

Business Insurance

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

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Vermont victory—NAIC reconsiders accreditation position on RRGs

ST. LOUIS—The Vermont Department of Banking, Insurance and Securities now has a clearer path to becoming accredited, after the National Assn. of Insurance Commissioners removed a major roadblock last week.

The NAIC will no longer require insurance departments that want to become accredited to regulate risk retention groups organized as captives like they regulate traditional insurers. Instead, the NAIC will study new ways to regulate them. The Vermont Department of Banking, Insurance and Securities will see updates on next page.

Heir apparent leaves AIG

Jeffrey Greenberg's decision should not affect operations

By DOUGLAS MCLEOD

NEW YORK—Day-to-day operations at American International Group Inc. are not expected to change noticeably following last week's surprise resignation of Jeffrey W. Greenberg, executive vp and widely perceived heir apparent to his father, AIG Chairman and CEO Maurice R. Greenberg.

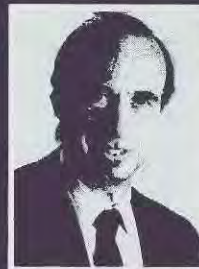
While the news of the resignation, attributed only to "personal reasons," stunned the insurance and investment communities, AIG immediately filled the post of the younger Mr. Greenberg, who was in charge of domestic property/casualty operations.

Policyholders and others dealing with the insurer should not detect any changes in its operations, analysts say.

The "personal reasons" the company cited for Jeffrey's resignation, however, triggered much speculation among analysts and industry executives. Some suggest that he may have felt increasingly frustrated in the shadow of his father, especially after the recent promotion of his younger brother, Evan, to the executive vp level.

See Greenberg on page 47

All in the family



Jeffrey W. Greenberg, 43

Latest in a line of departing AIG executives who had looked like chairman material. Other executives familiar with AIG speculate that he may have clashed with his father and resented the appearance of being in a "horse race" with his brother, Evan. Has been approached about other positions but has made no decisions and says he is in no hurry.

Maurice R. Greenberg, 70

Industry legend for his demands on employees, his competitiveness and, most of all, for his long-term success at building AIG into a leading commercial multiline insurer. Some AIG watchers fault him for not grooming a successor. Has said he has no imminent retirement plans.



GRAPHIC BY KIM ROME



Spotlight on
PROPERTY
LOSS CONTROL
Page 3

Directory of
PROPERTY
LOSS CONTROL
CONSULTANTS
Page 18

Dialysis center contests ESRD decision

By JERRY GEISEL

WASHINGTON—A long-running controversy on whether employers or Medicare have to pay the massive health care bills of retirees with end-stage renal disease will be decided by a federal court.

National Medical Care Inc., the nation's largest operator of kidney dialysis centers, filed suit last month to block federal regulators

from "retroactively" enforcing their most recent interpretation of an obscure health care cost-shifting provision in a 1993 law.

Regulators at the Health Care Financing Administration, the federal agency that administers Medicare, initially interpreted the 1993 law as requiring employers with retiree health care plans to be the primary payer—for up to 18 months—for retired workers

over 65 who are covered by Medicare and then develop end-stage renal disease, or ESRD.

But regulators earlier this year reversed that position amid employer and insurer lobbying and said Medicare would continue to provide primary coverage for retired workers who develop ESRD after they turn 65 and are covered by Medicare (BI, Feb. 20).

In an early nod to NMC and a

blow to employers, Senior U.S. District Court Judge William Bryant in Washington issued a preliminary injunction last week to temporarily bar HCFA from retroactively enforcing the new interpretation that had shifted liability for retirees with ESRD back to Medicare.

Judge Bryant's ruling applies for services delivered between Aug. 10, 1993—the date the bud-

get law's ESRD provision took effect—and April 24, 1995, the date HCFA formally reversed its earlier interpretation.

"The plaintiffs have made a simple but compelling case that HCFA engaged in illegal retroactive rulemaking," Judge Bryant wrote.

As a practical matter, the ruling could pave the way for the court See Kidney on page 41

Managing diversity

Women advancing more than minorities in risk management

By CHRISTINE MANY

When Rupa Mathur accepted her first risk management position 11 years ago, she knew she wasn't a typical risk manager.

At that time, Ms. Mathur was one of few women—and even fewer ethnic or racial minorities—in the risk management profession.

"It was very male-dominated," said the native of India, who is director of risk management for the state of Texas. "As a woman and a newly arrived immigrant, I had to struggle and work hard for opportunities."

Having worked all over the world—in India for International Business Machines Corp., with Mobil Oil Corp. in the Middle East and in diplomatic service in Africa—Ms. Mathur said she was surprised by the lack of diversity in the U.S. insurance industry.

Those impressive credentials helped Ms. Mathur land her first risk manager position with the Houston Independent School District.

Today, Ms. Mathur and other risk managers across the country are watching risk management evolve into a more diverse field. Yet, most say the

representation of women and especially minorities remains inadequate.

"There has been a huge turnaround since 1980," said Ms. Mathur. "At the last RIMS conference, I saw a lot more females and minorities. It's very encouraging to see that the field has opened up to everyone."

Other risk managers agree.

"More women and minorities are now in the workforce," said Margaret M. Fitch, director of risk management of Hills Departments Stores Inc. in Canton, Mass. "Risk management is becoming a more viable position, so it's only natural that they would move into this discipline."

With the rise in women in the field, "our local RIMS chapter is split 50/50 in terms of men and women," said Lynn A. Gaughan, director of risk management at Reebok International Ltd. in Stoughton, Mass.

Minorities overall are not progressing as rapidly as women—and perhaps not even progressing at all. Among the reasons: Women have been in insurance-related jobs, albeit administrative or clerical ones, for years; and companies are not recruit-

See Diversity on page 43

Texas comp suit could mushroom if class certified

By MICHAEL BRADFORD

DALLAS—The stakes could be as high as \$1 billion in the crowded Texas courtroom where a state judge will determine whether to grant class-action status for a lawsuit that claims about 170 insurers overcharged employers for workers compensation coverage in the state.

Judge Frank Andrews convened a hearing in the 116th Judicial District Court in Dallas last week to hear testimony on a motion to certify a class of up to 25,000 employers. The suit charges that from 1987 to 1992 the insurers, along with the National Council on Compensation Insurance, conspired to charge higher-than-ap-

proved rates.

Defendants in the case include the largest writers of workers comp insurance in Texas. Among those named are Liberty Mutual Insurance Co., Continental Casualty Co., American International Group Inc. and CIGNA Corp.

Originally, Johnson & Higgins also had been named, but the brokerage was dropped when one employer, TMBR/Sharp Drilling Inc., removed itself from the case and filed a separate action against J&H, said J&H lawyer Molly Steele Thompson & Knight in Dallas. She would not provide details of the new suit.

Sally Narey, NCCI vp and general counsel, would not discuss See Texas on page 47

Updates

Vermont accreditation gains

Continued from previous page

mont department's efforts to become accredited had foundered largely because the NAIC objected to the way Vermont risk retention groups were regulated (BI, March 6).

Vermont Insurance Commissioner Elizabeth Costle said she plans to ask the NAIC to review her department's operations as soon as possible. She thinks the department likely will become accredited at the NAIC's quarterly meeting in September or December.

Also, the NAIC voted to study the accreditation process and consider requiring new proposed accreditation standards to undergo more scrutiny before they are adopted.

An accreditation subgroup modified a prior ruling so an actuarial opinion requirement becomes effective Jan. 1, 1997. The group also eliminated the option of a state relying on annual statement instructions to satisfy the requirement.

In related action, the NAIC's accreditation subgroup affirmed Texas' accredited status (BI, June 5).

Aetna spinoff prospects

HARTFORD, Conn.—The modest \$400 million price tag that Aetna Life & Casualty Co. reportedly has hung on a 20% stake in its property/casualty business may be designed to attract leveraged buyout specialist Kohlberg, Kravis, Roberts & Co., securities experts say.

Having KKR involved, they explain, could help calm stockholders if Aetna later moves to unload its entire P/C book. Neither company would comment on a report that they are hammering out the deal. Any discussions that Aetna may be holding would be too embryonic to warrant notifying stockholders or securities regulators, a spokesman said.

Aetna, though, has said it would consider concentrating on life/health and spinning off its property/casualty business. A.M. Best Co. downgraded those operations last fall to A- from A, citing asbestos and environmental liabilities and poor operating results. Aetna's P/C operations, though, recently have posted strong profit gains.

Some analysts consider KKR a likely partner because of its successful 1992 purchase of American Re-Insurance Co. for \$1.41 billion (BI, June 15, 1992). KKR tripled its investment on paper when it spun off a stake in the former Aetna unit to the public a few months later. Having KKR's financial and management strength on board "would be very helpful to Aetna in presenting a spinoff to its shareholders" later, observed Alice Schroeder, a vp with Oppenheimer & Co.

The reported \$400 million price tag seems low to some securities experts. Others say it may represent the fair value of the business but that KKR certainly would not be paying a premium.

A key factor in any deal is Aetna's environmental liability reserves, which were \$436.1 million at year-end 1994. Analysts say much more is needed. "A \$750 million reserve addition would be in the ballpark. Whether that's at the pitcher's mound or in center field, I can't tell, but whatever it is it will be manageable," said Harry Fong, a director with C.J. Lawrence/Deutsche Bank Securities Corp. of New York. Aetna plans to wrap up a reserve review by October.

Some analysts say Aetna's prospects in the health care arena are reasonably good, despite the pressure to contain costs and the greater success that independent managed care plans have enjoyed.

Hawkins leaving Weyerhaeuser

TACOMA, Wash.—Cheri J. Hawkins, former president of the Risk & Insurance Management Society Inc. and risk manager at Weyerhaeuser Co. for nearly a quarter century, plans to leave her post June 1, 1996, to do "free-lance work."

Ms. Hawkins, assistant treasurer and director of insurance for the Tacoma, Wash.-based wood products company and the first woman to head RIMS, said she plans to remain active in risk management circles.

Weyerhaeuser is searching for a replacement and will consider candidates from inside and outside the company.

Diagnostek deal's value drops

AVON, Conn.—Value Health Inc. is acquiring the prescription drug benefit management firm Diagnostek Inc. for \$216.2 million, about \$23 million less than it would have paid under the original agreement.

The Avon, Conn.-based specialty managed care firm announced last week that it renegotiated its deal with Albuquerque, N.M.-based Diagnostek due to Diagnostek's loss of a significant three-year contract with the state of New Jersey.

Under terms of the new agreement, each of Diagnostek's 24.3 million shares will be exchanged for 0.4975 of a share of Value Health, nearly 11% less than Value Health's initial offer of 0.55 share for each Diagnostek share. Based on Diagnostek's closing share price of \$17.88 last Thursday, the current deal is worth about \$216.2 million. Under the original terms, the deal's value would be about \$239 million.

Diagnostek took a \$12.6 million charge to earnings in the quarter ended March 31, 1995, to reflect start-up costs and estimated losses inherent in that contract, which was to begin in February and represented a new line of business for Diagnostek.

The new company will provide managed prescription drug services to more than 30 million group health plan lives and will be the largest prescription benefit management firm not owned by a drug manufacturer (BI, April 3). The merger is expected to be completed in July.

See Updates on page 46

Errors & omissions

Financial Institutions Reserve Risk Retention Group Inc. provides D&O limits of \$20 million on either a primary or excess basis. Limits were incorrectly listed as "various" in the May 29 guide to alternative facilities.

NAIC opening its doors

Changes in Vermont stance, meeting policy draw praise

By MEG FLETCHER

ST. LOUIS—With surprising speed, the National Assn. of Insurance Commissioners is undergoing revolutionary changes that will open up key deliberative meetings, conference calls and extensive budget information to public scrutiny.

NAIC

The NAIC also is removing the major roadblock to the Vermont Insurance Department's accreditation bid by eliminating the regulation of risk retention groups organized as captives as an accreditation criteria while an NAIC subgroup studies the issue (see related story).

The scope of changes and the speed at which some of them are being adopted is drawing praise from regulators, risk managers, insurers and the leader of the National Conference of Insurance Legislators, which recently criticized the NAIC on several of these same issues (BI, March 6).

The major changes were decided upon during special sessions prior to the NAIC's summer national meeting, held June 4-7 in St. Louis. They were affirmed by formal voting during the meeting.

The changes include the opening of the NAIC's Executive Committee meeting and plenary voting sessions, which are held on Sundays and currently are open to regulators, legislators and governors but are not open to the general public.

See NAIC on page 38

Domestic partners offered broader range of benefits

By ROBERTO CENICEROS

Health care coverage is the most prevalent domestic-partner benefit employers provide, but many other perks also are offered to show recognition of these relationships.

In fact, "one of the critical decisions facing employers that choose to offer domestic partner benefits is determining the scope of coverage," say the authors of a benefit survey released last week.

"Whether to offer health and/or non-health benefits is the initial question, followed by identifying the non-health benefits to be included."

More than 200 entities now offer domestic partner benefits in various forms, say the authors of the survey, which was conducted by the Brookfield, Wis.-based International Foundation of Employee Benefit Plans.

In a move that proponents of domestic partner benefits see as

significant because of the company's stature, Xerox Corp. in Stamford, Conn., recently made available financial assistance for employees wanting to purchase health care insurance for their partners.

Health insurance must be purchased separately from plans offered by Xerox, a company spokesman said. The decision to implement the plan in that fashion was made because Xerox also

See Partners on page 45

Brokers see more stability in excess liability market

Putting spin on market cycles

By GAVIN SOUTER

TUCKER'S TOWN, Bermuda—The excess liability pricing cycle could be a thing of the past, a broker contends.

Although forces influencing large price swings in insurance rates still exist, there now are more stabilizing factors affecting the market, the broker says.

Also, changes in the buying and selling of insurance over the past 10 years could mean less dramatic fluctuations in rates, another broker adds.



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INSURANCE
SYMPOSIUM**

However, despite market changes, enough competition exists to maintain the market cycle, an insurer argues.

The insurers and brokers made their assessments of the market during a panel discussion at the Bermuda Insurance Symposium II, held in Tucker's Town, Bermuda, May 30-June 2.

Several factors will influence swings in the pricing of excess liability insurance, but given the current state of the market, risk managers are unlikely to see a return to an insurance pricing

See Excess on page 34

Bank on consolidation

By SALLY ROBERTS

SEA ISLAND, Ga.—By the year 2000, the financial services industry will be dominated by a handful of very large companies with worldwide banking, insurance and securities operations, an insurance analyst predicts.

Conglomerates like Zurich Insurance Group and Internationale Nederlanden Groep N.V. are prototypes of financial entities of the future, he said, referring to the insurers' recent acquisitions of Kemper Corp. (BI, April 17) and Barings P.L.C., respectively (BI, March 6).

"I don't find it at all surprising that three of the eight property reinsurers established in Bermuda during the summer of '93 have as the principal investor a leading investment banking firm," said

Financial services to include insurance

Norman L. Rosenthal, managing director of property/casualty insurance at Morgan Stanley Group Inc. in New York.

And, while repeal of the Glass-Steagall Act would open the way for commercial banks to enter the market with commercial insurers in the United States, it would not have to happen for the financial entities to converge, he said.

See Financial on page 44

Inside

• The ESRD debacle is another example of poorly handled benefit rules, this week's editorial says. **PAGE 8**

• Some pension funds allegedly raided by executives of the Maxwell publishing empire were repaid, an attorney contends. **PAGE 38**

• A new insurance law in Japan may open up the Japanese insurance market. **PAGE 39**

• A Senate panel urges uniform solvency standards and tougher state oversight of Blue Cross & Blue Shield plans. **PAGE 46**

Departments

Advertiser Index.....29

Classifieds.....42
Directory of Property Loss Control Consultants.....18
For the Record.....46
Insurance Services Guide.....43
International.....39
Letters.....8
Opinions.....8
Reader Reply Service.....29

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Designing buildings to withstand catastrophes

Shielding property from all perils an impossible task

By MARK A. HOFMANN

Constructing an absolutely damage-proof building is about as realistic as building a castle in the air.

Creating such a structure is architecturally impossible and, even if it were not, would be prohibitively expensive, experts say.

But, there are numerous down-to-earth ways to build structures that can better withstand both nature's fury and human evil, experts agree. And, in the wake of four recent catastrophes—the Northridge, Calif., and Kobe, Japan, earthquakes, and the bombings of the World Trade Center and the Alfred P. Murrah Federal Building in Oklahoma City—interest in defensive architecture is on the rise.

The aspects of architecture under examination range from the obvious, such as enhancing fire protection and the ability of structures to withstand certain types of stresses, to the more subtle, such as the type of glass used in windows. The considerations also include factors not generally thought of as architectural, such as protecting access to buildings.

But the solutions aren't always cheap and, in some cases, enhancing protection against one peril may actually decrease it or another.

It is the bombing exposure that presents the least certainty, particularly after the Oklahoma City bombing showed how much damage could be caused by a device using 3,000 pounds of readily available fertilizer.

"Unfortunately, it is not practical at all to engineer or design any building to withstand that kind of blast. I don't see it happening, because of tremendous cost. I have no idea what the cost would be—it would be staggering. It's not even remotely close to being practical," said Fred Deacon, highly protected risk engineering manager for the Kemper National Insurance Cos. in Long Grove, Ill.

"I think the answer has to be in the prevention area as opposed to protection," he said. He cited restricting access, using camera surveillance and heightening security awareness as tools that can help prevent a terrorist attack.

"The critical thing is to keep the weapons as far from the building as possible, by imposing some setbacks," said Eve E. Hinman, a security analyst with Failure Analysis Associates Inc. in Menlo Park, Calif.

Ms. Hinman, who has a doctorate degree in civil engineering, has served as consultant to the State Department in its efforts to enhance security at U.S. embassies. This work led her to draft 10 defensive architectural considerations to decrease embassy vulnerability to attack (see related story, next page).

For example, some missions to the United Nations in New York have vehicular access restricted through the use of large decorative concrete planters, she said. A similar approach has been taken to shut off the portion of Pennsylvania Avenue that runs in front of the White House.

The restrictions to vehicular traffic can be made more subtle, she said. Pop-up bollards—such as pipes filled with concrete—can be recessed to street level and raised

See Defense on next page



INSIDE

■ FIGHTING FIRE WITH... WATER

TWO OF THE MOST PROMISING DEVELOPMENTS IN FIREFIGHTING TECHNOLOGY—ONE A HALON SUBSTITUTE, THE OTHER ADVANCED SPRINKLER SYSTEMS—RELY HEAVILY ON THE MOST BASIC OF ALL NATURE'S TOOLS. PAGE 14

■ SILICON VALLEY DAYS

FOR ALL THE CONCERN ABOUT THIEVERY ON THE INFORMATION SUPERHIGHWAY, ONE GROWTH AREA IN TECHNOLOGY-RELATED CRIME WOULD BE AT HOME IN THE OLD WEST. CROOKS ARE BREAKING INTO FACTORIES TO STEAL COMPUTER EQUIPMENT. PAGE 16

PROPERTY Loss Control

Megastores mean mega-exposure

Variety, concentration of risks require more care

By ROBERTO CENICEROS

As the world of retailing changes, so do the concerns of retail industry risk managers.

Today's mega-markets might contain deli counters, flower boutiques, bakeries and automotive products departments. Although store customers may think little of finding a can of mineral spirits a few aisles from the bakery, the savvy risk manager must ponder the dangers of stocking flammable liquids.

And at "hyperstores"—the huge warehouse-style retail centers where shoppers navigate past moving forklifts and pallets and shelves stacked high with everything from paper towels to swimming pool chemicals—risks are so concentrated and in such disaster-prone areas that property insurers are growing cautious about covering them.

While the increasing concentration of products and services under larger roofs does not fundamentally alter the job of risk management, it does make risk managers, insurers and consultants more conscious of the need for loss control programs at retail outlets.

"Where it has impacted us is in our large distribution centers," said a risk manager for a national grocery store chain. "We're being asked by insurers to protect our aerosols and flammables."

Flammable liquids packaged in plastic containers are the No. 1 safety problem for many retailers, experts say. Larger stores

offering quantity discounts means that more barbecue lighter fluids, paint thinners and other such liquids are stacked in distribution centers and in store aisles.

Metal packaging would improve safety greatly, they say, because plastic jugs would melt in a fire, spreading flammable liquids. But using plastic is both cheaper for manufacturers and more convenient for consumers.

There is much discussion and study on ways to better insulate flammable consumer goods. Among the ideas and recommendations are metal storage cabinets, separation of flammables from other goods stored in warehouses, fluid-containment reservoirs and drainage systems.

But there is a lack of standardization. "Some of the insurers are still trying to define how to better protect flammables," said the grocery store risk manager. "Some have taken a stand. There is just a real mixture of standards."

And, insurers aren't alone in their concern.

A National Fire Protection Assn. task force recently said that flammable liquids in plastic containers cannot be protected in warehouses, said John A. Davenport, assistant vp and director of research for Industrial Risk Insurers in Hartford, Conn., and a member of the group.

The fire protection association has not yet adopted that position but will consider it at future hearings on the subject.

A consortium of hyperstores and other retail firms, chemical manufacturers and in-

surers has contributed to fire-testing flammable products in plastic containers and related areas, such as the shelves they are typically stored on, said David Nugent, manager of loss control services for Schirmer Engineering Corp. in Deerfield, Ill. Consortium participants include both self-insured companies and those that buy commercial coverage.

Such an effort can lead to improved fire codes and a better understanding of how to minimize the dangers.

But, other chemicals—some that emit dangerous gases when burned or when they come in contact with water—have not been submitted to such testing.

Safety experts do not know how to suppress fires when a combination of combustible liquids sold in the warehouse-style stores catches fire, said Mr. Nugent.

Some experts say there also are political obstacles to making improvements. Manufacturers of flammable liquids tend to oppose the elimination of plastic containers, they say.

The changing world of retail also is making property insurers cautious about the industry.

Five years ago, a retail outlet may have had about \$5 million in total insured value, said Tom Steidinger, vp of underwriting for highly protected risk property and special risks for Wausau Insurance Cos. in Wausau, Wis.

Now a hyperstore may have more than \$25 million in total insured value.

Added to that, the hyperstores tend to locate in areas of the country where there is

FACTORY MUTUAL ENGINEERING CORP.

Defense

Continued from page 3

when needed, thus cutting off access, Ms. Hinman noted.

The emphasis on restricting access reflects the economics of retrofitting a building, she said. Structural hardening is much more difficult to retrofit, is costly and of questionable effectiveness, she said. Putting up a thick concrete wall to protect against a blast might lead to a situation where the wall itself will damage the building.

The Oklahoma City bombing underscored some "interesting things" in regard to construction, Ms. Hinman said. Not all of the building's columns reached the ground. Many of them rested on transfer girders on the second floor. When the girders collapsed

in the blast, they took the columns with them, causing that portion of the building to drop, Ms. Hinman said.

Typically, the main danger from a bombing is flying glass, not structural collapse, said Ron Massa, president of Burlington, Mass.-based Loron Corp., a high-tech security consultant. Mr. Massa, who also has a doctorate in engineering, pointed out that an April 24, 1993, Irish Republican Army bombing in London's financial district showered the surrounding area with 700 tons of shattered glass (BI, May 3, 1993).

"In a bomb attack, generally speaking, the primary sources of both property damage and bodily injury is flying glass," he said.

If the Alfred P. Murrah Building had not collapsed, many of the people inside would have been injured by glass, he said. More than

400 buildings in the blast area suffered glass loss and about 75% of the 400 or so people injured were injured by glass, some of them many blocks from the bomb, he said.

If there's a blast, "you can expect that glass will be broken. First of all, because glass is everywhere. And second, it is particularly vulnerable in its most common form," Mr. Massa said.

"The glass shards fly at velocities up to around 80 feet per second," he said.

"There's not one of them, there are lots of them. If you happen to be hit, you don't get one cut, you get hundreds of cuts and if you don't get medical help quickly, you run the risk of bleeding to death," said Mr. Massa.

But, "it's not all bad news—there are things you can do," he said.

Chief among those is using laminated glass. "Laminated glass has been protecting people for a long, long time in automobiles."

Obviously, glass cannot be eliminated, he said. But, laminated glass doesn't shatter like its non-laminated cousin, and thus reduces a great deal of the flying glass.

It also eliminates glass injuries from a distance, thus reducing potential liability, he said.

Mr. Massa noted that there have been attempts to use other materials, such as plastics, but users don't like them because they don't look the same, he said. Building owners don't like them because they require more maintenance, he said.

Defensive architecture goes far beyond building materials, Mr. Massa stressed. The first step is

See Defense on page 6

Improving structural integrity

By MARK A. HOFMANN

There is no 100% fool-proof plan to protect a building from a resolute terrorist, says a property loss control expert.

Eve E. Hinman, a design specialist with Failure Analysis Associates of Menlo Park, Calif., has spent more than a decade working with the U.S. State Department and other clients to improve structures' architectural integrity. As a result of her work with the State Department, she devised a list of 10 defensive architectural considerations, designed to provide better protection for U.S. embassies, which include:

- Establish a secured perimeter around the building that is as far from the building as is feasible. In the case of embassies, walls were built 100 feet from the building to reduce the effects of blasts.

- Use poured-in-place reinforced concrete for all framing, including slabs, walls, columns and roofs. Roof and base slabs should be at least 8 inches thick, exterior walls 12 inches thick and columns spaced no more than 30 feet apart.

- Use seismic detailing at connection points. For example, steel reinforcement bars, or "rebar," in slabs should be connected with rebar in columns and beams so that the framing within a building becomes an integrated whole.

- Reinforce floor slabs and roofs using a two-way reinforcing scheme, such as placing rebar in a criss-cross pattern within the concrete.

- Design windows that comprise no more than 15% of the wall area between supporting columns.

- Reduce the hazard of flying glass by putting a plastic mylar coating on the inside of the windows. If the glass breaks, the shards stick to the coating and reduce the potentially lethal effect of flying pieces.

- Install specially designed blast curtains inside windows that can catch pieces of glass, while permitting the air blast pressure to pass through the curtain. This technique was originally developed in the United Kingdom in response to Irish Republican Army bombing threats.

