against an insurer's attorneys and witnesses, it does allow the bad-faith action against The Doctor's Co. to continue. A high court decision last August that prohibits bad-faith suits against a defendant's insurer noted that bad-faith suits pending at the time of the ruling could be pursued (*BI*, Aug. 22, 1988).

$2.5 million settlement voided

MIAMI—A Florida appellate court has affirmed a lower court's decision to void a $2.5 million settlement—of which lawyers received $1.2 million—in the case of a 2-year-old boy left comatose following a December 1982 auto accident.

Bernard McKinney lapsed into a coma after treatment for injuries he received when struck by a car rented by a Miami daycare center and driven by a 16-year-old without a driver's license (*BI*, Feb. 22, 1988).

The three-judge appellate court panel said that the boy's attorneys are liable to pay and return sums owed to their client in the settlement. The panel also affirmed the "continuing liability" of Dadeland Rent-A-Car and its insurers because they had improperly paid sums to the "alleged lawyers" rather than to the boy. Dadeland's insurer was Security Insurance Co., which was reinsured by American Re-Insurance Co.

Miami-based law firm Auerbach & Neufeld, which represented the boy, received nearly half of the settlement reached with the daycare center, the rental car agency and their insurers. Of the remainder, Bernard received $860,000; $140,000 went toward a new home for his parents; $232,000 went toward medical care expenses; and the remaining $73,500 was dispersed in an unknown manner, court papers say.

The appellate court did not specify, however, how much each party now must pay, remanding the issue to the trial court.

The appellate court also partially reversed the lower court's rulings and dismissed several defendants from the case, including the daycare center and its insurer.

An attorney involved in the case said several motions seeking a rehearing of the case before the entire appellate court have been filed, with a response expected within about a month.

Automaker not negligent: Court

ATLANTA—Automakers are not negligent if they do not install air bags in addition to other restraints in vehicles, a federal appeals court has ruled.

A 1974 safety standard adopted under the Motor Vehicle Safety Act of 1966 gives automakers a choice of restraints, a three-judge panel of the 11th U.S. Circuit Court of Appeals ruled.

Even though the act did not shield automakers that install restraints from liability suits, "we conclude that a state common law rule that would, in effect, remove the element of choice authorized (by the safety standard) would frustrate the federal regulatory scheme" and therefore would be pre-empted, the court said.

The ruling stems from a Florida case in which the survivors of a man killed in a 1983 auto accident sued Detroit-based General Motors Corp. for negligence. They claimed that the victim might have lived if the car had been equipped with an air bag as well as seat belts.

The plaintiffs, who sought damages under Florida's tort law, appealed the case after a state district court upheld GM's contention that the safety act pre-empted such liability.

Briefly noted

Sen. Robert Kasten, R-Wis., this week is expected to introduce **federal product liability reform legislation**. Among other things, the bill is expected to include provisions to eliminate joint and several liability for non-economic damages; institute tougher rules for the awarding of punitive damages; and generally bar product liability suits involving capital goods more than 25 years old. . . .The California Attorney General's office is circulating proposed guidelines for insurance industry compliance with **California antitrust laws** following the passage of Proposition 103. Written comments on the proposal will be accepted until Aug. 11. Copies are available by calling the Attorney General's office at 415-557-2544. . . .Storms packing winds, hail and tornadoes that ripped through New Jersey, New York and Connecticut July 10 caused an estimated **$92 million in insured damage**, reports the Property Claims Service division of the American Insurance Services Group. The storms were assigned Catastrophe No. 14. . . .The tax-free status of **employer-provided educational assistance benefits** would be retroactively extended until Dec. 31, 1991, under a proposal approved by the House Ways and Means Committee.

Pension proposal

Continued from page 1

of pension plans. It is the coffin. Employers will terminate plans before they allow employees to sit on joint boards," said Howard Weizmann, executive director of the Assn. of Private Pension & Welfare Plans in Washington, D.C.

"How can you ask an employer to pay for a benefit when employees will be deciding how the funds will be invested? This is not something that anyone with a rational mind could accept," added Richard Raskin, a consultant with The Wyatt Co. in New York.

