

JULY 27, 1992

Update

# Business Insurance

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## Catastrophe toll of \$3.7 billion in first half sets record for period

RAHWAY, N.J.—Even if there were no other natural catastrophes this year, 1992 would go down as the third-costliest year on record for U.S. property insurers, according to the Property Claim Services division of the American Insurance Services Group.

Insurers paid more than \$3.7 billion in catastrophe claims during the first six months of 1992, which is a record for the period, according to the group. In all, 19 catastrophes—events that cause more than

*Continued on next page*

## Hospital chain sues insurers over mental care claims

By LOUISE KERTESZ

SANTA MONICA, Calif.—The application of managed care techniques to mental health treatment is at the heart of a multimillion dollar lawsuit filed by a national chain of psychiatric hospitals against three insurers.

Santa Monica, Calif.-based National Medical Enterprises filed suit last week in federal court in Washington, charging Travelers Corp., Mutual of Omaha Insurance Co. and Massachusetts Mutual Life Insurance Co. with failure to pay \$45 million in claims over the past four years.

But as managed care has reduced the length of hospital stays and emphasized outpatient treatment, for-profit psychiatric hospitals have come under scrutiny for allegedly using improper means to fill their beds.

NME's psychiatric hospital division has been the target of several state investigations of alleged improprieties. NME operates 69 psychiatric hospitals and 13 substance abuse centers nationwide.

In fact, NME acknowledges that it sued in anticipation of in-

*Continued on page 45*

## Aon to acquire Hall in \$475 million deal

Acquisition would create fifth-largest broker

By DOUGLAS McLEOD

CHICAGO—The parent of Rollins Burdick Hunter Group Inc. is acquiring most of the assets of Frank B. Hall & Co. Inc. for \$475 million, creating what would be the world's fifth-largest insurance broker based on 1991 revenues.

Chicago-based Aon Corp. and Reliance Group Holdings Inc., Hall's parent, announced the sale Friday, capping a week of heated rumors that a deal was imminent and years of speculation over Hall's fate.

The \$475 million purchase price includes \$125 million in

cash, \$225 million in Aon 8% preferred stock and \$125 million in Aon 6.25% preferred stock.

Aon is not assuming liability for any errors and omissions claims against the long-troubled Hall, and also is not assuming liabilities related to Union Indemnity Insurance Co., an insolvent Hall underwriting unit now in liquidation in New York. Instead, Reliance will retain reserves and other assets Hall has set aside to cover these and other unassumed liabilities.

Aon will, however, assume some of Hall's operating liabilities. Of the \$225 million in 8% preferred stock Reliance re-

ceives, \$125 million will be placed in escrow to ensure that the Hall assets and liabilities Aon acquires are as represented.

Officials on both sides say they do not expect Aon will need to draw on the escrow.

"We have done our due diligence. We think the company is solid," said Patrick G. Ryan, Aon's chairman and chief executive officer.

In addition to the purchase price, Reliance has also agreed to place reinsurance through Aon reinsurance brokerage units that will generate a minimum of \$18 million in commissions a year for

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## Transamerica to sell P/C unit

### California losses on comp cover could lower offers for subsidiary

By JOANNE WOJCIK

WOODLAND HILLS, Calif.—Transamerica Corp. is putting its property/casualty operations on the block to focus on less cyclical

and more profitable finance and life insurance activities.

Investment analysts say the decision, announced last Monday, came as no surprise. Rumors had circulated for more than a year that the company would unload all or part of its property/casualty unit, Transamerica Insurance Co.

But, they add, because of recent poor experience in workers compensation business in California, Transamerica Insurance

likely will fetch a price below its \$1.1 billion book value.

Transamerica expects its property/casualty unit to report a second-quarter operating loss as a result of reserve strengthening for workers comp and entertainment risks (see story, page 44).

Investors apparently welcomed the announcement. Shares of the San Francisco-based financial services company's stock rose 87.5 cents Monday to \$45.375.

"Transamerica Insurance

Group is a profitable business with experienced management, a clear strategy and a strong distribution system," said Transamerica Corp. President and Chief Executive Officer Frank C. Heringer.

"However, we face demands for increased capital to support growth in many of our businesses. In view of these demands, we have elected to focus our resources on our life insurance and

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### Risk Management: Systems & Analysis Page 3

Directory of Risk Management Information Systems Page 16

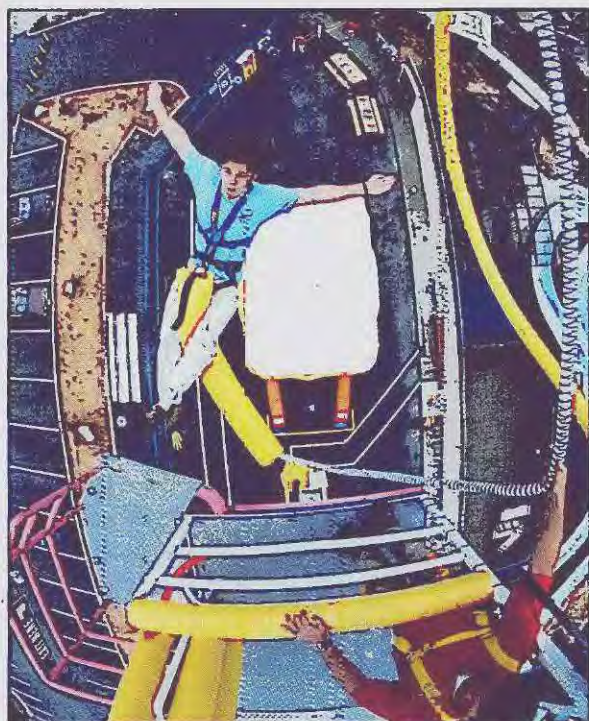


Photo courtesy Air Boingo

## Underwriters take the plunge

Convinced that bungee jumping is safe, insurers write liability cover

By SARA J. HARTY

Jumping head first off a 70-foot tower with nothing but a big rubber band to keep you from smacking the ground doesn't strike most people as a sane—or particularly safe—form of recreation.

But crazy as it sounds, bungee jumping devotees—and their insurers—insist that with the proper equipment and safety precautions, taking the plunge isn't a big risk.

In fact, while liability insurance for bungee jumping operations is not cheap, it is less expensive for well-run operations than liability insurance for roller rinks.

**Insurers say they are satisfied with bungee jumping safety precautions.**

Two recent bungee accidents in Michigan—one a fatality—have not changed the insurance industry's perception that jumping can be safe, say brokers and insurers.

And bungee operators say that those accidents have not changed their operations, other than to stress to employees the importance of carefully performing their jobs. The Michigan accidents have been attributed to operator error.

Bungee jumpers trace the activity's origins to a rite of passage among the aboriginal people of Vanuatu. It began in its current form in New Zealand and Australia about a decade ago and crossed over to North America in the late 1980s.

According to the North American Bungee Assn., a Seattle-based trade group, the first commercial jump

took place in the United States in 1987.

About 2 million people have taken the plunge since then, with two fatalities and five non-fatal injuries. All seven accidents resulting in injury have been attributed to operator error, not equipment failure, said Greg Glassock, president of NABA.

Oingo Boingo, a bungee jumping operation in Ingleside, Ill., uses a crane to lift participants 160 feet above a four-acre lake, said Denis Vulich, vp and general manager of operations.

Three trained individuals—the jump instructor, coordinator and master—work together to prepare the participant, who must be at least 18 years old or 16 if accompanied by an adult. Participants pay \$69 for a first

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**Update**

**1992 damage toll ranks high**

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\$5 million in insured property damage—took place in that period. Among the catastrophes in the first six months of 1992 were: the Los Angeles rioting in April, which generated an estimated \$775 million in insured property damage (BI, May 11); and a series of hailstorms, including one in June that caused about \$570 million in insured damage to parts of Kansas and Oklahoma (BI, July 6).

The costliest year on record—with insured catastrophe losses of \$7.6 billion—was 1989, which included Hurricane Hugo and the San Francisco Bay area earthquake (BI, March 5, 1990). Last year was the second-costliest, at \$4.22 billion (BI, Jan. 27).

**Response to Walbrook plan**

LONDON—Transit Casualty Co., a creditor of Walbrook Insurance Co. Ltd., is withholding its approval of a rescue plan proposed by Walbrook's directors.

Friday was the deadline for 200 major creditors of Walbrook to sign unbinding agreements to boost the company's capital by buying redeemable preferred stock with 60% of their claims payments (BI, July 20).

Walbrook directors did not announce on Friday whether the plan had been approved by a majority of policyholders. However, according to one observer, "A few creditors think the stock plan is good; others are highly skeptical, but are willing to give the directors of Walbrook extra time to (look into) the plan; and others won't send (their approvals) into Walbrook."

In the meantime, the liquidators of Transit Casualty plan to seek the appointment of provisional liquidators for Walbrook. If provisional liquidators approve the Walbrook preferred stock plan, then Transit Casualty will consider it, executives say.

**Minnesota comp rates fall again**

ST. PAUL, Minn.—Minnesota workers compensation rate reductions of 6% to 10% could go into effect Jan. 1, because of a \$150 million surplus in the reserve of the Minnesota Workers Compensation Reinsurance Assn.

Legislation passed earlier this year lowered the maximum annual escalation of workers comp benefits to 4% from 6%. The WCRA, which is funded by workers comp insurers and self-insurers, has based its reserves a 6% increase.

Calling the \$150 million figure a "preliminary calculation," the WCRA noted that a refund should be made if there is in fact an excess. But, it is concerned that lowering the payments already promised to injured workers may be unconstitutional. The WCRA added that the mechanics of a refund still need to be determined.

The rate reduction would be in addition to a 16% reduction mandated by the new workers comp reform bill (BI, May 4).

**Health industry PACs studied**

WASHINGTON—Insurance and health care-related political action committees have increased their contributions to congressional candidates by 22% over the amount they spent during the 1990 campaign, according to a consumer activist organization.

Citizen Action, a Washington-based group, said that the 50 largest health and insurance PACs contributed about \$9.6 million to House and Senate candidates from Jan. 1, 1991, to March 31, 1992.

According to Citizen Action, this represents a 21.5% increase from the amount contributed between Jan. 1, 1989, and March 31, 1990. Contributions to House candidates by insurance and health care-related PACs increased 31.2%, while those to Senate candidates increased 8%.

Contributions by PACs representing all other industries increased by 13.5% to House candidates and 16.9% to Senate candidates, according to Citizen Action.

However, the PACs that Citizen Action lists under the heading "health and insurance industry PACs" include such disparate groups as the American Medical Assn., the Independent Insurance Agents of America and the American Veterinary Medical Assn.

**Union health plans enjoined**

AUSTIN, Texas—A Texas judge has issued a temporary injunction against the National Council of Allied Employees, an allegedly bogus labor union that Texas insurance regulators charge with selling fraudulent group health insurance.

The injunction against marketing the purportedly union-sponsored health plans also covers 28 other defendants named in a Texas Insurance Department suit filed earlier this year (BI, May 18).

Texas District Judge Peter Lowry also ordered the defendants to post bonds totaling \$4 million to cover possible damages and penalties.

The Glen Head, N.Y.-based NCAE and its affiliates have been the targets of regulatory action in several states and are under investigation by the U.S. Labor Department (BI, July 20).

*Updates continued on page 46*

**Errors & omissions**

• Sandra Burud is president of Burud & Associates Inc., a child care benefits consultant in Pasadena, Calif. Burud & Associates was misspelled in the July 20 issue.

• Bowring International Reinsurance Group did not eventually become Terra Nova Insurance Co. Ltd., as suggested in a July 13 article.

**Despite downgrades, industry healthy: Best**

By MICHAEL SCHACHNER

OLDWICK, N.J.—A.M. Best Co.'s 1992 ratings of the property/casualty and life/health insurance industries give almost all of the nation's largest insurers a clean bill of health.

However, smaller insurers have been damaged by forces like the ongoing soft property/casualty market and the collapse of the real estate market.

Within the property/casualty industry, the total number of companies receiving rating

downgrades outpaces the number of upgrades by about a 2-to-1 margin. Among life/health insurers, downgrades outnumber upgrades by more than a 4-to-1 margin.

Those figures alone would seem to indicate that both industries are in dire straits. But overall, both remain in adequate shape, according to officials at A.M. Best, which completed its 1992 rating process last week.

John H. Snyder, senior vp in Best's property/casualty division, asserts that many large

property/casualty insurers are surviving the soft market. Mr. Snyder said most companies posted improved combined ratios and added to their surplus last year despite continued low premium rates.

Meanwhile, most leading life insurers are better managing their deflated real estate portfolios and are adding to their capital base, said Larry Mayewski, a senior vp in Best's life and health division. He noted that profits are up among the Top 100 life

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**FASB proposal decried**

**Asset standard could add chaos to volatile market**

By JUDY GREENWALD

NORWALK, Conn.—A Financial Accounting Standards Board proposal that would require companies to report more of their assets at market value makes little sense for the insurance industry and could create

problems in implementation, say many critics of the proposal.

Insurers, accountants and others contend that the draft approach—which is not yet a formal proposal—will have a lopsided impact on insurers' balance sheets: It would affect only insurers' assets, not their liabilities.

The proposal also could make an already volatile industry even more unsteady. And it will create difficulties in classifying investments.

"There are a lot of problems with it," said Dick Robertson, executive vp of Lincoln National Corp. "It will reduce the informational content of the financial statement," making it a less reliable indicator of what companies are doing, "which is not good policy."

The proposal would change the reported value insurers' bond holdings; investments in equities are already reported at market value.

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**Railroad, insurers contest coverage for settlement of antitrust case**

By SARA MARLEY

CHICAGO—Santa Fe Pacific Corp. and its liability insurers are dueling in courts in Texas and Illinois over coverage for a \$350 million antitrust settlement.

The Schaumburg, Ill.-based railroad company in May filed suit against more than 30 primary and excess liability insurers, including numerous London underwriters. The suit, filed in Tarrant County District Court in Fort Worth, Texas, seeks indemnification for the \$350 million settlement with the ETSI Pipeline Project and parent Energy Transportation Systems Inc., plus \$100 million in court costs.

A Texas jury earlier ruled that Santa Fe and other railroads conspired to prevent construction of the ETSI pipeline, which would have transported coal from Wyoming to Arkansas.

Then, last month, came a response from

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**Study advocates uniform system for health claims**  
Insurers agree on prototype

By MARK A. HOFMANN and CHRISTINE WOOLSEY

WASHINGTON—Adopting uniform electronic claims standards could cut the nation's annual health care bill by \$4 billion to \$10 billion, according to a report by a public-private insurance partnership.

Such standards could lead to a national electronic claims information network similar to a network being established separately by the National Electronic Information Corp., a clearinghouse of data generated by 60 payer organizations, including commercial insurers, third-party administrators and managed care entities.

The Workgroup for Electronic Data Interchange presented its recommendations to Health and Human Services Secretary Louis Sullivan last week in Washington. The group, which represents public and private health care payers and providers, was formed last year after Dr. Sullivan called for an increase in the use of electronic claims submission and an examination of possible uniform com-

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**Inside**

✓ Benefit managers have a new reason to be disgusted with Congress, this week's editorial says. **PAGE 8**

✓ Weiss Research Inc. issues some upgrades and some downgrades of the largest life insurers. **PAGE 36**

✓ The French government may be driven to compensate owners of goods held up by a truckers' highway blockade. **PAGE 39**

✓ Coverage for canceled concerts causes discord between Lloyd's of London underwriters and rock group Guns n' Roses. **PAGE 39**

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# Risk management: systems and analysis

*Frequent upgrades necessary to keep systems current and to avoid costly re-engineering fees*

By MICHAEL BRADFORD

A risk manager who hasn't bothered to upgrade his or her department's risk management information system in recent years is holding onto a dinosaur.

The breakneck pace of technological advancements renders systems extinct if they are left untouched for a substantial length of time.

"There's not even a comparison today with what a system did five years ago," said Jim Bell, director of sales and marketing at Pyramid Services Inc. in Ridgefield, Conn. "It follows the lines of technology in general. Systems have grown in leaps and bounds."

"Some risk management departments are still in a very antiquated mode of operating," said Larry Keough, risk management services systems manager with CIGNA Corp.'s Risk Information Services division. "They haven't stepped up to the technological stage."

But an old system is not necessarily an outdated one, software firms point out.

"Somebody who didn't upgrade the system in the last five years has a system that is 5 years old," noted Mark Dorn, president and chief executive officer of DORN Technology Group Inc. in Livonia, Mich. But on the other hand, he added, "if it's been upgraded, they've got a pretty great system."

Mr. Dorn pointed out, however, that if a risk manager has waited five years to improve a RMIS, "you don't want to repeat that throughout the '90s."

Instead, a system's viability needs to be addressed "religiously and aggressively throughout the next five years," he observed.

"If a system is upgradable, we advise them to upgrade what they have," said Neil Peterson, vp at David Corp., a San Francisco-based software firm that is a subsidiary of The Wyatt Co.

An upgrade can leave a familiar system in the hands of its operators, Mr. Peterson noted.

Cost can be one of the deciding factors when deciding whether to scrap a system or upgrade, said Mr. Keough of CIGNA. "Everybody is cost-conscious right now," he noted, and vendors have to bring risk management departments up to speed technologically at a reasonable cost.

Vendors can play a part in making sure risk managers have the latest technology on hand, Mr. Peterson pointed out.

Like other vendors, David Corp. issues regular software upgrades. "We have designed our system so that it does not get out of date. We upgrade it twice a year."

CIGNA Corp.'s CRIS Advanced Functions system also has built-in upgrade procedures, said Bud Baumann, CRIS applications manager. "There are a number of ways for clients to contact us to make sure the system is up to date."

And those changes, he noted, can be made for a single client or incorporated into the entire system if the changes would benefit other CRIS Advanced Function clients.

Risk managers and software firms can assess the effectiveness of a RMIS and decide whether to upgrade or buy new systems through several steps.

"We've gotten several projects over the last year or two where people are running out of functionality," said David A. Tweedy, a senior consultant with Betterley Risk Consultants Inc. in Worcester, Mass. "They're getting to the point where they need to decide whether to scrap their systems or do some re-engineering."

Mr. Tweedy and others suggest that risk managers first look at whether the system is meeting a company's needs.

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Illustration by Steven Guarnaccia/Image Bank

## Low rates deter premium financing

*Finance companies cite advantages*

By SARA J. HARTY

Premium finance companies are making a big marketing push to convince brokers and commercial policyholders to consider their services.

Finance companies want policyholders to take out 12-month loans to pay their insurance premiums, rather than paying large premiums all at once. A down payment is generally followed by nine monthly installments, much like an auto loan.

Premium financing offers advantages—like improved cash flow—even to companies that can afford to pay their premiums up front, the finance companies maintain.

The recession has forced many companies to consider all sorts of ways to get the most for their money. And with interest rates low, finance companies are touting their low-cost loans.

But few commercial policyholders seem convinced: Fewer than 15% finance their commercial property/casualty premiums.

Continued low insurance rates have discouraged many companies from considering premium financing. And as the competitive market continues, many insurers are offering installment plans, which have most of the same benefits as premium financing at little or no added cost.

Many risk managers say they would no more finance their premiums if they could pay up front than they would carry a balance on a personal credit card if they could pay off the account.

That doesn't seem to discourage Gil Zitin, chairman and chief executive officer of Cananwill Inc., a Chicago-based premium finance unit of Aon Corp.

"The logic for paying a premium over a period of time is very persuasive," said Mr. Zitin. "Usually you pay for things as you use them," and premium financing allows companies to pay for insurance the same way they pay rent, he explained.

Improved cash flow is one advantage premium finance companies often cite. Another is that it may free up reliance on other established lines of credit. And, paying in installments allows the risk manager to tailor a billing plan that fits the company's specific cash flow needs.

"Premium finance is really a unique alternative to bank credit. The main advantage is increased cash flow and the preservation of working capital," said Richard S. Baird, senior vp of marketing at Afco Credit Corp. in New York. Afco is a subsidiary of Continental Insurance Co.

Finance charges, of course, are the chief disadvantage to premium financing at little or no added cost.

*Continued on next page*

## Risk managers eye recovery

*Layoffs, budget cuts continue, but at slower pace*

By MICHAEL SCHACHNER

Risk managers hope the worst of the recession is behind them.

The sluggish economy has forced many companies over the past few years to lay off risk management staff, trim risk management budgets and severely curtail travel and risk management projects.

Such cutbacks continue at some companies, but the pace has slowed since last year, according to risk managers and consultants.

Most companies that decided to trim their risk management

budgets already did so in 1991 and 1990, according to risk managers.

But restrictions on staffing, travel, computer enhancements, internal claims management and participation in trade associations largely remain in effect.

"Unfortunately, we're the first discipline to get cut when the economy turns poor, and we're also one of the last ones to return. Small upticks in the economy just aren't enough to bring back risk management in full," said Suzanne Crager, assistant vp-risk management with PNC Financial Corp in Pittsburgh and

president of the Risk & Insurance Management Society Inc.

One casualty of the recession has been the job market for risk managers.

Many unemployed risk managers have been taking consulting positions—often with their former firms—to tide them over until the job market improves.

"Companies have become very short-sighted. There is much less need now for top risk managers, because companies are looking to consultants," said Larry Neighbour, former director of risk management for General Instru-

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## Premium financing

Continued from previous page  
mium financing.

Current interest rates charged by the companies could range from "the high fours" up to about 9%, with the chief determining factors being the credit caliber of the policyholder and the size of the premium, Mr. Zitin said.

Larger premiums generally result in a lower interest rate.

For brokers, the chief advantage of premium financing is the fact that their commission is earned up front. In addition, the collection risk—and the cost of billing—is transferred to the premium finance company.

"The agent gets improved cash flow and is able to pass the collections role of 'bad guy' onto the finance company," said Russ

Bigwood, premium finance manager for AMGRO Inc., a unit of Hanover Insurance Cos. in Worcester, Mass.

Historically, smaller companies have relied on premium financing. Today, though, financing premiums of \$10 million or more is not unusual, according to Cananwill's Mr. Zitin.

And in the past, the typical user of premium financing was generally considered to be "cash poor," said Mr. Baird of Afco. That is not necessarily true anymore, he said.

"There is no industry or size of business that benefits more than another" from premium financing, said Paul A. Zarookian, vp of A.I. Credit in New York, a subsidiary of American International Group Inc.

"Years ago, people who financed were the ones who could

not afford to pay. Today, they have the income, but are trying to increase their cash flow," suggested Phil Spinella, senior vp of Imperial Premium Finance Co. in New York.

"With the economy in the state it is, more and more people are looking for ways to handle cash flow in more creative ways," agreed Bob Reich, president of Transamerica Insurance Finance Corp. in Baltimore.

Many users "can pay now but are unsure of the future" and prefer to be able to budget for several payments over time, said Mr. Zarookian.

Still, many risk managers reject the practice.

"We used premium financing for a couple of years," said a risk manager at an electronics manufacturer in the Northwest.

The company stopped using it

because "we found it to be more trouble than it was worth," he said.

For instance, in-house accounting for premiums was complicated by the need to separate interest payments from actual premium, the risk manager said.

"We have the financial resources to pay up front" and that is what the company is currently doing, he said.

"I don't believe in it," said John D. Veale, director of risk management for the Shriners Hospitals for Crippled Children in Tampa, Fla.

"It's like using credit cards. If you don't need to borrow, it's best not to," he said.

Nevertheless, finance companies say business is growing.

At Afco, with client premiums ranging from \$3,000 to \$15 million per year, volume is up more

than 5% this year, Mr. Baird pointed out.

Imperial Premium expects to set a new record for premiums financed this year. At the least, Mr. Spinella said, "We will finance over a billion dollars in premium for the third straight year."

"We are seeing an increase from larger companies, including Fortune 500 companies that are driven by a desire for better cash flow," said Mr. Reich of Transamerica, which finances an average premium of about \$20,000.

Overall volume is up about 12% since last year, he said.

And, industrywide "there is significant room to grow," Mr. Reich added. Only 12% to 15% of commercial premiums that could be financed currently are financed, he noted.

Marsh & McLennan Inc. has begun to emphasize premium financing and is "bringing it to the attention of our clients" as something that may be beneficial, said Raymond P. Walsh, senior vp in New York.

At least one brokerage executive says demand for premium financing has remained fairly constant in recent years.

It is "truly an option we use, but not on a day-to-day basis," said Robert K. Meyers, senior vp at Johnson & Higgins in New York. "It's simply not a hot issue right now."

While no particular type or size of company is most likely to benefit from financing, some types of coverage are more likely to be financed.

Umbrella and surplus lines coverages are more likely to be financed, because insurers generally don't offer free installment plans for those lines.

"The soft market does not affect that block of business," said Afco's Mr. Baird.

However, one effect of the soft market is that much of the business that would normally be written by surplus lines insurers has instead flowed into the voluntary market, noted AMGRO's Mr. Bigwood.

"That trend should definitely reverse when the market hardens," he added.

Meanwhile, premium financing "is probably equally as popular on the commercial side" as it has been in the past, according to Mr. Bigwood.

For workers compensation, though, "it is definitely more popular," Mr. Bigwood said.

The workers comp market "has shifted to the involuntary and residual market, which doesn't offer the financing plans that the other lines offer," he said.

The recession has had a two-fold impact on premium financing, suggested M&M's Mr. Walsh. "More companies are probably interested in financing their loans but, at the same time, the recession has caused interest rates to fall to such a level that the rate of return on alternative investments has decreased," reducing the benefits of premium financing, he said.

Low interest rates are eating away at the advantage premium finance companies generally offer over alternative means of credit, Mr. Baird agreed.

"Environmental factors are never single in their impact," noted Mr. Zitin of Cananwill. "The recession leads to increased premium financing as (policyholders) are looking to manage their cash more effectively. On the other hand, the soft insur-

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# Cut Workers Compensation Medical Costs By As Much As One-Third

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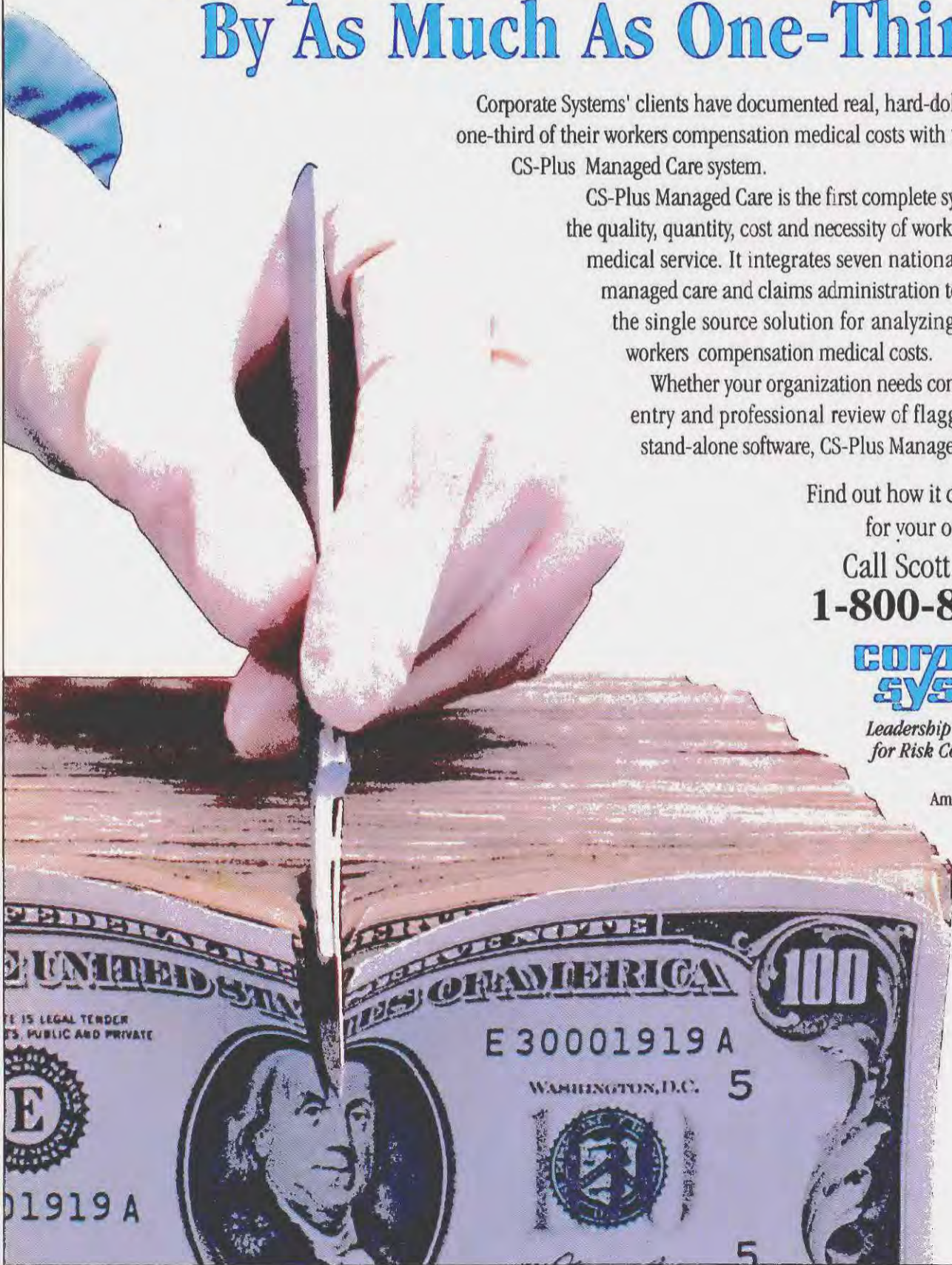
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*"People make a difference at Frigo. So does Wausau."*



Frigo Cheese has a unique way of viewing the cheese making process. While they have high-tech computers and automated production lines, their authentic Italian cheeses are still made



*Frigo employee Frank Gemignani and his family.*

by authentic cheese makers.

"People make this company work," says David Leonhardt, President of this Green Bay, Wisconsin, company. "And, it's the quality of these people — how they feel about themselves, their sense of accomplishment — that makes this company successful."



*"Frigo received all the service we expected with a Wausau 401(k); our earnings were even better than expected": David Leonhardt, President, Frigo Cheese Corp.*

"To offer our people the best possible employee benefit plans, we look to Wausau Insurance as a provider of personal service. Our employees have people to talk to at Wausau — people they know.

"And there's an intangible, too. When our employees hear 'Wausau,' they're reassured. It's Wausau's

*Because Frigo Cheese considers their people a main ingredient, they chose Wausau for group health, life, dental and profit sharing plans.*



image, their service reputation, that gives our employees a good, comfortable feeling."

When people are important to a company, the company finds it important to be with Wausau.



## Premium financing

Continued from page 4  
 ance market has brought premiums down," leading to an increase in free and low-rate installment plans from the insurers, he noted.

More insurers—or agents—are offering free installments in an effort to bring in more business, Mr. Bigwood agreed.

"Traditionally, this is a short-term effect. However, (this time) I don't see it entirely disappearing with a market turn."

Even when insurers offer free installment plan, premium financing

may ultimately be a better deal, argued Mr. Zitin. Offering free financing deprives an insurer of valuable investment proceeds, he explained.

So even insurers that offer "free installments" may be willing to provide discounts for upfront payment.

Premium finance companies can help a policyholder gain that discount by financing the premium upfront.

Afco also has found that many insurers will agree to a cash discount for premiums paid upfront and the premium finance firm urges the brokers it works

with to explore this option, Mr. Baird said.

Another advantage cited by premium finance companies: They can generally be more flexible than insurers, requiring smaller down payments and installments that are tailored to a policyholder's needs.

And because many policyholders deal with more than one insurance company, free payment plans may vary greatly among insurers, creating "a bit of an administrative burden on the client and broker," said Mr. Baird.

To attract brokers, more insurers are turning to direct billing

plans. Arranged by insurers, these plans take agents completely out of the collection process, making it much easier for them, said Ray Subers, vp of marketing for INAC Corp., a Philadelphia-based subsidiary of CIGNA Corp.

To compete, "we believe that you've got to automate the processes" associated with premium financing, he said.

For example, INAC provides "direct deposit" of loan proceeds, electronically depositing the money into the account specified by the agent, eliminating paperwork and mail delays. ■

## Recession

Continued from page 3  
 ment Corp. of Lyndhurst, N.J.

Mr. Neighbour has been working as a consultant to General Instrument since the company laid him off in April 1991. Good job opportunities in the current economic climate, he said, are sporadic at best.

"Companies that are hiring may be taking some advantage of the recession. They know that a position that would have commanded \$100,000 can now be filled for much less," he said.

A consultant agreed that top risk managers are having a more difficult time in the job market.

"Most of the people who are finding work in the field are junior-level people who command lower salaries. Senior risk managers are being replaced by lower-paid internal hires," explained Michael R. Levin, a consultant in Chicago with the Tillinghast division of Towers Perrin. "In many cases, workloads are being shifted to other departments, so the need for full risk management staffs is not as great."

Joan Schmidt, associate professor of risk management and insurance at the University of Wisconsin in Madison, also sees fewer spots for experienced risk managers.

Government risk management programs are growing, but the salaries are low, she noted. And larger corporations still are looking for people, but they are increasingly looking for recent college and business school graduates, she said.

"Risk management has a long-standing history of not being recognized," said Susan Schrenzel, a vp with Johnson & Higgins in New York. "Management doesn't see it as a profit center."

"Risk management is viewed as middle management, which is the area from which resources are diverted when times get tough," agreed Ms. Crager.

"All in all, I'd say we're still doing OK. But we could be doing much better. Corporations are still cutting jobs, but at the same time the discipline is expanding," she said.

Ms. Crager sees the risk management discipline expanding in areas like the use of alternative risk financing mechanisms; increased attention to managing environmental risks; and greater involvement with human resources departments in quality-of-life issues, including efforts to comply with the Americans with Disabilities Act.

"Technically, we're making advances," she said.

Although the recession has weakened the risk management field, not everything is as gloomy as it was a year ago, according to some observers.

For example, executive recruiters say they have been finding a few more leads for their risk manager clients than they could last year. And smaller companies that in the past may not have had much experience with risk management are starting to explore the field more.

And some risk managers report that their departments have not been as badly stripped by top management as those of their peers.