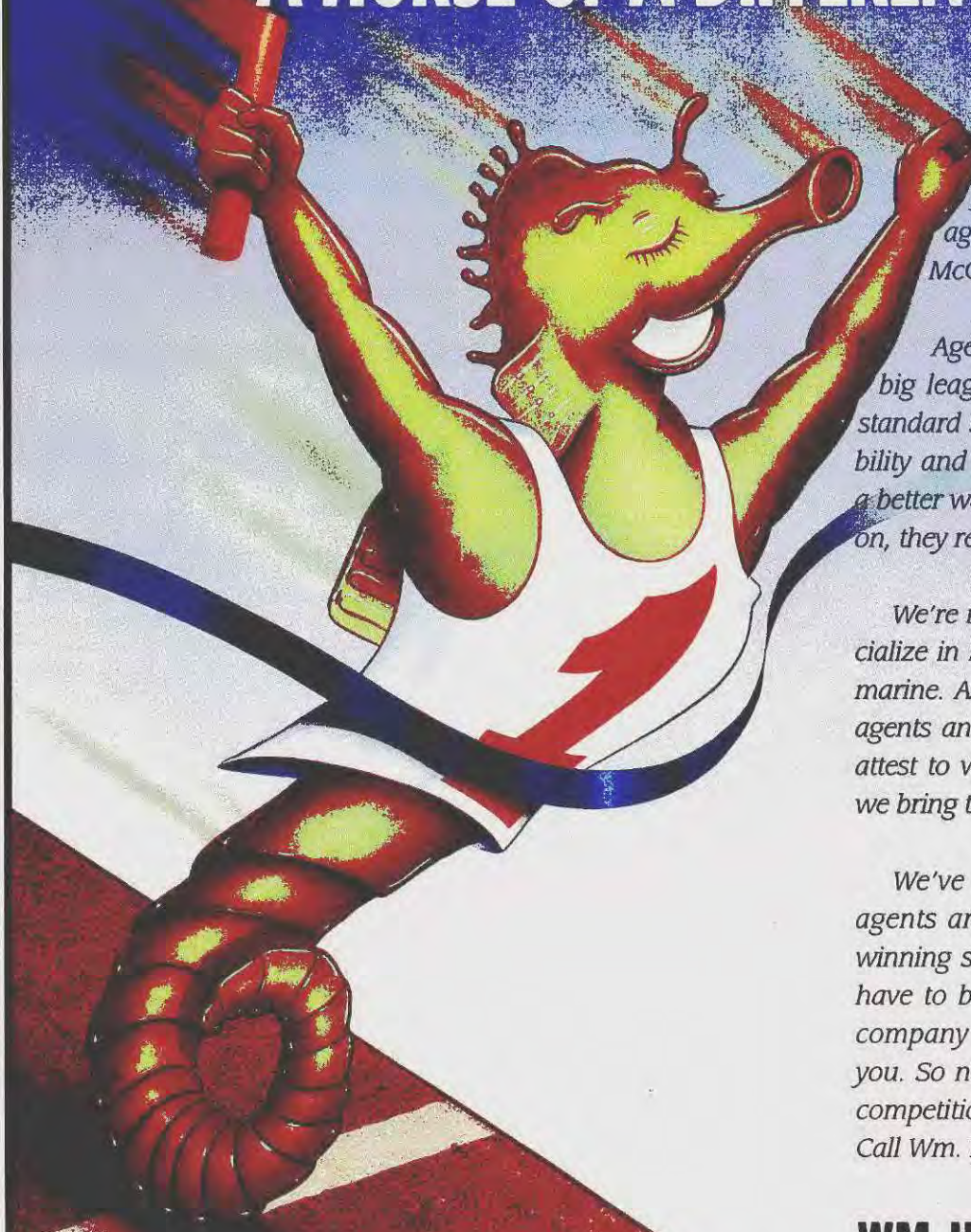
- Design artistically pleasing concrete barriers as flower planters or works of art. Place them near curbing at a distance from the building. Make sure they have less than 4 feet of space between them to block vehicular passage.

- Construct new buildings in a simple, rectangular layout to minimize the "diffraction effect" when blast waves bounce off U-shaped or L-shaped buildings and thus cause additional damage.

- Drastically reduce or eliminate building ornamentation that can easily break away and cause further damage to people in the building or on the street below. All external cladding, such as tiles, shingles, siding or architectural treatments, should be made of lightweight materials that will minimize damage when they become flying objects after a blast.

In addition, Ms. Hinman advocates banning underground parking in federal and state buildings. Only employees should be allowed to park within 100 feet of those buildings, she says.

WHY TOP INSURANCE AGENTS, BROKERS AND FORTUNE 500 COMPANIES RUN WITH A HORSE OF A DIFFERENT COLOR.



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— HPR • PROPERTY SPECIAL RISK —



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Test explosions like this are helping research labs develop laminated glass that may break but will not shatter after a bombing.

Defense

Continued from page 4
assuring that "you haven't built a conspicuous vulnerability into the building" so that a small event could cause disproportionate damage.

"Insurers don't want a waste-basket fire to become the next Chicago Fire," he said.

But, sometimes people look more at cost than safety, said Mr. Massa.

For example, most roofs just sit on their own weight. But bombs produce enormous vertical thrust. In low-rise buildings, "bombs are quite capable of peeling roofs right off like a sardine can," he said.

"You've got to tie the roofs down," said Mr. Massa, noting that in the wake of Hurricane An-

drew in 1992, several counties in Florida have changed their building codes to require that buildings be tied together more effectively.

"Unfortunately, with a direct strike of a hurricane, it is not practical to build a building to be immune from that kind of force," said Kemper's Mr. Deacon.

But, proper design of roofs for various occupancies, tying buildings together better and anchoring air conditioners and other rooftop equipment more effectively can mitigate the damage, he said.

The Northridge earthquake that shook Los Angeles in January 1994 also reinforced some existing ideas about roofing and construction (BI, Jan. 24, 1994), according to Bruce Pitzer, district chief engineer in Norwood, Mass.-based Factory Mutual Engineering Assn.'s Los Angeles district office.

For example, the quake underscored the difficulty a wood roof has in holding concrete walls together, he said. This was particularly true regarding industrial structures, he said.

The quake also highlighted the need to re-examine steel-frame building techniques, Mr. Pitzer said.

It was commonly thought that such buildings would prove most effective at resisting the quake stresses. But, after the Northridge

The principal things lacking in the sprinkler systems damaged by the Los Angeles quake were wrap-around hangers, longitudinal bracing and retaining straps for C-clamps for the hangers. He added that although such steps were included in codes dating back to the 1960s, many of the systems installed up into the 1980s lacked them.

Lots of sprinkler systems caused water damage because of broken pipes, cracked fittings and sprinkler heads that hit structural members, said Factory Mutual Engineering's Mr. Pitzer.

"We've been recommending that they retrofit with bracing that's up to current codes," he said.

Mr. de Pont also noted that, in some cases, corners had been cut in installing equipment, such as lag bolts being driven into walls with pneumatic drills rather than being screwed in as they should have been. That compromised the systems.

If a company braces the sprinklers and doesn't brace the ceilings, the structure can still move and shear off sprinkler heads, said IRI's Mr. Linder. The biggest problem is getting people to recognize what's there and what has to be retrofitted. For a system to work, you need to tie the ceilings and sprinkler systems together. A lot of people hadn't upgraded sys-

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All sectors of society need to be aware of the potential for loss and then plan to manage those losses, says Greg Chiu of the Insurance Institute for Property Loss Reduction.

quake, investigators found many cases of cracks in the frames of mid-rise buildings. Engineers are still investigating what they mean in terms of structural integrity, he said.

Bob Pearce, assistant vp-area loss prevention for Industrial Risk Insurers' Western Pacific office in San Francisco, said that investigators found instances of the cracking where buildings were under construction when the quake struck.

His colleague, Ken Linder, assistant director of research at IRI's Hartford, Conn., headquarters, said many of the cracks were at or near welds.

Finnian de Pont, senior loss prevention specialist at Factory Mutual Engineering Assn.'s headquarters, also noted the questions raised about welding.

A comparison of steel-framed buildings in Los Angeles and in Kobe showed that the Japanese buildings tended to fare much better. Mr. de Pont attributed the difference to a higher caliber of welding in Japan combined with more welding inspections than in the United States.

The Northridge and the January 1995 Kobe quake also underscored that where sprinkler systems were compromised, there were major losses, said Mr. de Pont.

The most important aspects in protecting sprinkler systems were bracing, flexibility where two sections of pipe are expected to move differentially and protecting the pipes from the movement of buildings, racks and utilities, he said.

IRI's Mr. Pearce noted that many sprinkler systems were installed before present-day fire protection codes were drafted.

tems, he said.

Building codes are not necessarily the answer to all catastrophe-related questions, said Greg L.F. Chiu, engineer with the Insurance Institute for Property Loss Reduction in Boston. All sectors of society need to be aware of the potential for loss and then plan to manage those losses, he said.

Sometimes, planning to manage one loss means increasing the exposure to another, said Casey Grant, technical director-codes and standards for the National Fire Protection Assn. in Quincy, Mass.

"Certainly the issues of security and fire protection go hand in hand and often are overlooked," Mr. Grant pointed out. But, balancing those interests is not always easy.

For example, "there has been ongoing concern over the use of security bars, particularly in urban areas, where they have high crime. People put them on with all the right intentions, he said. The problem is that the bars can hamper escape from a burning building and make firefighters' jobs more difficult, he said.

"When you look at fire protection, when you look at the most fundamental concepts, you see factors such as compartmentation," he said.

Compartmentation is a building concept intended to keep fire from spreading, such as widening streets to create fire breaks between buildings, Mr. Grant explained.

"As we work toward making facilities more secure, which I'm sure will be the result of these disasters we have had, we must make sure that we don't lose sight of the importance of fire protection," he said. **BI**

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Opinions

Congress bungles billing issue

IF THERE EVER was a perfect example of the wretched way employee benefits legislation and regulations are developed, the debacle involving the medical bills of individuals with kidney disease is it.

The problem, as we outline on page 1, is complex. It involves laws and regulations detailing the situations when employer health care plans or Medicare are the primary payers of medical bills for individuals with end-stage renal disease, an impairment of the kidneys that requires expensive treatment.

The ESRD debacle began in the summer of 1993, when Congress passed budget legislation with a provision that, in a limited number of situations, made employer plans rather than Medicare the primary payer.

Months after the legislation was signed into law, officials at the Health Care Financing Administration, the federal agency that administers Medicare, provided their interpretation of the ESRD provisions.

HCFA officials then said that if a retired worker developed ESRD after age 65, the primary responsibility for paying the retiree's medical bills would bounce from Medicare to the employer's retiree health care plan and then back to Medicare after 18 months.

Earlier this year, amid much protest from employers and health insurers, as well as some nudging by congressional leaders, HCFA reversed itself. The law, HCFA officials decided, didn't require retirees with ESRD to bounce back and forth between Medicare and their former employer's health care plan. If a retiree developed ESRD after turning age 65, Medicare continues to be the primary payer, HCFA said.

Needless to say, HCFA's changing interpretation of the law has played havoc with kidney dialysis centers, to say nothing of the confusion it has caused employers, insurers and retirees. In a nutshell, medical bills that should have gone to health insurers instead went to Medicare and, later, the opposite happened.

Not surprisingly, one dialysis center operator—National Medicare Care Inc.—is suing the government, arguing that HCFA's changing interpretations amount to illegal retroactive rule making. NMC, which argues that HCFA's latest interpretation is wrong, says it faces more than \$1 million in new administrative costs associated with rebilling. NMC also probably objects because it will receive lower fees when Medicare rather than employer plans is the primary payer for ESRD patients.

Batten down the hatches in hurricane season

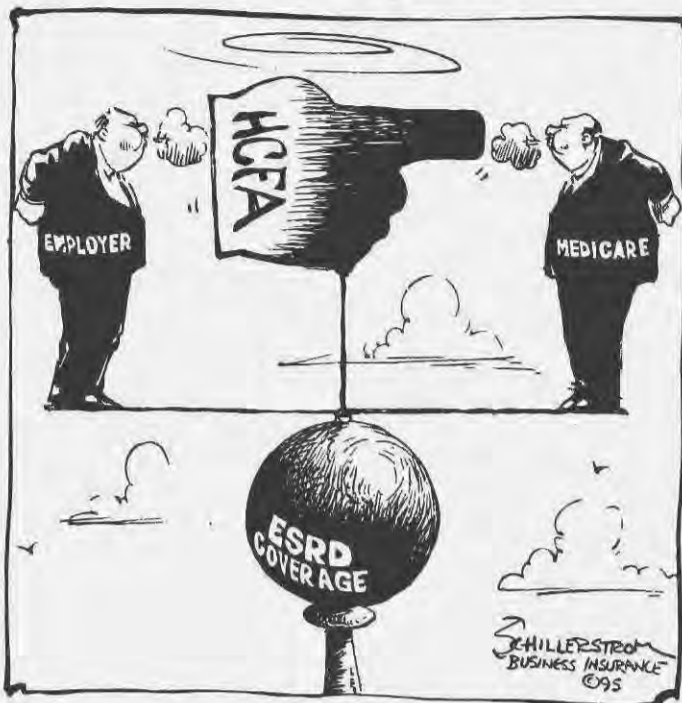
FIVE DAYS INTO hurricane season and the coast of the United States has already been hit by a hurricane.

Fortunately, Allison did not cause extensive damage and there was no loss of life when it hit Florida's Gulf Coast and moved northeastward.

We hope, though, that the storm will be more powerful as a reminder to risk managers and public officials in coastal areas of the need to prepare for these catastrophes. The time to plan is now, while these storms are merely light breezes off Cape Verde, not at the last minute, when a Category 5 hurricane may be 24 hours from landfall.

Risk managers need to ensure their property is protected, including better securing roofs and loose equip-

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It now could take months, if not years, before courts straighten out this mess.

But this mess easily could have been avoided with a little common sense, which regrettably seems to be in short supply in Washington.

Congress first should have sought input from the employers and insurers that would have been affected by the rule. We hate to sound like a broken record, but it obviously bears repeating. Congress also should have spelled out its intentions clearly, rather than force regulators to try to decipher congressional intent.

Finally, why didn't HCFA do a better job of publicizing its interpretations? The first public word of HCFA's second interpretation of the ESRD provision only came through a letter that a HCFA official sent to a trade association for claims administrators.

While much damage has been done, it is not too late for Congress to provide relief.

As we have said before, we think that HCFA's most recent interpretation—making Medicare the primary payer of these claims—is the only one that would work in the real world. Congress should pass legislation clearly explaining ESRD rules in language that even a child could understand.

ment, devising a plan to keep building contents free from water damage and critical operations free from damage due to power outages. They also need to have a business continuity plan in place, a system of communicating with all employees and, of course, a means of financing the risk.

Public risk management officials, in addition to the above, need to ensure disaster response plans and personnel are ready, that emergency materials and supplies are stockpiled and that evacuation plans are well rehearsed.

And insurers must be prepared to assess damage quickly and meet the claims of their policyholders.

We sincerely hope that these preparations will not be put to the test, but to not take such precautions would be a foolish gamble.

The United States has not been hit by major hurricane damage since 1992's devastating Andrew and Iniki—though it had some near misses in 1993's Hurricane Emily, which caused \$30 million in damage, and 1994's Tropical Storm Gordon, which produced \$60 million in insured damage.

But the risk of a major hurricane certainly hasn't disappeared.

Allison was a gentle reminder to be prepared, because this is one ill wind that blows plenty of harm.

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precise point fire was first discovered. But for the sake of argument, we'll assume it didn't take much



well over a century developing new technologies to control fire and help our cus-

longer to discover how destructive it can be.

tomers reduce its damaging effects.

GENERATIONS HAVE BEEN TRYING TO

A CASE IN POINT: FOR CLOSE TO TWO

understand fire, to control its potential, and

decades our scientists have developed

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a particular event occurring, and the

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potential routes the fire may take and the

over 150 years. Instead of looking back, we

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look forward to anticipate the ever-chang-

er screen no larger than this page. All

ing needs of our policyholders.

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OBVIOUSLY, THIS EFFORT HAS HELPED US

should do more than just insure your

better evaluate fires. More important, the

property. Indeed, we do everything in our

process has helped us further understand each

power to help you prevent losses, minimize

of our customers. This, in turn, allows

damage from them, and eliminate the

us to create cost-effective

disruptions they can cause.



Employee training helps overcome hazards unique to 'working warehouses'

Potential fire losses are not the only concerns risk managers have with new, warehouse-type retail outlets.

Today, forklifts move pallets and stacks of lumber while customers shop, creating an environment far different from the days when stocking meant an employee manually lifting vegetable cans onto store shelves that didn't reach to the ceiling.

"They're working warehouses," said Joe Harding, risk manager in Irvine, Calif., for HomeBase Inc., a self-insured retailer with 80 home improvement warehouse stores throughout the West. "As

people are buying stuff, you're having to restock shelves."

These types of potential hazards make safety programs more important.

At HomeBase, safety programs include training in "hazard communications," or how to respond to chemical spills and how to use fire extinguishers and hoses properly, said Mr. Harding.

Still, the added services in today's stores have not fundamentally altered risk management.

"The issues are similar," said Joan E. Spiegel, director of risk management for self-insured Safeway Inc. in Oakland, Calif.

"They may at the margins be

different, but fundamentally it's training and follow up," she explained.

Among those changes at the margins are water potentially spilling and creating slippery conditions where flowers are sold, she said.

In-store banks also increase risks because more cash is in a single facility.

Contracts between the banks and stores have to be reviewed to clarify who shoulders those risks, said Ms. Spiegel. "That is probably the biggest issue, clarifying who is responsible for what."

Ergonomic problems among employees also could increase as

more employees are concentrated in one area at larger stores, said Wayne Kossel, retail market segment manager for Zurich-American Insurance Group in Schaumburg, Ill.

Customer slips and falls—which now account for an average of 50% to 60% of a retailer's general liability losses—also are expected to increase as more customers are walking around larger stores, said Mr. Kossel.

Larger stores do have some safety advantages, though.

With more employees at central locations, it is easier to administer safety programs, observed Mr. Kossel.

And centralization could make it easier to modify stores to reduce accidents, such as by changing floor textures and lighting, he said.

—By Roberto Cenicerros

Hyperstore

Continued from page 3

the greatest population concentration. That happens to be in coastal areas prone to wind and earthquake losses, where insurance is already hard to buy.

With the stores located in every high-risk area, insurers with those types of retail customers will get nicked regardless of where catastrophe strikes.

"The marketplace is becoming more cautious with retail," Mr. Steidinger said.

Property loss concerns are by no means limited to the newest types of retail superstores. Over the years, traditional department stores have also increased in size and the mix of products offered. The large, open floors with few walls at many of today's stores do nothing to limit the spread of fire and smoke.

However, there are a number of techniques that can mitigate property damage potential.

"Draft curtains" that hang five feet from the ceiling can reduce the spread of smoke damage, said Peter J. Gore Willse, research consultant for IRI in Hartford, Conn.

The large, open floors with few walls at many of today's stores do nothing to limit the spread of fire and smoke.

Department stores can also make their environments safer with the use of smoke exhaust systems that are triggered by smoke detectors. A good system for a department store will exhaust an area where smoke is present while fresh air from outside is pumped into the surrounding areas not engulfed by smoke. The resulting pressure system confines the smoke.

Like sprinkler systems, smoke removal equipment should not be taken lightly, warn experts, who often cite the case of a Florida home-improvement hyperstore.

In that instance, an employee cutting open a case of plastic jugs accidentally sliced open the containers holding a flammable liquid. The fluid ended up in sawdust that was later touched off by an employee with a match.

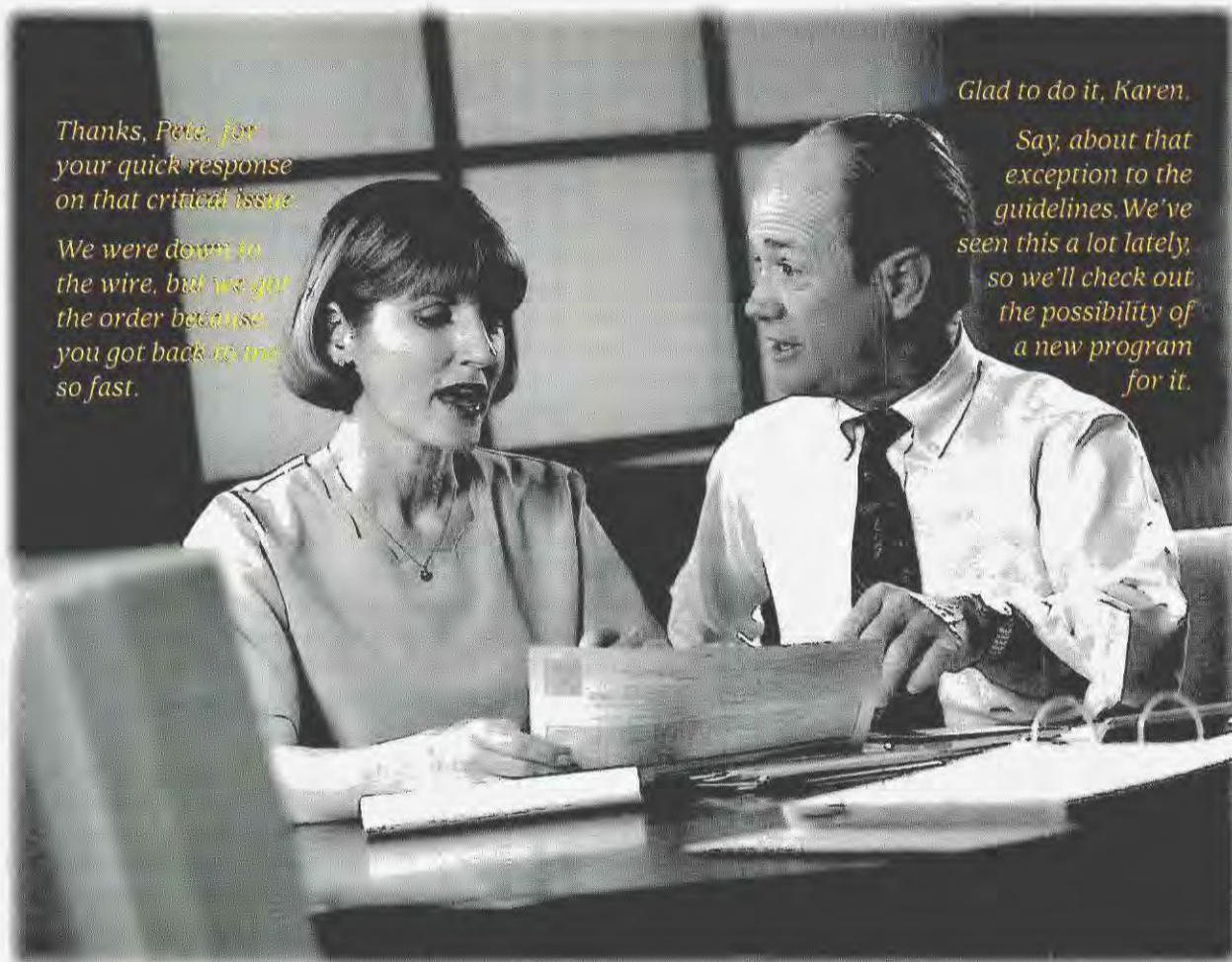
Arriving firefighters met exploding paint cans and products dropping like rocks from the store's tall shelves. But one obstacle that really slowed them in battling the afternoon blaze was the thick black smoke pouring from the store's entrances. Before they even attempted to reach the flames, firefighters had to cut holes in the roof to form an exhaust port.

While that happened, the fire spread.

The hyperstores generally have specific smoke removal and sprinkler system requirements, the experts say. Sprinklers must meet warehouse standards and often need to be placed inside the racks, depending on factors like the shelves' depth.

But, observers say there are many challenges to meeting those requirements. The sprinkler systems can be costly and too inflexible for operations that change their inventory and displays often.

"Most of them try to do a good job," one insurance company official said. "But many facilities are older and costly to retrofit." **BI**



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Halon alternatives spark growing interest

By DOUGLAS McLEOD

A long-sought replacement for the environmentally dangerous fire suppressant Halon may be emerging from the mist.

Specifically, from water mist: Water mist suppression systems, which battle fire with a fog of water droplets, are among the most popular potential Halon alternatives now under development, fire prevention engineers say.

Already used for shipboard fire control, water mist systems are being evaluated for use in computer rooms and other facilities housing electronic equipment where ozone-depleting Halon is employed now.

While the technology is promising, standards for mist systems still are being developed, and questions remain about their applicability as a safe and effective Halon replacement, some experts say.

"We've been interested in water mist as a possible alternative to Halon," confirmed Tom Ziegler, senior administrator-property insurance for Stamford, Conn.-based GTE Corp., one of the biggest Halon users in telecommunications.

But, "school is still out" on whether the systems will prove themselves workable, he said.

Meanwhile, other fire suppression technology—like new types of sprinkler systems—continue to evolve for large warehouses and other buildings where mist systems wouldn't be appropriate.

Engineers continue to devise new systems using so-called early suppression fast response sprinklers and extra-large orifice sprinklers, both designed to deliver larger volumes of water to extinguish—rather than just control—fires, experts say.

Engineers now have so many choices of specialized systems that "it's kind of like a kid going into a candy shop," said Glenn Giles, senior vp and global manager of loss control for Johnson & Higgins in New York.

The search for Halon alternatives has been on for a while but so far has yielded no clear-cut winner among replacement technologies.

The colorless, odorless gas has been an effective fire suppressant in facilities housing computer and electronic equipment and in other enclosed spaces like aircraft cargo bays and on board ships.

Concern about the suppressant's depletion of the earth's ozone shield, however, led more than 100 countries that signed the Montreal Protocol of 1987 to halt production of Halon as of Jan. 1, 1994 (*BI*, June 7, 1993).

The U.S. government has not banned existing Halon systems, though, and thousands are still in operation.

However, huge price increases for dwindling supplies of Halon and fear that the systems eventually may be banned have led many property owners to look for alternatives.

Many systems have been converted to use other gaseous agents that perform "fairly well," including FM-200 and Inergen, according to Sal Chines, a research consultant for Hartford, Conn.-based Industrial Risk Insurers.

It's been tough, though, finding compounds that combine Halon's low toxicity with its ability to suppress fires in relatively small amounts.

One compound that looked promising several months ago, for example, surprised researchers with its high toxicity level and is now being

Water mist systems may be an option

used only in unoccupied buildings, Mr. Chines said.

Water mist systems, which have actually been around for decades, are receiving new attention as a possible Halon replacement, observed Gregg A. Davis, a loss control property specialist with Atlantic Mutual Cos. in Madison, N.J.

The systems are similar to sprinklers but generate a mist of water particles far smaller than the droplets produced by standard sprinklers, he explained.

Water mist systems extinguish fires not only by cooling the flames themselves but by displacing oxygen as the mist rapidly converts to steam and expands, Mr. Davis said.

In addition, the mist absorbs and

scatters radiant heat generated by a fire, preventing the "flashover" that occurs when materials in a room absorb so much heat that they burst into flames, Mr. Davis said.

A variety of water mist systems have been developed using different nozzles and varying levels of pressure.

The National Fire Protection Assn. in Quincy, Mass., has been studying water mist systems since 1993 and is expected to issue standards later this year or in early 1996.

One of the advantages of the systems is that they extinguish fires with far less water than a sprinkler system would use.

"You can put out some fires with

literally quarts of water that used to take hundreds of gallons," said John Koester, assistant vp-loss control at Johnson & Higgins in Baltimore.

So far, the main use of mist systems has been in shipboard engine rooms and installations with gas turbines.

However, mist systems might be used in a variety of other settings where Halon has been used, including in computer facilities, telecommunications switching stations and even in museums and libraries housing art and rare books, Mr. Koester observed.