"This is outrageous. Employers are the ones who have to make up the losses incurred by their pension plans, yet they will not have full control of investment decisions," said Mark Ugoretz, executive director of the ERISA Industry Committee in Washington, D.C.

Among other action that observers say could discourage employers from sponsoring pension plans:

- Both the Senate Labor and Human Resources Committee and the House Education and Labor Committee approved, as part of separate budget reconciliation measures, a new "termination fee" that would slap a $200 per-plan-participant charge on employers when they terminate fully funded or overfunded defined benefit plans.

The Senate bill would impose this fee on terminations occurring after July 20, while the House bill sets a July 13 effective date.

- The House Education and Labor Committee, also as part of budget reconciliation legislation, approved a provision that would bar employers from recovering any surplus assets when terminating an overfunded defined benefit plan. Instead, the participants would be entitled to the surplus. This provision would apply to terminations after July 13.

- The House Education and Labor Committee, as part of a separately approved bill, H.R. 1661, proposes to effectively stop reversions by requiring the plans to pay so many benefits before a termination—such as special cost-of-living adjustments to retirees—that it would be unlikely that a surplus would remain, some observers say. A similar provision is included in the Labor and Human Resources approved reconciliation bill.

While legislators in the last two weeks have proposed new fees and penalties, they offered little relief to employers seeking new ways to fund their retiree health care liabilities on a tax-effective basis.

For example, a provision approved by the House Ways and Means Committee that allows employers to transfer excess defined benefit plan assets to special retiree health care trusts is so weak that it is virtually useless, benefit experts said.

Under that provision, employers would have a one-time opportunity to transfer surplus pension assets to a special retiree health care fund known as a 401(h) account. The transfer generally would be limited to assets needed to pay retiree health care expenses paid or incurred in 1990 or 1991 and the transfer would have to be completed by Dec. 31, 1991.

However, as a condition to such a tax-free asset transfer, an employer would have to vest participants' accrued pension benefits and purchase annuities for those benefits.

"While the proposal purports to do what many employers want—transferring surplus pension assets to fund retiree health care liabilities—on closer look the proposal doesn't provide any relief at all," said Marvin Greene, a vp with TPF&C, the benefits consulting division of Towers, Perrin, Forster & Crosby Inc. in New York.

"I would say the prize—the transfer of surplus pension assets—is not worth the chase. You have to go through a lot of hoops to get something that is not worth the cost," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

"Employers are looking for some type of permanent arrangement for asset transfers. The Ways and Means Committee proposal certainly does not provide that," said Frederick Rumack, director of taxes and legal services at Buck Consultants Inc. in New York.

At the same time, the Ways and Means Committee approved a provision in budget reconciliation legislation that would overturn an Internal Revenue Service private letter ruling issued in March. The IRS had expanded employers' ability to prefund retiree health care liabilities through a 401(h) arrangement.

Generally, contributions to a 401(h) account cannot exceed 25% of the total amount contributed to a defined benefit plan and the 401(h) account.

For example, if an employer made a $12 million contribution to its pension plan, it would be allowed a $4 million contribution to the 401(h) part of the plan.

However, for many employers, this ability to contribute to a 401(h) arrangement has had no practical significance because their pension plans are either fully or overfunded.

As a result, they cannot make any additional pension contributions and, consequently, no 401(h) contributions.

However, the IRS private letter ruling suggested that even if a pension plan were fully funded, an employer still could make some limited contributions to a 401(h) arrangement, based on the annual cost attributable to the pension plan rather than the amount actually contributed to the plan.

Benefit experts say the Ways and Means Committee decision to overturn the IRS ruling on contributions to 401(h) plans in situations where a pension plan is fully funded adds insult to injury.

"It is bad enough that the committee doesn't do much in the area of allowing pension asset transfers. The corker is their repeal of the IRS 401(h) ruling," said Mr. Saveth.

But at least there was some glimmer of hope in other congressional committees' decisions on retiree health care funding.

For example, both the Senate Labor and Human Resources Committee and the House Education and Labor Committee, as part of their budget reconciliation measures, would allow employers to transfer surplus pension assets to a 401(h) arrangement as long as the pension plan was 150% funded after the transfer. But, it wasn't immediately clear what, if any other, conditions would be attached.