George Frazier, vp-risk management with Penske Truck Leasing Co. L.P. of Reading, Pa., said his responsibilities have actually increased since the econ-

Continued on page 10

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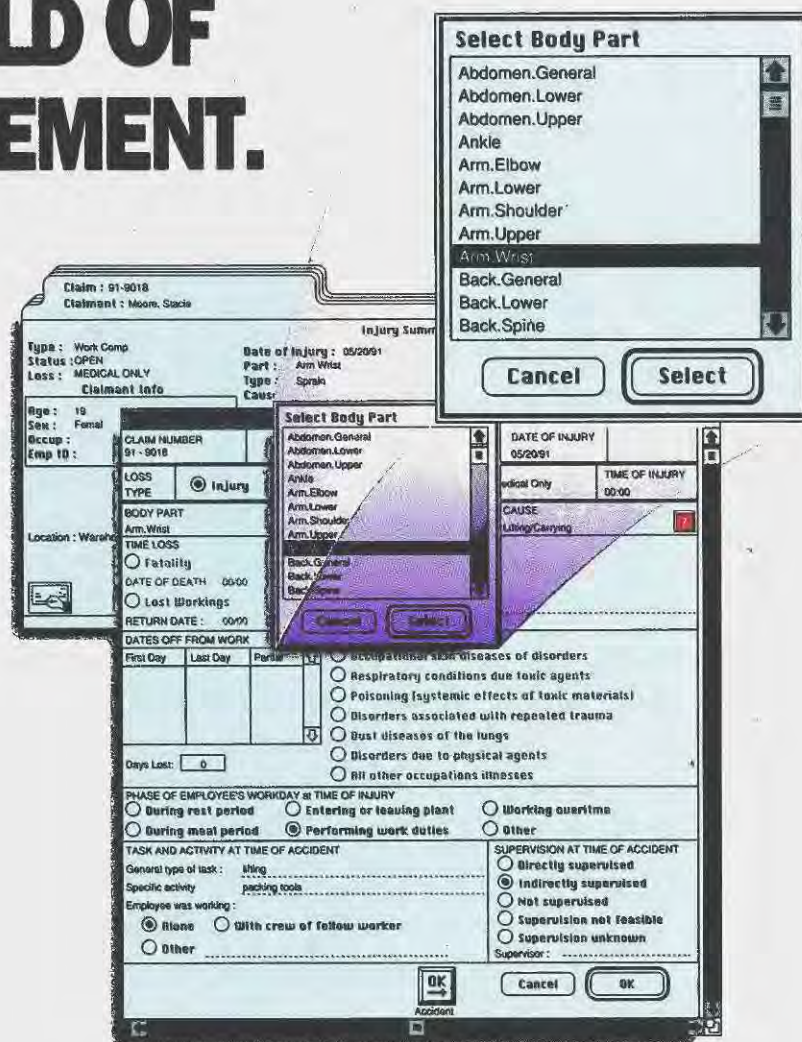
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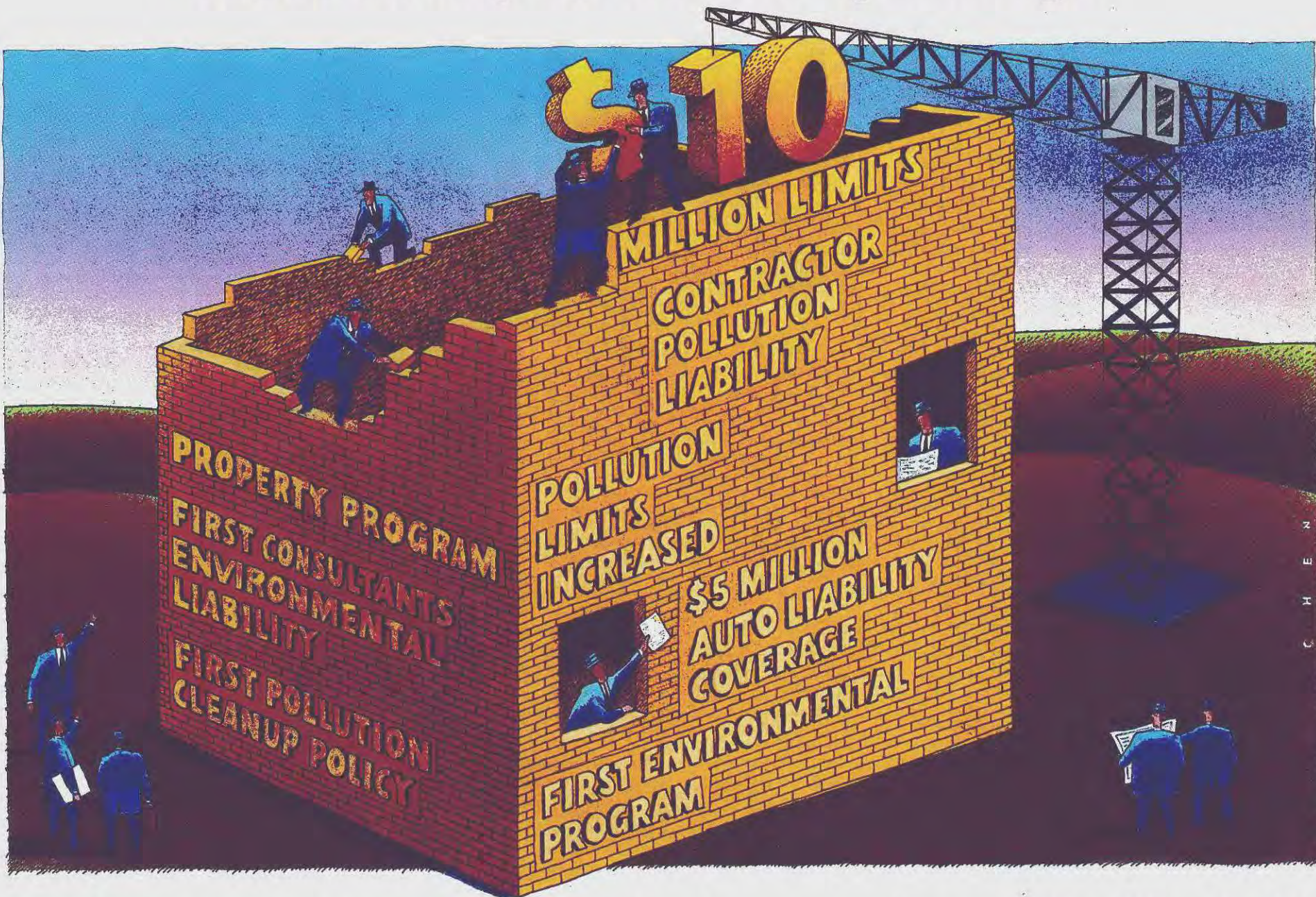
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## Opinions

## Richer benefits—by stealth

IF MEMBERS OF CONGRESS want to find out why benefit managers are so disgusted with the legislative process, they only have to turn to a Defense Department spending bill, H.R. 5006, passed last month by the House of Representatives and now awaiting Senate action.

As we have reported, an amendment to the bill, proposed on the House floor by Rep. Martin Frost, D-Texas, and tacked in at the tail end of the 600-page measure, would require major defense contractors to provide rich new pension benefits for older workers whose jobs are terminated (BI, July 20).

Companies would have to provide two new benefits for employees age 55 and older with 10 years of service and who are laid off or terminated due to cutbacks in defense spending.

First, a company would have to provide a monthly \$500 supplemental benefit until the laid-off worker reached age 62. In addition, it would have to provide a full pension benefit without any actuarial reductions for age.

The cost implications of these new mandated benefits would be staggering. The \$500 monthly supplemental benefit could cost \$42,000 over a seven-year period for just one employee; the enhanced pension benefit could cost tens of thousands of dollars per worker.

Companies laying off thousands of workers—as they are expected to when the defense industry downsizes—could have to pay millions more in pension benefits.

That extra cost would come at a time—as business dries up—when defense contractors could least afford it.

And, if the cost of this new benefit mandate, along with other factors, caused a contractor to go broke, unfunded pension liabilities would have to be paid by the Pension Benefit Guaranty Corp., and ultimately other employers who pay premiums to fund the federal agency.

Costs are just one problem—albeit a huge one—with the amendment.

There is the matter of whether it is equitable to single out a specific industry's workers. No doubt the defense industry is going through a painful adjustment as contracts are cut back and workers are laid off following the end of the Cold War. But that hardly makes defense contractor employees unique. Big layoffs also have taken place in recent years in the steel, airline and automobile industries.



If employees working for defense contractors receive enriched early retirement benefits when they are laid off, why shouldn't similarly situated employees working in other industries receive the same benefits?

By the same reasoning, would it be fair for an employee who works for a corporate unit that is a defense contractor to receive rich early retirement benefits if laid off while an employee working down the hall for another unit without a government contract is not eligible for the same benefit? Try explaining that to employees.

Finally, there is a very practical consideration overlooked by legislators. Would it really be possible for a conglomerate to neatly categorize all employees into defense and non-defense units for determining eligibility for the mandated benefit?

These questions—cost, equity and compliance—are all important. But there is no evidence that legislators have given them a moment of consideration.

The Frost amendment was tacked onto the Defense Department spending bill without the benefit of hearings by the congressional tax and labor committees, which have jurisdiction over benefit issues. And, there was virtually no discussion of the amendment on the House floor.

In other words, the Frost Amendment is a sneak attack on employers.

## Letters

## Hanover continues as servicing insurer in Maine

To the editor: A June 29 Update, "New Maine Work Comp Insurer," that refers to Hanover Insurance Co. and its role as a servicing insurer for Maine residual workers compensation market gave the impression that Hanover had stopped performing this role. This is not the case.

Hanover continues to be the largest servicing insurer for residual market workers comp in Maine with about 40% of the market. In January, we asked the National Council on Compensation Insurance to no longer make

additional assignments, since we felt we had reached our maximum ability to service the accounts.

Unfortunately, a capacity problem has arisen in Maine due to the large number of insurers withdrawing from the state. The insurance superintendent ordered Hanover to take additional assignments in the month of June while another servicing insurer was being licensed.

## Falling interest rates will hurt insurers

To the editor: It was with great uneasiness that I read the July 13 midyear property/casualty market report, "Rate Hikes Still Not in the Wind," and other comments about inadequate pricing. The "mindless competition" in quest of market share has finally reached Armageddon.

Interest rates on so-called conservative securities have declined dramatically in recent months. The clearest indication came with the calling in of \$8

Hanover will continue to fulfill its obligations to the employers in Maine as a servicing insurer. We will, however, monitor closely the results of the expected special session in the Legislature and see if we are finally able to put the Maine comp crisis to rest.

**Lincoln J. Merrill Jr.**  
President/General Manager  
Hanover of Maine Inc.  
Scarborough, Maine

billion in municipal debt on July 1. This allowed these public entities to reissue those debt instruments at long-term rates not seen in decades.

The effect of this move, as well as other declines in interest rates, have rendered "prudent actuarial assumptions" about investment income as disastrously obsolete. The bell tolls for the entire industry.

**Lawrence C. Vitale**  
Convent Station, N.J.

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## Recession

Continued from page 6

omy turned sour. "I think risk management is placed at a higher level in the trucking industry than in other lines of business. We're not middle managers. Trucks can't run without insurance, so for us, risk management isn't cyclical," he said. "And more people are leasing trucks these days than buying them. So we're doing more."

However, other members of the Philadelphia Area Insurance Managers' Assn. have not fared so well, Mr. Frazier said.

"We're all aware of layoffs. We know good people who have been out of work for over a year. In truth, there's not a whole hell of a lot out there," he said.

There are more unemployed risk managers than positions open, agreed Bill Perry, president of Logic Associates Inc. of New York, an executive recruiting firm that specializes in risk management.

"Competition for jobs is fierce. A search today can easily produce a handful of excellent people who could automatically fill an opening," Mr. Perry said.

On the positive side, job prospects for risk managers are better now than during any time over the past two years, he contends. "Things aren't as good as five years ago, but they are much better than last year or two years ago. There are more positions open at the six-figure salary level, and the turnaround time between jobs is getting shorter."

Mike Tannenbaum, executive vp with Richard Meyers & Associates Inc., an executive search firm in Florham Park, N.J., also sees indications that the job crunch is easing.

"While the number of employment opportunities has been greatly reduced in the past couple of years, a lot of smaller companies are now starting to realize the value of risk management," he said. "Unfortunately, the larger firms seem more content to leave risk management services to their brokers or consultants," Mr. Tannenbaum added.

"There tends to be more reliance on brokers and consultants to arrange coverage programs," agreed Mr. Neighbour. "Corporations don't need an active insider as much when they can supplement their needs with brokers and make do with administrative people," he said.

"Risk management is being subjected to the same corporate downsizing as many other departments, but the issues aren't going away. The work still has to get done," observed Cathy McKeon, director of risk management consulting for the New York region with Coopers & Lybrand. "In fact, the responsibilities increase, because there are fewer people working on projects," she said.

"For some ill-conceived reason, safety is an area that is considered expendable if profits are down," Ms. McKeon said.

"Companies acknowledge that they're consolidating their loss control operations," added Mark Charron, a senior manager with Deloitte & Touche in Hartford, Conn. "But this is just a nice way of saying you're cutting back. It's just that companies can't admit that they're cutting back on safety. It's a bad message to deliver, but it's happening."

In-house claims administration is another casualty of corporate cutbacks, Ms. McKeon said.

"If a company is forced to eliminate jobs, dropping a claims staff

as a whole is one way to do it," Ms. McKeon said.

Employers that scale back safety and claims management efforts may be hurting the one area to which most employers remain committed: controlling workers compensation costs.

"Workers compensation costs have grown so high that it's the one area companies cannot ignore, regardless of the economy," said Ms. Schrenzel. "But this need isn't translating into companies bringing in new people to respond to workers comp. They won't pay the additional salaries, but instead expand the responsibilities of the current staff."

Mr. Tannenbaum of RMA also noted that as a result of the economy, risk managers and their staff are being called upon by management to "cross over" and handle other duties.

**'We know good people who have been out of work for over a year,' says Mr. Frazier.**

With the poor economy and lower corporate profits, "it's no longer a case where one person is responsible for casualty and another for safety. Almost all corporate risk management departments are smaller and those still working have more diverse job requirements," he said.

A Logic survey conducted earlier this year found that risk managers are being forced by the recession to take more hand-on responsibility for a variety of tasks (BI, April 6).

Risk managers also say their travel and expense budgets remain under tight scrutiny.

"Travel is one of the areas where the cutbacks are most noticeable," said Dennis Slabaugh, corporate risk manager for Community Health Care Inc. in Naples, Fla. "We're a resort-oriented region, so the economy hasn't hurt us as badly as some other areas, but only about three members of the Southwest Florida chapter of RIMS attended the annual conference in Anaheim. That tells you something."

"The recession has definitely caused reductions in the time risk managers spend traveling and attending conferences and meetings," said Ms. Crager. This year's RIMS conference "was pretty well-attended, but our association and the local chapters are experiencing a decline in activity. No longer do we

attend every industry meeting or conference."

The situation is quite similar in Canada, where corporate risk managers are working under more restricted budgets.

"While there are no blanket restrictions on necessary travel, we have to fly coach class," said Weldon Wheeler, manager of corporate risk and insurance with Royal Trust Co. in Toronto.

Mr. Wheeler, who also is president of the Ontario chapter of RIMS, said only a handful of Ontario-based risk managers went to the RIMS conference in Anaheim, Calif. "It was my first international trip in three years."

Mr. Wheeler says Royal Trust's risk management staff consists of two people: he and an assistant. "And I get the feeling that this is the way it's going to be. We won't be growing as a unit. This is it." ■

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<b>SISDAT</b> Crawford & Co.	1,752	1975	— <sup>2</sup>	mainframe
<b>Risx-Facs</b> Gallagher Bassett Services Inc.	898	1983	Varies	personal computer
<b>Claims Management Reporting System (CMRS)</b> GAB Business Services Inc.	664	1975	— <sup>2</sup>	mainframe
<b>SAILOR On-Line</b> The Travelers Cos.	647	1988	Varies	mainframe
<b>RISKMASTER Software Series</b> DORN Technology Group Inc.	503	1982	\$18,000 or \$45,000 <sup>3</sup>	personal computer or mid range
<b>Compwatch II</b> Compwatch Corp.	400	1989	\$1,500	personal computer
<b>Total Loss Valuation Services</b> CCC Information Services Inc.	350	1980	Varies	personal computer or mini-computer

<sup>1</sup> Prices are based on first year of service; costs vary according to claim volume, data base size, utilization, access charges and additional services. <sup>2</sup> Bundled product; buyers must purchase claims administration services. <sup>3</sup> For personal computer and Unix/LAN, respectively.

Source: BI survey.

GRAPHIC BY A. TRANCHITA

## RMIS advancements

Continued from page 3

Going through a "needs identification" means "ticking off the items that are not able to be done by the system" and then trying to predict future needs, he said.

Ask yourself what your company will be doing over the next few years, Mr. Tweedy advised risk managers. Expansion and introduction of new products are examples of how a business can change in ways that affect the viability of a RMIS, he added.

"Once you do all the homework, then you take a look at the needs of the company against what's available. Will it be worth investing in a new system?" said Mr. Tweedy.

"More times than not, you're able to augment what's there without a complete scrap," he said. "It's unusual that we tell people to start

over, but it does happen."

In most cases, conscientious risk managers aren't going to fall too far behind RMIS technology.

Mr. Dorn pointed out that there are two types of risk managers who deal with risk management information systems. While one "hasn't made system management part of his (or her) core responsibilities" and delegates system management as a clerical function, the other sees the system as an integral part of managing risk and stays on top of the emerging technology.

Most of DORN Technology's clients fall into the latter group, he noted, adding that they are concerned about such matters as computer viruses and the error rate of a data base.

Still, "It's curious how some people will go along and figure, 'If it's not broken, don't fix it,'" said Alan B. Cantor, president of software firm Cantor & Co. in Beverly Hills, Calif. That philosophy doesn't jibe with risk management information systems, he warned.

Risk managers "should always try to improve the way systems are operating, both from efficiency and productivity standpoints. The bottom line is increased competitiveness" for the company, according to Mr. Cantor. When looking to upgrade, install a new system or change RMIS vendors, risk managers can use several resources.

"It's good to keep things simple," advised Scott Gilmour, vp of marketing at Corporate Systems Ltd. in Amarillo, Texas.

Directory listings like the one that appears in *Business Insurance* and the yearly RMIS review written by Mr. Tweedy "are a good starting place to learn about the major vendors and what they offer," he said.

Risk managers also should ask their peers what systems they use and how those systems perform, Mr. Gilmour said.

"If I were a risk manager, I would go to the directories, get a listing of systems that match my needs, then go talk to other risk managers" who use those systems, agreed Mr. Bell of Pyramid.

Brokers can also help. "Have the broker do some investigation into what's available in risk management information capability," suggested Mr. Keough of CIGNA.

A risk manager will have to assess the long-term strategic needs of the company, he said, to determine which systems best meet them.

"Some consultants will say you need a full-blown study, and some cases may warrant it," Mr. Gilmour said. But software firms are "pretty sophisticated when it comes to consulting, and some of us understand risk management and the types of tasks that can be automated."

Once a risk manager has identified what the RMIS should do and who can supply the proper system, two or three firms should be selected, Mr. Gilmour said. "Spend some quality time with two or three that can provide the services you are looking for. Make on-site visits and visit client sites."

Once risk managers decide on a vendor and a system, they often find they're able to get more bytes for the buck.

"Prices for a lot of systems have gone up a bit, but at the same time, there are a lot more features built into them," Mr. Bell pointed out.

"Regardless of what you had four or five years ago, you can probably get a lot more power for minimum cost by getting hardware upgrades or replacements," Mr. Cantor agreed.

"Networking," or the use of local area networks, is the wave of the RMIS future, according to many

Continued on next page

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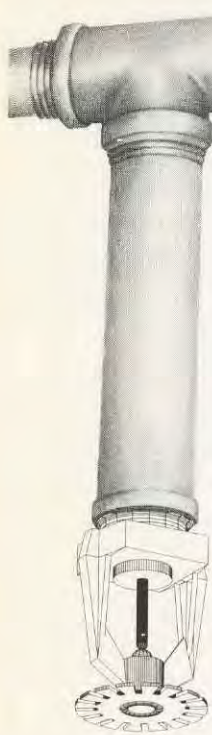
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## RMIS advancements

*Continued from previous page*  
systems experts.

Local area networks tie together personal computers within a company's risk management department or throughout the entire company and allow users to share data.

"If I were a risk manager thinking of upgrading or buying something, my preference would be a network type of system," said Minh Vu, a consultant with The Wyatt Co. in Chicago.

Network systems let risk managers pull together information from all parts of a company.

Mr. Peterson of David Corp. noted that the huge increase in power provided by network systems is one of the biggest advances in RMIS technology. The PC-based systems are now "as powerful, if not more powerful, than the (minicomputer) systems," he said.

"And the prices have come down dramatically" from a year or two ago, Mr. Peterson said. "It's a good buyer's market for the user."

One consultant that specializes in developing information systems that tie together different internal management processes stresses the need for risk managers to be connected with other managers.

"The risk management process depends on a lot of data from a lot of sources," said Michael Netter, executive vp of the DeSola Group in New York. And if some managers are getting their data online while others are receiving paperwork on a monthly or quarterly basis, "rarely are they all brought together."

The DeSola Group determines the information needs of managers and

the infrastructure needed to meet those needs. Together with internal working groups and vendors, a network system can be put together that links risk managers with other departments and allows a sharing of information that can be used in risk management decisions.

Risk managers who have stayed current with technological changes are taking advantage of them to create more efficient systems.

To track medical malpractice claims filed with a risk retention group it administers, the Connecticut Hospital Assn. installed a system developed by Pyramid Services about three years ago, according to David Lucey, financial/systems analyst at the Wallingford, Conn.-based association.

Recently the 25-user network began to take advantage of some of the new technology, he explained.

"Where we're headed is toward more imaging and PC faxing," said Mr. Lucey. PC faxing allows the computer user to generate and send a facsimile document, rather than having to feed a hard copy into a separate machine.

Imaging is helping the association whittle away mountains of paper, he said. Closed claims are now scanned and the images stored in the system, Mr. Lucey said. "It's the first step we're taking toward the paperless office."

Microsoft Corp. in Redmond, Wash., is putting together a RMIS that takes advantage of the technology the software giant has developed and provides a wealth of new risk management information.

Microsoft is one of few companies that is developing a RMIS in-house (see story, page 13).

"Microsoft is thoroughly ne-

tworked," explained Scott Lange, corporate risk manager. "We all have PCs on our desktops."

Using windows technology that allows data and graphics to be manipulated in on-screen windows, Mr. Lange is tying risk management to all of the company's locations.

Users anywhere in the Microsoft system will have access to risk management and insurance information simply by clicking a mouse on the proper window. The system will computerize much of the information normally sought from the risk management department by phone.

Despite all the high technology, many risk managers do not get enough out of their systems, Mr. Lange said.

"A lot of people in risk management look at risk management information systems as being one-dimensional, for claims tracking," said Mr. Lange. "You see a lot of them out there, and that's gotten to be old news."

Instead, he advised them to focus on some of the new applications that are being developed to make the systems more efficient. "I think people need to focus on that, rather than on the standard systems."

"One of the biggest inroads is not so much in technology but that risk management information systems are being used for decision support," said Wayne E. Seel, global director in the San Francisco office of Anistics Inc., an Alexander & Alexander Services Inc. unit.

He explained that there are systems in place that will consider "business aspects other than claims," like one that tracks the insurance in place for leased equipment and generates notices if coverage is inadequate.

# What others may overlook...



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# Trusted advisers, pesky know-it-alls or both?

## How MIS personnel react when outside consulting or software firms come in

By MICHAEL BRADFORD

Vendors and consultants can be best friends or bitter enemies with a company's management information systems department.

An MIS department's role in developing risk management information systems varies greatly from company to company. And the departments' attitudes toward outsiders can be just as varied.

Do MIS departments feel threatened, relieved, antagonized or helped by RMIS vendors and consultants?

"All of the above," says Judy Robertson, former director of information systems at Redlands Hospital in Redlands, Calif. "It depends on the outsider."

Ms. Robertson now works the other side of systems with The Compucare Co., a Langley, Va.-based systems vendor. She said a vendor or consultant can be very helpful and cooperative during a system implementation or a know-it-all who is perceived as making decisions outside of his or her authority.

And, Ms. Robertson said, "Sometimes, a year or two down the road, the correctness of those

decisions comes into question."

Companies installing information systems often make the mistake of placing too much trust in a vendor or consultant, she noted. "They are perceived as having a lot of knowledge, but it's not knowledge of the institution."

Ms. Robertson, who worked at Redlands when the hospital changed medical information system vendors, said MIS departments also make mistakes; sometimes they don't have a central authority figure in charge of such projects.

Vendors and consultants aren't always sure what they're walking into when they take on a project and begin to deal with MIS departments. Many, however, say it is essential to involve the MIS department early in the system planning process.

"My experience has been that seven times out of 10, the MIS department will be involved," said David Tweedy, senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass.

"I have worked with some very cooperative MIS departments," said Mr. Tweedy. "But I have also worked with some very un-

cooperative ones."

Those that don't like to cooperate "see it as a threat" when a vendor comes in to install a system.

It is important, Mr. Tweedy said of MIS departments, to "get them on your team before you get any further."

To have any kind of successful system installation, the MIS department has to be involved, said Minh Vu, a consultant with The Wyatt Co. in Chicago.

Mr. Vu, who said that in his experience MIS departments

have been easygoing, noted that MIS personnel can be too detail-oriented. "They don't see the big picture," he said.

"It does take a little bit of know-how to talk to them," Mr. Vu said. Fostering understanding often requires making sure knowledgeable software firm representatives are handling the technical discussions with MIS departments.

"My programmers and I enjoy being a little freer in the use of technical language," said Alan B. Cantor of Cantor & Co. in Be-

verly Hills, Calif. "That is, once you've established you're going to do the project."

Mr. Cantor said MIS departments in most cases are overworked and welcome an outsider to take on a system job. "Or they may feel threatened that a vendor was called in to do something they thought was part of their empire."

"Most of the time, they look at us as relief soldiers," said Wayne E. Seel, global director in the San Francisco office of Anistics  
*Continued on next page*

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## MIS departments

Continued from previous page  
Inc., a unit of Alexander & Alexander Services Inc. "They're usually so inundated with a backlog of work that they're happy to see an outsider."

"There's a basic change in philosophy in corporate America," observed Scott Gilmour, vp-marketing with Corporate Systems Ltd. in Amarillo, Texas. "If you can outsource for software and services and get it for less money and quicker, that's the way to go."

Mr. Gilmour said, "There is a lot more willingness to look at outside vendors, especially in risk management technology."

RMIS system vendors and consultants say they are needed because of the expertise and time that is required to put systems

together.

While some risk managers and MIS departments look into installing their own systems, most soon realize that it would require a great deal of time and money.

"A lot of times, they will quote on an internal system," said Mr. Tweedy. "But when they see the functionality of (vendors') systems, they usually back off."

However, he adds, there have been some exceptions.

At General Dynamics Corp., the electric boat division several years ago developed its own workers compensation claims system. Nothing on the market in the mid-1980s could meet the special reporting requirements the contractor faced in dealing with the government, explained Gene Netze, risk management administrator.

Reports tailored to meet those requirements are now produced by the mainframe system. In addition, Mr. Netze said, "Our TPA administers files from the system" by tying into the mainframe from its office.

Mr. Netze would eventually like to tie the system into the division's health care claim files as a way to target double dipping by workers who receive both workers comp and health care benefits.

Microsoft Corp. is developing an internal information system to tie together the software giant's domestic and foreign operations.

The project covers all departments and includes a risk management information system, explained Scott Lange, corporate risk manager for the Redmond, Wash.-based company.

The risk management information area of the system is accessed by clicking a mouse on screen windows, a technology developed by Microsoft.

The risk management information function will contain a wealth of information that will be available to all departments. "All the bureaucratic information that is normally kept in binders will be on the network," Mr. Lange explained. "We think it will create tremendous efficiencies."

Users will be able to tap into the RMIS instead of calling Mr. Lange's department, he noted. "It will eliminate 50% to 60% of the questions that come into risk management."

The system will be able to perform loss trending functions and "what-if" studies, and it will produce forms, agreements and reports.

"What's equally important is the ability to accomplish service-related functions," he observed. The system will give technical advice on handling specific risk management and insurance situations, a function overlooked by traditional risk management information systems, Mr. Lange said.

Say, for instance, a Microsoft employee is negotiating a contract with a supplier at a remote location. If the employee needs information on an insurance indemnification clause, he or she can tap into the systems, and a full screen of instructions on such clauses will appear.

"I think we will see more development of systems that take advantage of personal computers," Mr. Lange predicted. "I'd say Microsoft is ahead of any company in relying on PCs as the backbone of our communications. It's part of our culture," he said.

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# Computer compatability is wave of the future

## Apple, IBM alliance to benefit RMIS

By MICHAEL BRADFORD

Risk managers are learning that they can polish up the company's Apple Macintosh computers gathering dust in the corner and use them to link up with the IBM personal computers that make up their risk management information systems.

Demand for such alliances is gathering steam.

"We run across it all the time," said Richard Hoehne, chief executive officer at Paradigm Infosystems in Bothell, Wash. "People say the Mac is not compatible with their PCs, and we usually get into a discussion. They're surprised that you can share data with the systems."

It's rare, he added, that a corporation "doesn't have one or two Macs lying around."

Paradigm is recognized as a pioneer in the development of a graphical user interface for claims administration systems. Unlike a text-based system, the GUI system

**It's rare that a firm 'doesn't have one or two Macs lying around,' says Mr. Hoehne.**

has display screens that replicate paper forms.

Paradigm's ParaRisk system was developed for Apple Computer Inc.'s Macintosh computer but also can be made to operate on a PC-based system.

Still, there is a "lack of awareness" about how Macintosh computers can be integrated into a PC environment through data exchange, Mr. Hoehne pointed out.

That is expected to change, however, as International Business Machines Corp. and Apple begin to join forces.

Joint ventures formed by the two computer giants are expected eventually to produce Apple operating systems for IBM-compatible personal computers. That means that in the future, users will be able to choose operating systems from Apple, IBM or other software companies separate from their hardware choices, Mr. Hoehne said.

Other software firms say they occasionally encounter a prospect interested in sharing data between the two types of machines.

"It isn't done a whole lot, because the majority of people have IBM machines," said Jim Bell, director-sales and marketing at Pyramid Services Inc. in Ridgefield, Conn. "Typically they can run what they want on the IBM systems."

However, Mr. Bell said, "We've talked to people who have Macintosh systems, and we've made adjustments to ours so it will run on them."

"We haven't encountered it much in the past 18 months and virtually not at all in previous years," said Alan B. Cantor, president of Cantor & Co. in Beverly Hills, Calif.

It is possible though, to adapt Cantor & Co.'s products to an Apple system, he said.

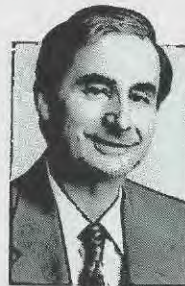
"I ran into one guy who runs a Macintosh system" said Mr. Cantor. "He asked me why we didn't have a Mac-based system. I said, 'Because you're the first guy in two years that's asked me that question.'"

"I haven't seen much linking of Apples with IBMs, but it's only a matter of time" until the development of technology makes it a routine matter, observed Wayne E. Seel, global director in the San Francisco office of Anistics Inc., a unit of Alexander & Alexander Services Inc.

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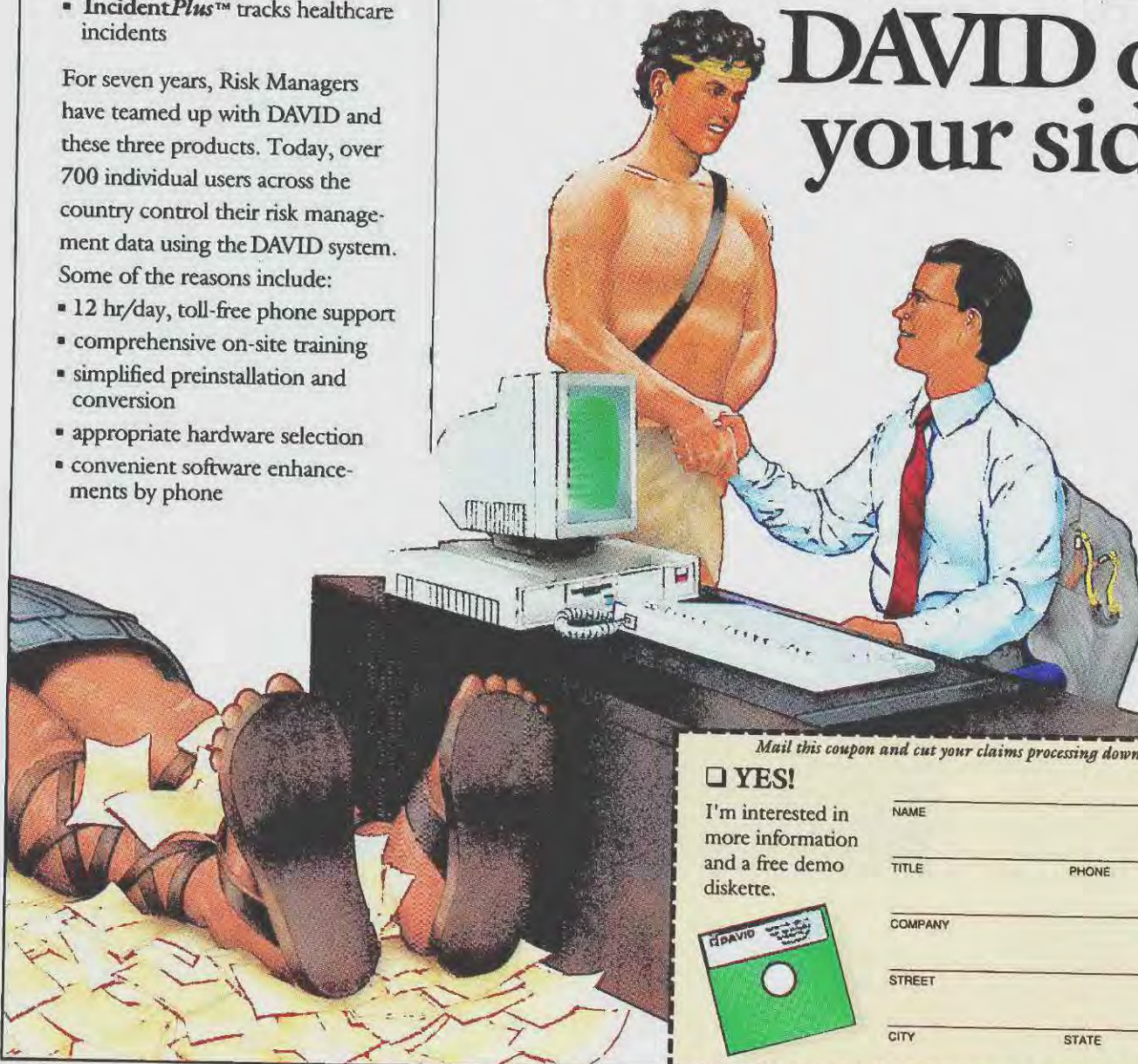
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# Annual listing of RMS software vendors

A

## A&S Consultants Inc.

292 Main St., Northboro, Mass.  
01532; 508-393-8228;  
fax: 508-393-8010

**Founded:** 1978.  
**Software products:**  
■ RISKWATCH II: \$15,000/module; unbundled hardware and software; personal computer, mini computer, mainframe. First installation: 1987; 93 total installations. Functions include claims administration, safety, loss development, check writing, diary, policy, loss prevention and first reports.  
**User support:** Telephone assistance available eight hours a day, on-site training.  
**Staff:** Five total, four professionals.  
**New clients:** 15 total.  
**Principal officers:** Carol Nashawaty, president.