"It's much more attractive to people who want to limit the amount of water in their areas," he said.

The fear many people have of using a water system with electronic equipment like computers is unfounded, Mr. Davis added.

He cited tests in which mist systems put out fires in electronic

equipment while causing no short-circuiting of the equipment. In one test, a water mist nozzle placed inside an equipment cabinet extinguished a fire in two seconds using only a liter of water.

Jeff Newman, manager of Factory Mutual Research Corp.'s giant fire test center in West Glocester, R.I., agreed that the mist systems produce only limited damage to electrical equipment and have advantages over carbon dioxide extinguishers, which can produce "thermal shock" by cooling equipment too quickly.

Still, the standards and approvals needed for widespread use of water mist systems as a Halon replacement appear months away at best.

One potential problem with mist systems is getting them past the U.S. Environmental Protection Agency, said Ken Linder, assistant director of research with IRI.

Continued on next page

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Continued from previous page

Though one wouldn't think the EPA would be concerned about a system that uses water, the agency may raise questions about the effect of tiny mist particles on the lungs of people exposed to it, and the possibility that the particles may carry water treatment chemicals used in the systems deep into the lungs, Mr. Linder said.

Regarding Halon replacements in general, Mr. Linder noted that "a lot of people are taking a wait-and-see attitude," delaying a decision while new alternatives are developed.

GTE, for example, is following the development of water mist systems but has not made any decisions about using them to replace Halon at any of its thousands of locations, Mr. Ziegler said.

The company has decided, how-

ever, not to replace Halon with other gases now on the market, having found that none of them is as safe and effective as Halon, he added.

GTE has begun a Halon phase-out program in which it is aiming to remove Halon from locations with less than \$25 million in property value by 1996 and to replace all Halon systems by 2000.

Mr. Ziegler said the company may ultimately have to slow down or halt the phase-out, though, because there likely will be no feasible Halon alternative ready to install by next year.

Instead, GTE is looking at standard sprinkler systems for areas of its buildings except those where switches are located.

It is also looking at alternatives to fire suppression systems, he said. These include plans to install firewalls to restrict fires to

smaller spaces, coupled with smoke removal systems, Mr. Ziegler said. He explained that much of the damage to telecommunications equipment during a fire is caused by smoke and not heat.

Another alternative is to install a new generation of early warning smoke detectors that use light to spot smoke. If smoke is detected early enough, technicians can solve a problem before it sparks a fire that would trigger a fire suppression system, Mr. Ziegler said.

Meanwhile, engineers continue to develop new systems using early suppression fast response sprinkler heads and extra-large orifice sprinklers, which deliver more water faster than standard sprinkler systems.

ESFR sprinklers may deliver 100 gallons of water per minute compared with standard sprin-

klers, which might deliver 20 gallons per minute and which were designed only to slow fires down until firefighters arrived, Atlantic Mutual's Mr. Davis said.

"If (an ESFR) system works the way it's designed, by the time the fire department arrives, there is no fire," he said.

For use in warehouses, for example, ceiling-mounted ESFR and ELO sprinklers have allowed property owners to do away with in-rack sprinklers, experts note. The in-rack systems, which are installed in the racks where pallets of goods are stored, are not only more expensive but are vulnerable to accidental discharge if, for example, they are damaged by a forklift.

The plethora of sprinkler equipment now on the market has been both a blessing and a curse, allowing more flexibility to fire protec-

tion engineers but also creating the risk that a building's system may become too specialized, J&H's Mr. Giles said.

"It's great and it's a problem at the same time," he observed.

An engineer working on a warehouse, for example, might design a ceiling-mounted ESFR system without in-rack sprinklers assuming that the warehouse would only be handling goods in closed containers, explained J&H's Mr. Koester.

After a few years, however, the warehouse might begin storing open-topped containers, which would collect water from the ceiling-mounted system and prevent the water from getting to a fire, he said.

The new equipment puts a larger burden on engineers to design systems to take potential future uses of a building into account, he said.

"All you can do is design with as much flexibility as possible," Mr. Koester observed. **■**

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Factory Mutual center tests fire conditions

Fires, acid spills and other forms of destruction are a way of life at Factory Mutual Research Corp.'s giant fire testing center.

The West Gloucester, R.I., center, which could easily contain a football field, allows engineers to simulate warehouse, manufacturing or office environments with the sole idea of burning them to evaluate new firefighting technology and the flammability of various materials.

It is here that water mist suppression systems, new sprinkler designs and other products get their dry run.

"What we do is recreate real fire scenarios," said Jeff Newman, manager of the facility. "We build it and we burn it."

The center's work falls into three broad categories, he said, including:

- Fire testing under contract for industry and trade groups—such as utilities or chemical manufacturers—or for individual companies that may or may not be Factory Mutual policyholders.

- Approvals testing, done for manufacturers of building materials, fire suppression equipment and other products that become more marketable with an FM approval.

- Internal research projects aimed at increasing Factory Mutual's understanding of various types of fire losses, materials and equipment.

In one current project, for example, FMRC is running fire tests in a simulated "clean room" of the type used by computer chip manufacturers, Mr. Newman said.

FMRC engineers have developed various fire scenarios for the clean room—as well as non-fire losses like an acid spill—with the aim of assessing the extent to which gases and other byproducts of fires migrate beyond the immediate fire zone to damage computers, disks and other electronic equipment, he explained.

This may help companies and their insurers determine when fire-related damage to equipment is likely and thus when equipment needs to be repaired or replaced, he said.

—By Douglas McLone

High technology thieves lead to high priced losses

By SARA MARLEY

Industry cooperates with law enforcement to minimize losses

Armed bandits are prowling the Wild West again, but now their targets are state-of-the-art computer chip manufacturers, not stagecoaches.

Technology-related crimes cost up to \$8 billion per year and that figure is expected to reach \$200 billion by 2000, according to the Engineering & Safety Service division of the American Insurance Services Group.

The Computer Crimes Division of the Federal Bureau of Investigation estimates that the average technology theft nets \$450,000 in computer chips and components that are easy to steal, transport and resell on the black market.

The largest heist to date occurred May 16 at Centon Electronics Inc.

More than a dozen well-dressed men held up three employees at gunpoint while they loaded thousands of computer chips into a van at the company's Irvine, Calif., office.

The FBI places the value of the stolen chips at between \$5 million and \$12 million.

The price tag of the Centon robbery sets it apart, but the scenario has been played out time and again, law enforcement officials say.

They cite a previous case in which a gunman in California held the staff of a computer chip brokerage hostage for 45 minutes while his accomplices stole \$1.3

million worth of chips. Before leaving, the thieves took the employees' driver's licenses and threatened to "visit them at home" if they called police.

Another company's chief financial officer went into the office for a few hours on a Sunday and propped open a door instead of turning on the air conditioning.

He was held up at gunpoint by thieves who stole single in-line memory module cards, or SIMM cards, personal computers, disk drives and CD-ROM drives. The executive was out of work for three months recovering from injuries sustained during the theft.

Three or four armed robberies may be reported in a single week-end in Silicon Valley, where businesses lose an estimated \$1 million per week to high-tech crooks.

But the problem is not limited to California. Other areas with a concentration of high-tech companies—like Boston and Dallas—also have been hit. And the crime wave has spread internationally to the United Kingdom, Ireland, France and Germany.

"This is a crime of the 1990s," said Jim McMahon, a sergeant with the San Jose Police Department and supervisor of the department's high-technology detail, the largest such local law enforcement team in the nation. "The trouble is that many of our companies safeguard this product as if it were green beans on the Safeway store shelves rather than as if it were gold bullion in Fort Knox."

last deal."

The chips are "one of the most highly stealable items in the world. \$1 million worth of chips fit in the back of a van, \$100,000 worth fit in the back end of a Pinto," he said.

And the components are getting even smaller.

"When I first started working in high-tech crime, a hard disk drive was about the size of a shoebox. Prior to that they were the size of a Volkswagen," Mr. McMahon said. "Today, a hard disk drive that holds over a megabyte of information is no thicker than my wallet. And the technology is getting even smaller."

Stolen chips and components can change hands more than a dozen times within 48 hours of the theft. They also can be broken up into smaller parcels and shipped around the world.

After several transactions they begin to gain a paper history and the appearance of legitimacy.

"The first few sales are no questions asked" and are often with cash, or cashier's checks made out to cash, said Mr. McMahon, who also serves as national chairman of the High Technology Crime Investigation Assn.

Prices well below market value can be a tip-off to buyers that the goods are stolen.

But, "the temptation is so great, they might look the other way," the FBI's Mr. Bernes said.

In California, buyers must make a reasonable effort to determine that the property they purchase is not stolen.

"You can't buy from a guy named Eddie, who doesn't have a return phone number, who has a blank sheet of paper wrapped around the license plate of his car and who only takes cash," Mr. Bernes said.

While the people selling stolen goods may not appear sophisticated, the people stealing them definitely are.

"This product doesn't get stolen willy-nilly," Mr. McMahon said.

Continued on next page

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Continued from previous page

"It is worthless to go steal \$1 million worth of SIMM if you don't have a place to go sell it. It's not like you can open the trunk of your car on the street and sell \$80,000 to \$150,000 worth of SIMM. If the criminal element doesn't have a place to go sell it, then they can't possibly steal it."

Thieves will target transportation companies or truckstops, breaking into more than a dozen loaded trucks until they find what they are looking for, Mr. Bernes said.

If they are targeting a company with several high-end computers, they will bypass those with smaller storage capacity and break open only those workstations with the fastest, highest-performing chips, said Thomas R. Cornwell, vp of Chubb & Son Inc. in Warren, N.J., who is in charge

of the electronics division of the insurer's newly created Technology Insurance Group.

Concerns with security are common to members of American Electronics Assn. in Santa Clara, Calif., said Michael McQuade, senior vp of the AEA.

The AEA's members include industry giants like Apple Computer Inc., Intel Corp., International Business Machines Corp., Microsoft Corp. and Motorola Inc., he said.

"Most of those companies have pretty strong security plans and pretty strong operations in place to take care of these problems," Mr. McQuade said.

However, 75% of AEA's 3,000 U.S. members have fewer than 500 employees and may have less sophisticated security in place. The organization also has 200 members in Japan and 150 in Eu-

rope.

They all share a growing concern about high-tech theft.

At a forum in Silicon Valley, half of the 200 people in the audience reported a component theft

from a security standpoint and from a risk management standpoint to protect their employees," Mr. McQuade said.

At a Boston seminar, 60% of 225 companies represented reported a

No one person or single entity can combat high technology theft single-handedly, but a cooperative effort can make a difference, says Chubb's Thomas R. Cornwell.

at their company.

"The 50% that didn't have a problem seriously felt that there were things that were on the horizon and they needed to know how to protect themselves, what are some of the things they could do

problem, including two in the week prior to the meeting.

At an electronics industry session at the Risk & Insurance Management Society Inc. conference earlier this year, all but two or three of the more than 25 compa-

nies present had theft and security problems, Mr. Cornwell said.

Raising awareness is critical in combating the crimes.

"One problem that we face is that companies do not realize their losses early enough," Mr. McMahan said. "It's not unusual for a company to call us a month, two months or even three months after an event has taken place. At that point, it's extraordinarily difficult for law enforcement to be able to take it and solve it properly."

The lack of a communication network between local, state, national and international law enforcement agencies also has made tracking criminals and stolen goods difficult.

"By the time you're talking to law enforcement, they can be out of the country," the FBI's Mr. Bernes said.

"It is not unusual for a law enforcement agency in one jurisdiction not to realize there has been a theft in the other jurisdiction hours, minutes or days ago," Mr. McMahan said. "And that information is very transient. This stuff sells and resells so quickly, time is of the essence."

The San Jose Police Department created a fax network with about a dozen other agencies in the Bay area, but the concept needs to be expanded.

"What's stolen in Los Angeles may be up in the Bay area within eight hours," Mr. McMahan said. "We don't have regular daily contacts there."

To address these issues, as well as its own escalating losses among its electronics industry clients, Chubb has established the non-profit Technology Theft Prevention Foundation at the insurer's headquarters in Warren, N.J., to aid in the fight against high-tech crimes.

"The foundation's goal will be to provide the electronics industry and the law enforcement community with the tools and resources they need to help combat this issue," Mr. Cornwell said.

Chubb has committed \$100,000 per year for the next three years to the foundation.

Messrs. McMahan and McQuade will serve on the board of trustees.

"We have begun the process of reaching out to others, both in the electronics and insurance communities, who might also wish to participate," Mr. Cornwell said. "The operative word here is 'together.' It's clear that no one person, no single entity, can combat this problem single-handedly, but a cooperative effort can make a difference."

Among the ways the foundation plans to boost communication and cooperation are:

- Conducting educational seminars to assist electronics firms, transportation companies, suppliers and related industries with awareness and prevention.

- Developing awareness programs and safety campaigns for electronics industry employees.

- Helping law enforcement agencies across the country to fund preventive and investigative activities.

- Charting trends and developing statistics on the problem and helping to disseminate them to the media.

- Encouraging other companies to lend their financial support.

The formation of the foundation "sends a very clear signal to the perpetrators of high-tech crimes that the high-tech industry is not about to stand by and let theft steal its competitive edge," Mr. Cornwell said.

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Annual directory of property loss control consultants



AIG Consultants Inc.
 72 Wall St., 9th Floor, New York,
 N.Y. 10270; 212-770-3643;
 fax: 212-785-8287

1994 Revenues	
Total gross revenues	\$25,000,000
Loss control/engineering	10%
Other	90%

Staff
 Total167
 Professionals.....35
 Includes: 5 ARMs, 3 ALCMs, 29 ASCEs,
 17 ASSEs, 9 CSPs, 9 PEs, 31 SFPEs

Loss control services since: 1970.
Parent: American International Group.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, real estate purchase/sale property surveys.
Occasional services: Publications, client training.
Region served: Nationwide.
Offices: Costa Mesa, Los Angeles, San Francisco and San Jose, Calif.; Denver; Washington; Tampa, Fla.; Atlanta; Honolulu; Chicago; Boston; Detroit; Jericho, Parsippany and Syracuse, N.Y.; Charlotte, N.C.; Cleveland; Portland, Ore.; Philadelphia; Dallas and Houston; Seattle; Montreal, Toronto and Vancouver, Canada.
Officers: Arnold J. Goldberg, president; Jack Leonard, senior vp; Charles Benda, Leon Busiello, vps.
Contact: Charles Benda.

Acordia/Rauh
 1014 Vine St., Suite 1100, Cincinnati,
 Ohio 45202-1195; 513-333-0909;
 fax: 513-333-2093

Staff	
Total	103
PLC Professionals	3
Includes: 1 ARM, 2 ASSEs, 1 CSP, 1 SFPE	

Loss control services since: 1900.
Parent: Acordia.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, development of automatic fire sprinkler system design/performance criteria, fire sprinkler system plan review, consulting on codes and standards for the National Fire Protection Assn. and Factory Mutual Engineering & Research, ISO rate analysis.
Occasional services: Plant security inspections, publications.
Specialties: Manufacturing, warehousing, theme amusement parks, large inhabitable properties.
Region served: International, including Canada and United States.
Officers: David L. Eslick, CEO; Mark Erion, CFO; Tom Schaefer, Peter Dowd, senior vps; Michael Fishel, vp; Robert J. Stone, vp/risk management services manager.
Contact: Robert J. Stone, 513-333-2055.

Alexander & Alexander Inc.
 1185 Avenue of the Americas, New York, N.Y. 10036; 212-575-8000;
 fax: 212-238-1037

Staff	
Total	21
Professionals	21
Includes: 4 ARMs, 15 CSPs, 7 PEs	

Loss control services since: 1899.
Parent: Alexander & Alexander Services Inc.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training.
Occasional services: Plant security inspections.
Region served: International.
Officers: Larry Burk, chairman/CEO; Elliot Cooperstone, executive vp/COO; Robert Needle, executive vp/director-Eastern Division; Thomas Rodell, executive vp/director-Western Division; John Lumelleau, senior vp/national director-business development.
Contact: Tom Ascherman, senior vp/director-risk control services, 813-273-5538.

Alpha Omega Design & Contracting Services Co.- Loss Prevention Division
 235 Water St., Perth Amboy,
 N.J. 08861; 908-826-6162;
 fax: 908-826-6162

1994 Revenues	
Total gross revenues	\$25,000
Loss control/engineering	100%

Staff
 Total1
 Includes: 1 PE, 1 SFPE

Clients	
Total	3

Loss control services since: 1990.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, fire suppression system designs.
Occasional services: Building plan reviews, client training.
Specialties: Manufacturing, warehousing.
Region served: Connecticut, New Jersey, New York, Pennsylvania.
Officers: George Koutsoubis.

American Risk Consultants Corp.
 1 Executive Drive, Fort Lee,
 N.J. 07024; 201-592-7100;
 fax: 201-592-7859

1994 Revenues	
Total gross revenues	\$8,900,000
Loss control/engineering	60%
Other	40%
Includes: engineering support for captives	

Staff
 Total103

Professionals	
Total	78
Includes: 2 ARMs, 3 CSPs, 14 PEs, 43 SFPEs	

Clients	
Total	575

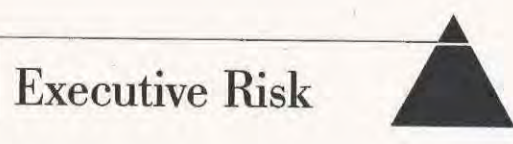
Loss control services since: 1958.
Parent: American Risk Group Inc.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, business continuation planning, infrared thermography, boiler and machinery juris

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Continued from previous page

dictional inspections, hazardous chemicals and chemical process safety reviews, natural hazards exposure analysis, property loss control program development.

Occasional services: Publications.

Specialties: Chemical and petrochemical, food and grain, pulp and paper, wood products, electro-power (nuclear, fossil and hydro), mining and metals, pharmaceuticals, commercial real estate, diverse manufacturing industries.

Region served: 40 countries, including the United States.

Offices: Sacramento and San Francisco, Calif.; Wilmington, Del.; Atlanta; Chicago; Prairie Village, Kan.; Louisville, Ky.; Plymouth, Mich.; Minneapolis; St. Louis; Somerville, N.J.; Cleveland; Livingston, Tenn.; Arlington and Free-

port, Texas; Bellvue, Wash.

Officers: William F. Ramonas, president; Jim Armstrong, senior vp-infrared thermography; Thomas W. Cochran, senior vp-boiler and machinery; Melvyn Musson, vp-business continuation planning; Robert Page, vp-fire protection; Jan Eglitis, Jim Leggett, William McClymont, regional managers.

Contact: William F. Ramonas.

American Risk Managers Inc.

P.O. Box 789, Hamilton, Ala. 35570; 205-921-7979; fax: 205-921-3146

1994 Revenues	
Loss control/engineering	25%
Other	75%
Includes: risk management consulting	

Staff	
Total	12
Professionals	1
Clients	
Total	10

Loss control services since: 1979.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training.

Occasional services: Building plan reviews, publications, research.

Region served: Alabama, Louisiana, Mississippi, Tennessee.

Officers: Walter D. Haney, chairman; Wally Haney, president; Ginny Hughett, vp.

Contact: Wally Haney.

Anti Fire, P.E. Phillips & Associates

1963 Sycamore Trail, Las Vegas, Nev. 89108; 702-648-6757; fax: 702-648-6757

1994 Revenues	
Total gross revenues	\$25,000
Loss control/engineering	100%

Staff	
Total	4
Professionals	4
Includes: 1 ASSE, 1 CSP, 1 PE, 1 SFPE	

Loss control services since: 1974.

Services: Fire prevention inspections, hazard identification, building plan reviews, publications, consulting to legal profession.

Specialties: Fire protection.
Region served: Nationwide.
Officers: Patrick E. Phillips, senior fire protection consultant.

Applied Risk Control Corp.

15 N. Mill St., Nyack, N.Y. 10960; 914-365-2444; fax: 914-365-2478

1994 Revenues	
Loss control/engineering	95%
Other	5%
Includes: training programs, articles	

Staff	
Total	12
Professionals	10
Includes: 1 ARM, 1 CSP, 1 PE	

Continued on next page



User's guide to BI directory on loss control

The ninth annual *Business Insurance Directory of Property Loss Control Consultants and Engineers* lists companies that provide loss control services on an unbundled basis to organizations directly utilizing the service; consultants that provide these services only in conjunction with other services, such as brokering insurance, are not listed.

Listings begin with the name, address, telephone and fax number of each company. When reported by the company, 1994 gross revenues are provided along with the percent earned from property loss control consulting.

Information on staff members at year-end 1994, including professionals assigned to property loss control consulting and engineering services and some of their professional designations, is provided. The full name of designations abbreviated under staff are included below.

Next, the total number of property loss control consulting and engineering clients appears, followed by the year loss control services began and parent company, if any.

Details on frequent and occasional loss control services follow. If a company specializes in consulting to a particular type of business or industry, it is noted under the specialty heading. The geographic region served and cities and states of branch offices providing property loss control services are then provided. Names and titles of principal officers follow. For readers wanting more information on the company, a contact person is provided.

Business Insurance publishes the directory as an editorial service; there is no charge to be included. Listings are based on each company's response to a *Business Insurance* questionnaire. Although every effort is made to provide complete and accurate information, *Business Insurance* is unable to verify all information received.

Following are the full professional designations and organizations for those abbreviated under the staff heading:

ALCM is Associate in Loss Control Management; **ARM** is Associate in Risk Management; **ASCE** is member, American Society of Civil Engineers; **ASSE** is member, American Society of Safety Engineers; **CSP** is Certified Safety Professional; **PE** is Professional Engineer; **SFPE** is member, Society of Fire Protection Engineers.

Spotlight report

Continued from previous page

Clients	
Total	23

Loss control services since: 1985.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, flow test reviews, sprinkler coverage determination.

Region served: International.
Offices: Los Angeles; Atlanta; Chicago; Kansas City, Kan.
Officers: Harry P. Mirijanian, president.

Axia Services Inc.

151 Farmington Ave., W101, Hartford, Conn. 06156; 203-683-3624; fax: 203-683-3746

1994 Revenues	
Total gross revenues	\$200,000,000
Loss control/engineering	15%
Other	85%

Staff	
Total	350
Professionals	65
Includes: 10 ARMs, 17 ALCMs, 18 ASCEs, 1 ASSE, 15 CSPs, 5 PEs, 8 SFPEs	
Clients	
Total	90

Loss control services since: 1972.
Parent: Aetna Life & Casualty Co.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, sprinkler system testing and evaluation, water supply evaluation, property audit/program consultation, building appraisals (non-market price).

Occasional services: Plant security inspections, publications, research.
Region served: Nationwide, Canada, Mexico.
Offices: 45 locations nationwide.
Officers: Stephen M. Mulready, president; Ramon Padron, vp-engineering services.
Contact: Joseph Labetti, assistant vp-sales; Anthony Maleski, customer services.

B

Biehl Engineering Inc.
 N66 W12659 Ravine Drive,
 Menomonee Falls, Wis. 53051-5260;
 414-251-8251; fax: 414-251-8251

1994 Revenues	
Loss control/engineering	50%
Other	50%
Includes: building design	
Staff	
Total	4
Professionals	2
Includes: 1 ASCE, 1 ASSE, 1 CSP, 2 PEs	
Clients	
Total	50

Loss control services since: 1964.
Frequent services: Hazard identification, building plan reviews, forensic testimony and technical reconstruction/reports.

Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, research, client training.
Region served: Nationwide.
Officers: Steven F. Biehl, Francis W. Biehl.

Gregory B. Bragg & Associates Inc.

1 Sierra Gate Plaza, Suite 250B,
 Roseville, Calif. 95678; 916-783-0100;
 fax: 916-783-0338

1994 Revenues	
Total gross revenues	\$3,700,000
Loss control/engineering	4%
Other	96%
Includes: risk management, risk control, claims management	
Staff	
Total	65
Professionals	2
Includes: 2 ARMs, 1 ALCM, 2 ASCEs, 1 CSP, 2 PEs	
Clients	
Total	56

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, sprinkler system testing.
Occasional services: Plant security inspections, building plan reviews, sprinkler design evaluation.
Specialties: Public agencies, construction, manufacturing.
Region served: Western United States.
Offices: Chico, Fairfield, Redding, Sacramento, Stockton and Walnut Creek, Calif.
Officers: Gregory B. Bragg, president; Lee W. Collins, vp/secretary; Jeff Kimball, CFO.
Contact: Jack Kastorff, 800-747-5847.

Morley Brickman & Associates Ltd.

9221 Drake Ave., Unit 410, Evanston, Ill. 60203-1626; 708-674-2664; fax: 708-674-0096

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	1
Includes: 1 ASSE, 1 PE	

Loss control services since: 1986.
Occasional services: Onsite plant loss prevention inspections, hazard identification, building plan reviews, publications, research, client training.
Region served: Nationwide.
Officers: Morley Brickman, president.

British Safety Council

70 Chancellors Road, Hammersmith, London, England W6 9RS;
 44-181-741-1231;
 fax: 44-181-741-4555

1994 Revenues	
Total gross revenues	\$10,000,000
Loss control/engineering	30%
Other	70%
Staff	
Total	120
Professionals	12
Includes: 2 ASSEs	

Loss control services since: 1957.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, safety performance audits.
Region served: 27 countries.
Officers: James Tye, director general; James Brett, financial controller; Tony Allen, training manager.
Contact: James Tye.

Ken Buhler Associates Inc.

11 Erita Lane, Smithtown, N.Y. 11787;
 516-360-3770; fax: 516-360-3770

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	5
Professionals	4
Includes: 2 PEs, 1 SFPE	

Loss control services since: 1976.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, sprinkler system design and analysis.
Occasional services: Publications, research, client training.
Specialties: Electronics, rubber tire storage, roll paper and printing, retail warehouses.
Region served: Nationwide.
Officers: Ken Buhler, president; Randy Buhler, Sandy Relkin, vps.