While many benefit experts are horrified at many of the proposals approved by the Senate Labor and Human Resources Committee and the House Education and Labor Committee—such as sharing control of the management of their pension funds, the ban on asset reversions and the $200 pension plan termination fee—it remains to be seen how many of those proposals will be approved by Congress.

Indeed, some of the proposals are being advanced to ensure that the congressional labor committees are represented when a House-Senate conference committee iron out differences in budget reconciliation bills.

In the complex budget reconciliation process, congressional committees—as long as they have jurisdiction on an issue—can add pieces to a budget bill.

It even is possible for the full House or Senate to approve a budget reconciliation bill that contains conflicting provisions on the same issue passed by different committees.

Later, these differences are resolved by a conference committee. However, if a congressional committee initially fails to attach its own provisions to the budget reconciliation bill, it will be left out of the conference committee. ■

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Medicare expansion

Proposal would bar employers from reaping any savings

By JERRY GEISEL

WASHINGTON—The Senate Finance Committee is considering a proposal to prevent employers from reaping any savings when they cut back retiree health benefits that duplicate the expanded Medicare program.

Finance Committee members now are reviewing a proposal, strongly supported by the United Auto Workers union, that would permanently extend the temporary two-year "maintenance of effort" provision in the 1988 Medicare law. That provision requires companies to pass savings from cutbacks in post-employment health care plans to retirees.

Meanwhile, the House Ways and Means Committee, under mounting pressure to repeal the expanded Medicare law, last week was considering a new proposal by committee Chairman Daniel Rostenkowski, D-Ill., that would scale back the Medicare expansion and lower the Medicare tax bite on the elderly.

However, the Ways and Means Committee, which is considering possible Medicare changes as part of budget reconciliation legislation, beat back a proposal that would have essentially repealed last year's Medicare expansion.

Under the maintenance of effort provision in last year's Medicare law, employers that eliminate portions of their retiree health care plans that duplicate the expanded Medicare program must pass those savings on to retirees in two stages.

This year, employers must pass along savings generated when they eliminate retiree health care benefits that duplicate the expanded Medicare Part A, which covers hospital costs.

In 1990, employers that reduce benefits that duplicate Medicare Part B, which covers physician services, must pass those savings on for one year.

Benefit experts have estimated that the cost savings passed on to retirees, which can take the form of cash or improved benefits, will range from $100 to $200 per retiree.

But business groups worry that legislators, in an effort to mollify millions of retirees enraged over the new taxes they have to pay for improved Medicare benefits, may indefinitely extend the maintenance of effort provision.

In fact, the Finance Committee now is reviewing a proposal by the UAW that would indefinitely continue the provision for current retirees.

Without an extension of the maintenance of effort provision, "employers will receive a windfall. Costs are being shifted from employers to retirees. That is not fair," said Alan Reuther, associate general counsel in the UAW's Washington, D.C., office.

But two key Washington, D.C.-based employee benefits lobbying organizations, the ERISA Industry Committee and the Washington Business Group on Health, say an extension of the current two-year maintenance of effort provision is unfair to employers that provide retiree health care benefits.

"To impose additional costs on employers who, on a voluntary basis, had previously filled the gap now covered by Medicare catastrophic is short-sighted and punishes the good guy," said the letter, co-signed by ERIC Executive Director Mark Ugoretz and WBGH President Willis Goldbeck.

"This could be a way for members of Congress to gain political points with their constituents," said Edward J. Davey, a principal with A. Foster Higgins & Co. Inc. in New York. "This could be seen as a way of easing the sting of the higher taxes imposed by the expanded Medicare program."

In addition, if the maintenance of effort provision is extended and employers must continue to pass savings on to retirees, employers might be forced to eliminate other benefits—not covered by Medicare—they provide employees.

"Many retiree health benefits cover costs such as mental health benefits, supplemental hospice benefits, coverage in an intermediate care facility, hearing aids, eye glasses. . .that are not covered under Medicare. Employers already face escalating health care expenses. Maintenance of effort provisions impose additional cost pressures that make it difficult for employers to continue to provide these important benefits," said the ERIC/WBGH letter.