## American Technical Services Inc.

P.O. Box 1575, Pinellas Park, Fla.  
34664-1575; 800-654-7611

**Founded:** 1986.  
**Software products:**  
■ ATS/COMP: \$22,000, includes training; unbundled hardware and software; personal computer, mini computer, mainframe. First installation: 1987; more than 100 total installations, 80 in risk management departments. Functions include ATS/risk interface with claims and ATS accounting interface with claims.  
■ ATS/PAC: \$22,000, includes training; unbundled hardware and software; personal computer, mini computer, mainframe. Functions include multisessioning, windows, mainframe compatibility.  
■ ATS/MED: \$22,000, includes training; unbundled hardware and software; personal computer, mini computer, mainframe. Functions include policy tracking and issuance agency management software.  
■ ATS/RISK: \$10,000, includes training; unbundled hardware and software; personal computer, mini computer, mainframe.  
**User support:** Telephone assistance available 11 hours a day, on-site training, seminars with enhanced training.  
**Staff:** 16 total, five professionals.  
**New clients:** 12 total; 15% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 20% with \$500 million to \$999 million, 25% with \$1 billion to \$3.5 billion, 10% exceeding \$3.5 billion.  
**Branch offices:** San Leandro and Irvine, Calif.  
**Principal officers:** Craig Zivolich, chief executive officer; Ray Stephens, president; Cheryll Wing, executive vp.  
**Contact:** Cheryll Wing.

## Anistics

220 E. 42nd St., New York, N.Y.  
10017-5800; 212-972-9600;  
fax: 212-972-9612

**Founded:** 1970.  
**Parent company:** Alexander & Alexander.  
**Software products:**  
■ Anistics Micro Solutions: \$20,000 to \$50,000; unbundled hardware and software; personal computer or personal computer network. First installation: 1983; 225 total installations, 200 in risk management departments. Functions include claim management module, policy management module, report generation, organizational structure, data consolidation, graphics, enhanced reporting.  
■ Risk Information System Life Cycle: \$10,000 to \$85,000. First installation: 1988; 15 total installations, all in risk management departments. Functions include overview of information management needs, analysis of alternatives, development of critical success factors.  
■ Risk Management Information Review: \$9,000 to \$20,000. First installation: 1988; 10 total installations, all in risk management departments. Functions include feasibility requirements, analysis and design, implementation, support.  
**User support:** Telephone assistance available eight hours a day, on-site training.

**Staff:** 62 total, 48 professionals.  
**New clients:** 25 total; 13 in risk management departments.  
**Branch offices:** Atlanta; Dallas; San Francisco; London; Sydney, Australia; Toronto.  
**1991 gross revenues:** 70% from sale of software, 30% from software services.  
**Principal officers:** Peter M. Eensen, managing director; Deborah Durkin, Wayne Seel, Harry Sanford and Gerard Van Der Gaag, global directors.  
**Contact:** Lee Topham, manager-risk information consulting.

## APEX Data Systems Inc.

6464 E. Grant Road, Tucson, Ariz.  
85715; 602-298-1991;  
fax: 602-296-7948

**Founded:** 1974.  
**Software products:**  
■ Cognac\*Plus: \$10,000 to \$22,000; unbundled hardware and software; personal computer. First installation: 1988; 32 total installations, nine in risk management departments. Adjudicates health, dental and disability claims in-

cluding flexible benefits, cafeteria plans and PPO; verifies and tracks eligibility; analyzed cost containment methods, generates billings.  
**User support:** User groups/meetings, telephone assistance available nine hours a day, on-site training, enhancement releases, personalized modifications, conversion support, claims processing consultation.  
**Staff:** 15 total, nine professionals.  
**Principal officers:** Dwight Babcock, president.  
**Contact:** Cynthia Stewart, director-marketing & customer support.

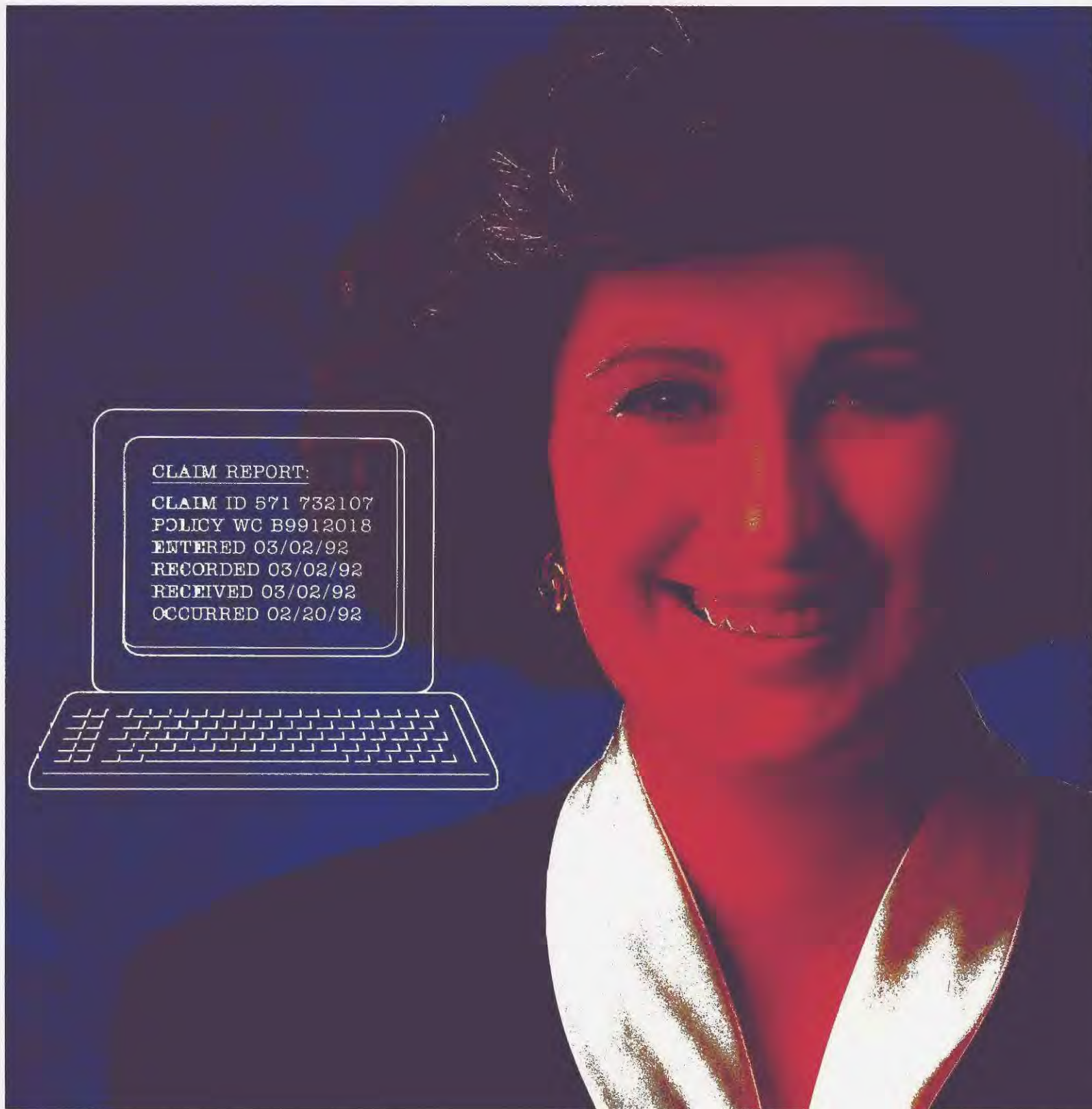
## Arena

5010 W. 18th St., Cicero, Ill. 60650;  
708-656-8647

**Founded:** 1985.  
**Software products:**  
■ Accountable Care for Medical Management: \$38,500; unbundled hardware and software; personal computer network. First installation: 1987; 18 total installations, eight in risk management departments. Functions as a complete managed health care package, including

*Continued on next page*

T H E H O M E



O L D P R O S O N

Continued from previous page  
claims, benefits, utilization review, cost comparisons.

■ Accountable Care for Mental Health Management: \$42,500; unbundled hardware and software; personal computer network. First installation: 1990; eight total installations, three in risk management departments. Functions as a complete managed mental health care package, including triage, case management, claims, substance abuse, utilization review.

■ MD Review: \$7,500; unbundled hardware and software; personal computer network. First installation: 1992; two total installations, one in a risk management department. Functions in-

clude medical doctor credentialing review.

**User support:** User groups/meetings, telephone assistance available 24 hours a day, on-site training.

**Staff:** Six total, four professionals.  
**New clients:** Six total; four in risk management departments; 50% with gross revenues less than \$200 million, 25% with \$200 million to \$499 million, 25% with \$1 billion to \$3.5 billion.

**1991 gross revenues:** \$275,000 total; \$200,000 from risk management information systems; 75% from sale of software, 25% from software services.

**Principal officers:** Karl Kaiser, president.  
**Contact:** Tom Chaiket.

**Armada Software**

13737 Artesia Blvd., Suite 208, Cerritos, Calif. 90701; 310-404-0541; fax: 310-926-7241

**Founded:** 1983.

**Software products:**  
■ Speedclaim W.C.: bundled hardware and software; personal computer, UNIX. First installation: 1983; more than 25 total installations, more than 20 in risk management departments. Functions include workers compensation medical bill audit.

■ Speedclaim Claims: bundled hardware and software; personal computer, UNIX. First installation: 1983; more than 25 total installations, more than 20 in risk management departments. Func-

tions include claims tracking.

■ Speedclaim II-W/C Medical: unbundled hardware and software; personal computer 386-486, UNIX. First installation: 1990; two total installations, both in risk management departments. Functions include medical bill auditing.

■ Speedclaim II-Claim: unbundled hardware and software; personal computer 386-486, UNIX-based systems. First installation: 1992; one total installation, in a risk management department. Functions as a claims tracker.

**User support:** Telephone assistance available eight hours a day, on-site training.

**Principal officers:** Christian Arndt, Bernard Stein.  
**Contact:** Christian Arndt.

C

**CCC Information Systems**

640 N. LaSalle St., Chicago, Ill. 60610-3731; 312-787-2640

**Founded:** 1980.

**Parent company:** InfoVest Corp.

**Software products:**

■ Total Loss Valuation Services: unbundled hardware and software; mini computer, personal computer, laptop. First installation: 1980; 4,000 total installations, 350 in risk management departments. Functions include batch store forwarding, enhanced response, integrated into collision estimating.

■ EZEst: unbundled hardware and software; personal computer, laptop, tablet. First installation: 1990; 2,000 total installations, 63 in risk management departments. Functions include crash guide illustrations, pen point operation, VIN decoding, total loss integration, aftermarket parts database.

■ EZNet: unbundled hardware and software; personal computer, mini mainframe, mainframe. First installation: 1991; 2,500 total installations, 11 in risk management departments. Functions include intermodal communication connecting appraisers, adjusters,

Continued on next page

# E T O D A Y



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## How to use 1992 RMIS directory

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

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

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

Information on continued **user support**, **staff**, **new clients** who purchased systems in 1991 and number of those clients who are in risk management departments follow. Next are locations of **branch offices**, **1991 gross revenues** and names and titles of **principal officers**. The name of a **contact** at the company for those wishing more information completes the listings.

The directory is printed as an editorial service; there is no charge 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, *BI* is unable to verify all information supplied by vendors.

If you wish to receive a questionnaire for next year's directory, contact Cindy Bloom, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590.

# A N E W T E A M

*Continued from previous page*  
 collision repair facilities and insurance claims offices.

■ **EZVal:** bundled hardware and software; personal computer. First installation: 1991; 500 total installations, 42 in risk management departments. Functions as a database of values for jewelry, tools, sporting goods, china, watches, crystal, sterling, pens, clocks, home office equipment.

■ **EZImage:** bundled hardware and software; personal computer. First installation: 1991; 100 total installations, 12 in risk management departments. Functions include electronic color image capture, storage and transmission between collision repair facilities and insurance claims staff, integration with collision estimating.

■ **Automated Salvage Assignment Processing:** unbundled hardware and software; mini computer, personal computer, laptop. First installation: 1992; five total installations, three in risk management departments. Functions include assignment of stock control numbers, electronic file transfer.

■ **ASPA Salvage Value:** unbundled hardware and software; mini computer, personal computer, laptop. First installation: 1990; 627 total installations, 80 in risk management departments. Online access provided automatically along with vehicle valuation.

■ **Underwriting VINGuard:** unbundled hardware and software; mini computer, personal computer, laptop. First installation: 1991; 25 total installations, seven in risk management departments. Available in batch store forward or online individual file review, title and registration and domicile/personal information databases.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training, bi-weekly or monthly service calls.

**Staff:** 750 total, 300 professionals.

**Branch offices:** Glendora, Calif.; Dallas.

**Principal officers:** David M. Phillips, chairman/chief executive officer; Howard J. Doherty, executive vp/chief financial officer; David B. Mullen, president-collision repair; Glen E. Tullman, president-insurance services; J. Laurence Costin, executive vp-marketing.

**Contact:** Katie Kendall, 312-787-2640, ext. 2845.

**California Interactive Computing Inc.**

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

**Founded:** 1977.

**Software products:**

■ **GenRisk-Risk Management Software System:** bundled hardware and software; personal computer, mid-range computer, mainframe. First installation: 1984; 31 total installations, 30 in risk management departments. Functions include risk analysis and reporting, loss trending and development, total risk management.

■ **GenComp-Workers Compensation Software System:** bundled hardware and software; personal computer, mid-range computer, mainframe. First installation: 1977; 257 total installations, 255 in risk management departments. Functions include workers compensation claims management and processing, case management, cost management, permanent disability rating.

■ **GenPac-Property/Casualty Software System:** bundled hardware and software; personal computer mid-range computer, mainframe. First installation: 1980; 24 total installations, 22 in risk management departments. Functions include property/casualty claims administration, case management, management reporting.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, consulting, custom programming, time-sharing, upgrades, enhancements.

**Staff:** 35 total, 30 professionals.

**New clients:** Six total; five in risk management departments; 10% with gross revenues less than \$200 million, 20% with \$200 million to \$499 million, 20% with \$500 million to \$999 million, 30% with \$1 billion to \$3.5 billion, 30% exceeding \$3.5 billion.

**1991 gross revenues:** \$3.5 million total; 30% from sale of hardware, 50% from sale of software, 20% from software services.

**Principal officers:** Jerry C. Buckley, president; Ralph M. Flygare, vp; Eric Hoffberg, vp-system services.

**Contact:** Jerry C. Buckley.

**Cantor & Co.**

9348 Civic Center Drive, Beverly Hills, Calif. 90210; 310-859-7277; fax: 310-859-7415

**Founded:** 1982.

**Software products:**

■ **Riskmap Risk Financing:** \$2,195; unbundled hardware and software; personal computer. First installation: 1983; 130 total installations, 90 in risk management departments. Functions include risk financing, discounted cash flow, comparative analysis.

■ **Riskmap Loss Forecasting:** \$1,695; unbundled hardware and software; personal computer. First installation: 1984; 71 total installations, 22 in risk management departments. Functions include forecasting frequency, severity and cost of property/casualty programs overall and by line of coverage.

■ **Riskmap Loss Development:** \$1,695. Functions include producing development factors for total loss, reserves and payout; integrates with Riskmap Loss Forecasting.

■ **Riskmap Captive Risk Financing:** \$2,500; unbundled hardware and soft-

ware; personal computer. First installation: 1984; two total installations. Functions include income statements, equity and available cash loss reporting and payment, discounted cash-flow analysis.

■ **PCMS (Patient Care Monitoring System):** \$10,875; unbundled hardware and software; personal computer. First installation: 1985; more than 250 total installations. Functions include safety and loss control, quality assurance, utilization review, infection control information, risk management, incident reporting, concurrent review, reporting and graphics. Optional Custom Reports Library (\$950) includes system updates, user meetings and emergency telephone support.

■ **Exposure Base Management Systems (EBMS):** \$6,000 to \$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 to \$35,000; unbundled hardware and software; personal computer. First installation: 1984;

13 installations in risk management departments. Functions include claims management, financial analysis and reporting, actuarial analysis, reinsurance analysis and management cost allocation.

■ **Riskmap Claims Management System:** \$7,500 to \$37,500; unbundled hardware and software; personal computer. First installation: 1984; 150 total installations, more than 100 in risk management departments.

■ **Generic Incident Reporting Claim Tracking version:** \$7,500 to \$10,500; 12 total installations, 10 in risk management departments. Functions include claims tracking and management, safety and loss control, cost allocation, financial analysis and reporting, statistical analysis, fully integrated graphics.

■ **Underwriting Analysis System:** \$8,000 to \$15,000; unbundled hardware and software; personal computer. First installation: 1984; two total installations in risk management departments. Functions include profit analysis and reinsurance recovery.

■ **PCMS/MQMS Plus/Incident Reporting & Claims Management System:**

\$11,000; unbundled hardware and software; personal computer. First installation: 1985; more than 200 total installations, 100 in risk management departments. Functions include incident reporting, claims tracking and management, quality assurance, utilization review, litigation monitoring, reporting and graphics.

■ **Insurance Schedules System:** \$8,500. Applications include course of construction schedules, property locations schedules and policy schedules.

■ **MQMS Plus:** \$17,500; unbundled hardware and software; personal computer. First installation: 1991; more than 100 total installations, all in risk management departments. Functions include user defined fields, labels, fully integrated custom graphics, custom reports, network ready, multi-user licenses and corporate licenses available.

**User support:** User groups and meetings, telephone assistance available eight hours a day, seminars.

**Staff:** Eight total, seven professionals.

**New clients:** 80 total; 50 in risk management  
*Continued on next page*



**Group benefits services  
 can't always be programmed.**

Continued from previous page  
agement departments; 20% with gross revenues less than \$200 million, 60% with \$200 million to \$499 million, 16% with \$500 million to \$999 million, 3% with \$1 billion to \$3.5 billion, 1% exceeding \$3.5 billion.

**1991 gross revenues:** 3% from sale of hardware, 82% from sale of software, 15% from software services.

**Principal officers:** Alan B. Cantor, president.

### Computer Information Applications Inc.

275 Broadhollow Road, Suite 302, Melville, New York, N.Y. 11747; 516-756-2204; fax: 516-756-2213

**Founded:** 1989.

#### Software products:

■ MEDCAM: \$4,000; unbundled hardware and software; personal computer. First installation: 1991; one total installation. Functions include comprehensive, occupational medical case management; added action plan tickler; and user defined reports.

■ Document Manager: unbundled

hardware and software; personal computer. First installation: 1989; one total installation. Functions include tracking and management of large volumes of documents, keyword and hot key lockups added.

■ Records Request: unbundled hardware and software; personal computer. First installation: 1990; one total installation. Generates requests for information and records, tracks receipt and distribution for internal and external use.

**User support:** Telephone assistance available eight hours a day, on-site training.

**Staff:** 15 total, eight professionals.

**New clients:** One total.

**Branch offices:** Philadelphia; Rockville, Md.; San Antonio, Texas.

**1991 gross revenues:** \$1.2 million total; \$50,000 from risk management information systems; 70% from sale of software, 30% from software services.

**Principal officers:** Howard M. Sandler, president; David Hollander, Scott Cohen, Eric Saper and Eric Hollander, vps.

**Contact:** Peggy Thompson, 121 Interpark Blvd., Suite 211, San Antonio, Texas, 78216; 512-491-0492.

### Compwatch Corp.

1885 De La Cruz Blvd., Santa Clara, Calif. 95050; 408-496-1850; fax: 408-727-4289

**Founded:** 1989.

#### Software products:

■ Compwatch II: \$1,500; unbundled hardware and software; personal computer. First installation: 1989; 400 total installations, all in risk management departments. Functions include diary system, OSHA injury rate formulas, employer first report of injury, OSHA log, loss analysis graphs.

**User support:** Telephone assistance available eight hours a day, on-site training.

**Staff:** Four total, two professionals.

**New clients:** 170 total.

**1991 gross revenues:** 100% from sale of software.

**Principal officers:** J. Corbett, Daniel McDonald, Hans Nehme.

**Contact:** Hans Nehme.

### Control Software Group Inc.

3205 E. Dublin Granville Road, Columbus, Ohio 43231; 800-535-7107; fax: 904-372-8676

**Founded:** 1986.

#### Software products:

■ Risk-Control: \$990; unbundled hardware and software; personal computer. First installation: 1988; 19 total installations. Functions include risk exposure management.

■ Risk-Control Plus: \$1,390; unbundled hardware and software; personal computer. First installation: 1988; 63 total installations. Functions include risk exposure management.

■ OSHA Control: \$249; unbundled hardware and software; personal computer. First installation: 1990; 116 total installations. Functions include OSHA reporting and compliance.

■ Control IQ: \$795; unbundled hardware and software; personal computer. First installation: 1990; 13 total installations. Functions as an ad hoc reporter.

■ Add-In-Modules: \$395; unbundled

hardware and software; personal computer. First installation: 1988; 143 total installations. Functions include state first RPT/OSHA modules.

**User support:** Telephone assistance available 24 hours a day, on-site training.

**Staff:** Nine total, five professionals.

**New clients:** 115 total.

**Branch offices:** Gainesville, Fla.

**Principal officers:** John P. Nipps, president; John P. Nipps II, vp; Randall C. Nipps, treasurer; Melvin R. Irwin, vp-research/development.

**Contact:** John P. Nipps, 800-336-7475.

### Conway Computer Alternatives Inc.

805 S. Wheatley, Suite 210, Ridgeland, Miss. 39157; 601-957-0888; fax: 601-957-9492

**Founded:** 1978.

#### Software products:

■ Paccasso: \$60,000; bundled hardware and software; mini computer. First installation: 1986; 26 total installations, 23 in risk management departments. Functions include employee database, forms generation, exposure database, utilities menu.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, remote electronic support via dial-in, training in home office.

**Staff:** 61 total.

**New clients:** 12 total, all in risk management departments; 28.5% with gross revenues less than \$200 million, 28.5% with \$200 million to \$499 million, 43% with \$500 million to \$999 million.

**Branch offices:** New Orleans.

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

**Contact:** Ken Walz, senior marketing representative.

### Coopers & Lybrand-Actuarial, Benefits & Compensation

1251 Ave. of the Americas, New York, N.Y. 10020; 800-232-2717; fax: 212-536-2163

**Founded:** 1898.

#### Software products:

■ Exhibitmaker 5: \$11,000; unbundled hardware and software; personal computer. First installation: 1984; 310 total installations, 21 in risk management departments. Functions include estimating and testing loss reserves, user defined exhibits and report modules.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, custom-designed interfaces to existing databases.

**Staff:** 84 total, 68 professionals.

**New clients:** 60 total; two in risk management departments, both with gross revenues exceeding \$3.5 billion.

**Branch offices:** Atlanta; Boston; Chicago; Newport Beach and San Francisco, Calif.; Philadelphia; Seattle.

**1991 gross revenues:** \$17.6 million total; \$376,000 from risk management information systems, 80% from sale of software, 20% from software services.

**Principal officers:** Reed Keller, vice chairman; Frederick Kist, national director-casualty & risk management services; Orin Linden, Terrence O'Brien, partner; Brian Jones, director.

**Contact:** Tom Johnson, 1800 First Interstate Center, Seattle, Wash. 98104; 206-628-8156.

### Corporate Systems Ltd.

P.O. Box 31780, Amarillo, Texas 79120; 806-376-4223; fax: 806-376-4077

**Founded:** 1967.

#### Software products:

■ CS Online: unbundled hardware and software; mainframe timeshare or remote computing. First installation: 1967; 3,600 total installations, all in risk management departments. Functions include all property/casualty coverages: financial, risk, safety and claims management and checkwriting, legal tracking, integrated word processing, data extraction to personal computer software, cost of risk allocation coverage verification, reinsurance tracking, policy management, property inventory, bonds and certificates of insurance management.

■ CS Prism: \$50,000 to \$500,000; unbundled hardware and software; mid-range computer. First installation: 1986; 25 total installations, all in risk management departments. Functions are same as CS Online.

Continued on next page



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*Judy Schultz*

Tom and Judy Schultz and family

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Continued from previous page

■ **CS Plus Managed Care:** available through CS Online (\$20,000 to \$35,000) or CS Prism/Midrange (\$300,000 to \$500,000); unbundled hardware and software; midrange computer or mainframe. First installation: 1989; 40 total installations, all in risk management departments. Functions include automated coding of diagnoses and procedures, online review for normative patterns of treatment, rebundling of unbundled procedure codes, professional online review of flagged medical bills, disability duration review, managed care screening, prescription drug repricing and utilization review, medical fee schedule review and repricing, online savings reports, analysis of practice patterns of providers.

■ **CS TeleClaim:** \$13,000 to \$25,000 plus per claim charges ongoing for CS Online, \$30,000 to \$50,000 Prism software installation; bundled hardware and software; midrange computer or mainframe. First installation: 1989; 28 total installations, all in risk management departments. Establishes an 800-number central control desk for receiving accident reports by phone; produces

state-required reports for workers compensation as well as general liability, product liability, automobile liability, property and crime claims.

■ **CS Disability Management:** \$20,000 to \$25,000 plus per claim charges ongoing for CS Online, \$35,000 to \$100,000 Prism software installations; bundled hardware and software; midrange computer or mainframe. First installation: 1991; four total installations, all in risk management departments. Functions include unlimited plan designs for short- and long-term disability, union, non-union, sick leave, employee demographics, checkwriting and fund management, report generation, disability duration guidelines, claims processing and recordkeeping, complete tax accounting.

■ **CS Risk Management Executive System:** bundled hardware and software; personal computer. First installation: 1991; three total installations, all in risk management departments. Functions include regular download of summary risk data, executive level reports and graphics, five-year risk cost reduction business plan; financial and safety statistics by profit center; corporate and

profit center actual to budget comparisons; total cost-of-risk to revenue ratio analysis; flexible interactive report writer.

■ **CS Forestar:** \$6,000 to \$15,000; bundled hardware and software; mainframe. First installation: 1986; 55 total installations, all in risk management departments. Functions include custom developed loss development triangles for claim frequency, paid-to-date, total incurred/projection of ultimate incurred losses.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training, regional seminars, regular client conferences.

**Staff:** 375 total, 280 professionals.

**New clients:** 3,600 total, all in risk management departments; 25% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 20% with \$500 million to \$999 million, 15% with \$1 billion to \$3.5 billion, 10% exceeding \$3.5 billion.

**Branch offices:** Chicago; Dallas; Orlando and Tallahassee, Fla.; Dallas.

**1991 gross revenues:** \$27.3 million total, all from risk management information systems; 2% from sale of hard-

ware, 5% from sale of software, 93% from software services.

**Principal officers:** Guyon Saunders, president/chief executive officer; Scott Gilmour, vp-marketing; Johnny Mize, vp-customer services; Don St. Jacques, vp-product development.

**Contact:** Scott Gilmour, vp-marketing.

**Crawford & Co.**

5620 Glenridge Drive, Atlanta, Ga.  
30342; 404-256-0830;  
fax: 404-847-4025

**Founded:** 1941.

**Software products:**

■ **SISDAT:** bundled hardware and software. First installation: 1975; 1,752 total installations, all in risk management departments. Functions include production of detail loss runs in various formats and loss fund activity reports.

■ **SIGMA Personal Service for SIS-DAT Data:** \$325 per report plus \$325 first-time set up fee per report; unbundled software. First installation: 1983. Functions include report preparation by vendor staff to customer specifications

and control, safety analysis, actuarial reports, safety reporting and performance monitoring reports.

■ **SIGMA System On-Line for SIS-DAT Data:** \$15,000 per year and up; unbundled hardware and software; personal computer with modem. First installation: 1987; five total installations, all in risk management departments. Functions include claim query and claim data edit capability, daily update of claims information.

**User support:** SISDAT: System documentation, telephone assistance available 10 hours a day. SIGMA System On-Line: user groups/meetings, telephone assistance available 14 hours a day, on-site training, system documentation/manuals, newsletter, seminars, conferences.

**Staff:** 140 total, 100 professionals.

**New clients:** 122 total, all in risk management departments; 10% with gross revenues less than \$200 million, 15% with \$200 million to \$499 million, 30% with \$500 million to \$999 million, 30% with \$1 billion to \$3.5 billion, 15% exceeding \$3.5 billion.

**Branch offices:** Dallas; Mahwah, N.J.; McLean, Va.; Schaumburg, Ill.; Corte Madera and San Mateo, Calif.; Toronto.

**1991 gross revenues:** \$538 million total.

**Principal officers:** F.L. Minix, chairman/chief executive officer; C.C. Lefler, president/chief operating officer, risk management services; B.R. LaFleur, vp-sales & marketing, risk management services; C.R. Shogren, vp-operations, risk management services.

**Contact:** Carol F. Eskola, assistant vp, product manager-SISDAT services.

**D**

**DAVID Corp.**

580 California St., 23rd floor, San Francisco, Calif. 94104;  
415-362-4555;  
fax: 415-362-5010

**Founded:** 1984.

**Parent company:** The Wyatt Co.

**Software products:**

■ **CompPlus:** \$30,000; bundled hardware and software; personal computer. First installation: 1986; 135 total installations, 99 in risk management departments. Functions include workers compensation claims management.

■ **P&CPlus:** \$30,000; bundled hardware and software; personal computer. First installation: 1987; 40 total installations, 32 in risk management departments. Functions include property and casualty claims management.

■ **Incident Plus:** \$7,500; bundled hardware and software; personal computer. First installation: 1991; two total installations. Functions include incident/health care tracking.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training.

**Staff:** 40 total, 37 professionals.

**New clients:** 19 total; 14 in risk management departments.

**Branch offices:** Southfield, Mich.; West Palm Beach, Fla.

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

**Contact:** Dennis Klum, supervisor-sales promotion.

**DORN Technology Group Inc.**

38705 Seven Mile Road, Suite 450, Livonia, Mich. 48152; 313-462-5800; fax: 313-462-5807

**Founded:** 1982.

**Software products:**

■ **RISKMASTER Software Series:** \$18,000 personal computer, \$45,000 Unix/LAN; unbundled hardware and software; personal computer, mini computer. First installation: 1982; 546 total installations, 503 in risk management departments. Functions include general claims, workers compensation, vehicle accidents, litigation management, policy management, work processing features, enhanced reporting.

■ **RISKMASTER/CM 9000:** \$10,000 personal computer, \$20,000 Unix/LAN; unbundled hardware and software; personal computer, mini computer. First installation: 1989; 10 total installations, all in risk management department. Functions include workers compensation cost containment, work processing features, enhanced reporting, new user interface.

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Continued from previous page

■ **RISKMASTER/Image Management System:** \$15,000 personal computer, \$30,000 Unix/LAN; unbundled hardware and software; personal computer, mini computer. First installation: 1992. Functions include full image and document management system integrated.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training, regional workshops and special topic seminars.

**Staff:** 36 total, 32 professionals.

**New clients:** 66 total; 25% with gross revenues less than \$200 million, 40% with \$200 million to \$499 million, 30% with \$500 million to \$999 million, 5% with \$1 billion to \$3.5 billion.

**Branch offices:** Ventura, Calif.

**1991 gross revenues:** \$4 million total, all from risk management information systems; 5% from sale of hardware, 60% from sale of software, 30% from software services, 5% from supplies.

**Principal officers:** Mark E. Dorn, president; Michael E. Haley, national client services manager; Paul Hafeli, financial manager.

**Contact:** Mark E. Dorn.

## F

### Feedback Systems Inc.

1900 Emery St. N.W., Suite 304,  
Atlanta, Ga. 30318; 404-355-6883;  
fax: 404-875-8811

**Founded:** 1984.

**Software products:**

■ **RIMS DBMS:** \$18,000; unbundled or bundled hardware and software; personal computer, mini computer, mainframe. Two total installations both in risk management departments. Functions include liability and claims management, ability to select, retrieve, view and compare data in the form of a query, graph, form letter or report.

**User support:** User groups/meetings, telephone assistance available 10 hours a day, on-site training, off-site training, on-going enhancements, modem support, on-line help and user documentation.

**Staff:** Three professionals.

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## E

### EDS Insurance Services

13736 Riverport Drive, Maryland  
Heights, Mo. 63043; 314-344-8247;  
fax: 314-344-8691

**Founded:** 1972.

**Parent company:** General Motors.

**Software products:**

■ **Processor 1:** unbundled hardware and software; mainframe. First installation: 1984; 25 total installations. Identifies unbundled procedure codes, validates procedures based on diagnosis.

■ **Automated Claims System:** unbundled hardware and software; mainframe. First installation: 1984; seven total installations, two in risk management departments.

■ **Medical Bill Review (MBR):** unbundled hardware and software; mainframe. First installation: 1988; two total installations, one in a risk management department.

**Staff:** 64 total, 61 professionals.

**New clients:** Three total.

**1991 gross revenues:** \$7 billion total.

**Principal officers:** James Sonnemaker, account manager-insurance services.

**Contact:** Kathy Bandle.

### ESIS Inc.

Two Liberty Place, 1601 Chestnut St.,  
Philadelphia, Pa. 19192-2105;  
215-761-6784; fax: 215-761-5434

**Founded:** 1953.

**Parent company:** CIGNA Corp.

**Software products:**

■ **CIGNA's Risk Information System:** \$15,000; unbundled hardware and software; personal computer. First installation: 1983; 700 total installations, 250 in risk management departments. Functions include medical cost containment reporting.