C

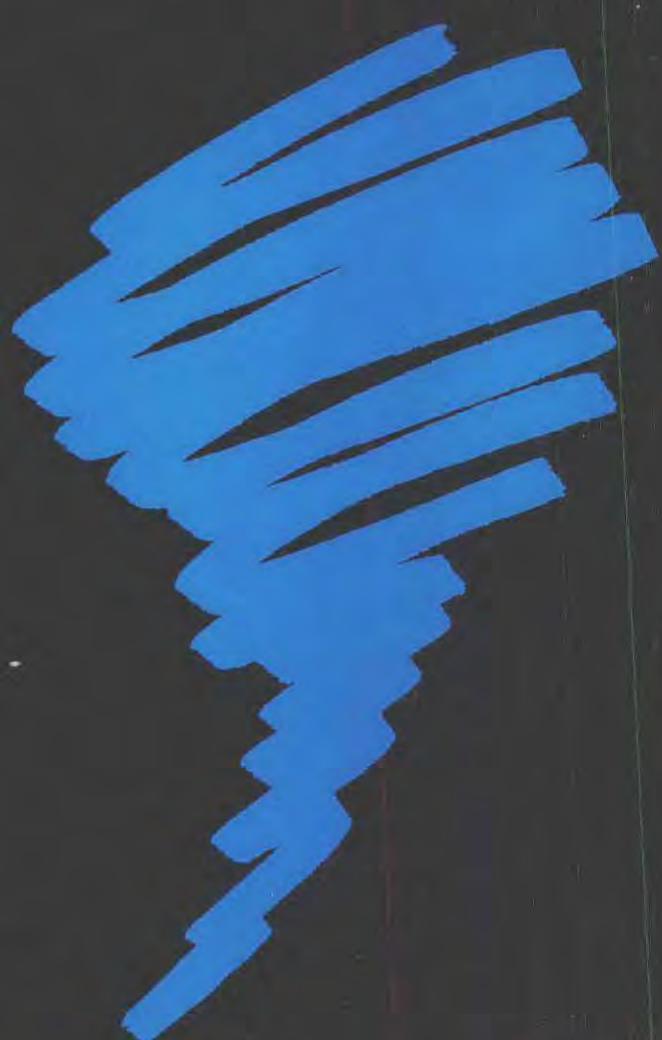
C&S Inc. dba Safety Consulting Inc.

1403 S.W. Topeka Blvd., P.O. Box 2789, Topeka, Kan. 66601-2789;
 913-232-3887; fax: 913-233-1746

1994 Revenues	
Total gross revenues	\$300,000
Loss control/engineering	5%
Other	95%
Staff	
Total	5
Professionals	4
Includes: 1 ARM	

Continued on next page

PROPERTY



“Catastrophic” seems to be the best description of the past several years in the property marketplace. All over the country fires, floods, earthquakes, hurricanes and tornados have struck with a frequency unprecedented in recent memory.

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 Swett Insurance Managers

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 (213) 251-1200

Continued from previous page

Clients	
Total	150
Loss control services since: 1971.	
Frequent services:	Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.
Occasional services:	Plant security inspections, building plan reviews.
Region served:	Nationwide.
Officers:	Denzell B. Ekey, president; Craig S. Stromgren, Bryan E. Christensen, John Parkin, senior vps.
Contact:	Craig S. Stromgren.

Capital Assurance Services Inc.

2 Columbus Center, 55 Alhambra Plaza, Coral Gables, Fla. 33134; 305-461-7410; fax: 305-461-4303

1994 Revenues	
Total gross revenues	\$350,000
Loss control/engineering	50%
Other	50%
Staff	
Total	14
Professionals	10
Includes:	2 ASSEs, 1 CSP, 1 SFPE
Clients	
Total	15

Loss control services since: 1983.	
Parent:	Skandia Southeast Cos.
Frequent services:	Onsite plant loss prevention inspections, fire prevention inspections, insurance underwriting surveys and services (all major coverages).
Specialties:	Property and casualty insurance companies.
Region served:	Florida.
Offices:	Maitland, Fla.
Officers:	R.C. Chaffin, president; W. Santore, vp.
Contact:	Martin R. Lerner, director.

Chubb Services Corp.

25 Independence Blvd., Warren, N.J. 07059; 908-903-7181; fax: 908-903-7187

Staff	
Total	12
Professionals	12
Includes:	2 ARMs, 7 ASSEs, 10 CSPs, 2 PEs, 1 SFPE

Loss control services since: 1991.	
Parent:	Chubb & Son Inc.
Frequent services:	Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training, property conservation programs.
Occasional services:	Plant security inspections, building plan reviews, publications, research, property appraisals.
Specialties:	Electronics, food processors, nursing homes, biotech, metal workers.
Region served:	Nationwide.
Offices:	Los Angeles; Atlanta; Louisville, Ky.; Westborough, Mass.; Harrisburg, Pa.
Officers:	Robert D. Felch, president; Sam K. Lee, Robert Santoro, Barry L. Wells, Arthur Billington II, vps.
Contact:	Ronni Zimmerman, 908-903-7102.

CIGNA International, Risk Management Engineering Services

1601 Chestnut St., TLP 50, Philadelphia, Pa. 19192; 215-761-6695; fax: 215-761-5486

1994 Revenues	
Loss control/engineering	20%
Other	80%
Includes:	insurance-related services
Staff	
Total	120
Professionals	90
Includes:	3 ARMs, 7 ASSEs, 2 CSPs, 9 PEs, 28 SFPEs

Loss control services since: 1910.	
Parent:	CIGNA Inc.
Frequent services:	Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, evaluations, computer building valuations, computer-aided drawings, customized recommendation management programs, fire loss potential estimates.
Occasional services:	Plant security inspections, publications, research.
Specialties:	U.S.-based and multinational businesses, service industry, manufacturing industry.
Region served:	International.
Offices:	Asia, Australia, Canada, China, Europe, Latin America, Russia, United Kingdom, United States.

Officers: Richard Wnek, vp-risk management engineering services.

CONFIRM Inc.

30 Watervliet Ave., Valatie, N.Y. 12206-1935; 518-459-0296; fax: 518-438-4042

1994 Revenues	
Loss control/engineering	5%
Other	95%
Includes:	self-insurance studies and management for workers compensation, request for proposals for municipalities and health organizations, special projects, continuous consulting
Staff	
Total	5
Professionals	1
Includes:	2 ARMs, 1 ALCM
Clients	
Total	4

Loss control services since: 1990.	
Occasional services:	Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications,

research, client training, simulated OSHA inspections, loss prevention training.

Specialties: Health care industry, construction industry.

Region served: New York, New England.

Officers: James P. Faughnan Jr., president; Lawrence E. O'Brien, principal consultant; Paul J. Czesak, director-engineering services; Florence S. Smith, Ardis Sherin, consultants.

Conniffe & Co.

P.O. Box 61020, Columbia, S.C. 29260-1020; 800-820-9106; fax: 803-738-0130

1994 Revenues	
Total gross revenues	\$115,000
Loss control/engineering	100%
Staff	
Total	7
Professionals	4
Includes:	3 ASSEs

Loss control services since: 1991.	
Frequent services:	Onsite plant loss prevention inspections, fire prevention

inspections, hazard identification, research, client training, development of safety programs and manuals, valuations.

Occasional services: Plant security inspections, building plan reviews, publications.

Region served: District of Columbia, North Carolina, South Carolina, Virginia.

Officers: George Conniffe, Randi Conniffe, owners.

Construction Technology Laboratories Inc.

5420 Old Orchard Road, Skokie, Ill. 60077-1030; 708-965-7500; fax: 708-965-6541

1994 Revenues	
Total gross revenues	\$13,000,000
Loss control/engineering	30%
Other	70%
Includes:	failure analysis, materials testing, structural engineering
Staff	
Total	116

Professionals	77
Includes:	18 ASSEs, 40 PEs

Clients	
Total	1,230

Loss control services since: 1987. Parent: Portland Cement Assn.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, building plan reviews, client training, structural review, determination of loss.

Region served: International. Offices: Seattle.


Officers: John Fraczek, president; W. Gene Corley, vp. Contact: W. Gene Corley.

Consultant Services Institute Inc.

651 W. Mount Pleasant Ave., Livingston, N.J. 07039; 201-992-3811; fax: 201-992-2727

1994 Revenues	
Loss control/engineering	95%

Continued on next page



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Continued from previous page

Other	5%
Includes: education	
Staff	
Total	30
Professionals	30
Includes: 5 ASSEs, 10 CSPs, 20 PEs	

Loss control services since: 1969.
Frequent services: Publications, research, expert witness.
Occasional services: Onsite plant loss prevention inspections, hazard identification, client training.
Region served: International.
Officers: Richard M. Jacobs, president; James F. Korczak, resident manager.

Consulting Services Inc.

415 Eagleview Blvd., Suite 115, Exton, Pa. 19341-0640; 800-858-0853; fax: 610-458-7285

1994 Revenues

Total gross revenues	\$5,600,000
Loss control/engineering	10%
Other	90%
Includes: risk assessments, training, fleet assistance, safety plan development/review	

Staff

Total	46
Professionals	36
Includes: 1 ARM, 1 ASSE, 2 CSPs, 1 PE	

Loss control services since: 1985.
Parent: Environmental Compliance Services Inc.

Frequent services: Onsite plant loss prevention inspections, hazard identification, risk reduction program development.

Occasional services: Fire prevention inspections, plant security inspections, publications, research, client training.

Specialties: Environmental/hazardous waste, chemical and transportation industries.

Region served: United States, United Kingdom.

Officers: William Kronenberg, president/CEO; David Rosenberg, executive vp; Frank Piliero, senior vp/CFO; James Splain, vp.

Contact: John Lippman, environmental services manager.

Crawford & Co.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-847-4528; fax: 404-847-4127

1994 Revenues

Total gross revenues	\$11,000,000
----------------------	--------------

Staff

Total	73
Professionals	12
Includes: 2 ARMs, 4 ALCMs, 5 ASSEs, 3 ASSEs, 5 CSPs, 5 PEs, 8 SFPEs	

Clients

Total	200
-------	-----

Loss control services since: 1981.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, fire suppression system design, fire alarm system design, probable maximum loss/maximum foreseeable loss studies, technical loss analysis.

Occasional services: Plant security inspections, research.

Specialties: Oil, gas, petrochemical, mining, electrical utilities, food processing, hazardous material facilities, commercial property.

Region served: Canada, Europe, Mexico, South America, United States, Pacific Rim.

Offices: Long Beach and Oakland, Calif.; Hartford, Conn.; Orlando, Fla.; Atlanta; Chicago; Detroit; St. Paul, Minn.; St. Louis; Clifton, N.J.; Winston-Salem, N.C.; Philadelphia; Dallas; Houston; Fairfax, Va.; Seattle.

Officers: F.L. Minix, chairman/CEO; D.A. Smith, president/COO; P.A. Bollinger, president-risk management; J.G. Sybert, vp-risk control services.
Contact: J.G. Sybert.

**Cygan & Cygan
 Safety Consulting**

13423 DeMott Court, Warren, Mich. 48093; 810-757-2126; fax: 810-757-2126

Staff

Total	2
Professionals	1
Includes: 1 CSP, 1 PE, 1 SFPE	

Loss control services since: 1991.

Frequent services: Hazard identification, client training.

Occasional services: Research.
Specialties: Industrial, construction, health care.

Region served: Nationwide.
Officers: Walter Cygan, president; Beverly Cygan, vp.
Contact: Walt Cygan.



**DNV Loss Control
 Management**

4546 Atlanta Highway, Loganville, Ga. 30249; 404-466-2208; fax: 404-466-4318

Staff

Total	80
Professionals	30

Loss control services since: 1974.

Parent: Det Norske Veritas.

Frequent services: Hazard identification, research, client training.

Specialties: Manufacturing, mining, food and beverage, petrochemical.

Region served: United States, Canada, South America.

Officers: Ray Davies, general manager; Mike Dutzy, comptroller; Robert Arnold, vp-consulting services; Mike Clyde, manager-public training; Susan Arnold, manager-marketing.



EQE International Inc.

44 Montgomery St., Suite 3200, San Francisco, Calif. 94104; 415-989-2000; fax: 415-433-5107

1994 Revenues

Total gross revenues	\$41,000,000
Loss control/engineering	44%
Other	56%

Staff

Total	350
Professionals	250
Includes: 80 ASSEs, 85 PEs	

Clients

Total	400
-------	-----

Loss control services since: 1981.

Frequent services: Onsite plant loss prevention inspections, hazard identification, building plan reviews, publications, research, design building retrofit and equipment bracing to reduce loss, loss prevention audits.

Occasional services: Fire prevention inspections, plant security inspections, client training, expert witness.

Region served: International, including Africa, Asia, Australia, Europe, United States.

Offices: Irvine, Calif.; St. Louis; Stratham, N.H.; Houston; Seattle; Singapore; London and Warrington, United Kingdom.

Officers: Peter Yanev, chairman; Douglas Frazier, CEO; Stephen Hom, division president; James J. Johnson, executive vp; Roy Kunar, managing director; George W. Reitter, CFO.

Contact: Elwood Smietana, vp, 714-833-3303.

**Employers National Risk
 Management Services Inc.**

P.O. Box 219010, Dallas, Texas 75050-2241; 214-665-6229; fax: 214-665-6180

1994 Revenues

Loss control/engineering	15%
Other	85%
Includes: unbundled casualty loss control consulting/engineering services and bundled service to parent company clients	

Staff

Total	10
Professionals	10
Includes: 2 ARMs, 2 ALCMs, 10 ASSEs, 5 CSPs, 6 PEs	

Loss control services since: 1992.

Parent: Employers General Insurance Group Inc.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, property protection engineering consulting.

Occasional services: Building plan reviews, client training.

Specialties: Underwriting surveys and service to public sector clients.

Region served: Arkansas, Louisiana, New Mexico, Oklahoma, Texas.

Offices: Arlington, Austin, Corpus
Continued on next page

Continued from previous page
Christi, Houston, Midland, San Antonio and Tyler, Texas.

Officers: H. Wayne Dortch, chairman/president/secretary; Robert C. Ransower, senior vp; Thomas P. Vick, Bob Johnson, vps; Kevin W. Uzzle, vp/treasurer.
Contact: Richard R. Bourlon, project engineer, 800-657-9543, ext. 6229.

Employers Risk Services

1240 Fair Way St., Bowling Green, Ky. 42102-1779; 800-378-2540 or 502-782-7678; fax: 502-782-7654

Staff	
Total	10
Professionals	3
Includes: 1 ALCM, 1 ASSE	

Clients	
Total	100

Loss control services since: 1993.
Parent: Van Meter Insurance Agency.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, client training.

Occasional services: Plant security inspections, building plan reviews, research.

Specialties: Forest industry.
Region served: Kentucky, Tennessee.
Offices: Lexington, Louisville and Owensboro, Ky.; Nashville, Tenn.
Officers: William B. Van Meter, chairman; Larry Schaefer, president; Richard Stasi, operations manager/loss control manager; Don Turner, claims manager; Ronnie Hall, loss control consultant.
Contact: Richard Stasi.

Environmental Risk Ltd.

120 Mountain Ave., Bloomfield, Conn. 06002; 203-242-9933; fax: 203-243-9055

1994 Revenues

Loss control/engineering	30%
Other	70%
Includes: property environmental site assessment and subsurface contamination investigations, groundwater and soil remediation, environmental compliance audits, air/water pollution and solid/hazardous waste permits and planning, cogeneration facility feasibility studies and licensing, air emission testing, aquatic toxicity testing	

Staff	
Total	50
Professionals	40
Includes: 6 PEs	

Clients	
Total	300

Loss control services since: 1985.
Frequent services: Onsite plant loss prevention inspections, hazard identification, client training, pollution liability insurance surveys, environmental compliance audits.

Occasional services: Building plan reviews, publications, research.

Specialties: Pollution liability insurance companies, financial institutions, real estate developers, energy facility developers, industrial companies.

Region served: United States, Canada, Central and South America, Europe.

Offices: Clifton, N.J.
Officers: Richard S. Atkins, David I. Brandwein, Gordon T. Brookman, Mitchell M. Wurmbrand, principals.
Contact: David I. Brandwein.

Equifax Commercial Specialists

P.O. Box 419215, Kansas City, Mo. 64141-6215; 913-451-3222; fax: 913-451-3285

1994 Revenues

Total gross revenues	\$42,000,000
Loss control/engineering	40%
Other	60%

Staff	
Total	351
Professionals	NA
Includes: 3 ARMs, 31 ALCMs, 16 ASSEs, 18 CSPs	

Loss control services since: 1952.
Parent: Equifax Inc.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, commercial and high-value residential property replacement cost valuations.

Occasional services: Plant security inspections, publications, client training.

Region served: Nationwide.
Offices: Birmingham, Ala.; Phoenix; Los Angeles and San Francisco; Denver; Hartford, Conn.; Miami and Orlando, Fla.; Atlanta; Chicago; Indianapolis; Des Moines, Iowa; Overland Park, Kan.; Louisville, Ky.; New Orleans; Baltimore; Boston; Lansing, Mich.; Minne-

apolis; Jackson, Miss.; St. Louis; Great Falls, Mont.; Totowa, N.J.; Albuquerque, N.M.; Long Island and Syracuse, N.Y.; Charlotte, N.C.; Columbus, Ohio; Philadelphia and Pittsburgh, Pa.; Memphis and Nashville, Tenn.; Dallas, Houston and San Antonio; Salt Lake City; Richmond, Va.; Seattle; Milwaukee.

Officers: Tony O'Keefe, president; John Ruwart, Herb Schmack, Bill Thornton, Jim Zimmerman, regional vps.

Contact: Dean Wisecarver, director-loss control, or Pat Steece, loss control.

ESIS Inc.

1601 Chestnut St., TLP32, Philadelphia, Pa. 19192-2325; 215-761-6779; fax: 215-761-5476

Staff	
Total	435
Professionals	68
Includes: 31 ARMs, 7 ALCMs, 13 ASSEs, 23 ASSEs, 54 CSPs, 28 PEs, 49 SFPEs	

Loss control services since: 1953.
Parent: INA Financial Services.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, highly protected risks, pre-emergency planning, hydraulics analysis, sprinkler planning review.

Occasional services: Plant security inspections, publications.

Specialties: Petrochemical, public utilities, heavy construction, communication, high-rise residential, real estate

holdings, hotels, electronics, volume retailers.

Region served: International.
Offices: Los Angeles and San Francisco; Atlanta; Chicago; Boston; New York; Dallas and Houston.

Officers: Raymond E. Hafner, president; Brian P. O'Hara, CFO; Sharon E. Simpson, vp-sales/operations; James V. Young, vp-claims.

Contact: Mark M. Cafaro, director-sales, 215-761-1195.

Essential Services & Programs Inc.

159 Great Neck Road, Great Neck, N.Y. 11022; 516-487-0432; fax: 516-487-0498

Staff	
Total	33
Professionals	16
Includes: 1 ARM, 6 ASSEs, 4 CSPs, 1 PE	

Loss control services since: 1986.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training.

Occasional services: Plant security inspections, building plan reviews, publications, research.

Region served: Nationwide.

Officers: Gary Ricker, president; Michael J. Bednar, vp.

Contact: Michael J. Bednar.

Continued on page 27

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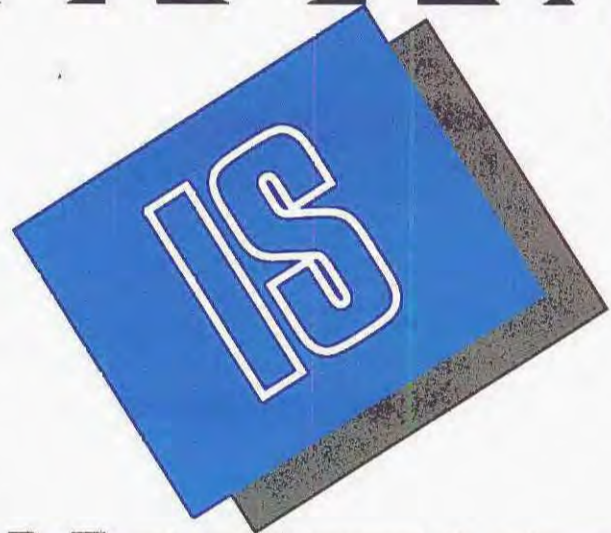
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FAUNIS Inc.
180 N. Riverview Drive, Suite 260,
Anaheim, Calif. 92808; 714-283-8025;
fax: 714-283-8029

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	6
Professionals	3
Clients	
Total	40

Loss control services since: 1981.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training.

Occasional services: Plant security inspections, building plan reviews, publications.
Region served: Western states.
Offices: Sacramento, Calif.
Officers: John Farinacci, president; Marie Farinacci, secretary; Jay Dulik, vp.
Contact: John Farinacci.

Fagel Safety Consulting
680 Blackberry Ridge Drive, Aurora, Ill. 60506; 708-907-2020; fax: 708-907-2021

1994 Revenues	
Total gross revenues	\$250,000
Loss control/engineering	90%
Other	10%
Includes: training schools	
Staff	
Total	3.5
Professionals	3.5
Includes: 3 ASSEs, 2 CSPs	

Loss control services since: 1980.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training.
Specialties: Food industry, transportation, fire service, disaster management, public safety.
Region served: United States, Southeast Asia.
Contact: Michael J. Fagel, principal/CEO, 708-897-0551.

FIRECON
P.O. Box 231, East Earl, Pa. 17519; 717-354-2411; fax: 717-354-7233

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	2
Professionals	1
Includes: ASSE, CSP, SFPE	

Loss control services since: 1980.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, client training.
Occasional services: Plant security inspections, building plan reviews, research.
Region served: United States, Australia, Canada.
Officers: R. Craig Schroll, president.

FIREPRO Inc.
1 Van de Graaff Drive, Burlington, Mass. 01803; 617-270-5200; fax: 617-229-2922

1994 Revenues	
Total gross revenues	\$5,526,312
Loss control/engineering	22%
Other	68%
Staff	
Total	54
Professionals	35
Includes: 3 ARMs, 4 ASSEs, 2 CSPs, 24 PEs, 26 SFPEs	

Loss control services since: 1970.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, fire litigation support, fire scene documentation.
Specialties: General business/industry, health care, property management, product manufacturers, insurance, law firms.
Region served: Nationwide.
Officers: Lee C. DeVito, president.

Directory terms and methodology explained on page 19.

Flex Design
201 S. Naperville Road, 1st Floor E., Wheaton, Ill. 60187; 708-668-8998; fax: 708-653-5260

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	3
Professionals	6
Clients	
Total	40

Loss control services since: 1986.
Frequent services: Hazard identification, building plan reviews, design of retrofit fire sprinkler systems, automatic fire suppression system design, existing water supply and system hydraulic analysis.
Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, publications, research, client training.

Specialties: Midsize to large corporations, engineering firms, developers, municipalities.
Region served: Nationwide.
Officers: Mark Bromann, president.

Fulton Fire Engineering Inc.
2880 Northview Ave., Arroyo Grande, Calif. 93420; 805-489-8400; fax: 805-489-1424

1994 Revenues	
Total gross revenues	\$120,000
Loss control/engineering	100%
Staff	
Total	1
Includes: ARM, PE, SFPE	
Clients	
Total	45

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, sprinkler plan review, building and fire code analysis.
Occasional services: Plant security inspections, publications, client training.
Region served: Arizona, California, Nevada.
Officers: John C. Fulton, president.

Fyrsafe Engineering Inc.
1225 Carnegie St., Suite 108, Rolling Meadows, Ill. 60008; 708-397-7233; fax: 708-392-1175

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	5
Professionals	3
Includes: 1 ASSE, 2 CSPs, 2 PEs, 3 SFPEs	
Clients	
Total	100

Loss control services since: 1986.
Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training.
Region served: United States, Canada, Panama.
Officers: John M. Mertens, president.



Gage-Babcock & Associates Inc.
3975 Fair Ridge Drive N., Suite 310, Fairfax, Va. 22033-2924; 703-934-6440; fax: 703-934-4421

1994 Revenues	
Total gross revenues	\$888,800
Loss control/engineering	40%
Other	60%
Includes: third-party administration	
Staff	
Total	19
Professionals	3
Includes: 1 ARM, 1 ALCM, 1 ASCE, 2 ASSEs	
Clients	
Total	85

Loss control services since: 1982.
Parent: S.H. Gow & Co. Inc.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training.
Occasional services: Building plan reviews, publications, appraisals/determinations.
Region served: United States, Asia, Pacific Rim South America

Offices: Los Angeles and San Francisco; Washington; Atlanta; Chicago; Vancouver, Canada.

Officers: Thomas W. Jaeger, president; Alfred J. Longhitano, vp/treasurer; Mario A. Antonetti, secretary; Fred Bradley, Vincent Sbarra, officers.
Contact: Thomas W. Jaeger.

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

1994 Revenues	
Total gross revenues	\$122,948,000
Loss control/engineering	11%
Other	89%
Includes: package programs, claims adjusting, appraisal services	
Staff	
Total	1,446
Professionals	50
Includes: 6 ARMs, 1 ALCM, 24 ASSEs, 12 CSPs, 1 PE, 3 SFPEs	
Clients	
Total	390

Loss control services since: 1962.
Parent: Arthur J. Gallagher & Co.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, claims lost and statistical studies, ergonomics and industrial hygiene surveys, security audits and analysis.
Occasional services: Publications, research.
Specialties: Institutions, municipalities, religious organizations, food services, manufacturing, printing companies, hotels.

Region served: United States, France, Germany, Singapore, Spain, United Kingdom.
Offices: Los Angeles; Colorado Springs, Colo.; Miami; Atlanta; Schaumburg, Ill.; St. Louis; Middleburg, Va.
Officers: John G. Campbell, chairman; Peter J. Durkalski, president; Fred Potenza, Rick Rothman, Rich McKenna, executive vps.
Contact: Tracy D. Mock, area vp-marketing, 708-285-3593.

General Health & Safety Services Corp.
742 Market St., P.O. Box 290, Oregon, Wis. 53575; 800-236-0063; fax: 608-835-8863

1994 Revenues	
Loss control/engineering	100%
Staff	
Total	10
Professionals	8
Includes: 3 ASSEs, 1 CSP	
Clients	
Total	186

Loss control services since: 1988.
Frequent services: Onsite plant loss prevention inspections, hazard identification, research, client training, expert witness, risk assessments, indoor air quality assessments.
Occasional services: Building plan reviews, publications, Phase I property transfer audits, accident investigation/reconstruction.
Region served: Nationwide.
Officers: Diane E. Hartwig, owner; Daniel J. Hartwig, president.
Contact: Daniel H. Holcomb, technical services manager.

Gow Management Services Inc.
344 Delaware Ave., Buffalo, N.Y. 14202; 716-856-6148; fax: 716-856-6179

1994 Revenues	
Total gross revenues	\$888,800
Loss control/engineering	40%
Other	60%
Includes: third-party administration	
Staff	
Total	19
Professionals	3
Includes: 1 ARM, 1 ALCM, 1 ASCE, 2 ASSEs	
Clients	
Total	85

Loss control services since: 1982.
Parent: High-Point P.L.C.
Frequent services: Hazard identification, building plan reviews, risk assessment for construction/design.
Occasional services: Onsite plant loss prevention inspections, publications, research, client training.
Specialties: Construction, engineering, project development, software.

ing deductibles, client specific programs, specialized coverage determination.

Specialties: Construction, municipalities, schools.
Region served: Nationwide.
Offices: Rochester and Syracuse, N.Y.
Officers: Stephen H. Gow, chairman; Jeffrey J. Gow, president; Michael S. Gow, executive vp; Richard K. Mason, senior vp.
Contact: Richard K. Mason, 716-856-1100.

Great Lakes Educational Consultants Inc.
3324 Olney, Kalamazoo, Mich. 49006-2832; 616-382-2314; fax: 616-382-6495

1994 Revenues	
Total gross revenues	\$178,000
Loss control/engineering	100%
Staff	
Total	3
Professionals	3
Clients	
Total	34

Loss control services since: 1978.
Frequent services: Plant security inspections, hazard identification, building plan reviews, client training, emergency plan development, safety, security plans.
Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, research.
Specialties: Educational institutions.
Region served: Nationwide.
Officers: Robert F. Jonaitis, president.