Meanwhile, spurred by complaints from the elderly over the new Medicare taxes, a drive is mounting in Congress to repeal last year's Medicare expansion.

"The possibility seems to be increasing all the time that last year's expansion of Medicare could be repealed," said Howard Weizmann, executive director of the Assn. of Private Pension & Welfare Plans in Washington, D.C.

If that were to happen, retiree health care plan savings employers were counting on by eliminating benefits that duplicate Medicare would vanish.

"It seems every time Medicare sneezes, employer-sponsored retiree health care plans catch cold," Mr. Weizmann said.

Under last year's expansion, Medicare Part A now limits a beneficiary's out-of-pocket expense for inpatient hospital costs to $560 a year. In addition, Medicare Part B next year will be expanded to limit out-of-pocket expenses for physician expenses to about $1,370 a year.

Previously, Medicare recipients could be liable for thousands of dollars in hospital and physician expenses.

In addition, the 1988 Medicare legislation includes a new prescription drug benefit.

The start of the program has ignited a political firestorm. Middle- and upper-income retirees are enraged about the higher taxes—which could be as much as $800 next year—for benefits they previously may have received from former employers at little cost.

Other retirees are angry that the expanded Medicare coverage does not provide nursing home care coverage.

Last week, in a move to defuse the repeal movement, Rep. Rostenkowski, a key supporter of last year's Medicare expansion, unveiled a proposal to cut some new Medicare benefits and reduce the so-called Medicare surtax.

Under the proposal, next year's cap on out-of-pocket physician expenses would be raised to $1,500 from the scheduled $1,370.

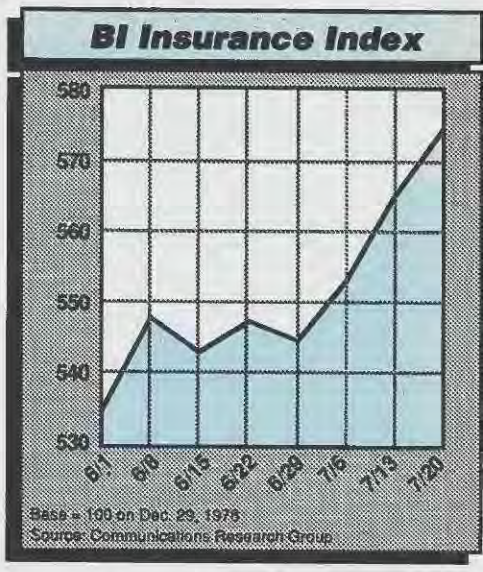
In addition, when the new prescription drug benefit begins in 1991, it would pay 50% of out-of-pocket expenses exceeding $800 rather than $600.

At the same time, the proposal would reduce the new Medicare surtax the elderly must pay starting with their 1989 tax returns.

For example, the special surtax for a retiree now is set at $22.50 on each $150 of federal income tax liability, up to a maximum surtax of $800.

Under the Rostenkowski proposal, the surtax would be slashed to $7.50 per $150 of federal tax liability, also up to an $800 maximum surtax.

With the lower surtax rate, a retiree would have to have a much higher income before reaching the $800 tax cap. ■



Insurance industry stocks continued to climb last week, as the *Business Insurance Index* rose 9.6 points to 574.3 on July 20, from 564.7 on July 13. Advancing issues were led by Pacificare Health Systems, up 41.1%; Sierra Health Services, up 16.7%; and Safeguard Health Enterprises, up 15.9%. Decliners followed Seibels Bruce Group Inc., down 14.8%; Western Health Plans Inc., down 12%; and Statesman Group Inc., down 8.8%. The most active issue was U.S. Healthcare, 2.5 million shares traded. The *BI Index* gained 1.7% for the period; the Standard & Poor's 500 grew 1.9%; the Dow Jones 30 Industrials were up 1.5%; and the New York Stock Exchange Composite gained 1.0%.