■ **CRIS Advanced Functions:** \$30,000 for all options; unbundled hardware and software; personal computer. First installation: 1982; 50 total installations, 45 in risk management departments. Functions include litigation monitoring, claim development analysis.

■ **Technology For Large Accounts:** unbundled hardware and software; personal computer. First installation: 1992; five total installations, all in risk management departments. Functions include online access to adjuster claim system including detailed notes.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, three-day training seminars in Philadelphia.

**Staff:** 74 total, 69 professionals.

**New clients:** 30 total; 22 in risk management departments.

**Branch offices:** Atlanta; Boston; Chicago; Dallas; Houston; Los Angeles; New York; San Francisco.

**Principal officers:** Edward P. Holteran, president; Dennis G. McGowan, director-administration; Brian P. O'Hara, director-product management.

**Contact:** W. Bruce Hemphill, manager-product management.

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Livonia, MI 48152-1005  
(313) 462-5800  
FAX: (313) 462-5807



Continued from previous page

**New clients:** Two in risk management departments; 50% with gross revenues \$500 million to \$999 million, 50% with \$1 billion to \$3.5 billion.

**Principal officers:** Chrissie Howell, president; Dave White, vp; Jack Hubert, secretary.

**Contact:** Chrissie Howell.

**Flex Systems**

7929 Brookriver Drive, Suite 175, Dallas, Texas 75247; 214-630-7956; fax: 214-630-3245

**Founded:** 1990.

**Parent company:** Lindsey Morden Claim Services Inc.

**Software products:**

■ **Flex-System:** Unbundled hardware and software; personal computer. First installation: 1990; 71 total installations, 14 in risk management departments. Functions include printing of first reports, S/I state reports, automated workers compensation checkwriting features, full function diary and calendar capabilities, integration with other software packages, integration with medical cost management systems, tape creation and processing capabilities.

**User support:** Telephone assistance available 12 hours a day, on-site training, local support.

**Staff:** 25 total, 18 professionals.

**New clients:** 71 total, all in risk management departments; 25% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 30% with \$500 million to \$999 million, 10% with \$1 billion to \$3.5 billion, 5% exceeding \$3.5 billion.

**Branch offices:** Atlanta, Los Angeles.

**1991 gross revenues:** \$1.4 million total, all from risk management information systems; 5% from sale of hardware, 70% from sale of software, 25% from software services.

**Principal officers:** Chuck Allen, national director; Mickey Mikesell, national sales director; Farid Nagji, senior analyst; Stephanie McCosh and R.J. Mallette, consultants.

**Contact:** Chuck Allen or Mickey Mikesell, 1-800-394-3539.

**Parent company:** Arthur J. Gallagher & Co.

**Software products:**

■ **Risx-Facs:** bundled hardware and software; personal computer or mainframe. First installation: 1983; 898 total installations, all in risk management departments. Functions include claims administration, standard loss reporting, ad-hoc inquiry, automated diary, NCCI data capture, claim notebook (electronic adjusters notebook), check writing, automated Index Bureau Reporting.

■ **Micro-Facs:** \$2,100 plus communications; unbundled hardware and software; personal computer. First installation: 1986; 105 total installations, all in risk management departments. Functions include on-line ad-hoc inquiry and reporting, loss trending, exposure analysis, loss triangles, electronic mail.

**User support:** Telephone assistance available 12 hours a day, on-site training, training at corporate headquarters, user-friendly manuals.

**Staff:** 90 total, 60 professionals.

**New clients:** 124 total.

**Branch offices:** Nationwide network of sales and service offices.

**1991 gross revenues:** \$72 million total.

**Principal officers:** Peter J. Durkalski, president; Donald C. Klein and Richard R. Rothman, executive vps.

**Contact:** Richard R. Rothman.

**Genelco Inc.**

1600 S. Brentwood Blvd, St. Louis, Mo. 63144-1330; 314-962-2040; fax: 314-968-9589

**Founded:** 1973.

**Parent company:** General American Life Insurance Co.

**Software products:**

■ **Health Claims Plus:** bundled and unbundled hardware and software; midrange computer. First installation: 1985. Functions as an on-line, real-time health claim processing and administration system; adjudicates and administers medical, dental, disability, vision, indemnity and prescription drug plans, and provides reporting for managed care analysis; processes claims for health plans and has a utilization review module.

■ **Benefit Administration Plus:** bundled and unbundled hardware and software; midrange computer. First installation: 1987. Serves individual and group insurance plans or Multiple Employer Trusts; administers all billing and collection functions, provides eligibility information for health claim administration and processes commissions; tracks new case files, and produces reports for management analysis.

■ **Life Support Plus:** bundled and unbundled hardware and software; midrange computer. First installation: 1985. Functions include new business processing and underwriting support, agency administration and agents contract control, commission accounting, policy administration, billing and collection, policy exhibit and valuation, general ledger and financial reporting, and cash disbursements.

**User support:** User groups/meetings, telephone assistance available 9.5 hours a day, on-site training, maintenance agreements available.

**Staff:** 210 total, 56 professionals.

**Branch offices:** Dallas.

**1991 gross revenues:** \$17 million total; \$14.2 million from risk management information systems; 3% from sale of hardware, 37% from sale of software, 60% from software services.

**Principal officers:** David B. Johnson, president; Russell E. Korte, executive vp; Larry M. Amundsen, vp-software sales & marketing; David Litschgi and Mike Molinar, product vps.

**Contact:** Larry M. Amundsen or David B. Johnson.

**H**

**Health Economics & Market Analysis Inc.**

2387 W. Monroe St., Springfield, Ill. 62704; 217-793-1155; fax: 217-793-1344

**Founded:** 1987.

Continued on next page

**G**

**GAB Business Services Inc.**

9 Campus Drive, Linden Plaza, Parsippany, N.J. 07054; 201-993-3400; fax: 201-993-9579

**Founded:** 1885.

**Parent company:** SGS North America Inc.

**Software products:**

■ **Centurion:** \$3,000 to \$12,000; unbundled hardware and software; personal computer. First installation: 1984; 97 total installations, all in risk management departments. Functions include interactive query and analysis system, on-line data inquiry system, downloading of data.

■ **Claims Management Reporting System:** unbundled hardware and software; mainframe. First installation: 1975; 739 total installations, 664 in risk management departments. Provides loss reports, check registers, management reports, performance monitoring reports.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, on-line computer training manual.

**Staff:** 135 total, 23 professionals.

**New clients:** 53 total; all in risk management departments; 20% with gross revenues less than \$200 million, 20% with \$200 million to \$499 million, 25% with \$500 million to \$999 million, 20% with \$1 billion to \$3.5 billion, 15% exceeding \$3.5 billion.

**Branch offices:** Atlanta; Chicago; Cincinnati; Dallas; Los Angeles; Minneapolis; New York; Orlando, Fla.; Phoenix; San Francisco.

**1991 gross revenues:** \$235 million total; 100% from software services.

**Principal officers:** Richard A. Simon, chairman/chief executive officer; William F. Bergs, chief operating officer; Joseph L. Rizzo, executive vp; John F. Darden and G. Roger Eiler, senior vps.

**Contact:** John M. Kardos, assistant vp, 201-993-3738.

**Gallagher Bassett Services Inc.**

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

**Founded:** 1962.



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the tough times. Some reinsurers didn't make the same constant commitment; some didn't make it at all.

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Continued from previous page

**Software products:**  
 ■ Acclaim/Resolve: \$20,000; unbundled hardware and software; personal computer. First installation: 1989; 25 total installations, all in risk management departments. Functions as health benefits cost management software including RBRVS fee schedule, regional hospital per diem norms, and an actuarial plan pricing model.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, consulting services on health risk management information strategies.

**Staff:** 10 total, four professionals.  
**New clients:** 10 total; all in risk management departments; 100% with gross revenues less than \$200 million.

**1991 gross revenues:** \$600,000 total; all from risk management information systems; 100% from software services.

**Principal officers:** James S. Tripp, president; Roy Wehrle, chief executive officer.  
**Contact:** James S. Tripp.

**Health Management Technologies Inc.**

1042 Country Club Drive, Suite C, Moraga, Calif. 94556; 510-631-6750; fax: 510-631-6789

**Founded:** 1986.  
**Software products:**  
 ■ Return Disability Case Manager: \$15,000; unbundled hardware and software; personal computer. First installation: 1989; 30 total installations, 20 in risk management departments. Functions include 24-hour case management for workers compensation, disability plans, liability. Duration and service frequency guidelines, management reports.

■ Return Plus Occupational Safety and Health: \$10,000; unbundled hardware and software; personal computer. First installation: 1989; 150 total installations, 110 in risk management departments. Functions include workers compensation, department of transportation, OSHA compliance, medical surveillance, employer health information management, appropriate reports.

■ ADA Job Analysis: \$3,500 stand-alone, \$1,000 with Return Plus; unbundled hardware and software; personal computer. First installation: 1992; 10 total installations, all in risk management departments. Functions as a job element data base, prints work copies for analysts and medical examiners. Medical exam form with recommendations for accommodations.

**User support:** User groups/meetings, telephone assistance available 10 hours a day, on-site training, newsletter.

**Staff:** 12 total, eight professionals.  
**1991 gross revenues:** 50% from sale of software, 50% from software services.

**Principal officers:** Karen Wolfe, president; James Wolfe, senior vp-marketing.

**Contact:** James Wolfe.

**Helmsman Management Services Inc.**

225 Borthwick Ave., Portsmouth, N.H. 03801; 603-431-1181; fax: 603-431-2071

**Founded:** 1984.

**Parent company:** Liberty Mutual Insurance Co.

**Software products:**  
 ■ Liberty\*Link/RISKTRAC: \$15,000; unbundled hardware and software; personal computer. First installation: 1992. Functions as a window-based client server, includes expanded claim detail and ad hoc reporting, increased data update frequency, expanded mail capabilities.

■ RISKTRAC/ONLINE: \$25,000; unbundled hardware and software; time-share. First installation: 1987; 185 total installations, all in risk management departments. Functions include batch reporting, claims management and decision support tools.

■ RISKTRAC/PC: \$5,000; unbundled hardware and software; personal computer. First installation: 1987; 290 total installations, all in risk management departments. Functions include claims and coverage management, decision support tools.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training, tutorials, on-line help, user manuals, newsletters.

**Staff:** 71 total, 66 professionals.  
**New clients:** 60 total, all in risk management departments; 30% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 30% with \$500 million to \$999 million, 5% with \$1 billion to \$3.5 billion, 5% exceeding \$3.5 billion.  
**Branch offices:** Atlanta; Chicago; Dallas; New York; Philadelphia; Pittsburgh; San Francisco; Weston, Mass.  
**Principal officers:** Edmond Kelly, president; Robert Barrese, vp.  
**Contact:** Larry Forrest, director-marketing.

**Hurley & Associates**

18 S. Fifth St., Geneva, Ill. 60134; 800-727-1859

**Founded:** 1990.  
**Software products:**  
 ■ Sick Pay/STD Control: \$7,000 to \$12,000; unbundled hardware and software; personal computer, mini computer, mainframe. Functions include sick pay and short-term disability claims management, ad hoc reports, interface with payroll and human resources.

**User support:** Telephone assistance available eight hours a day, on-site training.

**Staff:** Two total, both professionals.  
**Branch offices:** Woodland Hills and Moraga, Calif.  
**Principal officers:** Jerry J. Hurley, president; Ralph D. Hurley, executive vp.  
**Contact:** Jerry J. Hurley.

**I**

**ITT Specialty Risk Services Inc.**

2 Riverview Square, East Hartford, Conn. 06108; 203-275-1370; fax: 203-275-1396

**Founded:** 1991.  
**Parent company:** ITT/Hartford Group Inc.

**Software products:**  
 ■ OSCAR: \$15,000; unbundled hardware and software; personal computer. First installation: 1981; more than 200 total installations, more than 175 in risk management departments. Functions include pre-formatted and ad hoc reporting, personal computer download, historical financial data.

**User support:** Telephone assistance available eight hours a day, on-site training, risk management and actuarial consulting along with customized report development.

**Staff:** 23 total, 20 professionals.  
**New clients:** 34 total, all in risk management departments.

**1991 gross revenues:** \$2.3 million total, all from risk management information systems; 100% from software services.

**Principal officers:** John MacDonald, president; Lonnie Maytubby, senior vp; Nanette Char, Joanne Larson and Jim Leonard, assistant vps.  
**Contact:** Nanette Char.

**Insurance Software Packages Inc.**

3625 Queen Palm Drive, Tampa, Fla. 33624; 813-621-6069; fax: 813-621-0652

**Founded:** 1985.  
**Parent company:** Pharmacy Management Services Inc.

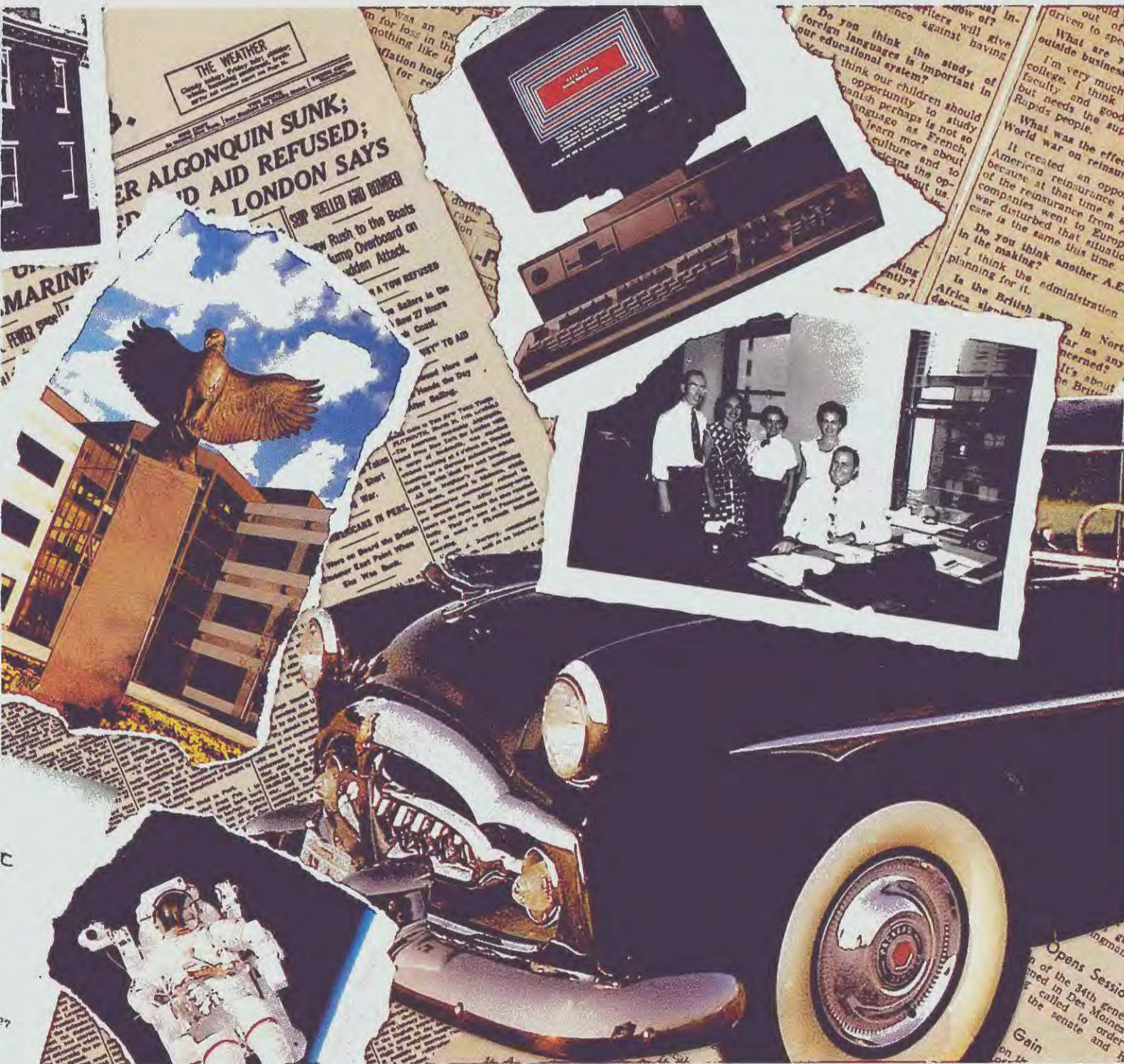
**Software products:**  
 ■ CompStar: unbundled hardware and software; personal computer. First installation: 1985; 170 total installations. Functions include claims adjudication, fee schedule, full fee schedule rates integrated, EOBs, PPO module, enhanced security, correspondence module, reinsurance module.

■ MultiStar: unbundled hardware and software; personal computer. First installation: 1985. Functions include claim entry, reserve tracking, payment, claim inquiry correspondence module, reinsurance module and enhanced reporting.

■ MediStar: unbundled hardware and software; personal computer. First installation: 1986. Functions include fee schedule validation of rules and values, medical bill history, duplicate checking, inquiry and enhanced reporting.

■ HealthStar: unbundled hardware and software; personal computer. First installation: 1987. Functions include automatic validation of eligibility and benefits, claim processing, generation of

Continued on next page



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Los Angeles, Melbourne, Mexico City, Minneapolis, Montreal, New York, Philadelphia, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto, Vienna

**Continued from previous page**  
EOB, checks, 1099 forms, billing and commission modules, enhanced reports.  
**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, remote support using modem.  
**Staff:** 50 total, 10 professionals.  
**New clients:** 40 total; 17 in risk management departments; 50% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 10% with \$500 million to \$999 million.  
**Principal officers:** A. Allan Machesney, president.

**Insurance Software Solutions Inc.**

960 Holcomb Bridge Road, Suite 1, Roswell, Ga. 30076; 404-992-9383; fax: 404-992-9727

**Founded:** 1986.  
**Software products:**  
■ Fastrack RMIS: \$35,000; bundled or unbundled hardware and software; personal computer. First installation: 1986; 13 total installations, 10 in risk management departments. Functions

include workers compensation policy rating and billing, medical cost containment.  
■ Workers Compensation Policy Rating: \$15,000; optional bundled hardware and software; personal computer. First installation: 1990; two total installations.  
**User support:** Telephone assistance available 10 hours a day, on-site training, remote log-in via modem.  
**Staff:** Seven total, four professionals.  
**New clients:** Three total; two in risk management departments; 50% with gross revenues \$200 million to \$499 million, 50% with \$1 billion to \$3.5 billion.  
**1991 gross revenues:** 10% from sale of hardware, 50% from sale of software, 40% from software services.  
**Principal officers:** Clifton F. Haughey Jr., president; Karen D. Haughey, secretary/treasurer; Donald McAllister, marketing.  
**Contact:** Clifton F. Haughey Jr.

**International Risk Management Institute Inc.**

12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 214-960-7693; fax: 214-960-6037

**Founded:** 1978.  
**Software products:**  
■ Umbrella Analyzer: \$695; unbundled hardware and software; personal computer. First installation: 1990; 220 total installations, 40 in risk management departments. Functions include umbrella/excess forms analysis.  
**User support:** Telephone assistance available nine hours a day, free phone installation and training.  
**Principal officers:** Jack P. Gibson, president; Paul D. Murray and Cathy Roberts, vps; William S. McIntyre IV, chairman/owner.  
**Contact:** Paul D. Murray.

**M**

**Marathon Systems**

4 Embarcadero Center, 7th floor, San Francisco, Calif. 94111; 415-362-0500; fax: 415-362-5528

**Founded:** 1987.

**Software products:**  
■ COMP2000: \$35,000; unbundled hardware and software; personal computer. First installation: 1988; 32 total installations, 24 in risk management departments. Functions as a workers compensation claims management software system, includes permanent disability calculator, payment commutation module, state-specific med fee audits, ad hoc reporting and automated event triggers.  
■ Liability CMS: \$15,000; unbundled hardware and software; personal computer. First installation: 1992; two total installations, both in risk management departments. Functions as a liability claims management software system for property and casualty claims management.  
**User support:** User groups/meetings, telephone assistance available nine hours a day, on-site training, user documentation.  
**Staff:** 30 total, 26 professionals.  
**New clients:** 15 total; 11 in risk management departments.  
**1991 gross revenues:** \$6 million total; \$2 million from risk management information systems; 60% from sale of

software, 40% from software services.  
**Principal officers:** F. William Guerin, president/chief executive officer.  
**Contact:** Tom Corder, director-sales.

**Marshall & Swift**  
1200 Route 22, Bridgewater, N.J. 08807; 800-421-8042; fax: 908-231-8934

**Founded:** 1932.  
**Software products:**  
■ Commercial Estimator: \$615; unbundled hardware and software; personal computer. First installation: 1985; 5,000 total installations, 50 in risk management departments.  
■ Home Estimator: \$195; unbundled hardware and software; personal computer. First installation: 1983; 20,000 total installations, 20 in risk management departments. Supplies data to develop replacement costs of upscale houses (up to \$650,000).  
**User support:** User groups/meetings, telephone assistance available 10 hours a day, on-site training.  
*Continued on next page*

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Continued from previous page

**Clients:** 20 total.

**Branch offices:** Los Angeles.

**Principal officers:** Joseph Marshall, Frank Swift and G. Timothy Marshall, partners; Kevin Keegan, chief executive officer; Frank Benz, senior vp.

**Contact:** Matt Stawicki.

## N

### NATLSCO

1 Kemper Drive, Building 4, Long Grove, Ill. 60049-0075; 708-540-2400; fax: 708-540-4330

**Founded:** 1968.

**Parent company:** Kemper Corp.

**Software products:**

■ Claim Analysis and Risk Experience System: \$13,500; bundled hardware and software; personal computer. First installation: 1983; 77 total installations, 65 in risk management departments. Functions include workers com-

pensation, liability, auto and property claims.

**User support:** Telephone assistance available 10 hours a day, on-site training, 800-hotline newsletter.

**Staff:** 42 total, 30 professionals.

**New clients:** Four total, all in risk management departments.

**Principal officers:** F.G. Minchik, president/chief executive officer; J.G. Weiss, vp-risk management; D.F. Benevich, vp-management services; A.D. Odom, vp-safety; G.J. Krafcsin, vp-health services.

**Contact:** W.E. Kahl Jr., manager-risk management, 708-540-3454.

### NRM Computer Systems Inc.

4309 Hacienda Drive, Suite 483, Pleasanton, Calif. 94588; 510-734-9400; fax: 510-734-8631

**Founded:** 1978.

**Software products:**

■ Risk Management Information and Financial Analysis: micro computer \$15,000 plus \$1,500 per user, mini computer \$20,000 plus \$1,500 per user, mainframe available; unbundled hard-

ware and software. First installation: 1988; 21 total installations. Functions include four different forecasting models, loss forecasting, loss simulation, financial analysis, risk retention analysis, present value.

■ Workers Compensation: microcomputer \$15,000 plus \$1,500 per user, minicomputer \$20,000 plus \$1,500 per user, mainframe available; unbundled hardware and software. First installation: 1980; 77 total installations. Functions include reminders, claim/file note diary, automated benefit letters and disability payments, ad hoc and standard reports, multiple parameter search.

■ Liability/Auto/Property: microcomputer \$15,000 plus \$1,500 per user, minicomputer \$20,000 plus \$1,500 per user, mainframe available; unbundled hardware and software. First installation: 1983; 49 total installations. Functions include special sections for driver, passenger, owner, witness, police, policy, real property, personal property, sub-types, vehicle time loss, ad-hoc and standard reports.

■ Group Health: micro computer \$30,000 plus \$1,500, mini computer

\$40,000 plus \$1,500 per user, mainframe available; unbundled hardware and software. First installation: 1936; eight total installations. Functions include unlimited plans, coverages, automated eligibility checking, employee verification.

■ Optical Character Recognition: microcomputer \$15,000 plus \$1,500 per user, minicomputer \$25,000 plus \$1,500 per user, mainframe available; bundled hardware and software.

First installation: 1991; three total installations. Scans almost any form directly into the data base with almost no manual claim input.

■ Imaging-Document Input & Retrieval: microcomputer \$30,000 plus \$10,000 per user, minicomputer and mainframe available; bundled hardware and software. First installation: 1991; four total installations. Functions include storage, display and printing of most paper documents, eliminates the storage of paper files.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training.

**Staff:** 12 total, four professionals.

**New clients:** Five total, all in risk management departments.

**Principal officers:** Frank E. Amattelli, chief executive officer/president.

## P

### Paradigm Infosystems

22232 17th Ave. S.E., Suite 206, Bothell, Wash. 98021; 206-486-2956 or 800-637-5766; fax: 206-486-3173

**Founded:** 1991.

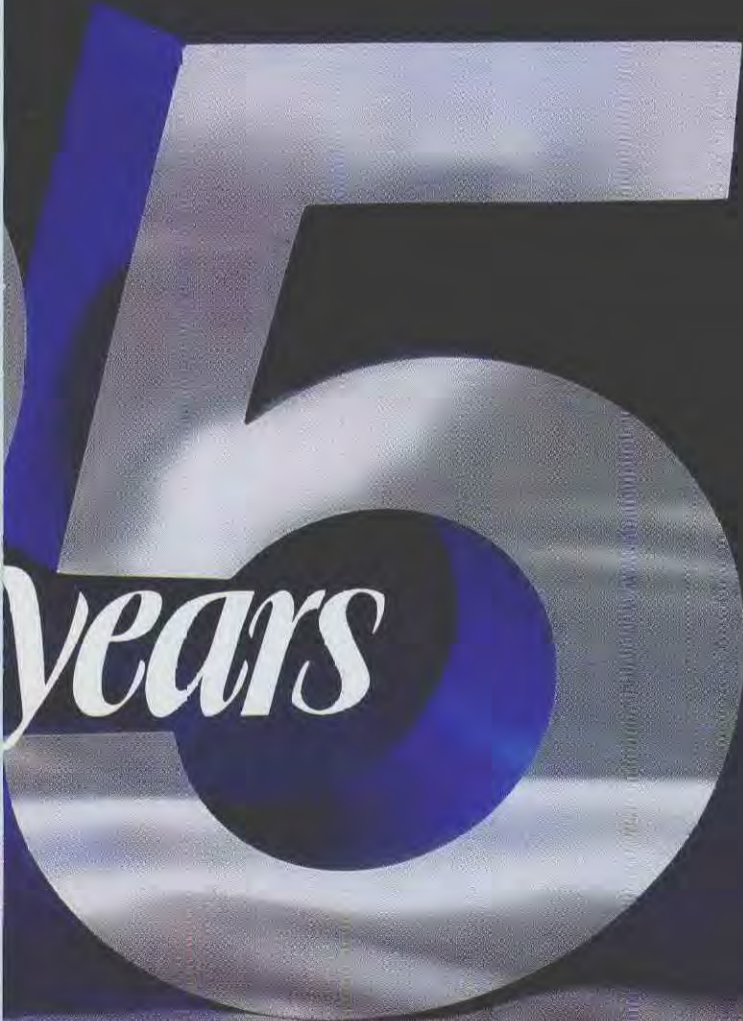
**Software products:**

■ ParaRisk: \$28,000 plus \$1,500 per user; bundled hardware and software; personal computer. First installation: 1991; six total installations, four in risk management departments. Functions include certificate management, multiple lines, exposure tracking.

■ ParaRisk Client/Server: \$60,000 plus \$26,500 per user; unbundled hard-

Continued on page 25

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# Expert systems' savings

## A large, accurate data base can reduce costs significantly

**A**RTIFICIAL INTELLIGENCE—or expert systems—may revolutionize the claims industry. In last month's column, I introduced the topic of applying this technology to claims management, particularly reserving (*BI*, June 22).

This computer technology has significant implications for users of claims services, be they self-administered companies, self-insured companies using third-party administrators, companies using unbundled insurance services, state funds or large governmental entities.

This month, I want to illustrate how such a knowledge-based system can reduce the cost of the claims management program to both the end user—whether insured or self-insured—and to the provider of those services.

Because Care Systems Corp., an Australian company in partnership with Perot Systems Corp., seems to offer the most comprehensive expert system for claims management to date, I would like to use that system for illustrative purposes.

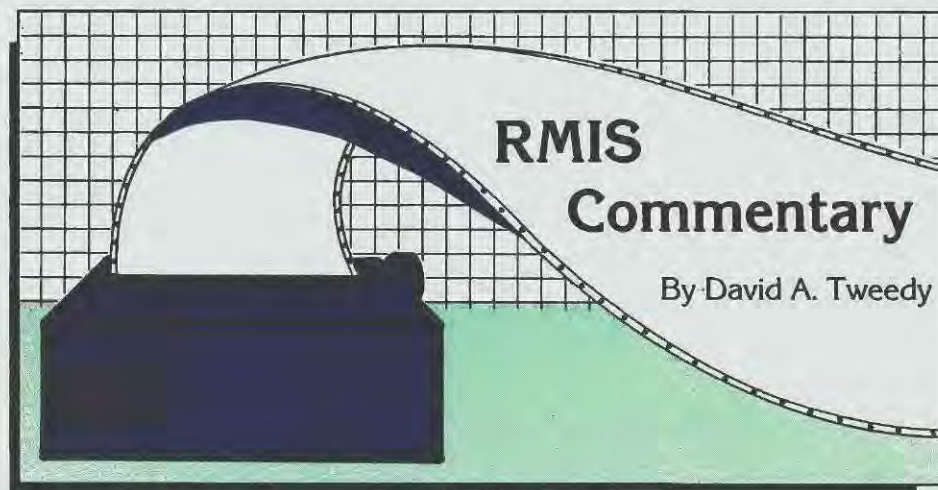
First, the essentials: Just how does an expert claims system help to reduce claims costs?

The lifeblood of an expert system is the construction of its comprehensive data base. It is not merely a repository of historical claims information, though that is certainly an important part. Statistically significant amounts of comprehensive data on claims are broken down into many parts, such as by name, Social Security number, occupation, age and sex. In fact, the CARE system—Compensation And Rehabilitation Expertise—strives to capture as much data related to a claim as possible, thereby eliminating costly administrative delays that are so frequent in the claims industry.

The company's target is a sophisticated data base providing 80% of the information needed to process a claim, as opposed to 30% available in many other automated workers compensation claims systems. In fact, CARE's data base includes information on specific jurisdictions, injury codings by site and severity, special rehabilitation information, utilization patterns and cost patterns.

Certainly, constructing a sophisticated data base is a time-consuming, detailed procedure. But that effort is necessary, because the next step deals with the reserving algorithms, various claims tests independent of the data bases and the rule base, which essentially forms the basis of decision-making for the expert system.

These knowledge-based routines are what separates the CARE data base from a typical data base, regardless of size. The CARE data base can perform algorithms and other analysis to provide the continuous testing of reserve computations for each claim based on the facts of the claim as they



are typed into the system.

Now, what does this mean in English? How are savings possibly derived from a more sophisticated data base?

The answer lies in the data base's accuracy. Typically, a claims examiner, adjuster or supervisor will reach a reserving decision based on facts that he or she collects, matching them against a similar claim in his or her experience. This personal philosophy is then tempered by the particular organization for which he or she works. Most large insurers tend toward conservative reserving, while TPAs vary up and down the ladder, as do self-administered organizations. Some don't reserve at all.

By using an expert system, the computer arrives at a logical valuation of the claim based on the facts of the accident, the nature of the injury, the doctor treating the individual, the region of the country in which the accident occurred, any jurisdictional peculiarity, the attorney representing the claimant, the rehabilitation specialist assigned to the case, the potential for light duty available, whether the state is a fee schedule state, whether a PPO exists, and so on.

How can a claims person possibly correlate all that data to reach a logical claim valuation over the life of a claim?

It is enough of a problem to make sure that all the facts have been gathered in a particular case (which unfortunately is something that even artificial intelligence cannot solve—getting the claims person to complete the investigation in a timely and thorough fashion). I maintain that it is impossible to reserve for claims accurately, given the hundreds of claims that each individual claims person handles during a single year.

CARE's belief—as well as my own—is that claims reserving is a key claims management tool through which all claims and rehabilitation decisions should be made. To rely on consistently inaccurate reserves for claims that are outdated is not logical. The problem becomes exacerbated by the tendency individual claims people have in looking at each claim in isolation. Yet, we know that back claims have certain similarities,

especially when a certain doctor or lawyer is involved in two or more individual cases. Why treat them differently?

Through the use of an expert system, however, this problem can be eliminated or greatly minimized. Decisions regarding the reserving process are made consistently in a standardized uniform format. This also assures the end user of better quality control.

Tests that expert systems perform to improve quality control in the reserving process include:

- Date-based tests.

Utilizing three categories of dates—recorded dates, like the date of information receipt or disability statements; inserted dates by the claims manager or case worker; and system-inserted dates, like projected dates of partial or total incapacity—the system automatically subjects each claim to several tests, formulating them into a date array.

This array represents a picture of each claim as of each day the claim person is working on the system in terms of past history and/or current and projected claim development. From this array, the system prompts reports to be generated when a failure to meet certain target dates occurs. This could be as simple as a claimant failing to return to work on a projected date based on the disability set by his or her own doctor.

- Dollar test.

The system evaluates total payments to date for each claim against the total data base, notifying the examiner whenever a payment pattern appears that contradicts a "cost profile" derived from the comprehensive data base.

- Claim profile or rule base.

This is a vital part of the knowledge-based system. It contains many conditions or "rules" that each claim is evaluated against, resulting in action reports to the examiner on how the particular claim compared.

- The CARE system.

This also includes a medical profile, rehabilitation profile, an inactivity test—essentially no transaction with respect to an individual claim within a defined number of days.

To summarize this section, an expert

system is able to provide accurate, consistent valuations for claims across a wide diversity of jurisdictions. The claims expert does not have to rely on human experience which, though extremely valuable, cannot possibly contain all of the data stored by the system.

Proactive claims management is a natural extension of accurate and consistent valuation. If a claim is consistently subjected to all of the evaluation and analysis provided by the knowledge-based system and is part of a very sophisticated data base, it would follow that much of the mundane activity of a claims person can be eliminated. That leaves time for more proactive involvement.

The CARE system provides action reports based on the tests we saw above. When a claim's profile falls into a problem area, the computer will generate an action report that suggests daily actions to be taken in the management of that claim. It is more than just a diary; it has things to do.