Helmsman Management Services Inc.
Riverside Office Park, 9 Riverside Road, Weston, Mass. 02193-2290; 617-243-7985; fax: 617-736-0256

1994 Revenues	
Total gross revenues	\$40,000,000
Loss control/engineering	5%
Other	95%
Includes: safety consulting, claims administration, managed care and risk information services	
Staff	
Total	650
Professionals	60
Includes: 8 ARMs, 25 ASSEs, 12 CSPs	
Clients	
Total	250

Loss control services since: 1983.
Parent: Liberty Mutual Group.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, sprinkler protection analysis, boiler and machinery consulting, life safety evaluations, emergency preparedness planning.
Occasional services: Plant security inspections.
Specialties: Manufacturing, retail industry, food service, construction.
Region served: United States, Canada, Mexico, United Kingdom.
Offices: 125 locations.
Officers: Gary L. Countryman, chairman/CEO; Edmund F. Kelly, president; Steven Zielinski, COO; Amy J. Leddy, vp/manager; Dan Lyons, vp.
Contact: Dan Lyons, vp/manager/field operator.

High-Point Rendel
12520 High-Bluff Drive, Suite 340, San Diego, Calif. 92130; 619-793-9050 or 800-229-9050; fax: 619-793-9054

1994 Revenues	
Total gross revenues	\$15,000,000
Loss control/engineering	30%
Other	70%
Staff	
Total	145
Professionals	85
Includes: 50 PEs	

Loss control services since: 1980.
Parent: High-Point P.L.C.
Frequent services: Hazard identification, building plan reviews, risk assessment for construction/design.
Occasional services: Onsite plant loss prevention inspections, publications, research, client training.
Specialties: Construction, engineering, project development, software.

Region served: United States, Abu Dhabi, Bangladesh, Canada, France, Hong Kong, India, Indonesia, Italy, Mexico, Saudi Arabia, Turks and Caicos, United Kingdom.

Offices: Phoenix; Irvine, Los Angeles and San Francisco, Calif.; Hartford, Conn.; Clearwater and Fort Lauderdale, Fla.; Boston; Las Vegas; New York; Williamsburg, Va.
Officers: Gene Bennett, president/CEO; Adam Winegard, director-insurance services; Steve Davis, Jerry Howell, vps.
Contact: Adam Winegard.



IRM Services Inc.
4401 Barclay Downs Drive, Charlotte, N.C. 28209; 704-551-3000; fax: 704-551-3111

1994 Revenues	
Total gross revenues	\$52,300,000
Staff	
Total	135
Professionals	37
Includes: 1 ARM, 2 ASSEs, 5 PEs, 16 SFPEs	

Loss control services since: 1921.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, fire sprinkler plan review.
Occasional services: Plant security inspections, building plan reviews, publications, client training.
Specialties: Hospitals, municipalities, printers, metal workers, plastic workers.
Region served: Nationwide.
Offices: Tarrytown, N.Y.; Irving, Texas.
Officers: R. Bruce Jamieson, president; Robert E. Bebon, vp-engineering; Archer Dowdy, vp-marketing/underwriting; Clyde Barber, secretary/treasurer.
Contact: Robert E. Bebon.

Inservco Insurance Services-Safety Management
3461 Market St., Suite 201, Camp Hill, Pa. 17011-4441; 717-761-8018; fax: 717-763-5732

1994 Revenues	
Total gross revenues	\$9,300,000
Loss control/engineering	3%
Other	97%
Includes: claims management, rehabilitation, risk management	
Staff	
Total	183
Professionals	2
Includes: 1 ARM, 1 ALCM, 2 CSPs, 2 PEs	

Loss control services since: 1980.
Parent: Penn National Insurance Cos.

Frequent services: Onsite plant loss prevention inspections, hazard identification, client training, loss cause analysis/evaluation, complete building valuations (cost estimates).
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications.
Specialties: Government entities, educational institutions (high school and college), health care (hospitals and nursing homes).
Region served: Nationwide.
Offices: Trenton, N.J.; Greensboro, N.C.; Philadelphia and Pittsburgh.
Officers: Bob Conrad, executive vp; Mike Scheib, vp-operations; John Pepper, manager-accounting; Joseph Boslet, vp-safety.
Contact: Joseph Boslet.

Insurance Control Systems Inc.
1118 N. La Brea Ave., Inglewood, Calif. 90302; 213-678-7115; fax: 310-673-3350

1994 Revenues	
Total gross revenues	\$1,300,000
Loss control/engineering	75%
Other	25%
Includes: risk management, legal witness, safety	
Staff	
Total	15
Professionals	9
Includes: 2 ARMs, 3 CSPs	
Clients	
Total	45

Loss control services since: 1989.
Continued on next page

Spotlight report

Continued from previous page

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.
Occasional services: Plant security inspections, building plan reviews.
Region served: Nationwide.
Offices: Atlanta; Reno, Nev.; Dallas.
Officers: Alfred Kirkpatrick, president; Valeta Paganelli, vp; Laura Patten, vp-operations; Velda Heitkamp, controller; Patty Traber, service director.
Contact: Laura Patten.

Insurance & Risk Management

3811 Illinois Road, P.O. Box 1705, Fort Wayne, Ind. 46801; 219-436-1616; fax: 219-436-4038

1994 Revenues	
Total gross revenues	\$12,212,000
Loss control/engineering	2%
Other	98%

Staff	
Total	6
Professionals	5
Includes: 3 ASSEs, 2 CSPs	

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, hazard identification, client training, safety programming, OSHA-related compliance and training.
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, research.

Region served: Nationwide.
Offices: Indianapolis and Muncie, Ind.; Defiance and Sylvania, Ohio.
Officers: Bart Bircheff, COO; Len Koeller, Jim Van Dyck, Ron Harruff, Dewey Tagtmeyer, account executives.
Contact: James E. Krouse.

International Risk Consultants Ltd.

31-33 Monument Hill, Weybridge, Surrey, England KT13 8RS; 44-1932-854711; fax: 44-1932-85072

1994 Revenues	
Total gross revenues	\$2,540,000
Loss control/engineering	100%

Staff	
Total	18
Professionals	14

Clients	
Total	64

Loss control services since: 1973.
Parent: European Risk Management/International Risk Management Group Ltd.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, client training, infrared thermography, engineering risk analysis.
Specialties: Multinational corporations.

Region served: Africa, Asia, Europe, Middle East, Scandinavia.
Offices: European Risk Management, Deutschland and Bad Homburg, Germany.
Officers: P. Holland, general manager; A. Milsom, assistant general manager; K. Moseley, district manager.
Contact: P. Holland.

Region served: Florida.
Offices: Fort Lauderdale, Fla.
Officers: William L. Jacobs, president.

The Janus Group

500 Winding Brook Drive, Glastonbury, Conn. 06033; 203-652-4366; fax: 203-652-4365

1994 Revenues	
Total gross revenues	\$510,000
Loss control/engineering	100%

Staff	
Total	24
Professionals	24
Includes: 9 PEs, 1 SFPE	

Loss control services since: 1992.
Parent: Janus Management & Associates.
Frequent services: Onsite plant loss prevention inspections, publications, client training, boiler/machinery risk evaluations, predictive maintenance services, boiler/machinery and property claims investigation, capital asset management strategies.
Occasional services: Fire prevention inspections, hazard identification.
Specialties: Power generation, pulp and paper and waste-to-energy industries; services corporate clients, brokers and insurance companies.
Region served: United States, Eastern Asia, Eastern Europe, Germany, Latin America, United Kingdom.
Officers: Gary Doughty, Doug Rode, managing directors.

Jarry Associates

13 Riggs Court, Basking Ridge, N.J. 07920; 908-953-0567; fax: 908-221-1139

1994 Revenues	
Total gross revenues	\$155,000
Loss control/engineering	60%
Other	40%

Staff	
Total	3
Professionals	2
Includes: 2 PEs, 2 SFPEs	

Loss control services since: 1980.
Frequent services: Onsite plant loss prevention inspections, hazard identification, research, client training.
Occasional services: Fire prevention inspections.
Specialties: Industrial manufacturing, including paper, textile, machine tools and distribution centers.
Region served: Nationwide.
Offices: Center Conway, N.H.; Providence, R.I.
Officers: Harry J. Eiermann, principal consultant.

Rolf Jensen & Associates Inc.

1751 Lake Cook Road, Suite 400, Deerfield, Ill. 60015; 708-948-0700; fax: 708-948-0866

1994 Revenues	
Total gross revenues	\$11,893,000
Loss control/engineering	10%
Other	90%
Includes: code consulting, fire protection systems design, accessibility consulting	

Staff	
Total	123
Professionals	78
Includes: 5 CSPs, 47 PEs, 47 SFPEs	

Loss control services since: 1969.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, research, client training, fire investigations, accessibility consulting, fire protection systems design, accessibility consulting.
Occasional services: Onsite plant loss prevention inspections, publications.
Region served: International.
Offices: Walnut Creek and Yorba Linda, Calif.; Atlanta; Boston; Springfield, N.J.; Houston; Fairfax, Va.
Officers: Mickey Reiss, president; Jim Quiter, Ralph Transue, Randy Tucker, William Webb, senior vps.
Contact: George E. Toth, vp-marketing.

Jerico International Ltd.

203 Gibbons Building, 10 Queen St., Hamilton HM 11, Bermuda; 809-295-0850; fax: 809-292-3704

1994 Revenues	
Total gross revenues	\$3,000,000
Loss control/engineering	40%
Other	60%
Includes: training, fleet safety management, software, ergonomics	

Staff	
Total	60
Professionals	45

Loss control services since: 1912.
Parent: Liberty Mutual Group.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training, Latin American mining and

petrochemical hazardous operation studies, Asian construction reviews.
Occasional services: Building plan reviews, publications.
Specialties: Construction, food and beverage, retail, mining.
Region served: International.
Offices: Asia, Canada, Ireland, Mexico, Puerto Rico, United Kingdom.
Officers: Ronald C. Pruett Jr., Karl Jacobson, managing directors.
Contact: Karl Jacobson.

Loss Control Associates Inc.

172 Middletown Blvd., Suite B-204, Langhorne, Pa. 19047; 215-750-6841; fax: 215-750-6845

1994 Revenues	
Loss control/engineering	40%
Other	60%
Includes: process safety management, individual safety, code and standards compliance, expert witness	

Staff	
Total	8
Professionals	6
Includes: 4 PEs, 5 SFPEs	

Loss control services since: 1986.
Frequent services: Onsite plant loss prevention inspections, hazard identification, building plan reviews, client training, process hazards analysis for process safety management, expert witness, fire code and building code compliance analysis/review.
Occasional services: Fire prevention inspections, publications, research.
Specialties: Petrochemical, chemical, petroleum refining facilities with flammable/combustible/toxic liquids or gases.
Region served: United States, Saudi Arabia, Venezuela.
Officers: Orville M. Slye Jr., president.

Loss Prevention Consultants Inc.

P.O. Box 54012, Jackson, Miss. 39288-4012; 601-878-2138; fax: 601-878-2394

1994 Revenues	
Loss control/engineering	90%
Other	10%

Staff	
Total	3
Professionals	2
Includes: 1 ASSE	

Loss control services since: 1984.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, accident investigation and reconstruction, expert witness.
Occasional services: Plant security inspections, building plan reviews, publications.
Specialties: Include transportation and hazardous material transportation.
Region served: United States, Australia, Caribbean.
Officers: John R. Eubanks, president.

Mariner Management Group Inc.

42 W. Allendale Ave., Allendale, N.J. 07401; 201-825-8883; fax: 201-825-9194

Staff	
Total	20
Professionals	1

Loss control services since: 1992.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, commercial marine vessel inspections for towing and fishing industries and passenger vessels, marine and terminal protection and indemnification.
Occasional services: Client training.
Specialties: Maritime service industry, vessel owners/operators, shipyards, marinas.
Region served: Nationwide.
Officers: George Koons, CEO; Peter Mello, president; Claudio Crivici, vp.
Contact: Claudio Crivici.

Maritime Risk Management Consultants

22 E. Taylor St., Savannah, Ga. 31401; 912-238-4636

1994 Revenues	
Loss control/engineering	100%

Staff	
Total	3
Professionals	1

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, hazard identification.
Occasional services: Fire prevention inspections, building plan reviews, publications, research, client training.
Specialties: Maritime, warehousing, motor transport.
Region served: Nationwide.
Officers: Robert W. Smithers, owner.

Matrix Risk Consultants Inc.

3491 Newmark Drive, Miamisburg, Ohio 45342; 513-438-7200; fax: 513-438-7203

1994 Revenues	
Total gross revenues	\$1,433,735
Loss control/engineering	100%

Staff	
Total	14
Professionals	8
Includes: 1 ARM, 2 PEs	

Loss control services since: 1975.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, insurance premium allocation based on engineering profile.
Occasional services: Plant security inspections, publications, research, client training.
Specialties: Highly protected risks for all business, including metalworking, pulp and paper and telecommunications.
Region served: United States, Canada, Europe, Mexico.
Officers: Walter P. Luker, president; Larry D. Jones, vp-engineering; Alan J. Rodeck, vp-marketing; Keith A. Willoughby, senior loss control engineer; Sheryl K. Hickman, secretary/treasurer.

Donald Mayo-Fire Protection Consultant

2300 Contra Costa Blvd., Suite 330, Pleasant Hill, Calif. 94523; 510-685-3733; fax: 510-676-8780

1994 Revenues	
Total gross revenues	\$293,000
Loss control/engineering	100%

Staff	
Total	3
Professionals	2
Includes: 2 SFPEs	

Loss control services since: 1987.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, fire protection, fire detection, suppression systems, specification writing, construction administration and review.
Occasional services: Research, client training.
Region served: United States, Canada, United Kingdom.
Officers: Linda Mayo, CEO/vp/secretary; Donald Mayo, president/treasurer.
Contact: Donald Mayo.

Michigan Health & Hospital Assn. Service Corp.

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

1994 Revenues	
Total gross revenues	\$700,000
Loss control/engineering	50%
Other	50%

Staff	
Total	90
Professionals	6
Includes: 1 CSP, 1 PE	

Loss control services since: 1980.
Parent: Michigan Health & Hospital Assn.
Frequent services: Onsite plant loss prevention inspections, fire prevention

inspections, hazard identification, research, client training, Latin American mining and

petrochemical hazardous operation studies, Asian construction reviews.
Occasional services: Building plan reviews, publications.
Specialties: Construction, food and beverage, retail, mining.
Region served: International.
Offices: Asia, Canada, Ireland, Mexico, Puerto Rico, United Kingdom.
Officers: Ronald C. Pruett Jr., Karl Jacobson, managing directors.
Contact: Karl Jacobson.

Johnson & Higgins

125 Broad St., New York, N.Y. 10004-2424; 212-574-7000; fax: 212-574-7711

Staff	
Total	137
Professionals	56
Includes: 5 ARMs, 2 ASCEs, 2 ASSEs, 2 CSPs, 3 PEs, 51 SFPEs	

Loss control services since: 1845.
Frequent services: Hazard identification, building plan reviews, research, client training, risk-based surveys, risk and business impact analysis, business continuation planning, boiler and machinery expertise, customized databases, earthquake/windstorm/hurricane exposure analysis.
Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, publications, code consulting, valuations assistance, infrared imaging, flood exposure analysis.
Specialties: Energy, pulp and paper, chemical, oil, gas and petrochemical, telecommunications, agricultural and high-tech industries.
Region served: International.
Offices: Phoenix; Costa Mesa, Los Angeles and San Francisco, Calif.; Hartford and Stamford, Conn.; Washington; Atlanta; Chicago; Baltimore; Boston; Detroit; Minneapolis; St. Louis; Parsippany, N.J.; New York; Charlotte, N.C.; Cleveland; Philadelphia; Pittsburgh; Nashville, Tenn.; Richmond, Va.; Seattle.
Officers: Robert K. Meyers, senior vp/principal; Glenn H. Giles, senior vp/global manager-property loss control; Ralph P. Dellinger, vp-property loss control specialty services; Glenn D. Buser, Deborah L. Freeland, vps/regional managers-property loss control.
Contact: Glenn H. Giles, 212-574-8710; Ralph P. Dellinger, 310-552-8875; Glenn D. Buser, 212-574-8722; Deborah L. Freeland, 310-551-3830.

Collin A. Lewis, Fire Protection Consultant

P.O. Box 11625, Santa Rosa, Calif. 95406; 707-528-9517; fax: 707-528-1363

Staff	
Total	1
Includes: ARM, SFPE	

Loss control services since: 1985.
Frequent services: Onsite plant loss prevention inspections, building plan reviews.
Occasional services: Fire prevention inspections, hazard identification, research, client training, audits, fire hazard analysis.
Region served: Nationwide.
Officers: Collin A. Lewis.

Liberty International Risk Services

175 Berkeley St., Boston, Mass. 02117-0140; 617-574-5941; fax: 617-574-6635

1994 Revenues	
Total gross revenues	\$3,000,000
Loss control/engineering	40%
Other	60%
Includes: training, fleet safety management, software, ergonomics	

Staff	
Total	60
Professionals	45

Loss control services since: 1912.
Parent: Liberty Mutual Group.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training, Latin American mining and

Mariner Management Group Inc.

42 W. Allendale Ave., Allendale, N.J. 07401; 201-825-8883; fax: 201-825-9194

Staff	
Total	20
Professionals	1

Loss control services since: 1992.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, commercial marine vessel inspections for towing and fishing industries and passenger vessels, marine and terminal protection and indemnification.
Occasional services: Client training.
Specialties: Maritime service industry, vessel owners/operators, shipyards, marinas.
Region served: Nationwide.
Officers: George Koons, CEO; Peter Mello, president; Claudio Crivici, vp.
Contact: Claudio Crivici.

Maritime Risk Management Consultants

22 E. Taylor St., Savannah, Ga. 31401; 912-238-4636

1994 Revenues	
Loss control/engineering	100%

Staff	
Total	3
Professionals	1

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, hazard identification.
Occasional services: Fire prevention inspections, building plan reviews, publications, research, client training.
Specialties: Maritime, warehousing, motor transport.
Region served: Nationwide.
Officers: Robert W. Smithers, owner.

Matrix Risk Consultants Inc.

3491 Newmark Drive, Miamisburg, Ohio 45342; 513-438-7200; fax: 513-438-7203

1994 Revenues	
Total gross revenues	\$1,433,735
Loss control/engineering	100%

Staff	
Total	14
Professionals	8
Includes: 1 ARM, 2 PEs	

Loss control services since: 1975.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, insurance premium allocation based on engineering profile.
Occasional services: Plant security inspections, publications, research, client training.
Specialties: Highly protected risks for all business, including metalworking, pulp and paper and telecommunications.
Region served: United States, Canada, Europe, Mexico.
Officers: Walter P. Luker, president; Larry D. Jones, vp-engineering; Alan J. Rodeck, vp-marketing; Keith A. Willoughby, senior loss control engineer; Sheryl K. Hickman, secretary/treasurer.

Donald Mayo-Fire Protection Consultant

2300 Contra Costa Blvd., Suite 330, Pleasant Hill, Calif. 94523; 510-685-3733; fax: 510-676-8780

1994 Revenues	
Total gross revenues	\$293,000
Loss control/engineering	100%

Staff	
Total	3
Professionals	2
Includes: 2 SFPEs	

Loss control services since: 1987.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, fire protection, fire detection, suppression systems, specification writing, construction administration and review.
Occasional services: Research, client training.
Region served: United States, Canada, United Kingdom.
Officers: Linda Mayo, CEO/vp/secretary; Donald Mayo, president/treasurer.
Contact: Donald Mayo.

Michigan Health & Hospital Assn. Service Corp.

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

1994 Revenues	
Total gross revenues	\$700,000
Loss control/engineering	50%
Other	50%

Staff	
Total	90
Professionals	6
Includes: 1 CSP, 1 PE	

Loss control services since: 1980.
Parent: Michigan Health & Hospital Assn.
Frequent services: Onsite plant loss prevention inspections, fire prevention

inspections, hazard identification, research, client training, Latin American mining and

petrochemical hazardous operation studies, Asian construction reviews.
Occasional services: Building plan reviews, publications.
Specialties: Construction, food and beverage, retail, mining.
Region served: International.
Offices: Asia, Canada, Ireland, Mexico, Puerto Rico, United Kingdom.
Officers: Ronald C. Pruett Jr., Karl Jacobson, managing directors.
Contact: Karl Jacobson.

Johnson & Higgins

125 Broad St., New York, N.Y. 10004-2424; 212-574-7000; fax: 212-574-7711

Staff	
Total	137
Professionals	56
Includes: 5 ARMs, 2 ASCEs, 2 ASSEs, 2 CSPs, 3 PEs, 51 SFPEs	

Loss control services since: 1845.
Frequent services:

Continued from previous page
inspections, hazard identification, publications, research, client training.

Occasional services: Plant security inspections, building plan reviews, ergonomic surveys.

Specialties: Health care facilities/industries, including hospitals, nursing homes and home health.

Region served: Indiana, Michigan, Wisconsin.

Offices: Southfield, Mich.
Officers: Fritz Kelleman, COO; Kathy Dickenson, vp.

Contact: Pier-George Zanoni, director-occupational health/environmental safety.



Network Safety Consultants Inc.

14400 John Humphrey Drive, Suite A, Orland Park, Ill. 60462; 708-873-3325; fax: 708-873-0120

Staff
Total2
Professionals1
Includes: 1 ASSE, 1 CSP

Clients
Total23

Loss control services since: 1992.
Parent: Horton Insurance Agency Inc.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, client training.

Occasional services: Plant security inspections, building plan reviews, research.

Specialties: Construction.
Region served: Illinois, Indiana, Wisconsin.

Officers: Glenn Horton, president; Gary Glader, vp.
Contact: Gary Glader.



Omni Tech International Ltd.

2715 Ashman St., Suite 100, Midland, Mich. 48640; 517-631-3377; fax: 517-631-7360

1994 Revenues
Total gross revenues\$1,000,000
Loss control/engineering25%
Other75%
Includes: quality systems, environmental and regulatory services, expert witness

Staff
Total30
Professionals5
Includes: 5 ASCEs, 5 PEs

Clients
Total15

Loss control services since: 1986.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification.

Occasional services: Building plan reviews, research, client training.

Specialties: Chemical processing and petroleum industries.

Region served: Nationwide.
Offices: Houston and Lake Jackson, Texas.

Officers: Robert W. Belfit Jr., Richard L. Heiny, Richard K. Avitabile, James H. Hanes, Winfred C. Zacharias.
Contact: Douglas B. Todd, vp.

Organizational Safety Services Inc.

63 Sequoia Drive, Huntington, W.Va. 25705; 304-736-4920

1994 Revenues
Loss control/engineering35%
Other65%
Includes: safety training, forensic safety services

Staff
Total4
Professionals3
Includes: 3 CSPs, 2 PEs, 2 SFPEs

Clients
Total9

Loss control services since: 1987.
Frequent services: Onsite plant loss prevention inspections, hazard identification, client training.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, research.

Specialties: Pulp and paper, electric utilities.

Region served: United States, Japan, Korea.

Officers: Keith E. Barenklau, president; Leroy Abbott, Linda C. Abbott, vps; Eric E. Barenklau, secretary.

Contact: Keith E. Barenklau.



The Parvus Co.

8403 Colesville Road, Suite 610, Silver Spring, Md. 20910; 301-589-4949; fax: 301-589-0007

Staff
Total10

Loss control services since: 1984.
Frequent services: Plant security inspections.

Occasional services: Hazard identification, building plan reviews, publications, research, client training.

Specialties: Security loss prevention.

Region served: International.
Officers: Gerard P. Burke, chairman; Tatiana S. Gau, executive vp; Robert Wade, senior vp; Michael J. Burke, CFO.

Professional Safety Consultant Service Inc.

424 S.E. 30th Ave., Ocala, Fla. 34471; 904-694-4601 or 800-329-7233; fax: 904-694-3853

1994 Revenues
Total gross revenues\$100,000
Loss control/engineering100%

Staff
Total2
Professionals1
Includes: ASSE, CSP, PE, SFPE

Loss control services since: 1975.
Frequent services: Onsite plant loss prevention inspections, hazard identification, client training, litigation support services.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, research.

Region served: International.
Officers: Herbert T. Bogert, president; Nancy A. Bogert, corporate secretary.

Contact: Herbert T. Bogert.



Qualitec Professional Services

4929 Jarry St. E., Suite 202, Montreal, Quebec H1R 1Y1, Canada; 514-327-7233; fax: 514-327-0928

1994 Revenues
Total gross revenues\$400,000
Loss control/engineering100%

Staff
Total9
Professionals2
Includes: 1 PE, 1 SFPE

Clients
Total20

Loss control services since: 1988.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, builders risk inspections, manufacturers and contractors liability inspections, products liability inspections, fleet surveys.

Occasional services: Publications, research, client training.

Specialties: Property and casualty insurance companies/brokers.

Region served: Maine, New Hampshire, New York, Vermont; Canada: Alberta, Ontario, Quebec, Vancouver.

Officers: Daniel Nadon, president; Ross Ortona, vp.

Contact: Ross Ortona.



RPf Associates

20 LeRoy St., Dix Hills, N.Y. 11746; 516-586-0778; fax: 516-586-5164

1994 Revenues
Total gross revenues\$220,000

Loss control/engineering50%
Other50%
Includes: OSHA consulting; DOT and hazardous material training; audits; legal expert testimony on OSHA, slip and fall accidents and retail store safety

Staff
Total4
Professionals2
Includes: 1 ARM, 2 ASSEs, 2 CSPs, 1 SFPE

Clients
Total150

Loss control services since: 1985.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, automatic sprinkler plan review and design, warehousing design and planning for NFPA 231 and 231C, highly protected risk consulting, automatic sprinkler testing, water flow analysis.

Occasional services: Plant security inspections, building plan reviews.

Specialties: General warehousing; printers and graphic arts; liquor distilling and warehousing; petrochemical bulk storage; transportation facilities;

municipalities; private and public schools, hospitals and nursing homes; retail stores; high-rise buildings; construction builders risk; paper box manufacturing; rolled paper storage; heavy plastic molding; rubber tire storage facilities.

Region served: Nationwide.
Officers: Robert P. Fimbach, president.

Reed Environmental

1606 N. Vermilion, Danville, Ill. 61832; 217-431-1073; fax: 217-431-2087

1994 Revenues
Total gross revenues\$85,000
Loss control/engineering100%

Staff
Total2
Professionals2
Includes: 2 ASSEs, 2 CSPs

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, noise monitoring, EPA permits, EPA audits, air quality

monitoring, indoor air quality evaluations.

Occasional services: Building plan reviews, publications.

Specialties: Manufacturing.
Region served: Nationwide.
Officers: Leslie Reed, president; Mike Reed, vp.

Contact: Leslie Reed.

Regional Reporting Inc.