British Issues

July 20 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	423	16.0	29.3	6.9	427—412	
Gent Accident	998	9.3	70.7	7.1	1008—998	
Gdn Royal Exch	224	11.8	15.7	7.0	227—223	
Royal	423	12.9	34.0	8.0	428—415	
Sun Alliance	300	8.6	17.0	5.7	301-298	
Brokers						
Bradstock	200	13.7	10.0	5.0	200—200	
CE Heath	471	13.5	34.5	7.3	473—461	
Hogg Robinson	140	11.7	9.3	6.7	141—137	
Lloyd Thompson	220	16.9	8.0	3.6	220—220	
PWS Holdings	45	11.3	3.3	7.4	46—45	
Sedgwick Grp	251	17.7	16.7	6.6	253—249	
Steel Brrl Jones	240	16.0	15.3	6.4	241—240	
Willis Faber	226	16.7	15.3	6.8	232—226	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

JULY 20, 1989 — 7/14/89 THRU 7/20/89

		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 Svcs	NYSE	26.50	0.5	12.8	26.88	22.63	255	1.00	3.8	17.9	2.90	9.14
Corroon & Black Corp.	NYSE	36.50	3.2	17.3	36.38	30.75	172	1.24	3.4	14.3	7.62	4.79
Gallagher Arthur J. & Co.	NYSE	20.50	2.5	22.4	20.50	16.13	26	0.52	2.5	14.4	5.33	3.85
Hall Frank B. & Co.	NYSE	4.25	0.0	47.6	4.63	2.50	69	0.00	0.0	-2.1	0.00	N/A
Hilb, Rogal & Hamilton	OTC	17.25	0.0	13.1	17.75	13.75	138	0.20	1.2	15.5	4.60	3.75
Marsh & McLennan Cos. Inc.	NYSE	66.00	-1.3	17.3	67.63	55.13	344	2.50	3.8	16.3	6.48	10.19
Poe & Assoc Inc.	OTC	8.75	0.0	6.1	8.75	8.25	0	0.40	4.6	9.9	1.43	6.12
BROKERS	AVERAGE		0.7	19.5					2.8	12.3		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	33.75	1.5	14.4	34.00	29.25	188	0.40	1.2	7.1	21.28	1.59
Berkshire Hathaway Inc. DEL	NYSE	6900.00	-0.2	46.8	7000.00	5948.00	75	0.00	0.0	24.4	2468.63	7.94
ITT (Hartford Group)	NYSE	60.00	1.7	19.7	60.75	49.75	1579	1.48	2.5	10.3	56.35	1.07
Sears Roebuck & Co. (Allstate)	NYSE	45.13	0.6	10.4	48.00	40.13	2069	2.00	4.4	16.9	36.09	1.25
CONGLOMERATES	AVERAGE		0.9	22.8					2.0	14.6		
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	58.00	1.1	22.8	58.88	46.75	845	2.76	4.8	8.9	58.11	1.00
AmBase Corp.	NYSE	13.63	-1.8	23.9	14.50	11.00	288	0.20	1.5	5.1	18.66	0.73
American General Corp.	NYSE	37.00	-0.7	23.8	38.00	29.50	583	1.50	4.1	11.2	28.04	1.32
Amer Heritage Life Invt	NYSE	26.25	-0.5	1.9	27.88	25.00	2	1.20	4.6	10.3	22.47	1.17
Amer Indty Fin'l Corp.	OTC	11.50	-6.1	9.5	13.00	9.50	4	0.56	4.9	7.4	17.38	0.66
American Int'l Group	NYSE	87.88	2.2	29.7	88.00	66.25	1232	0.48	0.5	12.3	33.55	2.62
Aon Corp.	NYSE	36.50	-1.0	30.4	38.00	27.00	209	1.40	3.8	12.7	16.67	2.19
Argonaut Group	OTC	57.63	-1.5	31.7	59.25	43.50	49	0.00	0.0	7.5	36.83	1.56