For example, when the system detects that more treatments have taken place than are statistically acceptable for the type of injury and the age of the particular person, it will produce an action report highlighting that problem. It will do the same for rehabilitation as well.

Now, lest anyone think that I am openly advocating an abandonment of human involvement in the claims process, let me say that the expert system simply provides suggestions or facts upon which the claims professional should act. At any time, the examiner can override the recommendations of the computer, adjusting reserves as he or she sees fit for the particular case. Yet, it does free the examiner up to do more of the thinking and planning in evaluation of claims management. The action reports from the expert system are intended to alert the claim person to certain conditions in a timely manner.

Rather than be reactive and waiting for things to happen before taking any action, the claims person can anticipate coming problems through the prompting of the expert system. He or she can, for example, intervene with an early independent medical exam or push more heavily for light duty earlier than the treating physician has recommended, based on the recommendations of the expert system.

He or she also may want to settle or commute a case faster than he or she normally would after seeing the profile of the particular claim as it is developing.

Effective utilization of manpower not only is good for the end user, but also for the claims provider. The expert system can legitimately allow for a bigger case load to claims personnel—since it is doing a lot of the correlating and analyzing of the

*Continued on next page*

## Claims management

Continued from previous page  
claims data—and also for a smaller staff.

I am aware of one TPA that, through the use of a standard claims management information system—not an expert system—reduced its staff size by 30% and increased its claims handling production. It also reaped a higher profitability through this system's greater efficiency. CARE's experience in Australia is very similar to that.

To the end user, being served by a TPA or insurer utilizing an expert

system means that the company should have a very efficient, cost-effective way of handling claims. This does not replace the need for claims organizations to have superior individuals handling the claims.

Claims management remains a skill that must be performed by people. Facts must be gathered, contact with the injured party must be made and interaction with medical providers, attorneys, employers and rehabilitation specialists all must occur. If, however, administrative functions can be absorbed by the system, profitability and efficiency will increase and costs

should decrease.

To summarize, I believe that expert systems for claims management—and underwriting—are vital to the insurance industry in the 21st century. They offer an excellent opportunity for employers to reduce the cost of claims through more accurate, consistent claims handling. They offer their service providers an opportunity to become more profitable through maximization of their staffs' capability. While the expert claims system alone will not solve the rising cost of casualty claims, it is an important and necessary tool to accomplish that goal.

David A. Tweedy is a senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass. He is the editor of *Betterley Risk Management Commentary* and the author of *RMIS Update*, a yearly publication analyzing

major risk management information systems and vendors. Mr. Tweedy's column on risk management information systems appears the third Monday of the month.



# Solution: Universal managed care

By G. Robert O'Brien

A NEW NATIONAL HEALTH CARE plan has been touted by some as the single solution to the access and cost problems facing this nation's health care delivery system.

Let me offer a more practical and effective solution that will better control costs while providing a higher quality of care, which national systems cannot do. In other words, when we make the necessary changes, let's do it the right way.

Our approach requires all participants—employers and governments, providers and consumers—to change their behavior and become accountable for their actions. Its underlying premise is that every American has a right to adequate health care. But, along with that right comes a dual responsibility to use the health care system sensibly and not to abuse it. In this way, the system can provide more care to more people.

Similarly, health care professionals must be made accountable for the value of their services, something that does not occur under the traditional, unmanaged fee-for-service system. And it certainly does not occur under any national health plan.

The idea isn't hard to grasp, but it requires a significant change of attitude that is not easy to instill. People often say, "Change how it's done, not how I do it." And, because our approach requires real change by everyone, is not easily explained and will take time to work, it is less politically attractive than some alternatives. But isn't that what real solutions to our problems usually require?

So why bother with a concept—it's called managed health care—that seems so difficult to put in place? Simply because it works and, though it is difficult to implement, it is rapidly gaining acceptance. This is because managed care is the first and only performance-based health care system that focuses on improving the quality and value of care as the key to controlling costs. It does this by

comparing providers according to measures of quality and cost, then giving consumers strong financial incentives to use those providers who show the best results.

In a managed care system, a sponsor—perhaps a large employer or public agency—directs enrollees to designated doctors and hospitals that must agree to be evaluated according to specific measures of quality and cost. Health maintenance organizations and some preferred provider organizations are the best-known examples of managed care, but those practicing it so far are only the tip of the iceberg.

Contrast this approach with national health plans of other countries or other reform approaches being advocated by some in Congress and the state legislatures. National health schemes cover everyone and attempt to control total spending through central budgetary controls. But they do not assure that people get the quality care they need when they need it, nor do they foster the kind of innovation that produces breakthroughs in medical practice.

Further, their price controls only suppress costs, instead of controlling them by improving the system's performance, as managed care does. This is merely cost camouflage, because it ignores the two keys to cost: quality and efficiency.

Managed care creates a dynamic that changes the performance of the system from within, making it deliver better care with greater efficiency. I find it ironic that a number of nations with national health plans now are exploring managed care to help them allocate their own limited resources.

Approaches now being discussed—a combination of an all-player rate-setting system and a mandate on employers to provide health insurance—have the same serious flaw. These half steps toward national health plans place arbitrary caps on spending but put the quality issue on the back burner; they do not even attempt to determine what care is medically effective and who delivers it efficiently. By treating

all providers as if they deliver the same quality with the same efficiency, these approaches subsidize inferior providers at the expense of superior ones. Managed care, on the other hand, rewards superior quality of care and efficient providers by paying them a fair price and by sending them more patients.

The United States already has the world's best health care system for the vast majority of citizens who have ready access to it. We don't have to turn one-eighth of our economy into a public utility to control costs or achieve universal coverage. Experience here and abroad has shown time and again that regulation stifles innovation, reduces quality and produces shortages in its heavy-handed effort to control costs in any sector of an economy, from health care to energy to housing. Choosing a regulatory course over a market-based reform strategy like managed care is a recipe for a mediocre health care system for everyone.

I believe that the best strategy to control costs and expand access to coverage is to make the system less costly for everyone, while maintaining quality. The key to solving our cost and access problems—without sacrificing the highest quality medicine in the world—is to make managed care universal, combining it with insurance market reforms and appropriate public support for those who need it. This nation deserves and can have the best health care system for all its citizens; it doesn't need a copy of something that provides less than that.



G. Robert O'Brien is executive vp of CIGNA Corp. in Hartford, Conn.

# Pollution exclusion doesn't apply to gas leak

A "sudden and accidental" exception to a pollution exclusion clause in a multiperil insurance policy did not apply to a gasoline leak that occurred over a period of a least 14 to 30 days before the leak was discovered, according to a decision of the Court of Appeals of South Carolina.

In 1981, R.W. Harp & Sons Inc. installed underground gasoline storage tanks, pumps and lines at a newly constructed convenience store in South Carolina. The system operated without complaint of leaks or contaminants until June 6, 1983, when a telephone crew notified the state of smelling gasoline in a manhole about 30 yards from the convenience store. A

## Legal Briefs

leak was found in an underground pipe union connecting the underground pump and tank to the above-ground dispensing pump. As a result of the leak, more than 4,000 gallons of gasoline was discharged into the ground.

The state then ordered the store to take cleanup measures and to reimburse the state for its costs and expenses. The total cost to the store was nearly \$183,000.

The store sought reimbursement from Harp. Harp was insured by Harleysville Mutual Insurance Co. under a multiperil insurance policy

which excluded pollution damage except for sudden and accidental discharges. The insurer brought this suit seeking a declaration that it was not responsible for the cleanup expenses. The trial court ruled for the insurer.

It was stipulated by the parties that North Carolina law controlled this case. The Court of Appeals of South Carolina noted that no one knew how long the pipe union had been leaking but that the parties surmised gasoline had been discharged between 14 and 30 days before the leak was discovered.

According to the appeals court, in the context of the insurance policy the word "sudden" was unambiguous and

must be construed in the temporal sense as requiring an "abrupt or precipitant event."

Thus, the appeals court agreed that the trial court had construed the pollution exclusion correctly.

*Harleysville Mutual vs. R.W. Harp & Sons*, Court of Appeals of South Carolina, Aug. 5, 1991, *Rehearing denied* Oct. 4, 1991 (BI/05/Au.-\$10).

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

*Continued from previous page*

ware and software; minicomputer, microcomputer. First installation: 1992. Functions include large system capability with distributed processing and remote access.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training, dial up access to control users and computers via remote access.

**Staff:** Eight total, three professionals. **New clients:** Three total; two in risk management departments; 50% with gross revenues \$200 million to \$499 million, 50% exceeding \$3.5 billion.

**1991 gross revenues:** \$100,000 total, all from risk management information systems; 2% from sale of hardware, 90% from sale of software, 8% from software services.

**Principal officers:** Richard Hoehne, chief executive officer; Larry Hoehne, chairman; Kenneth Elston, president; John Nordstrom and Steve Tanner, principals.

**Contact:** Richard Hoehne.

#### Premium Review Associates

35 Green Heron Lane, Nashua, N.H. 03062; 603-888-9361; fax: 603-891-0646

**Founded:** 1979.

**Software products:**

■ **EMS II:** \$1,000; unbundled hardware and software; personal computer. First installation: 1985; more than 500 total installations, more than 200 in risk management departments. Calculates the workers compensation experience.

**User support:** Telephone assistance available nine hours a day.

**1991 gross revenues:** 100% from sale of software.

**Principal officers:** Norman Goodman, owner.

#### Progressive Data Solutions Inc.

1320 N. Semoran Blvd., Suite 205, Orlando, Fla. 32807; 407-382-5920; fax: 407-382-5925

**Founded:** 1987.

**Software products:**

■ **Workers Compensation Management System:** \$45,000; unbundled hardware and software; midrange computer. First installation: 1987; seven total installations. Functions as a workers compensation policy and claims administration system for self-insurance funds, trusts/funds, single employer groups, third-party administrators.

■ **Fee Schedule Management System:** \$10,000; unbundled hardware and software; midrange computer. First installation: 1988; 11 total installations. Functions as an insurance application which adjudicates workers compensation medical bills according to states' fee schedule.

■ **Rehabilitation Case Management System:** \$16,000; unbundled hardware and software; midrange computer. First installation: 1988; four total installations. Designed for rehabilitation providers to capture and manage their time and material billing and receivables.

■ **Workers Compensation Claims Administration:** \$15,000; unbundled hardware and software; midrange computer. First installation: 1987; three total installations.

**User support:** Telephone assistance available eight hours a day, on-site training, remote support via data line.

**Staff:** 15 total, five professionals.

**New clients:** Six total, all in risk management departments; 100% with gross revenues less than \$200 million.

**1991 gross revenues:** 65% from sale of software, 35% from software services.

**Principal officers:** Thomas Bittenber, president.

**Contact:** Ester Fitzgerald, marketing department.

#### Pyramid Services Inc.

90 Grove St., Ridgefield, Conn. 06877; 203-438-3883; fax: 203-438-7128

**Founded:** 1987.

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

**Software products:**

■ **Pyramid:** \$25,000; unbundled hardware and software; personal computer, mini computer. First installation: 1987; 115 total installations, 84 in risk management departments. Functions include medical fee schedule, paperless office technology, reserve worksheet calculator, menu-driven query system, enhanced certificate tracking module.

■ **Pyramid Plus:** \$30,000; unbundled hardware and software; personal computer, minicomputer. First installation: 1987; 77 total installations, 67 in risk management departments. Functions are the same as Pyramid.

■ **First Report:** \$15,000; unbundled hardware and software; personal computer. First installation: 1990; 18 total installations, 13 in risk management departments.

■ **Program Administration:** \$20,000; unbundled hardware and software; personal computer. First installation: 1991; five total installations. Functions include premium rating, policy issuance, invoicing, prospect tracking and accounting.

**User support:** User groups/meetings, telephone assistance available nine hours a day, on-site training, on-line support, account executive program.

**Staff:** 25 total, 21 professionals.

**New clients:** 30 total; 26 in risk management departments.

**Branch offices:** Ann Arbor, Mich.; Atlanta; Kansas City, Mo.; Boulder, Colo.; San Francisco; Pittsburgh.

**1991 gross revenues:** 5% from sale of hardware, 65% from sale of software, 30% from software services.

**Principal officers:** Bill Kuebler, president; Dave Horton and Ken Luekens, vps; Jim Bell, director-marketing.

**Contact:** Jim Bell, 455 E. Eisenhower Parkway, Suite 418, Ann Arbor, Mich. 48108; 313-878-0864.

# R

#### Reilly Dike Doshier Corp.

3825 Academy Parkway South N.E., Albuquerque, N.M. 87109; 505-345-6212; fax: 505-344-4221

**Founded:** 1956.

**Software products:**

■ **MPOWER:** mainframe.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training.

**Staff:** 40 total, 35 professionals.

**New clients:** Four total, 100% with gross revenues less than \$200 million.

**1991 gross revenues:** \$2.75 million total, all from risk management information systems; 18% from sale of software, 82% from software services.

**Principal officers:** William F. Reilly, president; Lawrence S. Dike and Robert A. Doshier, executive vps; Bomi Parakh, vp-marketing; John W. Charles, vp-customer service; Bradley Starnets, vp-finance.

#### Risk Sciences Group Inc.

5620 Glenridge Drive, N.E., Atlanta, Ga. 30342; 404-256-0830; fax: 404-847-4667

**Founded:** 1978.

*Continued on next page*

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SERVICES INC.

**Spotlight report**

Continued from previous page  
**Parent company:** Crawford & Co.

**Software products:**  
 ■ SIGMA System: annual service fees from \$15,000; unbundled hardware and software; personal computer. First installation: 1978; 220 total installations, 210 in risk management departments. Functions include actuarial analysis and loss forecasting, accounting, budget planning and allocation, loss prevention and control, safety analysis, program monitoring, claims administration and monitoring.

■ SIGMA System (License System): \$125,000; unbundled hardware and software; midrange computer. First installation: 1987; five total installations, all in risk management departments. Functions are the same as SIGMA System.

■ Litigation Management Support: \$10,000; unbundled hardware and software; personal computer, mainframe. First installation: 1985; 12 total installations, all in risk management departments. Functions include litigation database creation and analysis, legal diary, attorney monitoring and financial recordkeeping.

■ CAST (Loss Forecasting): \$3,000; unbundled hardware and software; personal computer, mainframe. First installation: 1981; 14 total installations, all in risk management departments. Functions include forecasting and budgeting of loss, expense and exposure information by use of client and industry data.

■ Claims Self-Administration Support: \$20,000; unbundled hardware and software; personal computer. First installation: 1985; 25 total installations, 24 in risk management departments. Functions include workers compensation and liability claims administration and processing with check writing, includes diary reserve worksheets, medical cost containment, 1099 reporting; may be integrated with third-party data services.

■ Property Asset Management: \$7,500; unbundled hardware and software; personal computer. First installation: 1990; five total installations. Functions include processing and recording of property assets including underwriting loss exposures, insurance policies and losses; cross references property exposures and insurance policies; property asset management functions.

■ Early Assignment Reporting System: \$15,000; unbundled hardware and software; personal computer. First installation: 1989; 10 total installations, all in risk management departments. Functions include specific risk control data collection via a centralized data collection hotline, first reports; assists operators in forwarding documents to local claims adjuster, provides electronic link to RMIS to update claim information.

**User support:** User groups/meetings, telephone assistance available 12 hours a day, on-site training, client advisory board, quarterly newsletters, electronic mail between users and support staff.

**Staff:** 102 total, 89 professionals.  
**New clients:** 40 total; 36 in risk management departments; 8% with gross revenues \$200 million to \$499 million, 16% with \$500 million to \$999 million, 60% with \$1 billion to \$3.5 billion, 16% exceeding \$3.5 billion.

**Branch offices:** Chicago, Dallas, New York, San Francisco, London.

**1991 gross revenues:** \$11.9 million total, all from risk management information systems; 4% from sale of software, 96% from software services.

**Principal officers:** Richard F. Denning, president; Andrew R. Daniels, vp/managing director-business planning and development; John W. Huecksteadt, vp-computer operations; Carol J. Legg, vp-software development; Leo Jeffers (San Francisco), R. Michael Keating (Atlanta), Wayne M. Radosky (Chicago) and Jack S. Tatum (New York), vps-operations.

**Contact:** Andrew R. Daniels, 5780 Peachtree-Dunwoody Road N.E., Atlanta, Ga. 30342; 404-847-4960.

**Rollins Burdick Hunter Group-Rollins Technical Services**

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000; fax: 312-701-4580

**Founded:** 1898.

**Parent company:** Aon Corp.

**Software products:**

■ Riskan: \$45,000; bundled hardware and software; personal computer. First installation: 1982; 57 total installations, 35 in risk management departments. Functions include claims and safety analysis trending, loss development.

■ Coras: \$15,000; bundled hardware and software; personal computer. First installation: 1986; 21 total installations, all in risk management departments. Functions include premium allocation budget.

■ GlobeTrac: bundled hardware and software; personal computer. First installation: 1989. Functions include claims and safety analysis trending, loss development.

**User support:** User groups/meetings, telephone assistance available, on-site training.

**Staff:** 39 total, 24 professionals.

**New clients:** Two total, both in risk management departments.

**Branch offices:** Locations nationwide.

**1991 gross revenues:** \$526 million total.

**Principal officers:** Arthur F. Quern, chairman/chief executive officer; John F. McCaffrey, vice chairman; Richard A. Riley, president/chief operating officer; George E. Corde, executive vp.

**Contact:** Frank Strenk, 111 E. Wacker Drive, 29th floor, Chicago, Ill. 60601; 312-616-2223.

**S**

**Scott Wetzel Services Inc.**

500 Pacific Ave., Suite 600, Bremerton, Wash. 98310; 206-479-0200; fax: 206-479-8297

**Founded:** 1941.

**Software products:**

■ SWS PC Access: \$2,500 plus \$275 per month usage; unbundled hardware and software; personal computer. First installation: 1987; 45 total installations,

all in risk management departments. Functions include claim management and maintenance, excess coverage, ad hoc reports, personal computer download.

**User support:** Telephone assistance available 10 hours a day, on-site training, two hours technical assistance monthly included with usage fee.

**Staff:** 23 total, 12 professionals.

**New clients:** 18 total.

**Branch offices:** Albany, N.Y.; Anchorage, Ala.; Atlanta; Beaverton, Ore.; Chicago; Concord and Orange, Calif.; Dallas; Englewood, Colo.; Fairfax, Va.; Federal Way and Spokane, Wash.; Houston; Jacksonville, Ark.; Manchester, N.H.; Mountaintop, N.J.; Knoxville, Tenn.; Rockville, Md.; Salt Lake City; Tampa, Fla.

**Principal officers:** John Harrold, president; Terry Neal, executive vp-finance; Ed Kocott, vp-operations; Doug Alsop, vp-marketing; Warren Zimmerman, vp-corporate services; Victor Teti, information center manager.

**Contact:** Victor Teti.

**Sedgwick James Information Systems**

1290 Ave. of the Americas, New York, N.Y. 10104; 212-830-1722; fax: 212-830-1973

**Founded:** 1979.

**Parent company:** Sedgwick James Inc.

**Software products:**

■ INFORM: \$20,000; bundled or unbundled hardware and software; personal computer or mainframe. 37 total installations, 22 in risk management departments. Functions include custom risk management, information systems, claims, premiums allocation, actuarial loss forecasting, exposure tracking, customized and ad hoc reports, artificial intelligence risk finance, risk control.

**User support:** Telephone assistance available 10 hours a day, on-site training, reference/user manuals with updates, RMIS system consulting.

**Staff:** Nine total, eight professionals.

**New clients:** Six total.  
**1991 gross revenues:** 50% from sale of software, 50% from software services.

**Principal officers:** R. Jane Hill, corporate senior vp/director-risk services; Alan R. Josefsek, executive vp-information systems.

**Contact:** Alan R. Josefsek.

**Seligman Information Systems**

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

**Founded:** 1985.

**Software products:**

■ CTRACK: \$695; unbundled hardware and software; personal computer or local area network. First installation: 1988; 102 total installations, 90 in risk management departments. Functions include tracking certificates received by businesses, following up for renewal certificates, generating management reports for tracking past, current and future activity; available in a multi-user version; access to official A.M. Best ratings.

■ Advanced CTRACK: \$1,195; unbundled hardware and software; personal computer or local area network. First installation: 1989; 36 total installations, all in risk management department. Functions include all the features of basic CTRACK and ability to automatically check certificates for compliance with company requirements; available in a multi-user version.

■ ACCESS: \$7,000; unbundled hardware and software; personal computer or local area network. First installation: 1986; 18 total installations, six in risk management departments. Functions include servicing accounts that are insured, have their claims handled by third-party administrators or are self-administered; includes full financial and safety reporting systems; check and voucher writing system available.

■ CERTS: \$1,900; unbundled hardware and software; personal computer or local area network. First installation: 1987; eight total installations, four in risk management departments. Issues large volumes of certificates of insurance forms 25, 25S and custom forms and letters; maintains full audit trail of all certificates issued.

**User support:** Telephone assistance available 12 hours a day, additional training and consulting support.

**Clients:** More than 200 total.  
**Principal officers:** Thomas Seligman, president.

Continued on next page

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Continued from previous page

### Softouch Software Inc.

5200 S.W. Macadam Ave., Suite 255,  
Portland, Ore., 97201; 800-829-1841;  
fax: 503-223-6240

**Founded:** 1984.

#### Software products:

■ **Medical Bill Advisor:** \$22,500; unbundled hardware and software; personal computer. First installation: 1988; 12 total installations, four in risk management departments. Functions include auditing of medical bills by pricing and utilization review.

■ **Hospital Bill Advisor:** \$14,500; unbundled hardware and software; personal computer. First installation: 1989; eight total installations, two in risk management departments. Allows insurance payers, self-insured and administered firms, third-party administrators and similar risk-assuming organizations to audit in-patient hospital bills at the summary and detail line item level, assists in determining the reasonableness and necessity of charges.

■ **Medical Case Manager:** \$10,500; unbundled hardware and software; personal computer. First installation: 1991; two total installations, one in a risk management department. Creates and manages patient treatment plans.

■ **Data Analysis:** \$3,500; unbundled hardware and software; personal computer. First installation: 1991; 10 total installations, five in risk management departments. Functions as a reporting module to show results of bills audited by company's other products; reports activity with emphasis on the providers billing and treatment patterns by ICD-9 code and claimant.

■ **Fraud Management & Control System:** \$10,500; unbundled hardware and software; personal computer. First installation: 1990; four total installations, two in risk management departments. Reviews potential fraud situations and manages investigations.

**User support:** Telephone assistance available eight hours a day, on-site training, on-line technical support.

**Staff:** 18 total, 14 professionals.

**New clients:** Six total; 80% with gross revenues less than \$200 million, 20% with \$200 million to \$499 million.

**1991 gross revenues:** \$1 million total 50% from sale of software, 50% from software services.

**Principal officers:** Steve Gray, chief executive officer; Richard Simeon, vp-product development; Richard Hogan, chief financial officer.

**Contact:** Pam Simeon.

### Specific Software Solutions Corp.

P.O. Box 198221, Nashville, Tenn.  
37219-8221; 615-793-7962

**Founded:** 1985.

#### Software products:

■ **ModMaster:** \$295; unbundled hardware and software; personal computer. First installation: 1991; 100 total installations, 50 in risk management departments. Functions include computing of workers compensation modules, sensitivity analysis shows how modification factor varies with losses.

■ **New Jersey ModMaster:** \$295; unbundled hardware and software; personal computer. First installation: 1992. Functions include computing workers compensation modification factors for New Jersey.

■ **Loss Forecaster:** \$395; unbundled hardware and software; personal computer. First installation: 1991; 75 total installations, 20 in risk management departments. Functions include forecasting of losses for workers compensation, general liability and auto liability.

**User support:** Telephone assistance available 12 hours a day.

**Staff:** Five total, all professionals.

**New clients:** 50 total; 30 in risk management departments; 75% with gross revenues less than \$200 million, 5% with \$200 million to \$499 million, 20% with \$500 million to \$999 million.

**1991 gross revenues:** 75% from sale of software, 25% from software services.

**Principal officers:** Timothy Coomer, president; Brent Bergen, vp; Sandy Coomer, secretary.

**Contact:** Timothy Coomer.

### Surplus Risk Services Inc.

3465 Torrance Blvd., Suite N,  
Torrance, Calif. 90503;  
310-540-8803;  
fax: 310-543-2391

**Founded:** 1982.

#### Software products:

■ **ForeRisk Forecasting 5.0:** \$4,200; unbundled hardware and software; personal computer. First installation: 1988; 18 total installations, 14 in risk management departments. Functions include loss ratios, graphs and actuarial studies, aggregate data.

■ **Cost Allocation 3.0:** \$1,495; unbundled hardware and software; personal computer. First installation: 1992; 39 total installations, all in risk management departments. Functions include ad hoc reporting, graphs, integration with forecasting.

■ **Certificate Traking 3.6:** \$895; unbundled hardware and software; personal computer. First installation: 1989; 220 total installations, all in risk management departments. Functions include ad hoc, letter writing, document tracking.

■ **Claim Traking 1.8:** single user \$4,750, multiuser \$9,875; unbundled hardware and software; personal computer. First installation: 1991; 43 total

*Continued on next page*

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Continued from previous page installations, 31 in risk management departments. Functions as a claim tracking system.

**User support:** Telephone assistance available 10 hours a day, on-site training.

**Staff:** 22 total, 16 professionals.

**New clients:** 48 total, all in risk management departments; 24% with gross revenues less than \$200 million, 32% with \$200 million to \$499 million, 14% with \$500 million to \$999 million, 17% with \$1 billion to \$3.5 billion, 13% exceeding \$3.5 billion.

**Branch offices:** San Francisco.

**1991 gross revenues:** \$2 million total; \$1 million from risk management information systems; 86% from sale of software, 14% from software services.

**Principal officers:** Frederick J. Fisher, president; Jack Foudy, vp; Aubrey Payne, vp/marketing director.

**Contact:** Frederick Fisher or Aubrey Payne.

T

**Telos Computing Inc.**

42 Aero Camino, Suite 1052, Goleta, Calif. 93117; 805-968-2552; fax: 805-968-2589

**Founded:** 1969.  
**Parent company:** Telos Corp.

**Software products:**  
■ **ThisClaim:** \$60,000; bundled or unbundled hardware and software; mini-computer or personal computer. First installation: 1980; 51 total installations. 26 in risk management departments. Functions include automatic medical, dental, vision, SDI claims administration and adjudication, complete COBRA administration, on-line logging and diary system.

■ **ThisReview:** \$5,000; bundled or unbundled hardware and software; mini-computer. First installation: 1980; 15 total installations, 10 in risk management departments. Functions include precertification, second and third surgical opinion, savings calculations and reporting; directly linked to ThisClaim.

■ **ThisCare:** \$10,000; bundled or unbundled hardware and software; mini-computer. First installation: 1985; four total installations. Functions include IPA administration, capitation, risk pools, withhold accounts, specialty referral tracking and authorization; linked to ThisClaim and ThisReview.

■ **ThisBill:** \$10,000; bundled or unbundled hardware and software; mini-computer. First installation: 1982; six total installations, five in risk management departments. Functions include group and individual billing, multiple premium tables based upon variable factors, cash posting, individual billing for COBRA participants.

■ **ThisProgram:** \$25,000; bundled or unbundled hardware and software; minicomputer. First installation: 1991; one total installation. Functions as an employee assistance program system, includes functions and screen layouts for intake, authorization, utilization review and facilities.

■ **ThisFund:** \$10,000; bundled or unbundled hardware and software; mini-computer. First installation: 1985; three total installations. Establishes group financial accounts, maintains fund balances for claims payment with monthly financial reporting, directly interfaces with ThisClaim for payment control and posting.

**User support:** User groups/meetings, telephone assistance available 10 hours a day, on-site training, on-line link.

**Staff:** 1,700 total, 100 professionals.  
**New clients:** 35 total; five in risk management departments.

**1991 gross revenues:** \$1.5 million from risk management information systems; 10% from sale of hardware, 40% from sale of software, 50% from software services.

**Principal officers:** John Grove, president; Sherry Hannigan, vp.

**3R Co.**

P.O. Box 518, Kings Park, N.Y. 11754-0518; 516-265-6594

**Founded:** 1985.  
**Software products:**

■ **Quote Tester:** \$75; unbundled hardware and software; personal computer. Functions include comparison of auto, general liability, workers compensation or group program alternatives.

■ **Triangle Analysis:** \$750; unbundled hardware and software; personal computer. First installation: 1985; 11 total installations, two in risk management departments. Functions include analysis of workers compensation, general liability, auto liability, loss development and loss reserve and loss forecasting.

**User support:** Telephone assistance available one hour a day.

**Staff:** One professional.  
**Principal officers:** Joseph A. Rinaldi, owner.

**The Travelers**

One Tower Square, 9CR, Hartford, Conn. 06183-4063; 203-277-2770; fax: 203-277-2876

**Founded:** 1864.  
**Parent company:** Travelers Corp.

**Software products:**  
■ **CARMA:** unbundled hardware and software; timeshare mainframe. First installation: 1983; 204 total installations, 87 in risk management departments. Functions include property casualty loss reporting and analysis.

Continued on next page

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Continued from previous page

■ **PC CARMA:** unbundled hardware and software; personal computer. First installation: 1986; 82 total installations, 61 in risk management departments. Functions include property casualty loss reporting and analysis.

■ **SAILOR On-Line:** unbundled hardware and software; timeshare mainframe. First installation: 1988; 783 total installations, 647 in risk management departments. Functions include property and casualty loss reporting.

■ **INFORM:** unbundled hardware and software; timeshare mainframe. First installation: 1988; 123 total installations, 88 in risk management departments. Functions include employee benefits loss reporting.

**User support:** User groups/meetings, telephone assistance available 10 hours a day, on-site training.

**Staff:** 114 total, 88 professionals.

**New clients:** 156 total; 10% with gross revenues of \$200 million to \$499 million, 10% with \$500 million to \$999 million, 60% with \$1 billion to \$3.5 billion, 20% exceeding \$3.5 billion.

**Branch offices:** Brea and Los Angeles, Calif.; Naperville, Ill.

**Principal officers:** Jack Gardner, vp; Matt Garden, director.

## X

### Xordium Inc.

12465 Lewis St., Suite 104, Garden Grove, Calif. 92640; 714-748-9291; fax: 714-748-9294

**Founded:** 1985.

#### Software products:

■ **Risk Controller:** \$12,500; unbundled hardware and software; personal computer. First installation: 1992; 30 total installations. Functions include risk management of insurance portfolio, risk control of personnel, facilities, equipment, chemicals, incident reports, hazardous materials training, medical surveillance, vehicles, property losses.

**User support:** User groups/meetings, telephone assistance available eight hours a day, on-site training, consulting.

**1991 gross revenues:** \$500,000 total.

**Principal officers:** Karen Gillett, president; Fred Gillett, executive vp; Michael Blewett, vp-sales/marketing; George Howes, vp-industry relations.

**Contact:** Michael Blewett.

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## V

### Vaughan Co.

2532 Laguna Vista Drive, Novato, Calif. 94945; 415-898-1229; fax: 415-898-2377

**Founded:** 1990.

#### Software products:

■ **XSRATER:** \$2,000; unbundled hardware and software; personal computer. Functions include excess reinsurance pricing.

**User support:** Telephone assistance available eight hours a day.

**Staff:** Two total, both professionals.

**1991 gross revenues:** \$200 million total.

**Principal officers:** Don Vaughan and Katie Vaughan, proprietors.

### Venture Group Inc.

3840 Myers St., Riverside, Calif. 92503; 714-352-9334; fax: 714-352-9393

**Founded:** 1987.

#### Software products:

■ **WC-Data Systems:** \$27,000; unbundled hardware and software; personal computer. First installation: 1987; 26 total installations, four in risk management departments. Functions as a permanent disability rating module.

■ **WC-Monitoring System:** \$1,995; unbundled hardware and software; personal computer.

**User support:** Telephone assistance available eight hours a day, on-site training, modem programming and modification.

**Staff:** 12 total, four professionals.

**New clients:** Seven total, all in risk management departments; 100% with gross revenues less than \$200 million.

**1991 gross revenues:** \$850,000 total; \$420,000 from risk management information systems; 95% from sale of software, 5% from software services.

**Principal officers:** Niles F. Haton, chairman; Sundip Doshi and David Donaldson, vps.

## W

### WLT Software of Florida Inc.

831 N. Hercules Ave., Clearwater, Fla. 34625; 813-442-9296; fax: 813-443-4936

**Founded:** 1979.

#### Software products:

■ **Compclaims:** \$20,000; unbundled hardware and software; personal computer or networks. First installation: 1985. Functions include NCCI premium calculation, fee bill review and billing.

**User support:** User groups/meetings, telephone assistance available 10.5 hours a day, on-site training, modem assistance, continuous updates.

**Principal officers:** William L. Tiner Jr., president; Ann M. Tiner, vp.

**Contact:** Tom Brooks, national sales manager.



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## For the record

### Agents challenging insurer non-renewals

The Independent Insurance Agents & Brokers of California is urging Insurance Commissioner John Garamendi to require Ohio Casualty Insurance Co. to continue renewing policies until its application for withdrawal is approved.

Citing 10 years of underwriting losses, the Hamilton, Ohio-based property/casualty insurer last month announced its decision to pull out of California (BI, June 22). The insurer wrote \$225.3 million in premiums in California in 1991, or 15% of its total business, according to a spokeswoman. By April 30, that share had dropped to 13%.

### Small lenders offered pollution coverage

OMAHA, Neb.—Empire Fire & Marine Insurance Co. is offering an environmental property insurance policy designed to protect small commercial lenders.

"Bankers Environmental Risk Insurance" is designed to protect smaller banks that issue commercial loans of less than \$2 million.

If a borrower defaults and the property used to secure the loan is found to have previously undetected environmental contamination, the policy pays the lender the loan balance or the cost of the cleanup, whichever is less.

Each piece of covered property must first be inspected and ap-

proved by Empire Fire. A deductible of 5% or \$10,000, whichever is greater, applies. Premiums are about 0.25% of the loan balance per year.

Empire Fire, a Zurich Insurance Co. unit in Omaha, Neb., is rated A by A.M. Best Co. and has policyholder surplus of \$74.9 million.

The program is reinsured by Reliance Reinsurance Co. of Philadelphia.

### Workers comp fund investigation ends

ST. PAUL, Minn.—State authorities recently closed their investigation of the investment activities of State Fund Mutual Insurance Co. after finding no evidence of criminal wrongdoing, said Commerce Commissioner Bert J. McKasy.