111 John St., New York, N.Y. 10038; 212-964-5973; fax: 212-608-5074

1994 Revenues
Total gross revenues\$6,673,900
Loss control/engineering100%

Staff
Total67
Professionals33
Includes: 4 ARMs, 7 ASSEs, 6 CSPs, 2 PEs, 4 SFPEs

Loss control services since: 1965.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client

Continued on next page

READER REPLY SERVICE
PRODUCTS & SERVICES LISTING

Issue of June 12

Reader Service #	Advertiser	Page #	Reader Service #	Advertiser	Page #
1	AIG/Claims Services	9	—	Matrix Risk Consultants	38
2	AIG Corporate	48	12	Wm. H. McGee & Co., Inc.	4
—	Allendale Insurance	10-11	13	Minet Re	6
3	American Re-Insurance Co.	16-17	14	Protection Mutual Ins. Co.	30-31
4	AXIA	23	15	Reliance National	7
5	Brownard/Chubb	36	16	Risk Engineering, Inc.	34
—	Business Insurance	21,41	17	Royal Insurance	14-15
—	Carvill America, Inc.	34	—	Safeco Insurance Company	32-33
6	Claims Overload Systems	22	—	Scottsdale Insurance Company	12
7	Continental Underwriters	36	18	Swett & Crawford Group	20
8	Employers Reinsurance	35	—	Sylvan Lawrence	38
9	Executive Risk Mgmt. Assoc.	18-19	19	Tamarack American	22
—	First State Management Group	37	—	Wausau Insurance Company	5
10	General Reinsurance	24-25	20	Zurich-American Corporate	26
11	Liberty Mutual	13			



To obtain free information on the products and services advertised, turn to our post-paid Reader Service Reply Card in this issue, or complete the coupon below and mail to:

BUSINESS INSURANCE
Reader Service Center
650 So. Clark St., 6th Fl.
Chicago, IL 60605-1702

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the June 12, 1995 issue. Cards with more than 20 items circled will not be processed. This card expires August 7, 1995.

Business Insurance
FREE LITERATURE FOR READERS

Issue Date: JUNE 12, 1995
Card Expiration: AUGUST 7, 1995

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:
- A Mfg/Svcs
 - B Association
 - C Union
 - D Government
 - E Educational Inst
 - F Ins Agent
 - G Ins Broker
 - H Ins/Reins Co
 - I Actry/Consult
 - J Attorney
 - K Adj/Apprs
 - L TPA
 - M Health care Inst
 - N Other

2. Number of employees:
- 1 150 or less
 - 2 151 - 499
 - 3 500 - 999
 - 4 1,000 - 4,999
 - 5 5,000 or more
 - 6 Unknown

3. My title is best defined as:
- A Administrative Mgt
 - B Financial Mgt
 - C Risk Mgt
 - D Benefits Mgt
 - E Loss Prevention Mgt
 - F Other

4. My purchasing involvement for the requested products is to:
- 1 recommend only
 - 2 specify
 - 3 approve

5. Do you now receive a personally addressed copy of Business Insurance?
- A Yes
 - B No, so please send subscription info

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
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46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
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136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

Please print clearly

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____

Spotlight report

Continued from previous page
training, environmental and construction site consulting.

Occasional services: Plant security inspections, building plan reviews, publications, research, industrial hygiene and health care consulting.

Region served: Nationwide.
Offices: Concord, Calif.; East Windsor Hill, Conn.; Marietta, Ga.; Naperville, Ill.; Westfield and Randolph, Mass.; Brighton, Mich.; Mt. Laurel, N.J.; Richardson, Texas; Mechanicsville, Va.

Officers: Martin Myers, president; Louis Siegel, executive vp; Josephine Johns, David Toti, vps.

Contact: Louis Siegel, 203-289-6999; Martin Myers, Josephine Johns, 212-964-5973.

Risk Analysis & Insurance Services Inc.

3610 N. 44th St., Suite 130, Phoenix, Ariz. 85018; 602-956-3686; fax: 602-956-2003

1994 Revenues	
Loss control/engineering.....	35%
Other.....	65%

Staff	
Total.....	10
Professionals.....	4

Clients	
Total.....	100

Loss control services since: 1992.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training.

Occasional services: Publications, research.
Specialties: Professional employer organizations, public schools, fire departments, ambulance companies, construction companies.

Region served: Nationwide.
Officers: Gregory B. Jacobs, president; Shirley Crane, vp; Cindy Elbert.
Contact: Gregory B. Jacobs.

Risk Analysts Inc.

24 Greenway Plaza, Suite 1100, Houston, Texas 77046; 713-507-9400; fax: 713-507-4724

1994 Revenues	
Loss control/engineering.....	90%
Other.....	10%

Staff	
Total.....	62
Professionals.....	4
Includes: 2 ARMs, 3 CSPs	

Clients	
Total.....	125

Loss control services since: 1984.
Parent: Wisenberg Insurance & Risk Management.

Frequent services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, life safety assessment and surveys, disaster and contingency plan design.

Occasional services: Plant security inspections, building plan reviews.
Region served: Southwestern states.

Officers: Irving Pozmantier, chairman; Joe Williams, CEO/president; Jay Williams, executive vp; Tom Francis, vp; Nicholas P. Dalby, vp/director-risk control.

Contact: Nicholas P. Dalby, 713-507-4792.

Risk Consultants Inc.

P.O. Box 490850, Atlanta, Ga. 30349; 800-644-7475 or 404-964-1226; fax: 404-969-7301

1994 Revenues	
Total gross revenues.....	\$3,500,000
Loss control/engineering.....	98%
Other.....	2%
Includes: safety incentive programs, video production, training seminars	

Staff	
Total.....	103
Professionals.....	80
Includes: 40 ARMs, 40 ASSEs, 45 CSPs, 3 PEs	

Loss control services since: 1979.
Frequent services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification.

Occasional services: Publications, research, client training, industrial hygiene, environmental (phase I).

Specialties: Insurance, government, private industry, associations.
Region served: Nationwide.

Offices: Miami and Tampa, Fla.; Chicago; Jackson, Miss.; Memphis, Tenn.
Officers: R. Michael Malone, president/CEO; Hugh P. Bagwell, executive vp; Ronald Manford, vp.

Risk Engineering Inc.

10370 Richmond Ave., Suite 755, Houston, Texas 77042-4137; 713-952-3334; fax: 713-952-3337

1994 Revenues	
Loss control/engineering.....	100%

Staff	
Total.....	6
Professionals.....	3
Includes: 2 PEs, 3 SFPEs	

Clients	
Total.....	30

Loss control services since: 1985.
Frequent services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, underwriting surveys, evaluation of highly protected risk loss control programs, business interruption/property maximum foreseeable loss and probable maximum loss estimates, review testing and analysis of automatic extinguishing systems and water supply, fire protection engineering consulting.

Occasional services: Plant security inspections, publications, research, client training.

Specialties: Chemical, coatings, pharmaceutical, tire, manufacturing, mining, hazardous waste processing, metalworking and electronic equipment manufacturing industries.

Region served: United States, Canada, Caribbean, Mexico, South America.

Officers: Peter Rollinger, president.



Safety & Fire Consultants

47 Lower Teddington Road, Hampton Wick, Kingston, Surrey, United Kingdom KT1 4HQ; 441-374-991935; fax: 441-181-977-9892

1994 Revenues	
Total gross revenues.....	\$150,000
Loss control/engineering.....	100%

Staff	
Total.....	1
Includes: SFPE	

Clients	
Total.....	4

Loss control services since: 1987.
Frequent services: Building plan reviews, project loss prevention services, fire and safety consulting.

Occasional services: onsite plant loss prevention inspections, hazard identification, client training.

Specialties: Oil and gas, chemical, petrochemical.

Region served: United Kingdom, Europe.

Officers: Fred S. Ashmore.

Safety & Loss Control Associates

P.O. Box 1851, Palatine, Ill. 60078-1851; 708-358-7523; fax: 708-358-7524

Staff	
Total.....	2

Professionals.....		1
Includes: ASSE		

Loss control services since: 1984.
Frequent services: onsite plant loss prevention inspections, hazard identification, research, client training.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications.

Specialties: Consulting to architects/engineers, employer trade associations, general contractors, pharmaceutical manufacturers, refineries, Department of Energy facilities.

Region served: Nationwide.

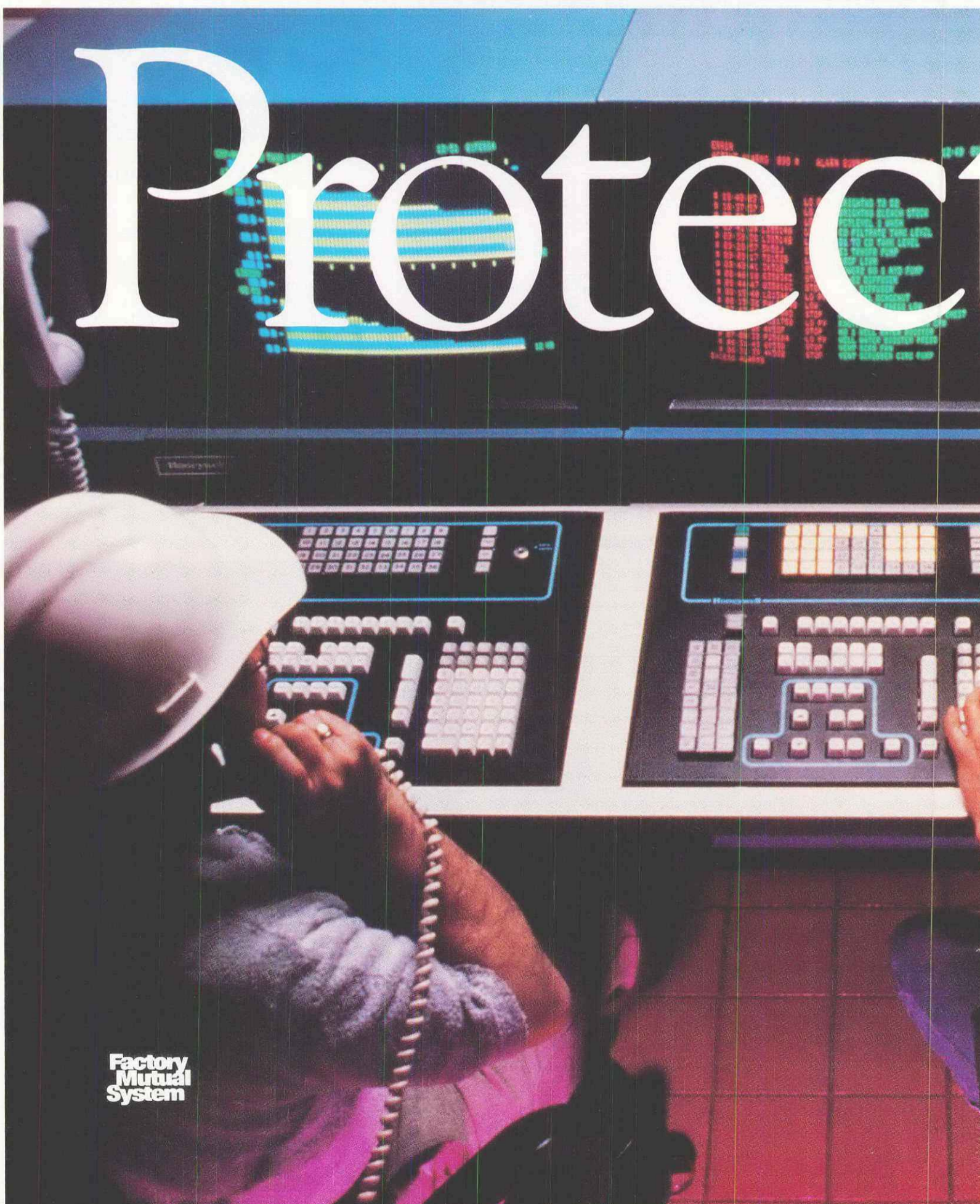
Officers: Donald A. Neslund, owner.

Safety Management Associates

11300 Lilting Lane, Fairfax Station, Va. 22039-1718; 703-978-3000; fax: 703-455-0511

1994 Revenues	
Loss control/engineering.....	50%

Continued on next page



Factory Mutual System

Continued from previous page

Other.....	50%
Includes: occupational safety and health, environmental management, forensic investigation, product and system safety	
Staff	
Total.....	2
Professionals.....	1
Includes: ASSE, CSP, PE	
Clients	
Total.....	7

Loss control services since: 1981.
Frequent services: Onsite plant loss prevention inspections; hazard identification; building plan reviews; environmental management surveys for asbestos, PCBs, lead, radon and USTs.
Occasional services: Fire prevention inspections, publications, research, client training.
Region served: Nationwide.
Officers: Neil R. Temple, president.

Safety Management Services Inc.	
200 Travis St., Suite 104, Lafayette, La. 70503; 318-235-6524; fax: 318-233-9772	
Staff	
Total.....	3
Professionals.....	1
Includes: CSP	
Clients	
Total.....	25

Loss control services since: 1981.
Frequent services: Onsite plant loss prevention inspections; fire prevention inspections; hazard identification; publications; research; client training; evaluation of safety, health and environmental programs.
Occasional services: Plant security inspections.
Region served: United States, Indonesia, Mexico.
Officers: Jack Barnidge, president.

Safety & Risk Control Services Inc.	
395 Main St., Suite 4, Metuchen, N.J. 08840; 908-906-2244; fax: 908-906-2045	
1994 Revenues	
Loss control/engineering.....	20%
Other.....	80%
Includes: safety consulting services such as risk assessments, safety training, program development, safety audits, association program safety training, annual safety management programs	
Staff	
Total.....	15
Professionals.....	7
Includes: 3 ARMs, 7 ASSEs, 4 CSPs, 1 PE	
Clients	
Total.....	17

Loss control services since: 1989.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training.
Occasional services: Building plan re-

views, publications, research.
Specialties: Commercial real estate management, industrial and institutional consulting.
Region served: Nationwide.
Contact: Harvey S. Staple, president, 800-466-4025.

Schaible Associates	
900 Center St., Mount Joy, Pa. 17552-9371; 717-684-6045; fax: 717-684-6045	
1994 Revenues	
Loss control/engineering.....	100%
Staff	
Total.....	1
Includes: ASSE, CSP, PE	

Loss control services since: 1982.
Frequent services: Hazard identification, client training, air sampling, ergonomic evaluations.
Occasional services: Onsite plant loss prevention inspections, building plan reviews.
Region served: Nationwide.
Officers: Ronald D. Schaible, president.

Schirmer Engineering Corp.	
707 Lake Cook Road, Deerfield, Ill. 60015; 708-272-8340; fax: 708-272-2639	
1994 Revenues	
Loss control/engineering.....	40%
Other.....	60%
Includes: design and consulting engineering	
Staff	
Total.....	85
Professionals.....	60
Includes: 1 ARM, 6 ASCEs, 6 CSPs, 25 PEs, 30 SFPEs	
Clients	
Total.....	250

Loss control services since: 1939.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, loss investigations, sprinkler impairment monitoring.
Occasional services: Plant security inspections, client training.
Specialties: Include industrial, chemical, food processing, commercial business and hotels.
Region served: United States, Africa, Asia, Europe, South America.
Offices: San Francisco; Washington; Atlanta; Dallas.
Officers: Carl Baldassara, chairman/president; David Nugent, Jim Bychowski, Dan O'Connor, vps; Craig Zaleski, treasurer/CFO.
Contact: David P. Nugent.

Sedgwick James Inc. Property Risk Control Services	
Strawberry Square, 5th Floor, 303 Walnut St., Harrisburg, Pa. 17101; 717-720-4561; fax: 717-234-1400	
1994 Revenues	
Loss control/engineering.....	40%
Other.....	60%
Includes: casualty consultation, protection system design, loss investigation and analysis, specialty consultation	
Staff	
Total.....	120
Professionals.....	100
Includes: 22 ARMs, 4 ALCMs, 40 ASSEs, 34 CSPs, 6 PEs, 25 SFPEs	
Clients	
Total.....	300

Loss control services since: 1858.
Parent: Sedgwick Group P.L.C.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, disaster recovery/contingency planning, loss estimates, rate analysis, code review and analysis, protection system design and specification.
Specialties: Public entities, health care, retail, warehouse/distribution, utilities, construction wrap-ups.
Region served: International.
Offices: Phoenix; Little Rock, Ark.; Irvine, Los Angeles and San Francisco, Calif.; Norwalk, Conn.; Fort Lauderdale, Orlando and West Palm Beach, Fla.; Atlanta; Chicago; Boston; Detroit; Minneapolis; Kansas City and St. Louis, Mo.; Omaha, Neb.; Roseland, N.J.; New York and Rochester, N.Y.; Philadelphia and Pittsburgh, Pa.; Columbia, S.C.; Knoxville and Memphis, Tenn.; Dallas; Arlington, Va.; Seattle.
Officers: Richard E. Botts, national director-property; J. Steven Hunt, national director-casualty.
Contact: Richard E. Botts.

Sigma Associates Ltd.	
105 Timber Ridge Blvd., Pass Christian, Miss. 39571; 601-452-4866; fax: 601-452-7207	
1994 Revenues	
Loss control/engineering.....	40%
Other.....	60%
Includes: risk management, human resource management	
Staff	
Total.....	7
Professionals.....	4
Includes: 1 ASSE, 1 PE	

Loss control services since: 1978.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, valuations, ADA/asbestos compliance audits.
Occasional services: Plant security inspections, publications, research.
Region served: United States, Egypt, England.
Officers: A.J. Scardino Jr., president.



Rapidly changing technology presents new challenges to today's risk manager. Developing new protection systems to meet these challenges requires experience.

For more than 100 years, Protection Mutual and the Factory Mutual System have analyzed the operations of leading businesses to identify and control loss exposures. Our founders helped early industrialists develop protection systems for their factories. Today, our practical engineering advice supported by superior insurance coverage helps businesses around the world protect their valuable assets and maintain critical operations.

Protection Mutual remains committed to providing state-of-the-art loss prevention engineering advice. It is this kind of dedication to our policyholders' future that creates a relationship based on trust and expertise.

It comes down to one word... Protection.

With physical and financial protection, we will secure the future of your business.

It's Our Word.



Part of the Factory Mutual System

300 South Northwest Highway
 Park Ridge, Illinois 60068 708.825.4474

Continued on next page

Spotlight report

Continued from previous page

Stogniew & Associates

12225 28th St. N., St. Petersburg, Fla. 33716; 813-572-7400; fax: 813-572-7457

1994 Revenues

Total gross revenues	\$1,300,000
Loss control/engineering	20%
Other	80%
Includes: risk surveys, claims investigations, insurance policy evaluations, expert witness testimony	

Staff

Total	15
Professionals	10

Clients

Total	28
-------	----

Loss control services since: 1980.

Frequent services: Onsite plant loss prevention inspections, plant security inspections, client training.

Occasional services: Fire prevention inspections, hazard identification, building plan reviews.

Specialties: Hospitals, nursing homes, financial institutions, manufacturing, warehouses.

Region served: Nationwide.

Offices: Los Angeles, New York.

Officers: Gerald F. Stogniew, CEO; Richard L. Junkermann, president; Robert L. Niemann, Cheresse N. Smoot, regional directors.

Strategic Safety Associates

P.O. Box 80161, Portland, Ore. 97280; 503-245-4296; fax: 503-291-1178

1994 Revenues

Loss control/engineering	100%
--------------------------	------

Staff

Total	9
Professionals	9
Includes: 2 ASSEs	

Loss control services since: 1983.

Frequent services: Onsite plant loss prevention inspections, plant security inspections, hazard identification, publications, client training, management consultation and development in loss control, training trainers in ergonomics and back injury prevention.

Occasional services: Building plan reviews, research.

Region served: United States, Canada, France, Saudi Arabia.

Officers: Robert Pater, director; Paul McClellan, training manager; Gordon Graff, account manager.

Contact: Robert Pater.

System Engineering & Laboratories

12785 Highway 64 E., Tyler, Texas 75707; 903-566-1980; fax: 903-566-4504

1994 Revenues

Total gross revenues	\$2,000,000
Loss control/engineering	80%
Other	20%
Includes: product testing	

Staff

Total	19
Professionals	7
Includes: 2 CSPs, 7 PEs	

Loss control services since: 1981.

Frequent services: Failure analysis.

Occasional services: Research, client training.

Region served: International.

Offices: Baton Rouge, La.; Amarillo and Dallas, Texas.

Officers: Frank Johnson, president/CEO.

Contact: Tracie Bolton, manager-business development.

F.J. Szymanski Safety Services

5258 Forest Circle S., Stevens Point, Wis. 54481; 715-344-4127; fax: 715-344-4127

1994 Revenues

Total gross revenues	\$70,000
Loss control/engineering	100%

Staff

Total	2.5
Professionals	2
Includes: 2 ASSEs	

Clients

Total	30
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Loss control services since: 1984.

Frequent services: Onsite plant loss prevention inspections, hazard identification, client training, safety program manuals, insurance loss control surveys.

Occasional services: Fire prevention inspections.

Region served: Midwest.

Officers: Frank J. Szymanski, principal.



Technical Insurance Services

6 N. Main St., Liberty, N.Y. 12754; 914-292-1147; fax: 914-292-1148

1994 Revenues

Loss control/engineering	50%
Other	50%
Includes: liability loss control consulting	

Staff

Total	26
Professionals	18
Includes: 3 ALCMs, 1 CSP	

Clients

Total	16
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Loss control services since: 1983.

Frequent services: Fire prevention inspections, hazard identification, publications, research.

Occasional services: Onsite plant loss prevention inspections, client training.

Specialties: Children's camps, drug and alcohol rehabilitation centers, social service-related operations.

Region served: 23 states nationwide.

Tiller Consulting Group Inc.

99 Trent Drive, St. Louis, Mo. 63124; 314-567-7480; fax: 314-567-4199

Staff

Total	2
Professionals	1
Includes: ARM, ASCE	

Loss control services since: 1985.

Frequent services: Onsite plant loss prevention inspections, hazard identification, research, environmental loss control program design.

Specialties: Public entities.

Region served: Nationwide.

Officers: Margaret W. Tiller, president; Michael H. Tiller, principal.

Contact: Michael H. Tiller.

Tomes, Van Rickley & Associates

8265-A Vickers St., San Diego, Calif. 92111; 619-576-6466; fax: 619-576-6465

1994 Revenues

Loss control/engineering	50%
Other	50%

Staff

Total	44
Professionals	30
Includes: 2 ARMs, 2 ALCMs, 1 ASCE, 2 ASSEs, 1 CSP, 4 PEs, 12 SFPEs	

Loss control services since: 1985.

Parent: Fire Design Group.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, protection systems design, model code and standard compliance.

Occasional services: Publications.

Specialties: Automotive, retail, warehousing and distribution industries.

Region served: United States, Australia, Canada, Mexico, New Zealand, Panama, Saipan, Taiwan.

Offices: Dearborn, Mich.

Officers: William J. Tomes, CEO; Russell B. Leavitt, president; James W. Tomes, CFO; William S. Holden, Robert G. Caputo, vps.

Contact: James W. Tomes.



Walker & Associates

P.O. Box 700, Willard, Mo. 65781-0700; 417-742-3303; fax: 417-742-3959

1994 Revenues

Loss control/engineering	100%
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Continued on next page

Talk about

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Continued from previous page

Staff	
Total	7
Professionals	5
Includes: 1 ARM, 1 ASSE, 4 PEs, 3 SFPEs	
Clients	
Total	13

Loss control services since: 1991.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, OSHA compliance and code compliance consulting.
Occasional services: Plant security inspections, publications, client training, safety surveys.
Specialties: Agricultural chemicals, food processing, retail stores, grain handling.
Region served: United States, Canada, Puerto Rico.
Offices: Wichita, Kan.; Freehold, N.J.; Youngstown, Ohio.
Officers: B.J. Walker, president; Thomas H. Brereton, vp-technical services.
Contact: B.J. Walker.

Webb, Murray & Associates Inc.
 1730 NASA Road One, Suite 202,
 Houston, Texas 77058; 713-335-1668;
 fax: 713-335-1682

1994 Revenues	
Total gross revenues	\$10,800,000
Loss control/engineering	35%
Other	65%
Staff	
Total	120
Professionals	37
Includes: 2 ARMs, 3 CSPs, 15 PEs, 12 SFPEs	

Loss control services since: 1975.
Frequent services: Onsite plant loss prevention inspections; fire prevention inspections; hazard identification; building plan reviews; publications; client training; alarm system code compliance analysis; process safety management; process hazard analysis; water flow testing; hydraulic calculations; fire system modeling; design, installation, testing and maintenance of fire detection and suppression systems; development and auditing of contingency and emergency

services adequacy.
Occasional services: Plant security inspections, research.
Specialties: Petrochemical, educational, medical, industrial, marine vessels, chemical and research and development operations.
Region served: International.
Offices: Baton Rouge, La.; Brazosport, Corpus Christi, Deer Park, Freeport, La Porte, Nassau Bay, Orange and Pasadena, Texas.
Officers: Robert M. Webb, president/treasurer; Robert W. Murray, senior vp/secretary; Billy C. Magee, vp.
Contact: Kevin O'Neill or Bob Brennecke.

Scott Wetzel Services Inc.
 P.O. Box 172950, Tampa, Fla.
 33672-2950; 800-426-5990;
 fax: 813-229-9922

Staff	
Total	350
Professionals	5
Includes: 1 ALCM, 2 ASSEs, 1 CSP, 1 PE	

Clients

Total	56
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Loss control services since: 1972.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training.
Occasional services: Plant security inspections, publications.
Region served: United States; British Columbia, Canada.
Offices: Concord, Calif.; Washington; Chicago; Manchester, N.H.; Portland, Ore.; Seattle.
Officers: John Harrold, president/CEO; Terry Neal, executive vp-finance; Edward Kocott, vp-operations; Peter Greenland, vp-marketing.
Contact: Valerie Williams, corporate loss control manager, 206-661-0272.

The Worksafe Group Inc.
 25231 Paseo de Alicia, Suite 200,
 Laguna Hills, Calif. 92653-4616;
 714-583-1760; fax: 714-583-7091

1994 Revenues	
Total gross revenues	\$850,000
Loss control/engineering	95%
Other	5%
Includes: expert witness services	
Staff	
Total	10
Professionals	7
Includes: 2 ARMs, 1 ASSE	
Clients	
Total	46

Loss control services since: 1984.
Parent: Mutual Risk Management.
Frequent services: Onsite plant loss prevention inspections; hazard identification; publications; client training; analysis of loss data; evaluation of public liability and injury prevention programs; development of client loss prevention management systems, including ergonomics, emergency preparedness, hazard communications, violence prevention, fleet safety programs, supervisor training.
Occasional services: Fire prevention inspections, building plan reviews.
Specialties: Construction, manufacturing, health care and food distribution and marketing industries.
Region served: Nationwide.
Offices: Los Angeles; Boston; Philadelphia.
Officers: Robert S. Anderson, president; Thomas Badstubner, vp-east.
Contact: Phoenix Alexander. ■

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Excess

Continued from page 2
cycle like that of the 1980s, according to Thomas A. Caldwell, senior vp at Alexander & Alexander of New York Inc. and a former risk manager.