AVEMCO Corp.	NYSE	23.75	0.0	-8.2	26.13	22.63	7	0.40	1.7	12.8	9.20	2.58
Baldwin & Lyons Inc.	OTC	19.00	-1.3	27.7	19.50	14.50	40	0.20	1.1	6.7	17.57	1.08
Belvedere Corp.	AMEX	4.75	-2.7	5.6	6.50	4.50	12	0.04	0.8	7.2	8.43	0.56
Chandler Insurance	OTC	10.25	2.5	47.7	10.88	7.00	73	0.00	0.0	5.9	9.53	1.08
Chubb Corp.	NYSE	70.13	-1.1	20.9	73.50	57.63	333	2.32	3.3	8.2	53.50	1.31
CIGNA Corp.	NYSE	58.88	0.6	24.9	59.88	45.88	450	2.96	5.0	10.3	53.08	1.11
CNA Fin'l Corp.	NYSE	77.25	2.7	27.7	79.25	57.63	157	0.00	0.0	12.1	54.52	1.42
Continental Corp.	NYSE	35.38	0.7	9.3	36.00	31.50	545	2.60	7.3	24.1	42.10	0.84
Durham Corp.	OTC	32.75	0.0	-0.8	34.00	30.00	5	0.92	2.8	18.9	26.32	1.24
Fireman's Fund Corp.	NYSE	35.00	0.3	19.7	36.00	29.00	775	0.60	1.7	8.7	32.74	1.07
Fremont Gen Corp.	OTC	16.75	-2.9	25.2	18.25	12.13	162	0.60	3.6	12.9	17.61	0.95
Frontier Insurance Group	OTC	20.00	9.6	60.0	20.00	11.13	52	0.00	0.0	10.6	7.53	2.66
General Re Corp.	NYSE	69.75	2.6	25.7	70.50	54.38	967	1.36	1.9	13.1	29.04	2.40
Hanover Ins Co.	OTC	28.13	0.0	5.2	30.25	25.75	110	0.44	1.6	5.8	31.47	0.89
Harleysville Group Inc.	OTC	20.63	1.2	14.6	22.50	17.75	12	0.48	2.3	7.2	18.94	1.09
Hartford Steam Boiler	OTC	46.00	6.4	25.2	45.25	34.75	248	1.60	3.5	12.7	13.04	3.53
Kans City Life Ins	OTC	35.25	-0.7	2.2	36.00	32.75	22	0.00	0.0	12.6	39.22	0.90
Kemper Corp.	NYSE	42.63	7.2	77.6	41.75	22.75	350	0.84	2.0	10.0	28.91	1.47
Lawrence Ins. Group	AMEX	7.13	0.0	-9.5	8.50	6.63	1	0.24	3.4	15.2	3.19	2.24
Liberty Corp. S.C.	NYSE	36.75	1.0	2.1	38.00	32.50	6	0.80	2.2	20.9	21.17	1.74
Lincoln Nat'l Corp.	NYSE	53.75	1.9	22.2	54.13	42.75	160	2.48	4.6	13.3	39.21	1.37
NAC Re Corp.	OTC	28.63	3.2	35.3	28.75	20.63	81	0.20	0.7	15.4	15.21	1.88
Navigators Group	OTC	26.75	0.0	33.8	27.25	20.50	25	0.00	0.0	11.4	15.22	1.76
Nobel Ins Ltd.	OTC	2.25	-2.6	-52.6	5.00	1.50	81	0.42	8.7	-8.7	7.76	0.29
Northwestern Nat'l Life	OTC	37.25	-2.9	19.7	39.13	26.88	319	1.20	3.2	13.4	37.50	0.99
Ohio Cas Corp.	OTC	45.50	-1.1	27.3	46.25	35.50	143	2.08	4.6	6.6	33.30	1.37
Old Rep Int'l Corp.	OTC	26.00	-0.5	8.3	28.88	23.38	129	0.74	2.8	13.2	26.50	0.98
Orion Cap Corp.	NYSE	22.88	2.8	48.8	23.00	15.38	34	0.84	3.7	7.4	12.93	1.77
Phoenix Re Corp.	OTC	10.00	-1.3	5.3	11.00	8.75	30	0.00	0.0	5.5	12.99	0.77
Protective Life Corp.	OTC	15.38	0.0	16.1	16.25	12.88	94	0.70	4.6	76.9	14.54	1.06
Re Capital Corp.	AMEX	12.50	7.5	36.9	12.50	9.13	12	0.00	0.0	12.5	12.60	0.99