The investigation focused on events leading to the state-run workers compensation fund's loss of \$14 million on \$40.3 million invested in interest-only portions of Federal National Mortgage Assn. securities.

"We did find some activities that raised our eyebrows and compelled us to dig deeper, but we have not found any concrete evidence of kickbacks or other illegal activity," Mr. McKasy said in a statement. He added that he would not hesitate to reopen the investigation if new information comes to his attention.

Mr. McKasy recently put the company, the state's largest workers compensation insurer, under administrative supervision (BI, June 1).

### Riot-related claims spur insurer audit

LOS ANGELES—California regulators have undertaken a market conduct audit of a California insurer, citing "an unusually high" number of complaints about non-payment of claims from the recent Los Angeles riots.

Of the 42 riot-related complaints the Insurance Department has received overall, 16 have been against Western International Insurance Co. of Hun-

tington Beach. No other insurer has received more than three, said a department spokeswoman.

The insurer, which is licensed in California, faces \$14.5 million in riot-related claims. Reinsurance will cut net losses to about \$1.8 million, said President Alfred Hui in a statement.

Advance payments have been made to eight of those who complained to regulators, and Western is doing "everything humanly possible" to resolve other complaints quickly, Mr. Hui said.

### Illinois judges balk at health plan fees

CHICAGO—Illinois judges claim increases in their group health insurance costs violate the state constitution.

In a petition filed with the Illinois Supreme Court, the Illinois Judges Assn. is challenging requirements that all state employees, including more than 800 judges, pay a portion of their salaries toward a new health plan. The health plan contributions, which began in January, are based on salary and range up to \$12.50 per month. The state also increased health plan deductibles to \$300 from \$100.

The new plan also requires those who seek care outside a state preferred provider network to pay 40% of their expenses, up from 20%. Within the network, the copayment remains 20%.

After failing to convince the state Legislature to address the judges' concerns during its spring session, the Illinois Judges Assn. took its grievance directly to the state's high court.

"By forcing them to pay higher insurance costs, they have diminished their salaries and (the state constitution) holds that the salary of a judge shall not be diminished during his term," explained Leonard Ring, the judges' attorney in Chicago.

The Supreme Court has been asked to rule on whether health benefits are considered salary and, if so, whether that makes the charges on judges unconstitutional.

Continued on next page

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Continued from previous page

### Ethics panel probes Delaware regulator

Sidestepping action on a House bill to limit the authority of Insurance Commissioner David Levinson, the Delaware Senate instead ordered a state ethics investigation.

The Senate directed the State Ethics Commission to investigate the propriety of Mr. Levinson's efforts to encourage insurers to move their operations to, or invest in, Delaware. Any unethical or illegal conduct is to be reported by Oct. 1.

Mr. Levinson's effort to promote insurer investment in the state has been in question because of complaints that were raised about the program's appropriateness (BI, Jan. 27).

### LTV Steel pact covers retiree care, pensions

Under a new contract with the United Steelworkers, LTV Steel Co. Inc. would increase monthly pension benefits and continue to provide retiree health benefits, while the union would accept a managed care option into its health plan.

After months of negotiation and under pressure from a U.S. Bankruptcy Court judge, the Cleveland-based steelmaker averted a strike on July 14. It agreed to boost pension benefits for certain retirees and to continue to pay almost all retiree medical costs.

The contract, which would run through June 1994 and would supercede a contract that is due to expire next year, also would allow LTV Steel to add a managed health care option to its indemnity plan, which the union had protested.

The proposed plan must be reviewed by creditors of bankrupt LTV Corp., the parent of LTV Steel. Any contract also would have to be approved by the bankruptcy court, which will hear details of the tentative pact later this month, and by the union's membership.

### Los Angeles drains work comp insurers

California workers compensation insurers' operating results remain weak and will very likely worsen, reports investment and research firm Conning & Co.

One factor in this downward trend: Claims, particularly for stress and repetitive strain injuries, have increased as rate hike requests have been trimmed.

Two other California findings were included in Conning's report:

Operating results in the Los Angeles basin continue to drag down statewide results. The differential in loss ratios between the Los Angeles basin and the rest of the state is significant. For example, one insurer said the ratio was 95% in the L.A. basin compared with 55% for the rest of the state.

The second finding is that poor operating results in the Los Angeles basin have generated the growth of surcharge business. While state law sets the minimum rate, insurers may add surcharges to accounts.

For example, Zenith National Insurance Co. adds surcharges to about 50% of the business it writes in the Los Angeles basin, up from about 20% of risks last year.

### Nursing home costs jumped 6.9% in 1991

CHICAGO—Nursing home care costs rose 6.9% in 1991, a new survey reports.

That increase is more than double last year's 3.1% inflation rate, and nearly equal to the 7.1% rise in the medical component of the Consumer Price Index.

Fees for intermediate care are rising more rapidly than fees for skilled nursing care, according to the survey by CNA Insurance Cos.

In 1991, average daily intermediate-care costs were about 78% of skilled-care costs, up from 75% the previous year.

Average daily nursing home rates are highest in the Northeast, ranging from \$100 to \$125. Rates are lowest in the South, ranging from \$60 to \$70.

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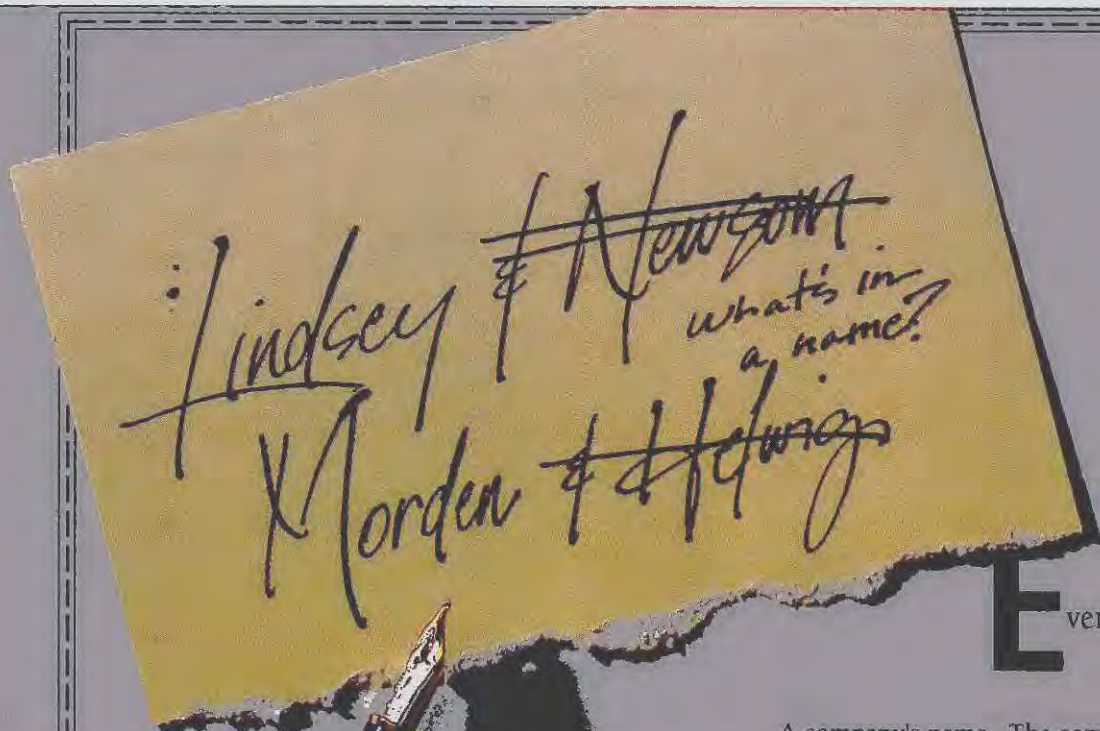
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# Best's ratings

Continued from page 2  
and health companies.

Both analysts, however, say many smaller, less-capitalized companies in each industry will continue to see their financial strength ratings drop if market conditions do not improve or they are not able to manage their investments in the drastically devalued real estate market.

This year, Oldwick, N.J.-based Best reviewed the financial strength of 2,468 property/casualty insurers and 1,664 life/health insurers. The rating agency gave letter ratings ranging from A++ to F to 2,467 companies.

This year marked the first time Best did not apply contingencies to its ratings. In addition, Best introduced six new rating classifications in an effort to further differentiate the strength of the companies it rates (BI, Jan. 20).

Best now issues 15 letter ratings, up from nine.

Industry analysts are mixed as to whether the new rating structure sheds more light on the relative strength of insurers or further muddies the waters.

According to Best's ratings, many of the largest property-casualty insurers are succeeding in fending off persistent soft market conditions.

Among the 100 largest property/casualty insurers, 29 received an improved ratings. Twelve were downgraded. The rest either retained their 1991 ratings or had a modifier from last year removed.

Of the Top 100 property/casualty insurers, all but two of the 98 companies that received a letter rating received a rating no worse than A-

This high ratings come as no surprise to one industry analyst.

"Size translates into credibility and strength," said A. Michael Frinquelli of Salomon Bros. in New York. "But you still have to remember that at this level, there is a significant difference between a company rated A- and a company rated A++."

Throughout the entire property/casualty industry, the total number of companies downgraded by Best totaled 218. There were only 115 upgrades. Best did not change the ratings of 1,230 property/casualty companies.

A total of 98 property/casualty insurers were elevated to A++ status, which is Best's new top rating. An additional 428 insurers received Best's A+ rating, which, like the A++ rating, connotes superior financial strength.

Messrs. Snyder and Mayewski emphasized that a company that moved within a letter category, from A+ to A++ for example, is not officially considered an upgraded company.

Salomon's Mr. Frinquelli wel-

comed Best's new top rating level, claiming some companies have long been deserving of a more exclusive rating than A+.

"The new top rating adds a new dimension," he said. "It's more exclusive and most of the companies that are getting this rating should have been set apart for some time."

But other analysts said little has changed with any of the rating agencies since they came under severe criticism for failing to predict any of the major life insurer failures last year (BI, Aug. 5, 1991).

Michael A. Smith, an analyst with Lehman Bros. in New York, said Best's new rating structure has not persuaded him to pay extra attention to Best's ratings.

"I tuned myself out to Best's ratings quite a while ago, and I really don't believe much has changed," he said, adding that he has not studied Best's new ratings in detail.

Included in the group of property/casualty insurers assigned the A++ designation are: American International Group Inc. of New York; Chubb Group of Warren, N.J.; Berkshire Hathaway Inc. of Omaha, Neb.; SAFECO Insurance Cos. of Seattle; State Farm Group of Bloomington, Ill.; Employers Re Group of Overland Park, Kan.; General Reinsurance Corp. of Stamford, Conn.; Munich Reinsurance Group of New York; and Allendale Mutual Insurance Co. of Johnston, R.I.

"Our new A++ rating connotes an even finer level of financial strength. Despite the soft market, a fair number of companies were able to show operational profitability that was superior to the rest of the industry," said Mr. Snyder. "The companies that were downgraded clearly did not show strong earnings."

He pointed out that only three of the 144 reinsurance companies Best reviewed received an A++ designation, compared with about 4% of the primary property/casualty insurers.

Major downgrades include CIGNA Group of Philadelphia, which slipped to A- from contingent A, and Continental Insurance Cos. of New York, which fell to A- from A.

Overall, Mr. Snyder said the property/casualty industry, which remains healthy as a whole, is still being hurt by ongoing soft market conditions.

He pointed out that combined ratios and expenses among smaller companies continue to escalate. In addition, specific lines of insurance such as workers compensation and automobile liability are producing steady streams of losses.

Offsetting these negative characteristics, though, are increased underwriting volume and savings from short-term operational streamlining, Mr. Snyder said.

Also bolstering the industry was

a 15%, or \$20 billion, increase in surplus last year. But, Mr. Snyder cautioned, much of that gain—about \$13.5 billion—came from unrealized capital gains. "We must remain cautious about paper profits."

On the life/health side, 35 unrelated insurance units were granted the A++ designation, said Mr. Mayewski.

In total, ratings for 96 life/health companies were lowered. There were only 22 upgrades.

"Most of our A++ companies are large insurers. They all showed strong capital gains and earnings. They also still have major exposures to real estate, but for now

they're succeeding in managing their holdings," he explained.

Among the life/health insurers rated A++ are: Prudential Insurance Co. of America of Newark, N.J.; Metropolitan Life Insurance Co. of New York; New York Life Insurance Co.; John Hancock Mutual Life Insurance Co. of Boston; Northwestern Mutual Life Insurance Co. of Milwaukee; and Principal Mutual Life Insurance Co. of Des Moines, Iowa.

One major downgrade was Travelers Insurance Co., which fell to A from A+.

"A profile of the entire industry shows some stabilization. Overall, the financial strength of the in-

dustry is (greater) than it was a year ago," said Mr. Mayewski.

He warned, however, that a significant number of companies still have heavy exposures to real estate holdings. "Many companies cannot handle their exposure, and we believe that these companies still have several years of struggles ahead of them."

No major turmoil, like last year's failures of major life/health companies, is expected this year, said Mr. Mayewski.

"We see nothing major on the horizon. Our expectations for the remainder of the year are for moderate downgrades to mildly outpace upgrades," he said.

# Reader Reply Service Products & Services Listing

## Issue of July 27

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# Weiss revises insurer ratings

WEST PALM BEACH, Fla.—Weiss Research Inc. has raised its ratings of several of the country's largest life insurers and downgraded some others.

Weiss attributed the upgrades mainly to improvements in capital, reductions in junk bond holdings, improvements in expense controls and improvements in mortgage performance.

Mortgage problems are "the biggest single stumbling block to lasting financial health in the industry," said Martin D. Weiss, president of the rating agency. "Companies being upgraded are mostly those that are not burdened with troubled mortgages."

Three companies were upgraded to B+ and added to the Weiss list of recommended companies: New York Life Insurance & Annuity Corp., New York; American General Life Insurance Co., Houston; and Business Men's Assurance Co. of America, Kansas City, Mo.

Four were removed from the list when their ratings dropped below B+: Massachusetts Mutual Life Insurance Co., Springfield, Mass.; UNUM Life Insurance Co. of America, Portland, Maine; Combined Insurance Co. of America, Chicago; and Kansas City Life Insurance Co., Kansas City, Mo.

Each is now rated B, or good.

—By Deborah Shalowitz

## Bungee jumping

Continued from page 1  
jump, and \$30 for additional jumps.

After a participant signs a waiver and is initially weighed, he or she is sent on to the jump instructor. After re-weighing the participant to determine which strength of cord to use, the instructor explains the correct jumping position, what the jumper should expect from the experience and, most importantly, that the jumper must "listen and obey the jump master."

The instructor attaches the harness, locks a safety clip to the harness and sends the participant on to the jump coordinator. The coordinator double checks the instructor's work and sends the participant on to the jump master, who rides up in the crane with the participant, triple checking all points of connection, Mr. Vulich said.

When the crane reaches the proper position, the jump master opens the basket door and positions the jumper so that he or she is leaning out of the basket. The jump master then counts, "5-4-3-2-1 Bungee!" At the cue, the participant falls forward and out while the jump master keeps the basket stable and the cord taut until the jumper is ready to be lowered to safety.

At all times the crane operator, jump coordinator and jump master communicate via walkie-talkies, Mr. Vulich said.

Oingo Boingo jumpers choose between ankle wraps and a chest harness. Participants are spot checked for surgical scars, because previous ankle or knee problems preclude the use of ankle wraps. Participants with back problems, high blood pressure, epilepsy, or who are intoxicated are warned not to jump.

As a safety precaution, the New Zealand-style cords used by Oingo Boingo, which consist of 800 to 1,000 thin latex strands woven into one solid cord, are replaced every 500 jumps, even though the manufacturer has rated them safe for up to 2,000 jumps, he said.

Two different color-coded cords are used—one for participants weighing less than 155 pounds and one for participants weighing more than 155 pounds. Participants must weigh between 95 and 250 pounds. The exact weight is important, because the cord is adjusted to determine how close the jumper gets to the surface of the lake below.

"We can accurately get to within eight or 10 feet of the water," Mr. Vulich said.

Air Boingo, a Park City, Utah-based franchise operation with 14 sites and 17 more under development, does not use cranes. Instead, each franchise uses a 70-foot fixed tower designed especially for bungee jumping, said Steve Woodard, franchise sales manager.

At Air Boingo operations, where participants pay \$20 per jump, the towers are surrounded by a fence with alarmed gates to prevent unauthorized entries and jumps.

An airbag rated for a 100-foot fall serves as an emergency back-up at these sites, Mr. Woodard said.

Air Boingo operations use a combination chest webbing and seat harness, rather than ankle wraps. As a result, no matter how the participant jumps, he or she always ends up in a near-seated position rather than head down. Harnesses and cord connection points are checked four times before the jump.

Acceptable weights range from 80 pounds to 240 pounds. Children can jump with a parent's consent.

Air Boingo also uses a New Zealand-style single cord, which is color-coded by weight limit, Mr. Woodard said.

The cords, which Air Boingo manufactures for its own use, are

replaced every 300 jumps or six months, whichever comes first. Its tests indicate the cords could withstand 3,000 jumps.

An added safety feature at Air Boingo sites includes a foam bumper that covers the bottom six feet of cord. This pad gives the jumper something to hug on the way down and also prevents any rope burns.

All Air Boingo jump masters undergo a two-week training session that covers first aid and cardiopulmonary resuscitation. Each jump master must score 100% on a test that covers the mechanical, physical and psychological aspects of coaching someone through a jump, Mr. Woodard said.

"We've had 100,000 jumps on our system with no accidents and no complaints," he said.

Insurance for a well-run bungee jumping organization is certainly available, although not cheap.

Joe Hatch, owner of the Joseph P. Hatch Inc. agency in Pine Bush, N.Y., worked hard to persuade Frontier Insurance Co. of Monticello, N.Y., that bungee jumping operations could be profitable risks.

Frontier finally agreed, but decided that requiring Mr. Hatch to jump at each site covered would provide an added incentive to ensure truly safe operations, explained Harry W. Rhulen, a Frontier vp.

The rigorous underwriting process is more conventional. Mr. Hatch reviews the resumes of all owners, the operations manual and a site diagram before he goes to view the site. On-site, he interviews all owners and every crew member. "I want to make sure they can verbalize their responsibilities. Also I want to get a feel for their attitudes, which are very important," he explained.

If a crane is used, it is inspected for maintenance and leaking fluids. He also checks a device that shuts down the entire crane if the arm is extended too far. He checks the crane's cable for nicks and abrasions and makes sure it won't unravel.

In addition, the crane manufacturer's minimum recommended capacity should be at least 6,600 pounds, three times the amount generally used in a bungee operation, Mr. Hatch said.

The crane must use power to lower the basket, rather than allow it to free fall.

All harnesses, anchors, cords and platforms also are examined. He also reviews records that track replacement dates for cords, he said.

About 40% of the establishments are unable to meet Mr. Hatch's requirements, he said.

For those that meet the criteria, Mr. Hatch observes two jumps. Then, if all goes well, he also takes the plunge.

After six to 10 weeks, he pays a surprise visit to the operation to make sure it is still in compliance, and continues periodic visits.

Mr. Hatch has written insurance for operations that use New Zealand-style single cords, as well as those that use American-style multiple cords—one for every 50 pounds of body weight.

He has written insurance for operations that use cranes, bridges, fixed structures and even balloons as a jumping platform.

And, he notes that if the equipment and operator are right, it's unnecessary to jump over water or airbags. However, when the "fear factor" is considered, some form of cushion can help prevent a participant from "freezing" on the platform, thus preventing others from jumping, he observed.

Although Mr. Hatch is Frontier's exclusive agent for bungee jumping, he will broker bungee business for other independent agents on a wholesale basis.

Frontier appears to be unique in

that it charges no minimum premium. Frontier's rate is typically 15% of gross receipts for limits of up to \$2 million per occurrence/\$2 million aggregate per location, Mr. Rhulen said.

While pricey, bungee jumping is less expensive to insure than other activities, like rollerskating, which suffer from frequent rather than severe losses, Mr. Rhulen said.

Oingo Boingo's broker is Sports & Entertainment Insurance Services of Metairie, La. Sports & Entertainment's 62 bungee policies are underwritten by St. Paul Surplus Lines Insurance Co. in St. Paul, Minn., and Investors Insurance Co. of America of Laurence Harbor, N.J.

Oingo Boingo's primary general liability policy has limits of \$1 million per occurrence/\$2 million aggregate. It purchases an additional \$3 million in excess coverage.

The excess coverage brokered by Sports & Entertainment is written by General Star Indemnity Co. of Stamford, Conn., and First State Insurance Co. in Boston.

The policies carry no deductible, said Chuck Morton, president of Sports & Entertainment.

The premium ranges from 5% to 15% of gross receipts. A substantial portion of that, \$10,000 to \$60,000, must be paid upfront. The operator's ability to pay these upfront premiums is one of the screening criteria used by Sports & Entertainment, since only the more established operators can afford the insurance.

After a potential client fills out an extensive application, Sports & Entertainment sends an inspection service to review the bungee operation. All equipment is studied, from the cords to the crane.

Sports & Entertainment has written insurance for bungee operations whose customers jump from cranes as high as 310 feet, as well as those whose customers jump from bridges or permanent towers. It does not write liability insurance for jumps from hot-air balloons.

"Our underwriters are not yet convinced that is a real good platform. The wind currents add another variable to the equation," Mr. Morton observed.

K&K Insurance Group Inc. of Fort Wayne, Ind., a Lincoln National Corp. unit, underwrites liability insurance for all Air Boingo franchises, in addition to other bungee operations, said Lou Valentic, vp of K&K's sports division.

The insurance is underwritten by

Transamerica Insurance Co. of Woodland Hills, Calif., and Lincoln National Specialty Insurance Co. of Fort Wayne.

K&K writes insurance only for permanent towers or mobile cranes.

Available liability limits are \$1 million per occurrence and \$2 million aggregate, with a \$5,000 deductible. The premiums range from 5% to 15% of receipts; the minimum premium deposit varies but is typically \$50,000, Mr. Valentic said.

Lexington Insurance Co. of Boston, a unit of American International Group Inc., has quoted premiums for several operations, but it has not written "more than three or four," said Dick Bucilla, executive vp in charge of the company's casualty and liability business.

Lexington has not developed rigid underwriting guidelines, though factors considered when underwriting a bungee operation include its use of liability waivers, the background and skills of bungee management operators, the financial condition of the operation, whether

the jumps take place over airbags or water, and any clues about the company that can be gleaned from the operations manual, he said.

Meanwhile, two recent accidents in Michigan—one resulting in a fatality and the other in a broken ankle—have led to restrictions on bungee jumping in Florida.

Florida reacted by imposing a 90-day temporary ban on jumping as of July 10. The state is reviewing the technical aspects of the bungee jumping business and will likely impose new restrictions on operators, according to a spokeswoman at the Department of Agriculture and Consumer Services in Tallahassee.

But the insurance industry is not shaken up.

The accidents "haven't affected our attitude. We're still looking at accounts with the same scrutiny and judgment we used prior to the accidents," said K&K's Mr. Valentic.

However, Oingo Boingo's Mr. Vulich said he reminded employees that vigilance on the job is crucial to customer safety.

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## Santa Fe suit

Continued from page 2

Allstate Insurance Co. and eight American International Group Inc. units—all of which were named in Santa Fe's suit. In a complaint filed in Cook County Circuit Court in Chicago, they seek a declaratory judgment that they do not have a duty to indemnify Santa Fe.

The Texas court issued a temporary injunction on June 26, blocking any action in the Illinois court. That injunction was due to expire late last week.

"The Chicago suit borders on harassment," said Steven Gilford, an attorney with Mayer, Brown & Platt in Chicago representing Santa Fe.

"We're going to wait to see what happens in Texas," said Mary F. Stafford, an attorney with Clausen, Miller, Gorman, Caffrey & Witous in Chicago, which represents the AIG units in the Chicago litigation.

Santa Fe's suit, which names as defendants insurers that wrote liability coverage for the company from 1974 through 1984, is the latest attempt by a

policyholder to win coverage for damages paid as a result of antitrust violations. At least two courts have interpreted state law to deny comprehensive general liability coverage for antitrust awards or settlements.

The coverage dispute began in March 1989 when a U.S. District Court jury in Beaumont, Texas, awarded ETSI \$1 billion after finding that Santa Fe and other railroads had violated sections of the Sherman and Clayton antitrust acts by conspiring "to delay, hinder or stop" the ETSI pipeline project.

ETSI alleged, for instance, that the railroads formed a group boycott to refuse to allow ESTI to cross railroad lines, encouraged landowners to refuse to grant right of way to the pipeline and filed litigation solely to delay construction.

The court in May 1989 ordered Santa Fe to pay ETSI \$750 million after the other defendants—Union Pacific Corp., Chicago & Northwestern Transportation Co., Burlington Northern Inc. and Kansas City Southern Railway Co.—settled for a total of \$284.9 million.

Santa Fe filed an appeal, but soon dropped it. In April 1990, it agreed to pay ETSI \$350 million to settle the suits: \$150 million by June 1, 1990, \$25 million in both 1991 and 1992, and \$30 million annually for the next five years.

"We continue to believe that we are innocent of the charges in the ETSI case," Santa Fe Chair-

man Robert D. Krebs said in announcing the out-of-court settlement. "In view of previous court action and the uncertainty and cost of appeal and retrial process, however, we concluded that settling the case was the most prudent course."

In a letter dated May 1, 1989, after the original \$1 billion court verdict was rendered, Santa Fe's director of risk management, David T. Burr, notified its liability insurers of a potential loss related to the coal pipeline and of the prospect of a settlement.

"We will keep you informed of substantive negotiations and will submit settlement proposals to you, pursuant to obligations in our policies," the letter stated. "We solicit your views and invite your participation according to the terms of the policies." Insurers were instructed to contact Mr. Burr.

In a letter dated April 26, 1990, Mr. Burr informed insurers of the \$350 million settlement and wrote that the offer to participate in settlement negotiations was "an invitation that you did not accept."

Mr. Burr's letter noted that attorneys for several of Santa Fe's insurers were informed in advance of the settlement. Those insurers agreed they would not contest coverage on the grounds that the amount of the settlement was unreasonable, the letter states.

"Constraints, particularly those imposed by securities laws, made it necessary that the negotiation of the settlement be confidential. For that reason, there could be no general notification of insurers before the execution of the settlement agreement," Mr. Burr wrote.

The letter added that its purpose "is to provide you with information, not to make a demand of any kind under the policies. Santa Fe is considering coverage issues in the light of the settlement and has not reached any conclusion at this time."

On May 29, 1992, two days after the lawsuit in Texas was filed, Mr. Burr sent a third letter to insurers, which demanded payment on "primary and excess general liability insurance policies issued, and providing coverage, to Santa Fe for the period Jan. 1, 1974, through Dec. 31, 1984."

The letter went on to say that unless Santa Fe received payment or response within 30 days, "Santa Fe will assume that such insurer will not voluntarily acknowledge liability for, and reimburse Santa Fe for, its share of the insured amount. Such insurer will also thereby become liable for Santa Fe's attorneys' fees in pursuing its claims."

After learning of the Texas lawsuit against insurers, Atlanta International Insurance Co., originally a plaintiff in the Chicago litigation, settled with Santa Fe on July 13 for an undisclosed amount, according to attorney Robert M. Chemers of Pretzel & Stouffer in Chicago.

The insurer had sued Santa Fe in federal court in Chicago in August 1989, claiming it did not have to indemnify Santa Fe because Mr. Burr's original letter arrived after the original jury award.

That argument was rejected by the federal court. It determined that Mr. Burr's letter was a notice of claim, not a demand for money, and dismissed the suit. The 7th U.S. Circuit Court of Appeals upheld that decision.

In its quest to win coverage for the settlement, Santa Fe claims in the Texas lawsuit that the defendant insurers issued broad-form comprehensive general liability policies, "covering virtually all risks, except those which were expressly excluded."

"Under the terms and conditions of said policies of insurance, defendants are required to indemnify Santa Fe from any and all sums paid by plaintiff to resolve the ETSI litigation, as well as to pay for plaintiff's defense-related costs arising from the ETSI litigation."

Alternatively, Santa Fe argues that the definitions of "occurrence," "personal injury," "property damage" and "unfair competition" in the policies are "vague and ambiguous, especially when read in light of the entire policy language and exclusions contained in the policies. These terms and conditions must be construed broadly in favor of coverage."

Finally, Santa Fe notes in its complaint that "despite the obligations contained in the policies referred to herein, defendants have refused to participate in the settlement of the ETSI litigation and have denied coverage and/or denied plaintiff's claim for reimbursement of the sums paid in settlement to the ETSI plaintiffs."

Although antitrust violations are not specifically covered by its insurance, Santa Fe believes that the underlying offenses that led to the verdict were insured, according to another lawyer for Santa Fe, Bruce Hoff, also of Mayer, Brown & Platt.

For example, the judge in the ETSI case cited numerous lawsuits filed by the railroads against ETSI as proof of conspiracy. Santa Fe interprets that as malicious prosecution, which is covered under the CGL policies.

Mr. Hoff said. Insurers deny coverage on several grounds. Among the arguments they made in their suit filed last month in Chicago are:

- Public policy prohibits the indemnification of defendants for damages resulting from intentional violations of federal antitrust laws.
- The acts that formed that basis of the antitrust violations do not constitute an "occurrence."

The term is defined in the excess liability policies written by Allstate and AIG as "any accident, happening and/or series of accidents, happenings or disasters arising out of or resulting from one event."

- The activities for which Santa Fe was found liable did not constitute "railroad operation" as defined in the policies. It did not arise out of those operations or any incidental operations and did not occur "in the ordinary course" of the policyholder's business.
- Santa Fe violated the terms of the policies by failing to give timely and reasonable notice of the ETSI antitrust litigation.

A federal court in California earlier this year ruled that civil damages for violations of federal antitrust law are not insurable under California law (BI, June 22).

That decision appears to be only the second ruling on whether liability policies cover antitrust liability. In 1979, the 5th U.S. Circuit Court of Appeals interpreted Alabama law to deny coverage to court-ordered damages arising from antitrust viola-



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# INTERNATIONAL

## Maxwell scion told to pay \$774 million

By GAVIN SOUTER

### LONDON

LONDON—Kevin Maxwell, the son of media baron Robert Maxwell, has been ordered to pay 406 million pounds (\$774.4 million) in damages to the liquidators of Bishopsgate Investment Management, which managed pension funds for employees of his late father's business empire.

The British High Court order will likely bankrupt Mr. Maxwell, because his assets will not cover the award, said Neil Cooper, a partner at Robson Rhodes in London, the liquidators for Bishopsgate.

A further writ seeking damages has been issued against Mr. Maxwell's brother, Ian, who was also a

director of the investment concern. The writs against both brothers allege that they failed in their fiduciary duties.

After Robert Maxwell's death last year, it was discovered that 426 million pounds (\$771.5 million) had been stolen from Maxwell pension funds, allegedly by the publisher. Mr. Maxwell died last year (*BI*, Dec. 16, 1991).

Mr. Cooper conceded that liquidators will probably not recover enough from the brothers to make up for that shortfall.

"I have no reason to believe that he has got that kind of money," he

said. "But, as liquidator to the company, I must try and recover as many of the assets of the pension funds as I can, so it seems sensible to claim for the total amount."

### Lloyd's wins decisions

Two U.S. appellate courts have upheld decisions favoring Lloyd's of London in suits by U.S. members facing huge losses.

In one case, the 10th U.S. Circuit Court of Appeals in Denver rejected an appeal by Ronald Riley, who was challenging a federal judge's ruling that his suit should be heard in English courts (*BI*, Sept. 9, 1991).

Mr. Riley alleged that Lloyd's had breached U.S. securities laws

by not registering under the Securities Exchange Act. But Judge Jim Corrigan of Denver ruled that he lacked jurisdiction. The 10th Circuit upheld the decision that the case against Lloyd's should be heard in an English court.

In the second case, the 7th U.S. Circuit Court of Appeals in Chicago denied three members' request for an injunction barring Lloyd's action in English courts seeking funds from the members to pay their losses. They too claimed Lloyd's had violated U.S. securities laws (*BI*, Sept. 16, 1991).

### MMI joins Eurosafe

British municipal insurer Municipal Mutual Insurance Ltd. will be

turned into a joint stock company and absorbed by two European insurers.

The loss-plagued insurer will retain its own identity but will become part of a European association of companies insuring local authorities.

If the deal wins the vote of mutual owners of MMI, the insurance company will be transferred to Paris-based insurer La Garantie Mutuelle des Fonctionnaires et Employes de l'Etat et des Services Publics and Societe Mutuelle des Administrations Publiques in Liege, Belgium.

GMF will be the majority shareholder of the joint stock company. It has not been disclosed whether

*Continued on next page*

## Minet, Czech insurer form retail brokerage venture

PRAGUE, Czechoslovakia—Minet Group P.L.C. is entering the Eastern European market by setting up a joint venture retail brokerage in Czechoslovakia.

The joint venture, Minet A.S., is 80% owned by Minet and 20% owned by Kooperativa Czechoslovenska Druzstevni Pojistovna A.S., a Czech insurer.

The company will offer a full range of commercial and industrial insurance, but will focus on construction, professional indemnity, contingency and fine arts coverages, Minet said.

Milo Volny has been named managing director of the Prague brokerage.

"With considerable foreign capital being invested in the reconstruction and modernization of the Czech infrastructure, Minet A.S. will be in a strong position to take advantage of the insurance opportunities that will be generated from this new and vital market economy," said Derek Cooper, chief executive officer of Minet's European division.

—By Gavin Souter

### New Jardine broker

BRUSSELS, Belgium—Jardine Insurance Brokers International Ltd., the wholesale brokerage arm of JIB Group P.L.C., has formed a joint venture company in Belgium

### GLOBAL BRIEFS

with a French broker in which it holds a minority interest.

JIB purchased a 27% stake in the brokerage, Societe Intercontinentale d'Assurances pour le Commerce et l'Industrie S.A., in October as part of its continuing strategy to enlarge its European network. (*BI*, June 29).

Brussels-based Jardine SIACI & Partners has authorized capital of 5 million Belgian francs (\$160,000 at current exchange rates).

The company will specialize in placing retail and reinsurance business for Belgian corporations, said Maurice Murphy, a director of JIBI.

The company will be headed by two joint managing directors—Frank de Maere, formerly of SA Fenchurch Insurance Brokers Bruxelles, and Philippe Vandamme, formerly of Thilly van Essel in Brussels.