Mr. Caldwell said several factors discourage a cycle, including:

- Different liability markets do not compete for the same business.

For example, many risk managers insist on having separate coverage and varying limits for general liability, automobile liability and product liability coverage.

Many of the companies in Bermuda will not offer varying limits for different coverages, so they do not compete for this element of the coverage, he said.

- Underwriters allot their capacity at different layers.

"This situation again is very much pronounced here in Bermuda," Mr. Caldwell said.

ACE Ltd., X.L. Insurance Co. Ltd. and Starr Excess Liability Insurance Co. Ltd. all have differ-

ent minimum attachment points, he noted.

- Some underwriters are reluctant to cover high-risk industries.

"This also cuts down competition," Mr. Caldwell said.

- Different underwriters have different policy forms.

"Certain risk managers will gravitate toward policy forms which they find to be more acceptable and therefore eliminate putting underwriters in competition against one another," he said.

- Coverage for punitive damage awards varies dramatically between different markets. Also, the right to litigate disputes or settle them through binding arbitration varies with the insurers, Mr. Caldwell said.

- ACE's decision last year to reduce its integrated occurrence limit has increased demand for the coverage from other insurers.

- Interest in multiyear policies also is growing among risk managers. This reduces competition as policyholders change insurers less frequently under multiyear deals, Mr. Caldwell said.

- The willingness of European

insurers to deal directly with policyholders also could reduce competition at the same time as increasing capacity.

"Risk managers will flock to these European markets and ignore U.S. or Bermuda capacity in some circumstances," Mr. Caldwell said.

But, he also cited factors that could encourage a return to an insurance cycle for excess liability business.

For example, insurers that are publicly owned, such as ACE and X.L., may be driven to meet the demands of Wall Street and the financial community rather than risk managers, Mr. Caldwell said.

"The continued demand for these niche markets to consistently increase earnings per share could add pressure to reduce price to increase market share," he said.

While they search for increased market share, excess liability insurers are diversifying into other areas, such as marine, aviation and property insurance, Mr. Caldwell observed.

If they suffer poor results in these areas through lack of expertise, they may try to compensate for the losses by reducing excess liability premiums to gain more market share in their traditional markets, he said.

Risk managers with good loss records could encourage another cycle by shopping for the best price, Mr. Caldwell said.

"These risk managers believe they are being unfairly treated and consequently will look around for the best price and shop their business whenever possible," he said.

The use of maintenance deductibles by ACE and X.L. also could contribute to the return of the liability insurance cycle.

Maintenance deductibles seek to exclude expected losses, which may exceed a self-insured retention, from coverage. But whether losses are expected is often sub-

ject to negotiation, he said.

"The inability to cap the deductible in the policy and thus enable the risk manager to more effectively calculate their maximum possible loss in any given year could result in a shopping of the risk," Mr. Caldwell said.

Finally, the ability of large multiline insurers to offer capacity both below and above the Bermuda market could help spur a cycle.

Insurers that are getting adequate price for primary coverage could offer lower prices for excess coverage, Mr. Caldwell said.

On balance, the factors against a cycle outweigh those that would encourage a cycle, he said.

"Obviously, there will always be some movement on pricing, but I do not foresee a repeat of the market cycle that we experienced in the 1980s," he said.

The sellers and buyers of insurance operate differently in the 1990s than the way they conducted business in the 1980s, said Fiona E. Luck, managing director of Marsh & McLennan Global Broking (Bermuda) Ltd.

In the 1980s, there was little concurrence among the forms offered, a great deal of reliance on reinsurance and the numerous layers of coverage, leading to an onerous claims process, she said.

Now there is a greater degree of concurrence of policy forms, less dependence on reinsurance, and the large blocks of capacity mean the claims process is simpler, Ms. Luck said.

Buyers also are changing their habits.

"With reorganizing and downsizing, they are looking to spend carefully," Ms. Luck said.

The buyers choose insurers carefully and scrutinize capitalization of insurers, net line retentions, long-term stability, claims-paying ability, multiyear coverages and broad coverages, she said.

"The insurance market has changed. Buyers retain more and underwriters are more specialized with sophisticated capital management. Maybe this is the formula to smooth out the cycle, but only time will tell," Ms. Luck said.

The insurance market has changed, but there is still a cycle in the excess liability market, said Brian Duperreault, chairman, president and chief executive officer of ACE.

The change in the market is most apparent in Bermuda.

"You can put together \$550 mil-

lion in limits walking down the street in one day," he said.

Insurers that want to compete in the market in Bermuda must be able to offer at least \$25 million in limits, he added.

And, although the capacity attaches at varying limits, there is still a competitive market for excess liability risks, Mr. Duperreault said.

But there are some signs of limited capacity for some coverages, he said.

For example, he said few markets stepped in to offer integrated occurrence coverage to replace the reduction in capacity by ACE last year (BI, Sept. 26, 1994).

"The integrated occurrence limits were not received very well, but there have not been players stepping up with the coverage that people want, so there is not too much capacity there," Mr. Duperreault said.

The combination of different factors affecting the market will lead to the continuation of the cycle, he said.

"Is there a cycle? Yes. Will there be a cycle tomorrow? Yes," he said.

Policyholders and brokers could access even more excess liability capacity if they were willing to buy more claims-made coverage instead of continually searching for occurrence coverage, said Richard Youell, director and underwriter at Janson Green Ltd., a Lloyd's of London managing agency.

In 1986, London underwriters changed their excess liability coverage to offer claims-made rather than occurrence coverage, he said.

"It was not accepted by the broking world and it became a test of virility to avoid it... That must change," Mr. Youell said.

The London form was worded after careful analysis of the liabilities that an insurer could reasonably afford to take and these have not changed over the past 10 years, he said.

Policyholders' attitude toward insurers also should change, Mr. Youell said.

"It's no longer a matter of insurers standing behind their insureds against an unfair world. Many insureds see their insurers as assets to be used by any means," he said.

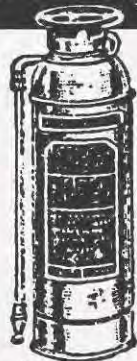
Policyholders should show a greater degree of fair dealing, Mr. Youell said.

The panel discussion was moderated by Brian M. O'Hara, chairman, president and CEO of X.L. Insurance Co. Ltd. **BI**

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Contingency plan can boost profile of risk managers

By PAUL D. WINSTON

TUCKER'S TOWN, Bermuda—Contingency planning should go beyond protecting property to ensuring

BERMUDA busi-
INSURANCE nesses
SYMPOSIUM can
continue to operate after a disaster, a panel of risk managers agreed.

And effective contingency planning can help risk managers demonstrate their worth within their organization and to insurance companies, they say.

"Contingency planning is business continuity planning—keep-

ing a business operating in case of a disaster. It is risk management of business interruption," said William J. Kelly, senior vp of Morgan Guaranty Trust Co. in New York. "It is a natural and critical thing for risk managers to be involved in."

Contingency planning was among several topics addressed by Mr. Kelly—who also is president of the Risk & Insurance Management Society Inc.—and other risk managers during a panel on risk management innovations during the Bermuda Insurance Symposium II, held earlier this month in Bermuda.

Continued on next page

Continued from previous page

Having contingency plans that simply call for backing up old data is old thinking, Mr. Kelly said. The more appropriate plans address a business' entire operations.

"Risk managers too often do scenario planning for specific situations—flood, fire, etc.—rather than what happens when you're out of business, period," he said.

But, not everyone takes such a macro approach.

"We look at it from a different scale," said Lucille "Lucky" Gallagher, vp of risk management for Monfort Inc. in Greeley, Colo. "We look at each plant site and at profit flow and determine what happens at each stage of the process. What will happen if a boiler explodes at that plant?"

In addition, risk managers must be aware of how their operations could be affected by a supplier's losses, she said.

As businesses rely on a smaller number of key suppliers, risk managers need to know where those suppliers are in terms of contingency planning and risk management, said Ms. Gallagher.

"What we have to look at is interdependency," added Paul F. York, vp of corporate staff risk management and insurance for electrical and industrial products company ABB Asea Brown Boveri Ltd. in Zurich, Switzerland. ABB has assessed the interdependency of the company and its suppliers at major facilities around the world, he said.

However, selling the need for contingency planning within an organization is not always easy, the risk managers agreed.

"At ABB, being one of the most decentralized companies in the world, it is difficult to do," said Mr. York.

"You're telling people with revenue targets to allocate limited resources to a plan that you hope you will never use," Mr. Kelly observed. That job can be made a bit easier by disasters, particularly those that hit other businesses, he said.

Mr. Kelly cited the example of the 1990 Wall Street power outage "that suddenly gave a lot of people religion," bombings in London and even the earthquake exposure in Japan. "What you really don't want to happen from a business continuity standpoint is for everyone else to be operating and you're the only one on the street who isn't."

Mr. York noted that a \$50 million fire at an ABB facility in Sweden helped make managers more aware of risk management and contingency planning.

"People started paying attention to staying in business, protecting market share and becoming an HPR company," he said. That was spurred by "the amount of time spent by senior managers trying to figure out how to get back in operation," he said.

"Management now realizes that a loss is more than the property loss. It is also the cost of management time diverted from our core business," Mr. York said.

The panelists generally agreed that proper risk management and market relationships are the key to long-term relationships with insurers.

"If you're going to put together a good program, you really need to sell your risk management," said Ms. Gallagher, who noted that successfully implementing a crisis management plan is one way to demonstrate the risk manager's ability to insurers.

"You have to develop relationships with people who are taking

the risk; they have to know that what you are telling them is true," said Mr. York. He noted that ABB generally deals directly with its property insurers, though it uses numerous brokers for other coverages.

"When we had the Swedish loss, most insurers stayed with us," he said.

Insurers must get closer to their ultimate customer, which is not the broker but the client, which has a risk to transfer, Mr. York said. "That may be part of the reason for Lloyd's problems. . . They are placing too much faith in the broker market, which was breached on several occasions."

Relationships with underwriters are critical, Mr. Kelly agreed. However, he added, "brokers need not be an impediment to a direct relationship with insurers."

One example of the benefits of a

long-term relationship with underwriters is a long-term coinsurance program in which ABB participates.

The program was launched by members of M200, a risk management research organization, in response to risk managers' desires to develop a mechanism that would take cyclical out of the market, Mr. York explained.

Under the program, ABB and other companies negotiated three-year contracts with a group of insurers that are writing liability coverage on a net-line basis. This coverage is provided above large retentions by the policyholder. In ABB's case, the major underwriters included: Swiss Reinsurance Co., writing \$25 million; General Re Corp., writing \$14 million; and Winterthur Group, writing \$10 million.

The underwriter and policyholder are locked into a three-

year contract, with an automatic extension at the end of the period, which gives them a longer-term relationship and avoids buyers jumping around to different companies for the lowest price, he said. Currently, there are six such contracts, he said.

The coverage cannot be canceled any earlier than two years after notice is given, which is needed to give ABB more time to replace the caliber of underwriters currently on the program, Mr. York said. ABB recently renewed the long-term coinsurance program for the fourth year.

The three risk managers downplayed the outsourcing phenomenon.

"A lot of initial media attention came from the IBM situation," said Mr. Kelly, referring to International Business Machines Corp.'s decision to restructure its risk management department (BI,

Aug. 15, 1994). But that really was brought about by a change in IBM's corporate culture, not anything happening everywhere else, he said.

"Someone internal to the organization has to be there to assess risks. The CEO won't talk to an outsider," Mr. Kelly said. "I wouldn't fear for the risk manager."

Outsourcing has been overblown in the press, but serves as a wake-up call to risk managers, agreed Mr. York.

Risk managers can do the job better than outsiders, Ms. Gallagher stressed. "We know more about our liabilities than an outsider, we are reserving more and we are doing more thorough analysis."

Having an inside risk manager is very important to protecting a company's assets, she said.

See Risks on next page

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Lloyd's last chance?

Chairman hopeful, but success uncertain

By PAUL D. WINSTON

TUCKER'S TOWN, Bermuda—Lloyd's of London's chairman is "cautiously optimistic" that the market's

BERMUDA INSURANCE SYMPOSIUM

proposed restructuring plan will succeed.

If it does, Lloyd's will be a stronger market and better able to compete in the world's insurance market, David Rowland said during a luncheon speech earlier this month at the Bermuda Insurance Symposium II.

If it doesn't, Mr. Rowland has

characterized the market's alternatives as "stark."

Lloyd's earlier this month unveiled a broad restructuring plan designed to raise new capital, segregate past liabilities and settle litigation. The plan would place open years of account into reinsurer Equitas Ltd., raise billions of pounds through special charges and diverted funds and offer a £2.8 billion (\$4.45 billion) package to settle names' litigation (BI, May 29).

Now that the plan has been introduced, Mr. Rowland said a feeling of cautious optimism prevails: "Optimism because the plan is sound. Caution because there's a lot to be done, and the devil is indeed in the

details before we get to the other side."

The new plan is not the first proposal to be floated by the market's leaders. Mr. Rowland and other Lloyd's leaders first suggested possible solutions in the spring of 1993 (BI, May 3, 1993).

The priorities of that earlier plan included dramatic reforms for the market, including a plan to cap members' liabilities, cut costs and attract new capital, particularly limited liability corporate capital.

"I think it is little short of miraculous that in two years we have attracted about £1.3 billion (\$2.06 billion) of new capital in that new form. It says something about the way people perceive the reality of business at Lloyd's... the quality, the skill of the people in the market," Mr. Rowland said.

"I am proud of the achievements we have pulled off since then, but we haven't achieved everything."

He noted that another goal in 1993 was to settle members' litigation and while "we had a good go at it," the offer was rejected by names.

Mr. Rowland acknowledged that the initial offer may not have been in the best interests for every individual member, though he said it was the best Lloyd's could make at the time.

At the end of 1994, after new capital had entered the market and it was seen that underwriting accounts were improving, the market's leaders knew they had another chance to tackle its problems. "There began to be a lot more things we could do than we could before."

At the end of 1994, Mr. Rowland and his colleagues reassessed their plans. He said they recognized a bigger effort to resolve the market's problems was needed.

Lloyd's leaders at that time were confident they could pass the U.K. Department of Trade and Industry's overall solvency test in 1995, which simply balances the market's liabilities against its assets. But the market was less certain of another mandatory solvency test, in which it must show that each member is solvent. Although the market's Central Fund is designed to stand behind members' debts, it has been strained in

recent years as members' debts increased.

"It may not run out of money this year, or we couldn't even be sure it would ever happen, but as sensible businessmen, we could see that if we didn't do something then this would be a problem," Mr. Rowland said.

"What we had was an institution that had lost billions of pounds, and had members, some of whom could not pay their debts because they didn't have any more money; some who were unwilling to pay their debts because they were arguing about it; and other members who had hidden their assets," he said.

Like any other business, Lloyd's realized that it would have to write off some of this bad debt, Mr. Rowland said. The question was: Could it afford to do so?

An examination of the market at year-end 1994 suggested to its leaders that its balance sheet had considerably more flexibility than it had a year earlier.

Although member litigation was still the main problem facing the market, it was only part of the overall problem and a broad plan was needed to restore the market's competitiveness, Mr. Rowland said.

The framework for one of the plan's key components—Equitas Ltd.—was already in place. And the market could release some profits from the profitable 1993, 1994 and 1995 underwriting accounts.

"We started to figure that we could pull this off. We had a framework and we could release some profits, but we needed a lot more," Mr. Rowland said.

"We came to believe that we would need a total of somewhere between £2.5 billion to £3 billion (\$3.97 billion to \$4.76 billion) in order to provide a reasonable basis to move toward finality for the whole society," he said.

Part of this, approximately £800 million (\$1.27 billion), would come from agents' errors and omissions coverage. The question, he said, was whether the remaining £2 billion (\$3.18 billion) or so could be raised from the rest of the resources of the society, which would be used to write off the bad debts.

The market's leaders have spent a great deal of time since January trying to build a consensus for reform within the market, including speaking with names and action group leaders, according to the chairman.

"I think we have truly convinced them that the only way that we can truly settle the problems of the market is if we all agree we want to do it," he said.

By autumn, Mr. Rowland hopes to be able to inform individual mem-

bers as to how much they will have to put in and what they can expect to receive. The next step will be to obtain a "mandate" from the society to proceed with the plan, he said.

"Then, by the spring of next year, it will be up to each individual member to accept or reject the situation for them individually."

The market is not absolving members of liabilities, he said. Rather, it is offering the equivalent of reinsurance via Equitas for 1992 and prior liabilities, he said. Also, it is pledging not to chase them for debts, even though names still would be legally liable for losses should Equitas fail to meet obligations.

"That's why it is absolutely critical that Equitas should be properly set up, capitalized and authorized as a U.K. registered company with assets, reserves and standards which all of you can see are at least as good and as rigorous as any of our good competitors," he said.

Equitas will have a balance sheet of about £16 billion (\$25.44 billion), he said. "It is a very substantial operation. There aren't many insurance organizations in the world that have balance sheets of that sort."

By comparison, Munich Reinsurance Co., the world's largest reinsurer, had total assets of \$29.61 billion in fiscal year ending June 30, 1994, according to Standard & Poor's Corp.

The proper management of Equitas' assets and liabilities offers "huge" opportunities for future gains, Mr. Rowland said. "I like to think that all members who transfer their assets and liabilities into the 1992 year and prior, if not they, themselves, at least their children or their grandchildren will see that they have a profit interest in Equitas."

The proposed restructuring would mean some lasting changes.

"Lloyd's was an institution cloaked in mystery... That's over, finished. We've stripped away the mystery and we've looked at the reality. The reality is that Lloyd's was and is a wonderful institution," Mr. Rowland contends.

He acknowledged that the U.K. DTI and U.S. regulators have been scrutinizing Lloyd's, a move that is welcomed by the market.

"Regulators should be supportive since they have an interest in a strong market," he said.

"It's important that Lloyd's rebuild itself," he said. "I think it is crucial for all of us in the insurance industry, particularly London, to demonstrate that we can learn our lessons, that we can come through a difficult period" and rebuild to be "not just like we were before but a hell of a lot better." **BI**

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Risks

Continued from previous page

But, she said risk managers must strive for a higher level of professionalism. "If you're just buying insurance, you're going to be outsourced, since there are so many other funding options."

Mr. York noted that many risk managers are losing ground because they are not keeping up with broader financial issues. "Most risk managers wouldn't be able to digest financial risk and derivatives, for example, because they aren't familiar with the terms" being bandied about, which causes anxiety, he said.

Mr. Kelly conceded that "there is no absence of mediocrity in our profession."

Predicting the future for risk managers, Mr. Kelly said some observers say the risk manager's role must expand.

Although the role is evolving, it will not change as dramatically as

some would like, he said.

"Risk managers' roles are already expanding and they are increasingly part of the management team, part of every piece of business. I think it will continue," said Ms. Gallagher.

Mr. York agreed risk managers in the future likely will have "more fun and more responsibility" but said the chance for advancement within their organization is limited. "I think risk management is and shall continue to be a staff function. If you yearn to run something, sitting in the risk manager's chair you're not going to get there," he said.

In fact, this is largely why Mr. York will resign from ABB in September after nearly 20 years in risk management to join AIG Risk Management in Paris, where he will oversee continental European operations.

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

Cat reinsurance outlook

Broker says rates too high, reinsurers say capacity too low

By GAVIN SOUTER

TUCKER'S TOWN, Bermuda—Catastrophe reinsurance buyers will seek 15% to 20% rate reductions in 1996 if this year is free of major catastrophes, a reinsurance broker says.

But if rates fall, some reinsurers will reduce their catastrophe capacity, reinsurers warn.

Already reinsurance capacity is insufficient to cover potential catastrophes in the United States, such as hurricane losses in the New York region, reinsurers say.

To meet their catastrophe coverage needs, companies will have to develop ways of accessing capital outside of insurance markets, according to a panel of reinsurance experts discussing the property catastrophe market at the Bermuda Insurance Symposium II.

Alternatively, the U.S. government could cover the catastrophe risks that the insurance and reinsurance industry does not have the capability to meet, said Anthony Taylor, underwriter for Lloyd's of London syndicate 51, managed by Wellington Underwriting Agencies Ltd.

Many insurers received rate reductions on property catastrophe reinsurance during the 1994 year-end renewal season, Mr. Taylor noted.

In the United States, insurance companies with nationwide exposures that did not suffer a Northridge earthquake loss received 5% to 7.5% rate reductions. Reinsurance buyers in California or nationwide companies with claims from the Northridge quake suffered an average 20% increase.

Regional companies with U.S. coastal exposures received rate reductions of up to 10%.

In Britain, catastrophe reinsurance rates fell by an average 12.5%. In Australia, rates fell between 15% and 20%, Mr. Taylor said.

The rates in the various markets reflect the loss experience over the past year; the lack of capacity in some areas of the United States; sufficient capacity in Britain; and overcapacity in Australia.

"Clearly the laws of supply and demand are alive and well in commercial reinsurance," he said.

But the call for more rate reductions by reinsurance buyers is bound to grow louder if there are no major catastrophes in 1995, said Richard H. Blum, chairman and chief executive officer of Guy Carpenter & Co. Inc. in New York.

"Assuming that this year is catastrophe-free for U.S. buyers, I would think that they would be looking for a rather significant step forward in improving their price," he said.

In fact, they will be looking for 15% to 20% rate cuts, said Mr. Blum, noting that some would take advantage of the improved pricing to buy more coverage.

But many reinsurers are unwilling to expand their capacity, said Mr. Taylor.

Wellington, for example, already plans to reduce its catastrophe capacity by 25% this year, he said.

PXRE Corp. of Edison, N.J., also would reduce its aggregate exposure if prices fall significantly, said President and CEO Gerald L. Radke.

Although some catastrophe reinsurance rates may seem high, the risks also are large, he said. "We are trying to cover the extremities."

In some cases, even the high rates may still be too low. Mr. Radke said

"Maybe the seemingly outsized returns are inadequate for the exposures we take on. Are we taking 20% rate on line for 40% rate on line exposures?" he said.

Regardless of the rates, the capacity available for catastrophe reinsurance coverage falls well below the capacity that is needed to cover potential losses of between \$50 billion and \$100 billion, which could occur if a hurricane hit highly valued areas on the East coast or if an earthquake devastated Los Angeles or San Francisco, Mr. Radke said.

The insurance and reinsurance industry probably could offer around \$30 billion in coverage, which is well short of what is needed for those exposures, he said.

An industry with \$189 billion in capital cannot support a \$50 billion to \$100 billion exposure, Mr. Radke said. Instead, capital outside of the insurance industry is needed.

For example, buyers of reinsurance should try to access capital markets through facilities like the catastrophe insurance futures market at the Chicago Board of Trade, Mr. Radke said.

Capital markets could become a source of catastrophe capacity to meet coverage needs, agreed Charles L. Kline, president of Centre Cat Ltd. in Bermuda.

But reinsurers and insurers also may be willing to expand their catastrophe capacity if they can obtain a better spread of risk, he said.

"There are emerging economies which will require coverage and there are existing economies which buy inadequate coverage. Both of these areas are of great value for an industry in search of spread and part of the answer lies here," Mr. Kline said.

But even if there is an improvement in the spread of risk, it will not be sufficient to allow the traditional insurance and reinsurance industry to cover the potential exposures, said Mr. Taylor of Wellington.

Consequently, a U.S. federal agency like the proposed Natural Disaster Coalition should assume some of the liabilities, he said.

"It should supply excess coverage to the insurance market. An attachment point of \$20 billion or \$25 billion may be appropriate," Mr. Taylor said.

A fund to pay disasters could be built up through an annual levy on insurers, he added.

Such a structure still would allow commercial reinsurers to rate competitively risks that fall below the attachment point, Mr. Taylor said.

If a federal agency does not supply coverage, a severe catastrophe might cause sufficient damage to force hundreds of insurance companies into liquidation, he said.

The session was moderated by Michael Butt, who is president and CEO of Mid Ocean Reinsurance Co. Ltd. in Bermuda. **BI**

BIS coverage to continue

Additional coverage of sessions at the Bermuda Insurance Symposium II, held earlier this month in Tucker's Town, Bermuda, will appear in next week's issue of *Business Insurance*.



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NAIC

Continued from page 2

Both types of meetings will now be held on Monday and routinely open to the public, beginning with the fall meeting in Philadelphia, Sept. 10-12. While some observers will be permitted in the meeting room, an NAIC subgroup is considering using closed-circuit television to an adjacent room to ensure adequate seating space.

However, these meetings can still be closed—as is typically allowed under state sunshine laws—when regulators are discussing confidential matters including ongoing lawsuits and personnel issues.

The NAIC also decided to develop a system to open up to public monitoring conference calls made by subgroups between quarterly meetings. This would be effective January 1996.

In addition, "there is no doubt that the organization realizes that it has to be much more open and disclose more with respect to its finances," said James W. Schacht, acting director of the Illinois Insurance Department.

Regulators voted to disclose to the public the salaries of the NAIC's five highest-paid employees by Jan. 1, 1997, unless the affected employee voluntarily allows earlier disclosure.

In addition, a new subgroup is expected to develop "a clear budgetary control management process" by the fall meeting.

"There is general support among commissioners for 'hot' issues, including re-establishment of a program-oriented budget" rather than the current conventional approach, which is harder to understand be-

cause it lumps many activities together, Mr. Schacht said.

Other subgroups were appointed to analyze the legal and policy issues related to "cross subsidization," in which income from sources like insurers' database fees are used to pay for other NAIC projects.

The issue is significant because a 1982 memorandum of understanding with insurers states that database fees, which are the largest single source of revenue in the NAIC's \$40 million budget, would be used only for solvency-related activities.

The changes also called for the NAIC leadership to meet with representatives of NCOIL and the National Conference of State Legislatures to discuss forming a legislative participation board to increase the NAIC involvement of those legislative groups.

"We made a lot more progress than many of us anticipated," Mr. Schacht said. He has been a prime mover behind the push for these reforms, and garnered the public support of top regulators from California, New York and Texas at the NAIC's spring meeting in Miami Beach (BI, March 20).

Since then, there have been a lot of discussions with other states, including meetings of regulators in the NAIC's Northeastern and Midwestern zones, he added.

Several factors helped bring the changes about.

"There have been a lot of changes in commissioners and these people aren't bound by the past and aren't bogged down by the past," Mr. Schacht said. "I think that people think that this is the right thing for the organization."

As support grew for the measures, some long-time NAIC leaders joined in supporting them and heralded

them as part of the organization's "ongoing efforts to broaden participation in its meetings."

"We have done much in recent years to let the sunshine in," said NAIC President Lee Douglass, who also is Arkansas' commissioner. "Our open meetings policy and system of public hearings stand as testimony to that fact. I find it remarkable that, given the sensitive nature of the information we discuss in many of our meetings, more than 90% of them are open to anyone who wants to walk in and listen," he said.