RLI Corp.	NYSE	8.63	3.0	13.1	9.25	7.13	45	0.36	4.2	8.5	10.71	0.81
Provident Life & Acc Ins Co.	OTC	24.50	0.5	27.3	24.75	19.13	338	0.68	2.8	10.4	23.24	1.05
St. Paul Cos. Inc.	OTC	53.50	-2.3	23.0	55.50	43.00	812	2.20	4.1	7.3	32.00	1.67
SAFECO Corp.	OTC	31.00	1.2	31.2	32.00	23.13	1273	1.20	3.9	7.7	24.88	1.25
SCOR U.S. Corp.	NYSE	8.88	2.9	-2.7	9.50	7.50	39	0.20	2.3	6.7	10.35	0.86
Seibels Bruce Group Inc.	OTC	11.50	-14.8	1.1	13.63	10.25	126	0.80	7.0	9.6	13.42	0.86
Selective Ins Group Inc.	OTC	25.75	1.0	12.0	26.00	21.75	96	1.40	5.4	5.6	22.33	1.15
Statesman Group Inc.	OTC	3.31	-8.8	5.8	4.00	2.38	48	0.05	1.5	82.8	3.48	0.95
Tokio Marine & Fire Ins	OTC	72.50	-1.5	-20.7	95.50	66.00	16	0.23	0.3	43.9	0.00	N/A
Torchmark Corp.	NYSE	43.63	6.7	43.0	45.00	30.00	277	1.20	2.8	12.8	12.24	3.56
Transamerica Corp.	NYSE	39.00	2.0	15.1	40.25	32.75	1058	1.88	4.8	8.7	30.70	1.27
Travelers Corp.	NYSE	43.00	1.2	23.7	43.13	34.50	847	2.40	5.6	33.6	44.85	0.96
Trenwick Group Inc.	OTC	17.00	-1.4	17.2	17.75	13.75	28	0.24	1.4	9.6	16.91	1.01
United Fire & Cas Co.	OTC	32.50	-0.8	6.6	33.00	29.00	4	1.20	3.7	5.9	22.56	1.44
United States Fid & Gty	NYSE	33.00	0.0	15.8	34.00	28.50	628	2.80	8.5	12.3	22.57	1.46
UNUM Corp.	NYSE	35.38	3.3	31.0	35.00	26.63	226	0.60	1.7	11.7	30.64	1.15
USLIFE Corp.	NYSE	46.75	1.1	34.0	47.00	34.13	116	1.40	3.0	11.4	54.27	0.86
Washington Nat'l Corp.	NYSE	27.75	2.8	2.8	27.63	24.00	109	1.08	3.9	-19.8	32.33	0.86
Zenith Nat'l Ins Corp.	NYSE	19.63	0.7	12.2	19.88	16.75	24	0.84	4.3	9.1	13.61	1.44
INSURERS/REINSURERS	AVERAGE		0.4	18.4					3.1	13.0		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International Corp.	OTC	36.25	8.2	198.8	36.00	11.75	404	0.00	0.0	18.5	3.54	10.24
HMO America Inc.	OTC	9.63	10.1	26.2	4.69	0.44	568	0.00	0.0	-8.4	1.12	8.60
Pacificare Health Systems	OTC	37.75	41.1	208.2	38.75	12.25	125	0.97	2.6	30.2	6.35	5.94
Safeguard Health Ent.	OTC	9.13	15.9	66.0	9.25	4.75	98	0.00	0.0	15.5	2.99	3.05
Sierra Health Services	AMEX	7.00	16.7	329.4	6.63	1.50	164	0.00	0.0	-5.7	1.59	4.40
United HealthCare Corp.	OTC	11.00	6.0	151.1	11.00	4.13	1315	0.00	0.0	-5.0	0.31	35.48
United Medical Corp.	AMEX	6.00	2.0	14.3	6.75	5.13	8	0.00	0.0	1.8	4.11	1.46
U.S. Healthcare	OTC	13.38	10.3	130.3	13.63	5.25	2533	0.20	1.5	191.1	2.87	4.66
Western Health Plans Inc.	AMEX	0.44	-12.0	-36.2	1.13	0.44	11	0.00	0.0	-0.2	0.82	0.54
HMOs	AVERAGE		10.9	120.9					0.5	26.4		
ALL COMPANIES	AVERAGE		1.6	30.6					2.7	14.6		