Jardine and SIACI each own 40% of the new company, and both Mr. de Maere and Mr. Vandamme each have a 10% stake.

—By Gavin Souter

### AMB chairman resigns

AACHEN, Germany—Wolf-Dieter Baumgartle resigned earlier this month as chairman of AMB

Aachener & Munchener Beteiligungs A.G.

Replacing him is Wolfgang Kaske, who had been chairman of insurer Volksfursorge Holding A.G. of Hamburg, Germany, in which AMB held a stake.

Mr. Baumgartle's resignation follows the agreement between Assurance Generales de France Group over control of AMB. Mr. Baumgartle had resisted AGF's attempts to gain more sway (*BI*, July 13).

Mr. Kaske had been chairman of the Volksfursorge holding company and its main life and property/casualty units.

In a surprise move, AMB shareholders voted AGF's chairman, Michel Albert, onto the board of AMB, along with Camillo De Benedetti, chairman of Italian insurer Fondiaria S.p.A.

The AGF/AMB agreement still depends on French bank Credit Lyonnais acquiring a majority stake in troubled Bank fuer Gemeinwirtschaft of Germany.

Negotiations are still under way for the French bank to buy control of the BfG from AMB, which holds a 50.5% stake.

AGF will likely join a venture between AMB, Fondiaria and Royal Insurance P.L.C. of London, called European Partners for Insurance Cooperation (*BI*, Feb. 24; Jan. 13).

—By Don Lewis Kirk

## Guns n' Roses cover for canceled concerts contested by insurers

By GAVIN SOUTER

LONDON—Rock group Guns n' Roses will be as disappointed as the fans at its canceled concerts last year if Lloyd's of London underwriters win their battle to turn down the group's contingency insurance claim.

A "substantial" claim has been presented to Lloyd's underwriters seeking indemnification for two canceled concerts last year. The shows were called off after Guns n' Roses equipment was destroyed in a riot at a July 1991 concert in St. Louis.

Underwriters contend the St. Louis riot was caused by Guns n' Roses lead singer W. Axl Rose, rendering the claim invalid.

Mr. Rose, however, blames the riot on inadequate security at the concert venue, said a spokeswoman for Geffen Records in Los Angeles, the band's record company.

The riot erupted after Mr. Rose exited the stage at St. Louis' Riverport Amphitheatre. His departure came after he had jumped into the crowd to prevent a fan from taking a photograph of him, the spokeswoman said.

Mr. Rose also was attempting to stop a group of bikers in the front row of Amphitheatre from "hassling" other fans, she said.

Signs publicizing the prohibition of cameras were clearly displayed throughout the stadium, the spokeswoman said.

*Continued on next page*



AP/Wide World Photo  
Axl Rose was taken into custody this month on charges stemming from the St. Louis concert riot.

## Losses from French blockade not insured



AP/Wide World Photo

Protesting truckers block a crossroads in Fountainebleau and at other locations in France July 5, stranding vacationers and disrupting trade.

PARIS—Many owners of goods held up by the French truckers' highway blockade earlier this month may look to the government—rather than their insurers—for compensation.

The transport insurance division of a trade association representing French insurers, the Federation Francaise des Societes d'Assurances, recommended that the owners of goods held up in the blockade consult their insurance policies to see if they are covered for any resulting loss or damage.

This may do little good for policyholders that did not take out special insurance. Standard goods-in-transit insurance policies exclude losses resulting from strikes, riots or "popular movements."

The truck drivers formed the

blockade to protest a new law that imposes stiffer penalties for speeding. At the peak of the blockade, 160 roads were cut off by thousands of trucks, according to the French Ministry of the Interior. Shops ran out of goods while agricultural products rotted.

It is "far too early" to estimate what the strike and blockade would cost Compagnie d'Assurances Maritimes, Aeriennes et Terrestres, one of France's leading transport insurers, said a spokesman.

Rather than turn to insurers, companies may be better off seeking compensation from the government, according to the insurer association.

Under a 1983 law, the French government is obliged to compen-

sate citizens for loss or damage incurred as a result of the action of mobs or other unruly assemblies, whether armed or unarmed. Foreign companies affected by the blockade could also register claims with the French government, but these would only be considered once the claims of French nationals had been settled, said Finance Minister Michel Sapin.

Foreign companies affected by the blockade are unlikely to receive any more compensation from their insurers than French firms.

U.K. transport insurers rarely provide coverage for the consequences of delays, however they are caused, said a spokeswoman for the Assn. of British Insurers in London.

—By William Pitt

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## INTERNATIONAL

### LONDON

*Continued from previous page*  
the two insurers will pay any consideration for MMI.

GMF is the principal member of Eurosafe, an association of municipal insurers with members in nine countries: France, Belgium, Germany, Luxembourg, Denmark, Portugal, Italy, Spain and Greece.

MMI's "substantial losses" in 1990 and 1991 "have made it essential to

seek a strong partner for the group," said Maurice Stonefrost, MMI chairman.

In 1991 MMI wrote net premiums of 784.9 million pounds (\$1.5 billion at appropriate exchange rate) but had an aftertax loss of 238.6 million pounds (\$446.2 million).

### LUA re-elects leaders

Lloyd's of London marine underwriters have effectively endorsed the recommendations in the Morse Working Party report on the gover-

nance of Lloyd's by re-electing all but one of its market association's leaders.

On July 16 the committee of the Lloyd's Underwriters Assn. stood down and immediately sought reelection on a platform of support for the Morse report.

The exercise was to confirm Lloyd's marine underwriters' support for the core recommendations, said Stephen Merrett, chairman of the LUA. The report outlines a new tripartite regulatory structure that will separate supervision of Lloyd's business development from regulation of market conduct (BI, July 6).

Mr. Merrett was re-elected chairman. Mark Denby was elected to replace Colin Mander.

### Guns n' Roses

*Continued from previous page*

"Axl had asked the security people several times to deal with the problem but they wouldn't, so he decided to go and sort it out himself," the spokeswoman said.

Mr. Rose lost a contact lens during his foray into the audience, so he left the stage to replace it, she said.

However, while he was off stage, the crowd's appetite for destruction was whetted because they thought the band intended to stop playing, the spokeswoman said. "The band wanted to go back on stage but the authorities said no," she said.

Guns n' Roses contends that even though it could not return to the stage, they had completed the allotted 90 minutes of the concert.

During the rioting, the crowd destroyed or stole Guns n' Roses equipment worth \$1 million, the spokeswoman said.

"The security was woefully inadequate," she said.

As a result of the destruction and theft, the band did not have the instruments and equipment necessary to play two subsequent concerts in Utah and Kansas.

Guns n' Roses then filed a claim on a policy placed with Lloyd's cancellation of a concert, sources say.

The coverage was led by syndicate 1162 managed by Gresham Underwriting Agencies Ltd. and was placed by Robertson Taylor Insurance Brokers, sources say.

Neither company would comment.

The loss adjuster appointed for the claim, Gaebel Watkins & Taylor, confirmed that the claim was being investigated.

"The underwriters say that despite the fact that the show was completed, Mr. Rose incited the riot by his actions, but the band says that although his action may have been provocative, he did not cause the riot," one well-placed source said.

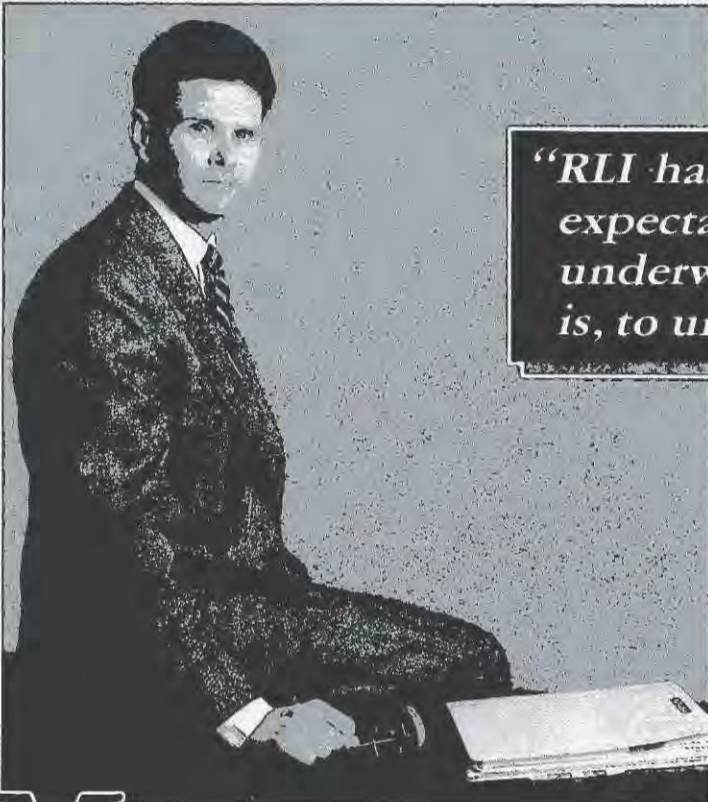
The key wording in cancellation policies is "beyond the control of the assured." If it is deemed that Mr. Rose did not cause the riot, the claim will be valid, another source said.

Earlier this year, a warrant was issued for the arrest of Mr. Rose by St. Louis County prosecutors on misdemeanor assault and property damage charges for his actions when he jumped into the crowd and for damage to a mirror in his dressing room.

Mr. Rose was arrested in New York on July 12 after returning from Paris.

He was satisfied with his treatment, however. "I can't believe how cool the New York police are; they don't hide behind badges. They treat you like a human being," he said.

Mr. Rose was subsequently released on bond. A trial has been set for Oct. 14.



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# FASB proposal

Continued from page 2

Under the proposed approach, investments would be classified under one of three groups:

• Debt securities—such as bonds—that management has the “positive intent and ability to hold to maturity” would be classified as “held for investment” and reported at amortized cost. However, they could be sold before maturity as a result of a “significant deterioration in the issuer’s creditworthiness,” according to FASB.

• Debt and equity securities classified as “available for sale” would be reported at fair market value, with unrealized gains and losses excluded from earnings and reported as a component of shareholders equity.

• Debt and equity securities classified as “held for trading” would be reported at market value. Unrealized gains and losses of securities in this category would also be included in earnings.

Transfers between categories would be accounted for as sales and repurchases at market value.

A formal proposal is expected to be released for public comment later this summer, and a rule could take effect in 1994.

The accounting board has been urged by the Securities and Exchange Commission to move toward market value accounting in part because of concerns about asset quality at banks and savings and loans.

“They’re sweeping insurance companies into that big bowl at the same time,” said Alan Levin, senior vp at Standard & Poor’s Corp. in New York.

The latest proposal, observers note, is a compromise. Some people had advocated that fluctuations in market value for all assets—not just those in a “held for trading” category—be reflected in the income statement.

Restricting the proposal primarily to the balance sheet is helpful if only because it limits its impact, Mr. Robertson commented. “It’s less foolish than what had been proposed.”

He noted that most investors pay more attention to the income statement than to the balance sheet.

A market-value reporting rule would affect financial data reported on a generally accepted accounting principle basis, but not insurers’ statutory results. Observers disagree over whether state insurance regulators are likely to also move in this direction.

Among observers’ criticisms of the proposal is that altering one side of the balance sheet—but not the other—gives a financial statement “that does not represent the real economics of the situation,” said Mr. Robertson. “It doesn’t make sense.”

The proposal is a “bit like taking a shower with a raincoat on” in that it does not call for having both sides of the balance sheet sensitized to changes in interest rates, “which is really the fundamental issue,” said Stephen Lowe, a vp with Tillinghast in Hartford, Conn.

Some observers believe permitting insurers to discount loss reserves would help balance out the equation.

But Mr. Levin said that S&P is against that proposal. S&P opposes discounting reserves because it “creates a bias in favor of underreserving,” said Mr. Levin.

Observers say another problem

is that the FASB proposal would create unwanted volatility in insurers’ balance sheets as the value of the bonds rises and falls with interest rates. As rates decline, bonds increase in value; as rates increase, they decline in value.

With the rule in effect, rising interest rates could create huge unrealized losses in bond portfolios. And insurers would be “completely innocent,” because it would not be the result of anything they did, said Mr. Levin. “The bottom line is, we don’t think it actually does much to mark these things to market.”

“I think it will definitely lead to volatility within reported earnings, and that’s the last thing this industry needs,” said John H. Snyder, vp at A.M. Best Co. in Oldwick, N.J. “The industry is cyclical and volatile enough.”

“It brings in a great deal of volatility,” agreed Howard Dalton, senior vp of St. Paul Fire & Marine Insurance Co. He added that St. Paul could live with the proposal, but would prefer that FASB did not proceed with it.

Yet another problem, say observers, is determining how to categorize the assets.

“Generally, property-casualty insurance companies do hold bonds to maturity unless there’s an opportunity or a business reason to sell them, such as tax considerations,” said Mr. Lowe.

“I don’t think as a practical matter companies can be expected to place these bonds in these categories,” he added. “I see that as being impossible to manage and impractical.”

Insurers need the flexibility to be able to sell their bonds without penalty, according to Mr. Lowe. “I think the classification

of the bonds is not as clear-cut as the definitions of the categories might imply,” he said. “How will an auditor test management’s intentions?”

“Are the auditors expected to be mind readers, such (that) they can look management in the eye and see they intend to hold these bonds?” Mr. Lowe asked rhetorically. “I don’t think it’s very practical.”

“In practice, how are they going to implement it?” Best’s Mr. Snyder asked. If the category definitions are stringent, it could cause problems, he said. “It just becomes a real administrative chore.”

“You’ve got to make a 30-year guess of creditworthiness? I can see some inner tensions on this,” commented Joyce Culbert, an analyst with Chicago Corp.

One analyst, though, applauded the proposal.

“Does this mean insurance executives are going to have to think before they act?” asked Joanne Morrissey, a principal with Firemark in Morristown, N.J. “They’re going to have to make plans, and they’re going to have to stick with them.”

The proposal will provide both insurance buyers and investors with a “more realistic look at the asset value of the portfolio, and I think it’s about time that it happened,” she said. While it may give chief financial officers more to do, “I, for one, want to know what those bonds are worth.”

The industry has known this proposal was coming, said Michael Smith, an analyst with Lehman Bros. “This is not something that’s a total surprise or a total shock,” he said. “At the end of the day, I really don’t think it’s going to have a whole big effect on the industry.”

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# Transamerica

Continued from page 1  
finance businesses.

"We have therefore concluded that the growth opportunities of both Transamerica Corp. and Transamerica Insurance Group would best be met if Transamerica Insurance were owned by someone committed to the property and casualty insurance business," he said.

Transamerica has retained Morgan Stanley & Co. Inc. and Donaldson, Lufkin & Jenrette Inc. as advisers for the sale, which Mr. Herringer says the company intends "to accomplish... as quickly as is feasible and prudent."

Transamerica has several options. It could sell the property/casualty division outright, spin it off to current shareholders or hold an initial public offering, said Richard J. Olsen, vp-corporate relations.

Not included in the sale will be Transamerica's 25% equity investment in Sedgwick Group P.L.C., valued at \$423.7 million at year-end 1991.

Sedgwick Chairman David Rowland said he had spoken with Transamerica's Mr. Herringer before last week's announcement.

Transamerica said the sale of the property/casualty insurance operation "isn't relevant to Sedgwick," said Mr. Rowland.

While no potential buyers have yet been identified for the insurer, Mr. Olsen said the company is willing to consider any reasonable offer, including offers from foreign companies.

Indeed, some analysts say it is likely that the new owner of Transamerica Insurance, the 27th-largest U.S. property/casualty underwriter, will come from France, Italy or Germany.

Russell Miller, chairman of specialty investment bank Russell Miller Inc. of San Francisco, said he has had numerous inquiries from European insurers interested in U.S. expansion.

"If I were (Transamerica's) investment banker, I'd be on a plane to Europe right now," Mr.

Miller commented.

"I'm sure the (investment) banks will pursue all opportunities, and some of those will be European," agreed Chris Hitchings, an analyst at Hoare Govett Ltd. in London. "Some (European insurers) are interested in buying U.S. insurance companies, though some wish they hadn't."

French insurers, in particular, have investment capital available to buy insurers if they wanted, said Mr. Hitchings, who echoed Mr. Miller's comments: "If I were a banker, I'd be on the first plane to Paris or Amsterdam or Munich."

However, Kevin Phillips, an insurance analyst for Kleinwort

Benson Securities Ltd. in London, disagreed.

The only European insurer that has any money to spend for any acquisition is Italy's Assicurazioni Generali S.p.A., he said. Otherwise, "there aren't a lot of people around with the time and money" to buy a property/casualty insurance operation like Transamerica Insurance, he said. The French insurers are busy with other acquisitions, as are many of the Germans; U.K. insurers have "one goal and that's survival", and the Japanese insurers' financial strength was dashed by last year's typhoon, he contends.

Japanese firms are unlikely to

Continued on next page

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Financial:	
Chief Financial Officers and Vice-presidents of Finance	2,972
Secretaries, Treasurers, Controllers and other Financial Personnel	4,406
Risk/Employee Benefits:	
Vice-presidents, directors, managers, and other related department personnel of insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	10,976
Sub-total	24,117
Associations	458
Government, Unions and Educational Institutions	1,234
Commercial Consumers	
Sub-total	26,809
Insurance Agents and Brokers	9,430
Insurance Companies	8,045
Accountants, Actuaries, Attorneys & Consultants	3,405
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,518
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TOTAL	50,599

\* Source: Business/Occupational breakdown of qualified circulation, May 27, 1991 issue, as submitted to BPA for June 1991 BPA Publisher's Statement.

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### THE INTEGRAL INSURANCE COMPANY IN REHABILITATION

By Order of Judge Preston Dean of the Circuit Court of Jackson County, Missouri dated June 19, 1992, a Plan of Rehabilitation of this Company was approved. Following is a summary of that Plan:

The Revised Plan of Rehabilitation filed and approved by the Court of May 19, 1992, the Court has ordered certain limitations and restrictions on the payment of claims and judgements.

Any settlements or judgements to be paid by Integral Insurance Company in Rehabilitation are expressly subject to the following provisions of the revised rehabilitation plan.

Settled claims, judgements and all loss adjustments and all loss adjustment expenses (defense attorney fees, adjustment expenses, etc.) will be paid monthly at a rate not to exceed Six Million Dollars (\$6,000,000) per quarter through 1992, Five Million Two Hundred Fifty Thousand Dollars (\$5,250,000) through September 30 1993 and Four Million Five Hundred Thousand Dollars (\$4,500,000) per quarter thereafter.

The payment of individual claims shall be limited to the coverage limit that a claimant would be entitled to receive from the applicable state insurance guaranty fund if Integral were placed into receivership for liquidation. For those claims which exceed that applicable guaranty fund limit, the amount of the claim above the guaranty fund limit will then be reserved for future payment. Barring unforeseen circumstances and provided there are sufficient funds at the conclusion of the rehabilitation to pay all policy claims in full, the portion of an individual claim in excess of the guaranty fund limit will then be paid, unless otherwise ordered by the Court for the protection of Integral's policyholders, creditors and general public.

Subject to the foregoing limitations, payments made by Integral pursuant to the Revised Plan of Rehabilitation will be paid on a chronological basis and a settlement will be placed in line for payment when the claim or settlement agreement giving rise to Integral's obligation is fully and finally executed and, if necessary, approved by a court of competent jurisdiction.

Unless and until otherwise ordered by the Court, all payments made by Integral are subject to the guaranty fund limitations set forth in the plan and limited to the extent that Integral has not made aggregate quarterly payments in excess of the limits set forth in the plan.

This communication recites the current restrictions and limitations of the Revised Plan of Rehabilitation. There is no assurance that these restrictions and limitations will remain the same. Through periodic accounting and actuarial analysis, the rehabilitator will review the status of Integral and the effectiveness of the Revised Plan, and thereafter the Court may adjust the quarterly limitations, impose further restrictions or cease payment of settlements and judgements. The Revised Plan of Rehabilitation does not assure Integral Insurance Company will not be placed in liquidation by the Court.

For a complete copy of the Plan, please contact Mr. Hugh Setterfield, Agent for the rehabilitator, at The Integral Insurance Company in Rehabilitation, Post Office Box 2051, Milwaukee, Wisconsin, zip 53201-2051, phone (414) 784-7780 or 1-800-558-9257.

Continued from previous page  
 be interested, since they generally are more interested in pursuing life/health companies than property/casualty insurers, Mr. Miller added.

Other unlikely suitors include the largest U.S. property/casualty insurers. "The Top 20 U.S. companies are unlikely to be interested," Mr. Miller said.

Possible U.S. buyers would include an industrial company seeking to expand into financial services or perhaps a life/health insurer "that sees a strategic reason for getting into the property/casualty business or perhaps into California," he said.

About 60% of Transamerica Insurance's book of business is composed of California risks.

Analysts say the writing has been on the wall for some time.

"When Herringer assumed the CEO title last year, he was concerned with the lack of consistency in the earnings of certain subsidiaries," explained Sam Liss, director of research for Salomon Bros. in New York.

Since "the property/casualty company has required a significant level of capital relative to its returns," it was likely to be divested sooner or later, Mr. Liss said.

Transamerica's property/casualty operations represent about 15% of its expected 1992 earnings yet utilizes about 25% of the company's capital, according to a report by Conning & Co, an institutional insurance research firm in Hartford, Conn.

Mr. Miller agreed: "There were very strong hints a year ago that they would accept a strong minority investment (in Transamerica Insurance) which indicates that it was interested in reducing its holdings."

Indeed, even though the announcement was only made last week, "we have been working on it for some time," confirmed Mr. Olsen of Transamerica. In May, the company approached its investment advisers to begin testing the waters.

While he would not say what type of investors Transamerica hoped to attract, Mr. Olsen did say that the company would not turn down any foreign capital.

"There are no restrictions on who can make an offer," Mr. Olsen said.

Policyholders and brokers, he said, would be well-served if Transamerica Insurance were bought by a "major global insurer."

Whoever buys Transamerica Insurance is likely to pay a price "below its \$1.1 billion book value," said Thomas Sargent, senior vp at Conning & Co.

"Transamerica Insurance's track record hasn't been that great, with a return on investment of about 6% for the last four years," he said. In addition, "it's a difficult time in the property/casualty business. It will probably break even or even lose money in 1992."

Transamerica Insurance, like most workers comp insurers in California, has been hit hard by losses in the Los Angeles area, according to F. Michael Armstrong, executive vp and chief administrative officer.

And a lower-than-sought rate increase will likely result in rates not keeping pace with claims, he said. Insurance Commissioner John Garamendi recently cut to 6.7% the 23.1% rate hike request by the Workers Compensation Insurance Rating Bureau. Transamerica Insurance also faces a

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# Transamerica

*Continued from previous page*  
 \$26.4 million aftertax hit if it loses its appeal of an Insurance Department order to refund \$40 million to policyholders under Proposition 103, the 1988 voter-initiated roll-back law.

However, there is a "plus side" that will make Transamerica Insurance more marketable to potential buyers, stressed Conning & Co.'s Mr. Sargent.

"The company has changed its stripes and become more specialty-oriented," he said, pointing to Transamerica Insurance's move-

ment into the sports, entertainment and leisure insurance markets.

Transamerica Insurance insures baseball and football stadiums, basketball arenas, auto racing tracks, rock concert venues, parades, state fairs and fireworks shows.

Among its policyholders are the National Basketball Assn.; 13 of major league baseball's 26 franchises, including the Los Angeles Dodgers; and 20 of the 28 teams in the National Football League, including the Los Angeles Rams.

The insurer also underwrites spectator liability, participant liability and property coverages for

operators of bungee-jumping franchises through a program available through broker K&K Insurance Group Inc. in Fort Wayne, Ind. (see story, page 1).

But even the entertainment business has been costly lately for Transamerica Insurance. It is pumping an additional \$18 million into reserves for this line as part of its second-quarter infusion.

Cast insurance, which Mr. Olsen described as "quasi-work comp," for actors and completion guarantees for motion pictures "both had some problems in the early part of this year," he explained.

Another aspect of Transamerica

Insurance that makes it an attractive purchase is the experience of its management, said Mr. Miller.

"The difficulties of the company are minimized by the quality of its management," he said, which includes Gerald A. Isom, president and CEO, whose 33 years of experience in the industry span senior management positions in underwriting, specialty insurance and international operations.

Before joining Transamerica in 1984, Mr. Isom was a senior vp at Fireman's Fund Insurance Co.

Mr. Isom and other senior management plan to remain with the company after its sale, Mr. Arm-

strong said. Transamerica Insurance employees 4,400 people in 65 locations nationwide.

The company also is scaling back its unprofitable workers compensation business, having announced plans late last year to reduce its book of business in the Los Angeles area by one-third over the next two years (BI, Dec. 23, 1991).

Currently, 45% of the insurer's workers comp business is written in the Los Angeles area, Mr. Armstrong estimated.

*International Editor Stacy Shapiro in London contributed to this report.*

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Ron Berler, IRI Vice President International

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# Insurance unit spinoff to boost earnings

WOODLAND HILLS, Calif.—Transamerica Corp. this week will report its second-quarter results separately from those of its property/casualty insurance operations.

While Transamerica Insurance Co. in 1991 reported property/casualty insurance operating income of \$57.3 million—13% more than in 1990—the insurer is expected to report a second-quarter 1992 operating loss of approximately \$40 million due to reserve strengthening.

The property/casualty segment wrote \$1.8 billion in premiums in 1991, had \$1.1 billion in equity and \$823 million in statutory surplus.

The insurer is boosting reserves for losses in workers comp and entertainment by a total of \$63 million, said Richard J. Olsen, vp-corporate relations.

Meanwhile, its parent company expects to report a strong second quarter from its continuing operations. Aftertax profits, before capital gains, are expected to be more than double the \$43.6 million reported in second-quarter 1991, according to Transamerica Corp.

The company attributes the increase in part to a return to profitability during the quarter of Transamerica's commercial finance unit, which lost \$217 million in 1991.

Year-end consolidated income for Transamerica Corp. fell 81.2% to \$50.1 million in 1991 from \$266.3 million in 1990.

Analysts say the sale of the property/casualty insurance operations could help Transamerica Corp.'s future earnings.

"If they take the proceeds to buy back stock and pay off debt, it will make their earnings less cyclical," said Thomas Sargent, senior vp with Conning & Co. of Hartford, Conn.

In a related development, Standard & Poor's Corp. placed Transamerica Insurance Group on CreditWatch with developing implications, which means that the company's AA- claims-paying ability rating may be raised or lowered.

Any change in Transamerica's rating will depend on the structure of the transaction and the structure of the company that emerges, the rating agency said.

S&P plans to meet with Transamerica's management and, if appropriate, the management of the prospective buyer to review its business strategies and financial plans.

—By Joanne Wojcik

## NME lawsuit

Continued from page 1  
surers filing suits against it on charges of improper practices.

But NME says it is the insurance industry that is guilty of abuse.

The company's lawsuit charges that Travelers, Mutual of Omaha and Massachusetts Mutual are wrongfully trying to shift the burden of soaring health care costs to providers and policyholders.

"They have attempted to substitute their own profit-driven judgments about the propriety of medical care for the clinical judgment of the doctors and other health care professionals treating the individual patients," NME's suit charges.

The insurers "have unilaterally dictated the medical services that they will pay for and have declined to pay for medically appropriate services expressly covered by their insurance policies," the suit charges.

NME charges that the three insurers:

- "Refused to pay for hospitalization beyond pre-determined arbitrary time periods or have refused to extend payments beyond the initially approved time periods."

- "Engaged in so-called 'post-discharge audits,' the effect of which is to retroactively disqualify medically appropriate health care services that they had previously carefully monitored and approved."

- "Made de facto reductions in the coverage of their health insurance policies by unilaterally refusing to make payments for medical services covered by the policies."

- "Wrongfully approved only outpatient treatment" for illnesses for which the insurers "previously had determined that inpatient treatment was medically appropriate."

- Exchanged data and acted in concert to attempt "to retroactively disqualify medical services that have been monitored, audited and properly reimbursed pursuant to patients' insurance policies."

NME contends that in pursuing the alleged scheme, Travelers withheld payment of \$37 million in claims and that Massachusetts Mutual and Mutual of Omaha each withheld \$4 million.

The company says it may also seek damages beyond the \$45 million allegedly withheld.

The suit also seeks declaratory relief "setting forth the proper scope of coverage" under the three insurers' policies.

The suit was filed because NME "had reason to believe the insurers were going to sue us for improper practices, based on the problems we had in Texas, Florida and elsewhere," said John Bedrosian, senior executive vp and NME co-founder.

NME last month settled a multimillion-dollar suit brought by the Texas attorney general alleging, among other violations, that NME paid a "bounty" to so-called assessment firms to funnel insured patients to NME hospitals.

The Texas attorney general's suit cited "the ferocity of the competition for patients" among psychiatric hospitals in the state, which "directly led to the marketing, admission, treatment and billing abuses which have been commonplace in this industry in Texas."

Calling the Texas charges "wild allegations," an NME spokesman emphasized that it settled the charges without admitting any wrongdoing and, he said, only to avoid the cost of further litigation.

The insurers named in NME's suit agree the hospital chain's lawsuit is an attempt to deflect an expected insurer lawsuit.

"We are surprised" by NME's suit "because we and other insurers have been discussing with NME a substantial (lawsuit) against an NME

subsidiary involving its billing and treatment practices. We can therefore only conclude that the NME complaint is an effort at a pre-emptive strike," said Mutual of Omaha in a statement.

Travelers said that an investigation of NME's billing and treatment practices "has been under way for several months."

A spokesman for Massachusetts Mutual said insurers have "raised very serious concerns about NME's billing and treatment practices, which have been discussed with NME. The suit has no merit. We can only conclude that it is an attempt at a pre-emptive strike."

None of the insurers would comment on NME's specific charges.

Meanwhile, a group of 20 insurers met last week to decide on a legal strategy to pursue against NME, according to an insurer spokesman.

Some of those insurers could file suit as early as this week, he said.

If insurers sue, NME's Mr. Bedrosian said that he expects their claims to be based on what he called the misleading reports of the Texas settlement.

"So we thought it was time to take a stand" against insurers that try to "dictate the coverage" that mentally ill patients receive, Mr. Bedrosian said, explaining why NME filed suit.

The Texas attorney general first sued NME's psychiatric hospital division—then called Psychiatric Institutes of America—last September, according to Mark Chouteau, assistant attorney general. The original suit alleged that NME violated a state statute against "bounty hunting," or reimbursing companies and individuals such as physicians to provide NME with insured patients, Mr. Chouteau said.

State officials and NME subsequently "negotiated a global settlement" of broader charges, he said. Those allegations included that:

- Employees of "intervention and assessment services" set up by NME "were not qualified to assess the need for inpatient hospitalization. . . (and) whether a prospective patient was a suitable candidate for referral to one of (NME's) facilities was often influenced by the existence of a third-party payer."

- NME placed employees in Texas public schools as counselors to refer troubled students to NME hospitals, though neither the school nor the parents knew that the counselors were NME employees.

- NME gained referrals to its hospitals through direct marketing operations that were staffed "with personnel who by training and compensation were more inclined to marketing than making independent clinical judgments."

- Once admitted to an NME hospital, patients "might spend several days in the facility prior to being evaluated by a psychiatrist regarding the appropriateness of the admission."

- That NME staff often misrepresented to patients the specifics of their insurance coverage and often told patients who wanted to be discharged that if they left the facility, their insurer would not pay for charges incurred.

While admitting no wrongdoing, last month NME entered into an agreed judgment that includes a permanent injunction against the activities alleged in Texas.

The settlement provides that NME hospitals in Texas will be monitored for one year beginning July 1 by ombudsmen chosen by a utilization review firm approved by the attorney general.

As part of the settlement, NME also agreed to provide about \$2.5 million in free care at its Texas hospitals; to forgive about \$4 million in claims against the Texas Crime Victims Compensation Fund, which the state alleged was defrauded by NME; and to reimburse the state \$1.1 million in investigative costs.

Meanwhile, a spokeswoman for the Florida Department of Insurance said an investigation of NME hospitals is "pending."

Florida's investigation began a year ago when Capital Cities/ABC Inc.'s "Prime Time Live" television program presented allegations that patients were being kept in NME hospitals in Florida until their insurance ran out and then were being summarily discharged, the spokeswoman said.

NME hospital staff also allegedly changed patients' treatment codes so that insurers would reimburse the hospitals, the spokeswoman said.

She declined to give further details of the department's investigation.

The Fraud Division of the New Jersey Department of Insurance also is involved in an ongoing investigation of two NME hospitals in that state, following hundreds of complaints from patients and physicians, according to information provided by Louis Parisi, the division's director.

The complaints charged overbilling, billing for services never provided or required, and misdiagnoses of patients to maximize insurance benefits.

While admitting no wrongdoing, the two NME hospitals in May 1991 paid the Insurance Department \$400,000 as part of a sealed consent agreement. The department had originally sought a \$2 million penalty from the hospitals.

In addition to the state probes, a U.S. House of Representatives panel earlier this year looked into complaints against the for-profit psychiatric hospital industry.

The House Select Committee on Children, Youth and Families held a day-long hearing in April on alleged abuses in the nation's private psychiatric hospital industry. Witnesses accused several psychiatric hospital chains, including NME, of improper marketing practices.

Whatever abuses the for-profit psychiatric hospitals may have engaged in, practitioners warn that it is also possible for insurers and others to incorrectly apply managed care techniques to the treatment of mental illnesses.

When misapplied, techniques like utilization review can seriously jeopardize the physician-patient relationship, which is especially important in a mental health care setting, they say.

"Managed care if misapplied can be harmful," asserts Dr. Leo H. Bradman, a clinical psychologist and chairman of Bradman Therapy Centers, a Fort Lauderdale, Fla., managed mental health care firm.

For example, Dr. Bradman said, "There's a tendency by managed care companies to conduct 'blind reviews.' They don't know the patient or see the patient, but they deny care over the phone, perhaps because some question on a form has not been answered right."

"There are some managed care companies out there touting the fact that nobody needs to be in the hospital, which is crazy," he added.

The central flaw in managed care as it is now practiced is the "adversarial relationship created between the provider and the utilization review company," said Dr. Bradman. Instead, he advocates a system "where providers set up their own utilization review" mechanisms and engage in "stringent peer review." ■

## Claims system

Continued from page 2  
puter billing standards (BI, Nov. 11, 1991).

"It's a question of using existing standards with existing hardware," said Joseph T. Brophy, co-chairman of WEDI and president of Travelers Insurance Co. in Hartford, Conn.