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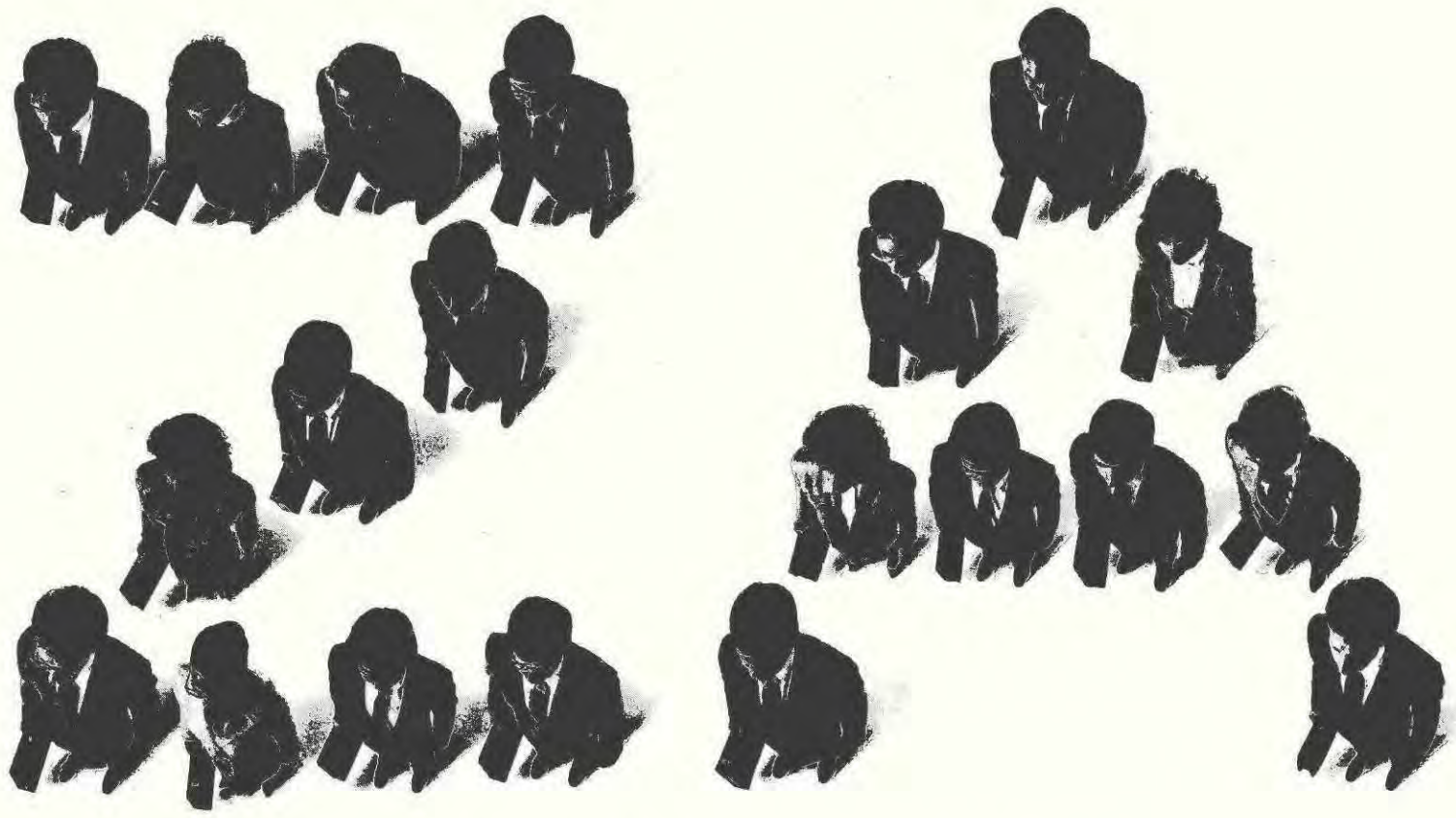

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