WEDI recommends that:

- "All participants" in the health care system, including private and public payers, hospitals, physicians and pharmacists, adopt uniform standards for "major business transactions such as eligibility, claims and payment." These standards are being devised by the American National Standards Institute, which coordinates the development of business standards for a variety of industries.

The WEDI timetable calls for all "major players" to use the standards for electronic data interchange by the fourth quarter of 1994. All other participants are expected to use the standards by 1996.

- The number of unique information requests decrease so that by 1995, all participants should be committed to using standardized billing data.

- Congress enact uniform federal confidentiality laws by the end of next year, because "the current morass of state laws" contributes to administrative costs and creates a situation in which individuals' rights vary from state to state.

- Uniform standards for health insurance cards be created.

- The federal government commit money for further study of electronic data interchange cost savings.

WEDI's recommendations closely resemble those in a Bush administration proposal to encourage the use of electronic transmission of claims information (BI, June 22). That plan would give the secretary of health and human services the power to develop standards if private insurers don't do so by the end of 1993.

WEDI's other co-chairman, Bernard R. Tresnowski, added that the significance of the WEDI proposal is that the health industry is now committed to achieving these standards. Mr. Tresnowski is president of the Chicago-based Blue Cross & Blue Shield Assn.

In accepting the report, Dr. Sullivan praised the effort, saying that electronic billing will save the U.S. health care system at least \$4 billion a year. He predicted that by the year 2000, the increased use of electronic data interchange, both for claims and clinical information, will result in a \$20 billion annual savings.

"A fully integrated system can save even more, in both administrative activities and by helping to root fraud and abuse out of the health care system," he said.

Meanwhile, a group of large commercial health insurers has signed an agreement with a managed prescription drug vendor to develop such a system. The NEIC, an electronic data clearinghouse formed in 1981 by a group of 11 health insurers, is launching an electronic claims information-sharing system designed to slash administrative costs by eliminating the mounds of paperwork and hours of phone calls that plague the health care reimbursement system.

PCS Inc., a Phoenix-based managed prescription drug vendor, will supply the technology for the venture.

The new electronic system, called the Health Care Information Network, "is needed because of the advance of managed care," which requires a huge amount of information to be exchanged among payers, providers and networks, said

James Pickering, vp of managed care services at NEIC in Secaucus, N.J.

"If a doctor has a contract with four different managed care organizations, he (or she) has to deal with four sets of patient eligibility rules, four sets of utilization review rules and four lists of the various specialists the network allows him (or her) to refer patients to," he said. And physicians, rather than patients, are now required to submit claims to payers under most managed care contracts.

While managed care is a good thing, it has "complicated the lives of physicians," Mr. Pickering said. And, managed care contracts have created "a blizzard of paper" for physicians and payers, he said.

"Managed care will work, but we have to provide an infrastructure to allow it to work," he added.

The NEIC project will capture data that already exists in payers' and providers' information systems, Mr. Pickering said. That data will be sent to the Health Care Information Network and shared interactively with all parties so that claims-related transactions can be completed in seconds rather than days or weeks, he said.

"With HCIN, the cornerstone is to tell physicians who is eligible for certain health benefits and who is not, who a patient's primary care physician is and what a patient's out-of-pocket and copayment requirements are so they can collect them," Mr. Pickering explained. The network also will inform physicians about any UR requirements and to whom they can refer patients.

"Eventually, we want the physician to be able to refer a patient to a specialist and get approval simultaneously"—without using the phone or creating additional paperwork, he noted.

NEIC chose PCS because of its ability to route, edit and store volumes of health care data, noted Kenneth J. O'Donnell, NEIC president and chief executive officer.

Under the proposed system, when a patient enters a physician's office, a nurse or administrator will type the patient's name, Social Security number and group health plan number into an information system. That data immediately will be sent through the interactive network. NEIC systems will receive the data and monitor its transfer to the payer's data base—whether it be a group health insurer, managed care organization, self-insured employer or third-party administrator.

Information about eligibility, benefit levels and UR requirements, among other things, will then automatically be transferred back to NEIC and passed along to the provider, Mr. Pickering explained. The system will be designed to protect the confidentiality of sensitive data, like patient diagnoses, he noted.

The project is consistent with the objectives of the federal government and WEDI, pointed out James Rose, vp of marketing for NEIC. Although NEIC's efforts to develop such a system predate WEDI's recent report to Dr. Sullivan, the Health Care Information Network project incorporates some of the same goals, including requiring vendors to adhere to American National Standards Institute standards.

The pilot program should be up and running in six to eight months for seven of the 11 NEIC insurer members, including Aetna Life & Casualty Co. of Hartford, Conn.; CIGNA Corp. of Philadelphia; John Hancock Mutual Life Insurance Co. of Boston; Metropolitan Life Insurance Co. of New York; Pacificare Health Systems Inc. of Cypress, Calif.; Prudential Insurance Co. of America of Newark, N.J.; and Travelers Corp. of Hartford, Conn. ■

## Hall acquisition

Continued from page 1

15 years. Hall's reinsurance unit, Madison Intermediaries Inc., now places about half of this amount of business on behalf of Reliance insurance units.

Aon Reinsurance Agency Inc., meanwhile, had only recently won its first piece of Reliance business, Mr. Ryan said, describing the new reinsurance business as crucial to the deal. "It could not have been done without it."

Aon also will not assume liability for \$75 million in Hall bank debt and about \$25 million that Hall owed to Reliance. These amounts will be repaid out of the cash portion of the purchase price, said John A. Addeo, Hall's senior vp and treasurer.

Reliance—which owns 70% of Hall's common stock and holds convertible preferred stock that would raise its common shareholding to about 85%—said it will record a \$50 million aftertax gain on the sale of Hall.

Reliance Insurance Co., the Reliance unit holding Hall's stock, had valued the shares at \$389.4 million on a fully diluted basis.

The \$475 million purchase price equates to \$1.25 per common share, after providing for the preferred stock, repayment of Hall's debts and taxes, Reliance announced.

Hall common shareholders other than Reliance will receive 0.625 Reliance common shares for each Hall share they own, Reliance announced.

Reliance common stock closed at \$5.13 per share at the end of trading Friday, up 38 cents; Hall stock closed at \$2.88 per share, down \$1.50; and Aon's stock closed at \$48.50 per share, which was unchanged.

Reliance, Hall and Aon officials all expressed satisfaction with the deal, pointing to the benefits it provides each company involved.

The sale also drew generally positive reactions from analysts and other industry observers. Some observers, however, questioned whether Aon paid too much for Hall and pointed to the huge challenge Aon faces in stabilizing Hall's operations and integrating the two companies' North American and overseas operations.

"We think it is a very unique opportunity to expand," Mr. Ryan said. "It's a very strong strategic fit, and the financial terms were very fair for both companies."

The acquisition will double RBH's North American retail brokerage business and triple its benefit consulting business, he said.

It also will provide RBH with a stronger presence in the United Kingdom, Europe, the Far East, Mexico and South America, he added.

"For the combined operations, the opportunity is absolutely incredible," said Donald A. Bell, Hall's chairman and chief executive officer.

The RBH and Hall operations fit "like two hands coming together," said Mr. Bell, who will be joining the merged company in a senior executive capacity yet to be determined.

Reliance Chairman Saul P. Steinberg said in a statement that he is pleased "that Hall (is) being acquired by a strategic buyer with a keen interest in building on Hall's long-established reputation in the industry."

RBH, the world's sixth-largest broker, recorded \$526 million in gross revenues last year, including the revenues of Hudig-Langeveldt Group bv, the Dutch broker Aon acquired in 1991.

Hall, the world's seventh-largest

broker, reported 1991 gross revenues of \$461.6 million.

Combined, the two firms generated \$987.6 million in 1991 revenues, which would have made it No. 5, squeezing past Johnson & Higgins, which had an estimated \$933.1 million in revenues, and falling just short of Willis Corroon Group P.L.C., which had \$1.12 billion.

Aon will retain the Hall name but will probably combine it with the names of RBH and Hudig in a way yet to be determined, Mr. Ryan said.

Meanwhile, Mr. Ryan denied another rumor making the rounds last week: That Aon might spin off some of Hall's U.S. operations to another broker, possibly Jardine Insurance Brokers Group.

A Jardine official in San Francisco also denied the rumor.

Initial reaction to the deal among several analysts and industry observers was generally positive.

"The structure of the transaction is very innovative," said Russell Miller, chairman of insurance industry investment banker Russell Miller Inc. in San Francisco. "People familiar with the industry have long thought that this was the only way to do it. . . that Reliance Group Holdings had to take some responsibility in the sale."

The fact that Hall shareholders will be given 0.625 shares in Reliance in exchange for their Hall shares should make them "jump for joy," Mr. Miller said. "It's a good deal for Hall shareholders."

Although "the stock market is saying that Aon overpaid for it, I think it's a good deal for both parties," said Walter Fitzgerald, vp of RAS Securities in New York, referring to Aon's stagnant stock price.

Expansion in the insurance brokerage business was a high priority for Aon, Mr. Fitzgerald noted. RBH failed in its 1990 bid to acquire Corroon & Black Corp., and "there aren't that many franchises of that kind around anymore. Frank B. Hall was one of the last that was left."

"If you want to expand quickly, this sort of purchase may have been the only way to do it," he said.

And for Reliance, "the fact that they got this off the book and freed up some capital" was a wise decision, he said. "From Reliance's perspective, it's a very, very positive step."

Hall shares had represented 46.3% of Reliance Insurance Co.'s year-end 1991 surplus of \$841 million. This was one of the concerns Marsh & McLennan Cos. Inc. recently raised in a letter to its clients regarding Reliance's finances (BI, June 22).

The deal should also prove a good one for Aon, several analysts agree, though they differ on whether \$475 million was too much to pay for Hall.

"Hall has got a large premium income but unfortunately it doesn't make a large enough profit, so it looks like Aon has paid quite a high price for it at \$475 million," said Roman Cizdyn, an insurance analyst at stockbroker Smith Newcourt in London.

Although the dust will have to settle before a detailed analysis of the deal will be possible, the price looks high, agreed Alan Nichols, an insurance analyst at James Capel & Co. Ltd. in London, who earlier this year put a price tag of \$250 million on Hall.

A New York analyst, however, said Aon "is getting a pretty fair deal" acquiring Hall at one times its 1991 revenues.

"In terms of critical mass, it catapults them into the top group of world brokers," said another analyst who asked not to be named. "If Pat Ryan can stabilize the situation and retain revenue, he will have pulled off something."

That will be no small feat: While the Hall acquisition is strategically valuable to Aon in several ways, several industry observers point to the challenges RBH faces in combining its existing operations with Hall's.

Hall has 170 offices and 4,775 employees around the world, while RBH has 151 offices and 5,275 employees.

Duplicate offices must be merged, while other operations must be made to work together, observers note.

For example, while Aon gains control of Leslie & Godwin Ltd., Hall's valuable London brokerage unit, it also will retain its 25% to 40% equity stake in London broker Nicholson Chamberlain Colls Ltd.

Both London units have strong aviation departments and some London market observers say Aon may run into trouble trying to operate both. In fact, rumors spread through London before last week's acquisition announcement that Aon would be selling its share of NCC to NCC's directors.

NCC Chairman Alan Colls denied that there could be a clash between NCC and Leslie's aviation departments, and Mr. Ryan denied that Aon is considering selling its NCC shares.

NCC and Leslie & Godwin will not be merged and will continue to operate independently, Mr. Ryan said.

He also downplayed any difficulty in merging RBH's U.S. brokerage offices with Hall's, explaining that the merger will be made easier by the fact that one firm was usually larger than the other in most cities.

"We need all the good insurance professionals in both operations," Mr. Ryan said. "There's not going to be a lot of pain in the merger."

Mr. Miller, the investment banker, agreed: "Rollins has been consolidating over the last two years. They know how to do it."

Hall's Mr. Bell also maintained that the RBH and Hall operations overlap little around the world and will present few problems in the merger.

The two firms' U.S. offices have complementary strengths and weaknesses, he said. Overseas, Hall has a strong presence in Denmark, Sweden and Norway—where Hudig is relatively weak—but has only a correspondent relationship in Germany, where Hudig has its own operations, he added.

Meanwhile, Mr. Ryan also downplayed the difficulties Hall's brokerage operations have faced in recent months.

Former Hall officials and others say the broker has lost key producers and several large accounts in recent months and that new business production in Hall's offices had slowed to a crawl.

Among other things, Hall has recently lost several of its aviation brokers to Marsh & McLennan Cos. Inc. and Willis Corroon P.L.C., and has lost business from clients like Eastman Kodak Co., Amway Corp. and the Trump Organization.

Mr. Ryan maintained that Hall's personnel and business losses have not been much worse than other brokers', but that Hall's problems have been highlighted.

"We have all had lost business, but they have had a spotlight on their lost business," Mr. Ryan maintained.

"Becoming part of Aon will help them a lot in many ways, in terms of having the financial strength of Aon and the joint capabilities of the two companies," Mr. Ryan predicted.

Mr. Bell denied that Hall's new business production has suffered in recent months, though he declined to provide specifics.

Continued on next page

## Update

### \$9.2 million Pan Am verdict

NEW YORK—A jury has awarded \$9.2 million to the family of one man killed in the 1988 explosion of Pan American World Airways Inc. Flight 103 over Lockerbie, Scotland.

The award is the first in the damages phase of the trial, which began after the jury earlier this month found Pan Am guilty of willful misconduct for not detecting the terrorist bomb that blew apart Flight 103 in December 1988, killing 259 people on board and 11 on the ground (BI, July 13).

Ordinarily, the Warsaw Convention would limit the airline's liability to \$75,000 per passenger, but the cap does not apply in cases of willful misconduct. The plaintiffs in the Pan Am suit are seeking a total of \$350 million in damages.

Now-defunct Pan Am had \$750 million in liability insurance led by United States Aircraft Insurance Group. Other insurers include Lloyd's of London's Ariel syndicate, La Reunion Aérienne of France, Associated Aviation Underwriters of Short Hills, N.J., and CAMAT of France.

The \$9.2 million award was to the family of Robert Pagnucco, a PepsiCo Inc. executive.

### Asbestos damages awarded

BALTIMORE—Kicking off the second phase of the nation's largest consolidated asbestos case, a jury has awarded three plaintiffs a total of \$11.2 million in compensatory damages but ruled that three other plaintiffs are not entitled to damages because their injuries were not asbestos-related.

A Baltimore Circuit Court jury on Thursday awarded three "sample" claimants—who had been handpicked by plaintiffs' attorneys—\$4.2 million, \$3.7 million and \$3.3 million, respectively, for illnesses caused by asbestos produced or installed by six defendants. However, the jury found that maladies of three other plaintiffs were not caused by contact with asbestos.

"The verdicts in favor of the defense underscore our position from the start that the overwhelming majority of claims involve plaintiffs with no asbestos-related injuries," said a source close to the defense. "This whole process is riddled with error."

The six named defendants in the case are GAF Corp., Keene Corp. and Pittsburgh Corning Corp., which made products containing asbestos; and AC&S Inc., MCIC Inc. and Porter-Hayden Co., which installed asbestos products. The companies cannot appeal until all phases of the trial are completed (BI, July 20).

Awards for the remaining 8,549 plaintiffs will be set in so-called mini-trials that will group 10 to 20 cases at a time.

A third phase of the litigation is scheduled to commence this week, during which jurors will determine whether the three former asbestos manufacturers are liable for punitive damages.

### Briefly noted

Standard & Poor's Corp. Friday downgraded the claims-paying ability of the **Liberty Mutual Intercompany Pool** and its affiliated companies to AA from AA+. . . **Lloyd's of London** has begun legal action against at least nine members it says failed to meet obligations to the Central Fund dating back to the 1988 underwriting year, which closed at the end of 1990. Altogether, Lloyd's is pursuing claims against 159 members who owe a total of 16.5 million pounds (\$31.6 million at current exchange rates) to the Central Fund. . . The Pension Benefit Guaranty Corp. is taking over a **massively underfunded pension plan** sponsored by Uniroyal Plastics Co. Inc., a unit of Sarasota, Fla.-based Jesup Group Inc. The plan, covering 5,300 participants, has just \$7.5 million in assets and \$164 million in liabilities, according to the PBGC. Uniroyal Plastics' pension is the eighth-largest underfunded plan termination, according to a PBGC spokeswoman. . . In its latest salvo, a new report by the Alliance of American Insurers contends that eight of 22 **state-sponsored workers compensation funds** are insolvent. The Alliance is among several critics of state comp funds (BI, Sept. 16, 1991). However, a state fund spokesman disagrees, adding that there is no crisis because the funds are designed to operate with less of a cushion than commercial workers comp insurers. . . The Mississippi Department of Insurance has approved a **13% increase in workers comp premium rates** for the voluntary market and a 30% increase in rates for the assigned risk plan, effective Sept. 1. The National Council on Compensation Insurance had sought an overall increase of 28.1%. . . The New Jersey Assembly unanimously approved the priority creditors bill that places policyholders ahead of general creditors in the **rehabilitation of Mutual Benefit Life Insurance Co.** Gov. James Florio is expected this week to sign the bill, which the state Senate passed in June (BI, June 22). Mutual Benefit's rehabilitators will then file for court approval of a seven-year bailout plan to guarantee policyholders the full value of their contracts. . . A U.S. District Court Judge has ruled that Florida's **fee caps on health care providers** are unconstitutional. The caps applied to some physicians but not to hospitals. . . The Occupational Safety and Health Administration has asked the 11th U.S. Circuit of Appeals to give it until Aug. 28 to decide whether to seek a rehearing on the court's decision to void exposure **standards for more than 400 toxic substances** (BI, July 20). The court ruled on July 7 that OSHA's standards were not backed by sufficient research on exposure levels and effects. . . **Ronald J. Taylor** has joined reinsurance intermediary G.J. Sullivan Co. as president. He succeeds Jack Sullivan Jr., who will remain with the firm as senior vp. . . S&P cited the negative impact of workers compensation results on the insurer's business insurance profitability. . . Net income for **financial guarantee insurers** rose 41% to \$448.5 million in 1991, reports the Assn. of Financial Guaranty Insurers.

# Hall acquisition

Continued from previous page

"We have picked up some real nice business during this period when we've had the for sale sign up," he said.

He added that while Hall brokers have struggled with the firm's problems in the past, the acquisition offers a new beginning. "They have gotten so used to running uphill they don't know what it's like to run on a level playing field. They'll probably fall over."

While Mr. Bell last year insisted that a "renaissance" had begun at Hall, the mid- to late-1980s were the broker's Dark Ages.

Mired in legal troubles and with management in turmoil, the brokerage has managed to turn a profit only once since 1983—and that was a slender \$4.2 million net gain in 1990. Over that period, its net losses easily exceeded \$400 million.

Things did not look bad for Hall in the early 1980s. In 1982, the brokerage was the world's third-largest, its gross premium volume exceeded only by M&M and Alexander & Alexander Services Inc.

But Hall spent much of the rest of the decade in a recurring exercise in damage control.

First came Hall's disastrous 1981 takeover of Jartran Inc., a truck leasing firm.

While Hall said it acquired Jartran to generate tax losses, the acquisition was widely seen as Hall's defense against a takeover threat from Jartran competitor Ryder System Inc.

That takeover never materialized, with Ryder later selling its shares in Hall to Reliance. But Jartran, operating under bankruptcy protection for most of the time Hall owned it, produced \$110 million in pretax losses before Hall disposed of it in 1985.

Then, some Hall underwriting operations turned into nightmares:

- Global Surplus Insurance Services Inc., which acted as a managing general agent for Protective National Insurance Co.

Protective National sued Hall for breaching its duties as an MGA, including failing to notify reinsurers of claims. Hall agreed in 1986 to pay \$45 million to settle the litigation.

- Union Indemnity Insurance Co. of New York, a Hall underwriting unit that was declared insolvent by \$138.5 million and ordered liquidated in 1985 (BI, July 22, 1985).

The New York Insurance Department sued Hall and dozens of its affiliates, directors and officers in 1987, charging that Hall "abused" Union Indemnity to benefit its brokerage operations (BI, March 16, 1987).

Hall and its D&O insurer agreed in 1989 to pay \$48 million to settle the suit, along with two others filed by insurers ceding business to Union Indemnity and state guaranty funds seeking to recover losses (BI, June 5, 1989).

Meanwhile, Hall paid \$14.6 million to settle a suit filed by Omaha Indemnity Co., which charged that Hall reinsurance brokerage units breached fiduciary duties on programs written through an Omaha Indemnity MGA and reinsured by Union Indemnity (BI, Dec. 7, 1987).

Trouble has lurked even in Hall's core brokerage operation, known for its creativity.

That creativity produced a costly embarrassment in the early 1980s when it placed back-dated liability coverage for MGM Grand Hotels Inc. after a 1980 fire killed 85 people and injured 591 at MGM's Las Vegas hotel.

The quick settlement of fire victims' claims triggered a coverage dispute that ended in MGM suing Hall and one of its underwriting units, Union International Insurance Co., along with more than 30 other insurers participating on the program.

A \$75.9 million settlement of the suit in 1985 cost Hall and Union International \$36 million, in addition to \$11.5 million in claims that Union had already paid to MGM.

As losses mounted and legal quagmires deepened, there was turmoil at Hall headquarters in Briarcliff Manor, N.Y.

The first casualty: Albert Tahmoush, the chairman, president and CEO who ran the brokerage until August 1985. Blamed for the Jartran debacle and other problems, he was forced out by the Hall board.

Replacing him were John H. McCaffrey, who became chairman and CEO, and Peter J. Pruitt, who was named president. They faced two challenges: revitalizing a brokerage in the midst of a disastrous year—the net 1985 loss was \$190.5 million—and working with Mr. Steinberg, who had purchased a 10% stake in Hall two years earlier and was gradually accumulating shares and authority.

Mr. McCaffrey resigned in 1987, and Mr. Steinberg assumed control. Mr. Pruitt is still Hall's president. Mr. McCaffrey, ironically, is vice chairman of RBH.

After serving as Hall chairman for two years, Mr. Steinberg in 1989 stepped back and hired a new chairman and CEO: Mr. Bell, who had been A&A Inc.'s senior vp and Eastern regional manager.

Mr. Bell has an employment contract with Hall through 1996 under which he is guaranteed an annual base salary of \$750,000 and quarterly bonuses of \$250,000. The contract,

which originally expired in 1994, was extended last year.

Reliance continued to increase its ownership in Hall and promised to continue to support the brokerage. However, Reliance announced in March, when it reported its 1991 financial results, that it was putting Hall on the block.

Reliance said at the time that it was an opportune time—before the property/casualty insurance market hardened—to sell Hall (BI, March 30). However, the Securities and Exchange Commission forced Reliance to consolidate Hall's results with Reliance; until the year-end 1990 results, Hall's results were reported separately from Reliance's even though Reliance for years had held a majority stake in the brokerage.

For RBH and Aon, the acquisition of Hall—and its British subsidiary Leslie & Godwin—is the second step taken in less than a year to move RBH into the ranks of the world's truly global brokerages.

RBH last year paid about \$200 million to acquire Hudig-Langeveldt, which at the time was the world's 14th-largest broker and the largest based in continental Europe.

Hudig added substantially to RBH's revenue base. Without Hudig, RBH generated revenues of \$399.9 million in 1991. However, RBH's 1991 revenues rose to \$526 million if full-year results from Hudig are included.

RBH's pretax income fell 7.9% in 1991 to \$33.7 million from \$36.6 million, not including any of Hudig's operations. However, RBH's pretax income would have risen 4.9% last year if not for a non-recurring charge of \$4.7 million for the consolidation of offices.

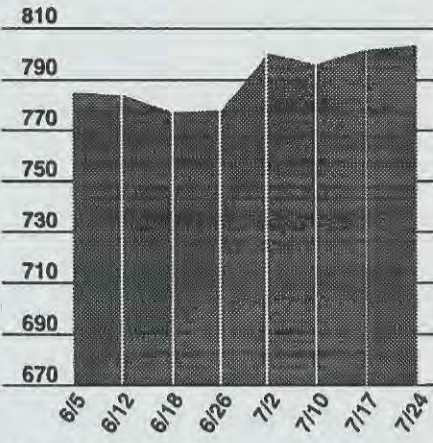
Aon does not break out net income for RBH. Late Friday, Moody's Investors Service Inc. placed Aon's A1 senior debt and a2 preferred stock rating under review for possible downgrade in light of the Hall acquisition.

Hall, meanwhile, reported a 1991 net loss of \$25.6 million, compared with a \$4.2 million profit in 1990. Included in the loss was a \$15.4 million fourth-quarter charge resulting from the "downsizing" of some operations.

The acquisition is expected to be closed in the fourth quarter, pending shareholder and regulatory approval. Bear, Stearns & Co. acted as Hall's financial adviser; Lazard Freres & Co. advised Aon.

Contributing to this story were BI staffers Stacy Shapiro and Gavin Souter in London; Laura Mazzuca and Timothy Stanton in Chicago; Joanne Wojcik in Los Angeles; and Eileen P. Gunn in New York.

# BI Insurance Index



Base = 100 on Dec. 29, 1978. Source: Nordby International Inc.

Insurance industry stocks remained flat last week as the *Business Insurance Index* rose 0.2 points to 800.9 on July 24 from 800.7 on July 17. Advancing issues for the week were led by Lawrence Insurance Group, up 15.2%; Gainco Inc., up 9.5%; and Reliance Group Holdings, up 7.9%. Declining issues for the week followed Frank B. Hall, down 23.3%; Chandler Insurance, down 10.0%; and Mutual Risk Management Ltd., down 7.9%. The most active issue was U.S. Healthcare, 3.3 million shares traded. The *BI* index was up 0.03%; the NYSE Composite was down 1.0%; the Standard & Poor's 500 fell 1.0%; and the Dow Jones 30 Industrials dropped 1.4%.

# British Issues

July 23 Companies	Price	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comm Union	427	N/M	31.5	7.4	438	422
Genl Accident	369	N/M	35.7	9.7	388	369
Gdn Royal Exch	121	N/M	10.0	8.3	133	121
Royal	181	N/M	15.0	8.3	190	181
Sun Alliance	242	N/M	19.0	7.9	244	238
<b>Brokers</b>						
Bradstock	120	13.5	6.3	5.3	121	120
CE Heath	317	18.3	34.5	10.9	324	317
Hogg Group	138	8.3	10.9	7.9	146	138
JIB Group	138	10.1	10.0	7.2	146	138
Lloyd Thompson	190	19.0	6.0	3.1	203	190
Lowndes Lmbt	272	10.5	16.8	6.2	287	272
PWS Holdings	39	4.3	5.3	13.6	41	39
Sedgwick Grp	163	12.7	16.0	9.8	167	160
Steel Bnt Jones	205	10.2	17.7	8.6	219	205
Willis Corroon	207	13.1	17.6	8.5	207	201

Source: Philip Olsen, Insurance Industry Analyst, London

# BI Industry Stock Report

JULY 20, 1992 THROUGH JULY 24, 1992

BROKERS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
				High	Low										High	Low							
Alexander & Alexander	NYS	22.38	-2.72	9.15	23.38	18.00	78	1.00	4.47	140	13.10	1.71	26.38	-7.86	-24.91	37.75	21.13	37	0.12	0.45	18	-	-
Gallagher Arthur J. & Co.	NYS	24.38	-2.50	8.94	25.25	19.00	119	0.64	2.63	19	5.88	4.15	27.88	1.36	-11.51	33.00	21.75	174	0.16	0.57	13	18.90	1.47
Frank B. Hall	NYS	2.88	-23.33	-32.35	5.50	2.88	806	0.00	0.00	-2	1.95	1.47	18.75	4.17	N/A	23.63	17.00	84	0.12	0.64	10	N/A	N/A
Hibb, Rogal & Hamilton	NYS	12.50	-2.91	-5.66	15.50	11.00	56	0.40	3.20	20	3.56	3.51	33.25	-2.21	-18.90	48.25	29.50	18	0.00	0.00	19	13.52	2.46
Marsh & McLennan	NYS	77.75	-1.43	-4.45	83.75	70.00	379	2.68	3.45	18	28.00	2.78	4.88	-1.28	21.88	6.00	3.38	105	0.00	0.00	3	7.75	0.63
Poe & Associates	OTC	12.50	-1.96	4.17	16.00	11.00	39	0.40	3.20	16	2.82	4.43	40.88	-0.91	31.33	41.75	18.63	195	1.48	3.82	12	62.65	0.65
<b>BROKERS AVERAGE</b>																							
-5.8																							
-3.4																							
<b>CONGLOMERATES &amp; HOLDING COMPANIES</b>																							
Berkley W.R. Corp.	OTC	35.00	-0.36	14.75	36.25	23.50	263	0.36	1.03	12	36.95	0.95	25.00	4.71	7.53	25.00	18.00	327	1.00	4.00	11	39.50	0.63
Berkshire Hathaway Inc.	NYS	9150.00	0.00	1.10	9150.00	254.69	0	0.00	0.00	29	7270.00	1.26	13.00	0.97	-9.57	17.50	12.50	15	0.24	1.85	13	15.05	0.86
ITT (Hartford Group)	NYS	65.00	0.39	12.55	70.63	50.00	943	1.84	2.83	11	112.05	0.58	5.13	7.89	24.24	5.88	3.50	270	0.32	6.24	3	6.40	0.80
Sears (Allstate)	NYS	38.00	-3.18	0.33	48.00	32.50	2166	2.00	5.26	10	34.50	1.10	20.25	-1.82	22.73	21.25	11.88	7	0.48	2.37	9	14.41	1.41
<b>CONGLOMERATES AVERAGE</b>																							
-0.8																							
7.2																							
<b>INSURERS/REINSURERS</b>																							
AEGON N.V.	NYS	36.00	-4.00	2.86	37.75	27.38	33	1.14	3.17	7	N/A	N/A	6.00	2.13	9.09	8.75	4.00	68	0.36	6.00	-3	10.60	0.57
Aetna Life & Casualty	NYS	43.25	1.17	-1.70	47.00	31.88	688	2.76	6.38	8	87.60	0.49	22.50	3.45	-34.33	22.50	15.00	47	1.12	4.98	9	30.75	0.73
Allied Group Inc.	OTC	25.25	-2.88	48.53	26.25	16.25	173	0.64	2.53	9	19.85	1.27	7.75	3.33	-34.78	7.75	4.13	1032	0.00	0.00	4	2.48	3.13
American General	NYS	48.63	-0.77	9.27	50.00	38.13	509	2.08	4.28	11	60.00	0.81	39.00	-6.59	-24.27	55.25	32.25	21	0.00	0.00	-	70.93	0.55
American Heritage Life Ins.	NYS	30.50	-2.79	-0.41	32.25	20.06	7	0.84	2.75	15	N/A	N/A	69.25	-0.36	19.65	69.50	47.75	164	1.60	2.31	14	40.95	1.89
American Indemnity/Fin'l	OTC	6.00	-4.00	26.32	9.25	4.50	1	0.08	1.33	5	12.93	0.46	35.13	1.40	13.17	46.75	32.13	1051	2.00	4.43	30	55.00	0.82
American International	NYS	92.75	0.00	-5.72	99.38	78.63	1731	0.56	0.60	12	99.30	0.93	35.13	5.24	-9.65	39.63	29.00	173	0.24	0.68	11	18.38	1.91
Aon Corp.	NYS	45.50	-5.94	14.83	49.75	34.75	732	1.68	3.69	12	39.70	1.15	22.50	2.27	4.05	23.75	17.25	1300	1.60	7.11	9	59.00	0.38
Argonaut Group	OTC	27.25	0.46	14.74	30.25	21.75	10	0.84	3.08	8	20.96	1.30	29.75	0.00	4.39	30.75	23.00	8	0.72	2.42	11	21.71	1.37
AVEMCO Corp.	NYS	24.63	-2.96	-1.50	28.00	20.00	114	0.40	1.62	24	9.55	2.58	40.25	3.87	-34.17	41.34	28.00	1	1.00	2.48	11	35.39	1.14
Baldwin & Lyons Inc.	OTC	31.00	5.08	20.39	31.75	22.75	1	0.28	0.90	8	24.29	1.28	36.25	1.75	1.40	38.50	31.00	978	1.00	2.76	13	37.20	0.97
Belvedere Corp.	ASE	6.13	0.00	88.46	6.25	2.88	0	0.04	0.65	17	7.65	0.80	41.88	0.90	3.40	44.00	28.81	389	0.64	1.53	13	37.23	1.11
Chandler Insurance	OTC	5.63	-10.00	73.08	7.63	2.13	46	0.00	0.00	51	5.95	0.95	10.50	3.70	-29.41	19.00	8.63	165	0.00	0.00	7	-	-
Chubb Corp.	NYS	74.13	-1.50	-3.73	78.00	60.75	791	1.60	2.16	12	72.95	1.02	14.00	0.90	93.10	15.00	5.63	1273	0.20	1.43	-9	12.30	1.14
CIGNA Corp.	NYS	54.00	1.41	-11.66	61.75	41.25	574	3.04	5.63	11	117.15	0.46	17.25	-5.48	-6.76	20.75	17.00	36	1.00	5.80	-14	33.15	0.52
CNA Financial Corp.	NYS	88.50	1.00	-9.69	104.50	76.25	31	0.00	0.00	9	70.23	1.26	50.13	-1.23	4.70	52.50	38.50	206	1.68	3.35	10	84.55	0.59
Continental Corp.	NYS	31.88	-1.92	15.38	32.88	23.25	365	2.60	8.16	27	40.00	0.80	21.75	0.58	-37.01	21.75	13.50	53	1.08	4.97	-38	33.50	0.65
EXEL Ltd.	NYS	38.25	-1.29	2.00	40.25	27.38	446	0.92	2.41	8	N/A	N/A	17.50	-2.78	3.70	19.50	13.75	7	1.00	5.71	8	13.14	1.33
Fund American Corp.	NYS	67.88	-0.73	-2.86	70.50	62.50	129	0.68	1.00	18	36.11	1.88	INSURERS/REINSURERS AVERAGE	0.0	10.3				3.1	12.4			
Fremont General Corp.	OTC	24.25	1.04	-0.51	26.00	17.00	63	1.00	4.12	6	45.55	0.53											
Frontier Insurance Group	NYS	34.63	0.36	28.24	37.63	19.91	33	0.56	1.62	13	26.65	1.30											
Gainco Inc.	ASE	18.75	9.49	33.93	18.75	10.25	154	0.04	0.21														



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