Many regulators cited the use of a professional discussion facilitator as a key reason the NAIC was able to make significant progress in its policy on the special meetings.

"A facilitated process clarifies the issues," said NAIC Recording Secretary Josephine M. Musser, commissioner from Wisconsin, who loaned an experienced staff member to act as facilitator. "I'm really pleased. I think we made a lot of movement," she said.

One key issue the facilitator helped to partially resolve was the question of the NAIC's identity.

Regulators decided that the NAIC "is a group of public officials imbued with the public trust and/or an instrumentality of the states." They rejected other alternative definitions, including that of a private trade association or any type of non-profit trust.

"Clearly the NAIC is concerned

about its public image and these changes will help a great deal to relax this issue," said New Hampshire state Sen. Leo W. Fraser Jr., R-Pittsfield, who is president of NCOIL.

"To anyone in the public sector, open meetings are essential," the senator said. In addition, he said, legislators want to better understand the NAIC's \$40 million budget.

"I'm delighted that this is happening," Sen. Fraser said.

"Generally, we think it's a really good sign that the doors are opening up," said Anne B. Allen, state legislative counsel for the Risk & Insurance Management Society Inc. in New York. She said she hopes it will increase communication between consumers and regulators.

"I hope that they will also open up conference calls, because that is where most of the significant decisions on many issues are made," said Phillip Schwartz, vp-financial regulatory reporting with the American Insurance Assn. in Washington.

These changes "are important first steps to meaningful reform of the NAIC," said Robert L. Zeman, assistant vp and assistant general counsel for the National Assn. of Independent Insurers in Des Plaines, Ill.

Texas Insurance Commissioner Elton Bomer said he has mixed feelings about the changes. He generally is pleased, but also "upset and frustrated" because setting the staff salary disclosure deadline as far off as

Jan. 1, 1997, could threaten his state's ability to retain its accreditation.

A bill now awaiting Texas Gov. George W. Bush's signature requires Mr. Bomer to certify that the NAIC provided him with detailed financial information. He said this information must include those salaries before a provision allowing for insurer reporting of material transactions becomes law (BI, June 5). That provision becomes an accreditation requirement Jan. 1, 1996, one year before the mandatory salary reporting. "I will ask for salaries and waivers to be signed," he said.

Revealing previously undisclosed salaries is a "privacy and morale issue" for any staff, though the NAIC staff is expected to comply, said David Simmons, NAIC executive vp. He said he is the highest-paid staff member but declined to identify the other top wage earners.

If all the proposals under study were implemented, only program budgeting would significantly increase the staff workload because it requires complex record keeping and time-consuming allocations, he said. The NAIC may need three additional staff members if program budgeting is implemented, he said.

In addition, Texas' Mr. Bomer said he hopes the NAIC studies will be completed as soon as possible. "Any study of the budget is welcome, but a study is often analogous to delay, and I plan to try and cut through that." ■

Some Maxwell funds were repaid: Lawyer

LONDON—The Maxwell publishing empire's pension funds, which allegedly were defrauded before founder Robert Maxwell died in 1991, received some compensation for missing assets, according to one of the defense attorneys in the fraud trial.

Alun Jones, the lawyer for Kevin Maxwell, who was a director of several Maxwell companies, said the pension funds had received payment of £100 million (\$158.8 million) in exchange for shares they held in Scitex Corp. Ltd., an Israeli printing equipment manufacturer.

The prosecution alleges that Kevin Maxwell conspired with his late father to defraud the pension funds by selling their 5.4 million Scitex shares and pledging the proceeds to repay loans made by National Westminster Bank P.L.C. to private Maxwell companies.

However, jurors in the case also were told last week by Trevor Cook, who managed the pension funds

during the period in question, that payment for the shares was never received.

It was the Maxwell pension debacle that led to a widespread review and proposed tightening of U.K. pension regulations (BI, Dec. 26, 1994; July 4, 1994). Parliament is expected to approve a pension reform bill this summer.

In the fraud trial, the prosecution also alleges that Kevin Maxwell and three other Maxwell executives, including his brother Ian, conspired to defraud the pension funds of £22 million (\$34.9 million) worth of shares in another Israeli company, Teva Pharmaceuticals Industries Ltd. The other executives allegedly involved are Robert Bunn, a former Maxwell finance director, and Larry Trachtenberg, a former adviser to Robert Maxwell. All four deny the charges.

Mr. Jones, the defense attorney, said that Robert Maxwell Group P.L.C., which represented most of Robert Maxwell's private companies, paid the pension funds for the

sold Scitex shares through inter-company accounts on July 4, 1991. He claims the pension manager, Mr. Cook, knew this, but that the records had later been altered to suggest no payment had been made.

The reason for this alteration, Mr. Jones alleged, is because in late November 1991, when it looked as though the companies were in financial difficulties, Mr. Cook became embarrassed at having agreed to payment for the shares through inter-company accounts and feared people would think him incompetent.

Mr. Cook denied this. And, earlier in the trial, he testified that Robert Maxwell had "dual control" in running the pension plans, including their investments. Mr. Cook said neither lawyers nor accountants advising the Maxwell group had objected to the practice.

The trial, which is taking place in an annex to London's Old Bailey criminal court, is expected to last about six months.

—By Edwin Unsworth

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Foreign reinsurers' U.S. book growing

By DEBORAH SHALOWITZ COWANS

Foreign reinsurers continue to increase their share of the U.S. ceding market, according to a new study.

U.S. property/casualty insurers ceded \$13.3 billion of premiums to foreign reinsurers in 1993, an increase of 11.8% from \$11.9 billion ceded in 1992.

In 1993, the premiums went to more than 2,000 affiliated and non-affiliated reinsurers in more than 90 foreign jurisdictions, says the Reinsurance Assn. of America, which analyzed the annual regulatory filings of more than 2,500 insurers. Most of the premium—\$9.9 billion—was ceded to unaffiliated reinsurers, while the remaining \$3.4 billion was ceded to affiliated reinsurers.

The survey provides "proof of the reinsurance market's uniquely international nature," said James M. Shamberger, senior vp of the RAA in Washington.

Bermuda reinsurers accounted for the bulk of the foreign premiums—\$5.5 billion, up 25% from \$4.4 billion in 1992. Those figures include only \$40 million or so of reinsurance premiums ceded to new insurers formed after Hurricane Andrew, he said. Annual regulatory filings from 1994 probably will reflect several hundred million more dollars of premium ceded to these new Bermuda reinsurers, he said.

The second-largest source of foreign reinsurance in 1993 was the United Kingdom, with \$2.8 billion of premium. Some \$957 million was ceded to German reinsurers and \$821 million was ceded to reinsurers in Barbados.

"The U.S. Reinsurance Market in 1993—An Analysis of Annual Statement Data" is available free from Adrienne McAadoo, Reinsurance Assn. of America, 1301 Pennsylvania Ave. N.W., Suite 900, Washington, D.C. 20004; 202-638-3690.

Japan moves to open market

By KATE TILLEY

TOKYO—With its new Insurance Business Law, Japan is moving toward a more open market, but just how much it is moving and in what direction will not be clear until the government issues regulations needed to implement the law.

For instance, the law, which takes effect April 1, 1996, will require insurers to meet solvency tests, but does not set specific margins. And the law will allow foreign brokerages to operate in Japan for the first time, but does not set any guidelines for their entering the market.

Those and dozens of other details will have to be filled in by the powerful Ministry of Finance, which is expected to issue regulations—perhaps hundreds of them—interpreting the law.

Insurer and brokerage executives, though, expect the basic thrust will differ very little from a 1994 draft law (*BI*, Aug. 8, 1994). The law—which the Diet passed

Details of new insurance law still to come

May 31 (*BI*, June 5)—is designed to promote competition through deregulation and liberalization; preserve the soundness of business; and promote fairness and equity in the market.

"The new law is just an outline of the structure of changes," said Ross E. Matthews, regional vp for American International Group Inc. in Tokyo. He predicts the Ministry of Finance will supply detail in hundreds of regulations to be issued over the next 10 months.

The government, though, has not given a timeframe for the regulations, which are called ordinances.

"Until we see the ordinances, we really don't know what form the law will take," said an executive with one foreign insurance company.

Even though the new law will allow foreign brokerages to operate in Japan and permit life and non-life insurers to compete in

both sectors, he said that it is unlikely that there will be radical changes to the current system.

Foreign brokerages seem to agree. Though they will be able to operate directly in Japan next year—rather than the current practice of establishing representative offices—brokerage officials say it will be hard to gain business quickly because price and policy terms still are regulated heavily and because Japanese companies are not used to working with brokerages, and may still prefer to deal directly with insurers.

While many details have yet to be worked out, Richard Ambrose, general manager of Johnson & Higgins Ltd. in Tokyo, said the new law was a step in the right direction toward less regulation.

Some foreign underwriters, though, say the Japanese market may not open up as much as others expect.

With so much authority to implement the law in the hands of

the Ministry of Finance, Japanese insurers may remain dominant in the domestic market, say some insurance executives.

"Foreign insurers are still concerned the market won't open evenly," said one executive. "Fire and auto make up 80% of the non-life market, and they're still very strictly tariff regulated."

Another cautioned that the law may have been designed to increase competition, but it was still up to the Ministry of Finance to implement it. "If foreign and smaller Japanese companies end up losing market share to larger companies, that will defeat the purpose of deregulation," he said.

Mr. Matthews said the finance ministry would be trying to manage the changes so they did not happen too rapidly.

He said insurers were in favor of a clearer, more concise law, and the new legislation was "moving in the right direction." The new law replaces one that had been in force since 1939.

See Japan on next page

Hannover Re exec found dead

HANNOVER, Germany—Michael Reischel, chairman of German reinsurer Hannover Re/Eisen & Stahl Re Group, was found dead June 5 in his home after an apparent suicide.

The local district attorney's office said a note left by Mr. Reischel indicated he was despondent over problems in his private life.

The chairman of the world's sixth-largest reinsurance company—which includes reinsurers Hannover Re A.G. and Eisen & Stahl Re-A.G.—assumed his position in 1992. Under his leadership, the company made an initial public offering, issuing 25% of its shares on the German stock exchange in 1994.

Until Hannover Re's supervisory board makes a decision on Mr. Reischel's successor, Andreas Peter Hecker, the company's vice chairman will assume his duties.

Mr. Reischel, 47, was married and had one child.

—By Don Lewis Kirk

How Siemens stays ahead of risk curve

By DON LEWIS KIRK

HEIDELBERG, Germany—Few companies have changed the scope of German risk management so thoroughly as Siemens A.G.

Angered by "inequitable risk assessment" by German property insurers last year, the company transferred a large

portion of its property program to the U.S. and U.K. markets (*BI*, Oct. 3, 1994).

"Change is nothing new to Siemens," Wolfram Rohde-Liebenau, Siemens' executive director-insurance, said at a recent risk manage-

ment conference in Heidelberg, Germany, sponsored by Arkwright Mutual Insurance Co. "Today, for example, more than two-thirds of our annual sales come from products that did not exist in 1990."

In 1994, Siemens' revenues were 85.6 billion DM (\$55.24 billion). With 382,000 employees in 16 separate business operations, the Munich, Germany-based company makes electrical and electronic products ranging from computer chips to nuclear power plants.

The risk management demands on his 60-person staff are formidable, admits Mr. Rohde-Liebenau, who is also chairman of the management board of Siemens' captive broker VVK and is head of its captive insurers: Risicom A.G. of Berlin, Germany, and Siemens International Insurance Co. Ltd.

U.K. bank credits RMIS for cost savings

By DON LEWIS KIRK

As international companies struggle to keep pace with rapidly changing business environments, risk management information systems may give them an edge.

The search for such tools led banking company Standard Chartered P.L.C. of London, which operates in 70 countries with a strong presence in the Pacific Rim, to an information system for evaluating its losses

worldwide.

"Studying our loss database enabled us to identify a pattern to our losses in relation to their costs," says Graham Trapnell, head of passive risk. An example of a passive, or pure, risk is fraud, which a bank faces merely by doing business. "Consequently, group deductibles and the levels of self-retention have been moved higher on the majority of our global insurance programs."

Standard Chartered found it had thousands of casualty and crime losses—like fraud, theft and errors and omissions—below \$100,000 and fewer than 100 above \$250,000 annually. With infre-

See RMIS on next page

in Dublin. He is also part of the company's central finance department.

It seems very centralized, said Mr. Rohde-Liebenau, but in reality "we are successful only be-

cause we support the operating units." Close and frequent com-

See Siemens on next page

Norway flood losses rise

OSLO, Norway—As waters continued to rise last week in Norway's worst flooding in 25 years, Norwegian insurers are expecting claims in excess of 300 million kroner (\$47.7 million).

The Assn. of Norwegian Insurance Cos. last week was unable to provide a more exact figure of insured damage, which is being felt primarily in rural areas northeast of Oslo.

However, a spokesman for the association said total insured claims from the flood are expected to fall well short of the total 1.8 billion kroner (\$286 million) that is in the country's Natural Perils Pool to meet claims. The pool is composed of insurers that provide cover for natural perils in Norway. It is funded by member contributions, which are paid in proportion to each insurer's claims. The pool also obtains reinsurance on the international market for any claims exceeding 200 million kroner (\$31.8 million) per incident.

The anticipated insured loss from the flooding will be one of Norway's costliest catastrophes and nearly exceeds the 350 million kroner (\$55.6 million) paid for all natural perils in 1993, the last year for which complete figures have been compiled.

However, insurers will be cushioned to some extent because many of the claims are expected to fall on the state-backed National Natural Perils Fund. This meets claims relating to farm land, forests and municipal property, such as roads and bridges.

—By Edwin Unsworth

U.K. pollution bill may limit coverage

By EDWIN UNSWORTH

LONDON—Environmental legislation now in the House of Commons would considerably expand businesses' liability for pollution and may cause insurers to drop coverage, a legal expert says.

The legislation "may cause insurers to look once again at the type of wordings they put in policies," said Stephen Tromans, head of the environmental law department of London law firm, Simmons & Simmons.

Given the lessons still being learned from the confusion in the United States over pollution liability coverage, Mr. Tromans warned that some insurers in the United Kingdom may eliminate pollution coverage altogether.

Speaking last week at a forum in London organized by the London Insurance & Reinsurance Market Assn., Mr. Tromans said that measures in the bill would amend the U.K. Environmental Protection Act of 1990 to compel local government authorities to

identify contaminated land and order those responsible to clean up any pollution (*BI*, April 24).

Parliament is expected to pass the Environment Bill this summer. It likely would become effective in January 1996.

In contrast to U.S. Superfund legislation, the land will not have to be restored to "green field" condition, but only to its pre-contaminated state. Also, parties held responsible for cleanup may not have to restore all land if restoration costs would be out of proportion to the gains from cleanup. However, it is still unclear how local governments will determine if cleanup is economically viable.

For the purposes of the bill, contaminated land would be defined as any that is in such a condition that it might harm human health, property or ecosystems protected under the U.K. Wildlife and Countryside Act 1981.

No legal test cases have yet set a precedent for some of the insurance issues that will be raised if

See Pollution on next page



INTERNATIONAL

Siemens

Continued from previous page
munication with subsidiaries precedes recommendations, which go to the central finance committee.

Globalization greatly influences Siemens' risk management decisions, said Mr. Rohde-Liebenau. "It has put new emphasis on how we transport parts and finished goods worldwide."

Production methods have also changed radically. Production of telephone handsets, for example, requires less space and far fewer

tasks," so they must be adequately trained to perform their new tasks safely, he said.

Siemens also set up a telephone hot line that links customers who need repairs done directly with the factory.

The phone line is valuable as a risk management tool, because it can tip the company off very quickly to potential liability problems.

The company also reduced the number of its suppliers. "We had to find out how dependable they are, if we can tolerate single-source suppliers, and if we were

on trucks with air suspension to make sure the machinery is not damaged in transit," Mr. Rohde-Liebenau said.

Engineers from Arkwright Mutual Insurance Co. and Factory Mutual International also advise Siemens on the project.

Siemens is one of only a few remaining European computer manufacturers, with a sizable market share in Germany and some European countries.

And, the company has applied its computer technology in-house to create a risk management information system.

"We have an extensive information network on all aspects of our production facilities, product lines and sales operations. Original acquisition values, fire insurance reinstatement values, the book values after amortization."

The RMIS has been an important factor in providing adequate protection and coverage, giving Siemens updated figures on current values of investment—information that has given its captive broker and insurer the ability to provide alternative risk financing solutions, Mr. Rohde-Liebenau said.

"The rate of change and its level of complexity means we must now analyze courses of action that have multiple impacts and ramifications, that may require huge investments of time, money and human resources.

"I do not believe we can meet the challenge, if we rely solely on the techniques and concepts of the past. It's too big. Our hope lies in our ability to put modern technology to work for us in scanning our environment for information and interpreting that information for our corporations," he said. "If we cannot manage the information around us, we cannot manage risk." **BI**

Restructuring 'meant completely re-examining operations to see how existing risks have been modified and analyze new exposures,' says Wolfram Rohde-Liebenau.

parts, suppliers and employees than it used to require.

"Yet we are producing a higher-quality product and getting it to the market in about one-third of the time it used to take," said Mr. Rohde-Liebenau.

"Competition of scale has been a dominant force in the past decade," he said. "We have had to learn to compete in different volumes, using different technologies. We have had to learn new tricks and unlearn others."

Slimming operations has been a major focus. In 1989, Siemens began restructuring, turning eight sprawling divisions into 16 more tightly defined ones.

Siemens also focused on simplification and acceleration of processes to get faster results at lower cost. It also sought new markets while cutting its workforce by 40,000, or about 9%.

Overhauls in many areas had a tremendous impact on risk management. "It meant completely re-examining operations to see how existing risks have been modified and analyze new exposures," he said.

When the company reduced the number of parts in some of its products, many of them health-related, Siemens had to take steps to ensure that the new versions of the products would be safe, Mr. Rohde-Liebenau said.

In addition, the company's emphasis on productivity, which increased by 400% in some cases, did not overlook safety. "Workers are now performing different

ready to be single-source suppliers ourselves."

Siemens made its distribution system more efficient by adopting just-in-time delivery. After doing so, Siemens re-examined its business interruption coverage needs, but made no dramatic changes.

Many of Siemens' operations are being relocated. As new products and new markets are developed, the company no doubt will expand outside Germany, he said.

"As a result, one of the major change-related activities of our risk management department is to advise on the design and start-up of new facilities. This makes our risk managers real movers and shakers in our organization," Mr. Rohde-Liebenau said.

One of the company's risk management staff members is assigned to every new factory project, venture or joint venture. When Siemens developed a joint venture in China to start producing telephone exchanges last year, it worked with the team to make sure the new plant would have adequate safety standards, both in its construction and in its operation.

It is an approach Siemens uses in Germany as well. A new semiconductor plant in Dresden was built with similar risk management.

"Colleagues with expertise in fire protection, marine cargo and inland transportation all have contributed to how the plant will be built and operated, including the transport of new machinery

RMIS

Continued from previous page
quent losses of a size beyond what it could retain, the company moved toward a deductible of \$10 million to \$50 million for each loss.

As a result of the larger retentions, its annual premium expenditure for all of its coverages worldwide fell to \$11 million from \$17.5 million, and Mr. Trapnell expects it to fall to less than \$8 million within two years as the company raises its retentions even further and attains better risk control.

"The protection purchased will be large loss (catastrophe) protection targeted where it is needed," at losses which can financially damage the group, he said.

With the information system, Mr. Trapnell had a means to record and produce the majority of data necessary to compile a report for the company's top executives. "For the first time, we had an educated assessment of the group cost of (passive) risk. It is far higher than they imagined."

Standard Chartered's software program, GestRisk, which was designed by a French risk manager, gave Mr. Trapnell the ability to cross-reference global insurance programs with local insurance. The bank quickly identified overlaps of cover, duplications and eliminated unnecessary premium expenditure.

"A good data collection system depends on two things," said Roy Mahlstedt, senior account executive at Arkwright International GmbH in Frankfurt, Germany. "What you collect and how you gather it." Besides being accurate, accessible and consistent, the data must be flexible and strong enough for the company to base decisions on, said Mr. Mahlstedt.

"Information must be available in large enough quantities to vali-

date the conclusions and actions they suggest," he said. "It must also reflect all of the world in which a company operates."

"Data collected from different sources may be inconsistent and of varying quality. There may be hard-to-identify gaps or overlaps. Data may not be available in the format a company needs it. And it must be selective," he said.

The data available in any field is often overwhelming. Thus selection is critical, says Mr. Mahlstedt. "It is important not to waste resources collecting interesting but not particularly useful data."

Such data is a useful tool in communication with corporate management, said Lorraine Ruff, president of Charlton Ruff Communications, a public relations firm in Puyallup, Wash.

"A good risk manager is a good communicator," she said. "Risk management bulletins serve the dual purpose of being both informative and creating visibility for your department. Selecting data is good way to demonstrate understanding of issues and provide information, services and proposals in line with corporate strategy."

"New processes or expansion, productivity enhancement or new material can create new areas of concern, which must be pinpointed," said Nigel Grimm, vp and claims manager of Arkwright International Ltd. in Uxbridge, England.

Risk management information systems do just that, he said. In addition to tracking new exposure, courses of action—such as ordering an inspection of an insured facility, or sending an E-mail message, fax or letter—are monitored, along with any notes the loss control engineer inputs directly.

"The important thing is a reduction in the cycle time of information," Mr. Grimm said. **BI**

Japan

Continued from previous page

Meanwhile, another law that could affect the Japanese insurance market—the nation's first-ever product liability law (BI, July 18, 1994)—will take effect July 1.

That 1994 law, which is designed to protect consumers from defective products, could increase the liability exposures of Japanese companies, but foreign insurers and brokerages may see little of any new business that is generated.

It is difficult for foreign insurers without vast networks of agents to break into new niche markets, foreign insurers and brokers say.

The law covers only exposures within Japan. Japanese corporations that manufacture products for export already purchase product liability coverage for foreign markets.

At least in the short term, Mr. Ambrose said, it will not be common for Japanese consumers to bring liability suits. "Long term, there may be more impact," he said.

Tokio Marine & Fire Insurance Co. Ltd., Japan's largest non-life insurer with an 18% share of the non-life market, is setting up a pool to provide product liability coverage to small and medium-sized companies. Other insurers can participate if they apply to the finance ministry, but Tokio Marine & Fire will manage the pool.

In the pool, chambers of commerce and similar business organizations will contract to buy cover for their members, thus reducing insurers' costs and allowing cheaper premiums. **BI**

Pollution

Continued from previous page
the Environment Bill becomes law, Mr. Tromans said.

For example, under the bill, the owner of contaminated land could become liable for cleanup—even if he did not cause the damage—if the party who caused the damage cannot be traced. Mr. Tromans said this is one of the measures that will be of most interest to lawyers.

He said that some of the defenses that insurers might use to avoid paying claims for the wider exposure could include:

- The costs of cleaning up a site are not "damages" recoverable under a liability policy.
- The "owned property" exclusion applies to pollution of the policyholder's property.
- No accident or occurrence took place within the terms of the policy or within the policy period.

• A pollution exclusion applies. Despite these possible opt-outs, Mr. Tromans warned: "Any insurance underwriter who failed to have regard for the legislation would actually be quite unwise."

On the same day, delegates at a Willis Corroon environment forum in London were told that insurance protection should be one of the key elements in the planning of their environmental crisis management programs.

"We always look first at a client's insurance policy and at what they must do to satisfy the provisions of that policy," said Teresa Hitchcock, an environmental specialist with the law firm Dibb Lupton Broomhead in London.

In any case where there is an environmental crisis, "what is also of paramount importance is demonstrating to your insurers that you acted reasonably, responsibly and applied sound management techniques," Ms. Hitchcock said. **BI**

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Kidney

Continued from page 1
to decide later which HCFA interpretation of the ESRD provision is the correct one.

Rodney Page, a partner at Arent, Fox, Kintner, Plotkin & Kahn, the Washington law firm that represents NMC, says NMC's current intention is to seek a court ruling that the second HCFA interpretation of the ESRD is incorrect and should not be enforced.

Judge Bryant's ruling is the latest development in the ESRD controversy, which has featured a complete reversal by regulators in interpreting federal law.

In the view of NMC, a Waltham, Mass., subsidiary of conglomerate W.R. Grace & Co., that regulatory reversal was the result of high-powered lobbying.

"Individual congressional leaders and lobbyists simply prevailed upon HCFA to reverse the result of the most important fact scenario" under the provisions in the 1993 budget, according to NMC court papers.

But the government's response in essence says that regulators' first interpretation of the law was wrong and only was reversed after careful reconsideration.

The "new interpretation being challenged by plaintiffs is the result of a careful and reasoned analysis of the entire statutory scheme and the legislative context in which the challenged ESRD" provisions arise, according to a memorandum filed by the Department of Justice.

While the latest chapter on liability for retirees with ESRD involves a legal battle between NMC

and HCFA, employers have a huge financial stake in the outcome.

At issue is tens of millions of dollars in medical bills incurred by retirees who develop ESRD after they become eligible for Medicare and who is responsible for those bills.

One employer—Franklin Electric Co. Inc., a Bluffton, Ind., electrical motor manufacturer—has been trying to recover \$60,000 to \$80,000 in bills it paid to dialysis centers before HCFA reversed its position.

"This is a big issue," said James Cole, Franklin's manager of health programs.

The nation's kidney dialysis centers also have a big interest in the outcome of the suit. That is because dialysis centers typically impose higher charges for patients covered under employer health care plans than those covered by Medicare. A study by the General Accounting Office found that employer plans paid dialysis providers \$690 per week on average, 80% more than \$383 paid by Medicare.

The exact amount of money involved in the controversy is impossible to determine, but clearly it is substantial given the cost of dialysis treatment. The cost of kidney dialysis treatment for a patient with ESRD typically ranges from \$30,000 to \$50,000 annually.

In 1991, the latest year for which figures are available, Medicare spent \$6.1 billion on ESRD services, up 17.3% from \$5.2 billion in 1990 and about a 125% increase from \$2.7 billion in 1985.

Enrollment in the program has been increasing in recent years at about 10% per year, with a total of 217,771 beneficiaries in 1991.

Of the 50,831 new enrollees in 1991, 22,800 were at least age 65.

Normally, Medicare only provides coverage to retirees who are 65 and older, but under a series of laws first enacted 20 years ago, the age 65 requirement is waived for individuals with ESRD.

The controversy over who should pay the health care bills of retired workers who develop ESRD after turning 65 began with the enactment of the Omnibus Budget Reconciliation Act of 1993.

Like budget bills passed in earlier years, legislators tacked onto OBRA dozens of provisions—with little or no discussion—to reduce federal expenditures.

One of those provisions involved the complex shared responsibility between Medicare and employer plans for primary payment of medical bills for individuals with ESRD.

Under earlier laws, employer health care plans had been the primary payer for a maximum of 18 months of medical bills for employees or retirees under 65 who developed ESRD. After 18 months—or when an individual turned 65, whichever occurred first—Medicare became the primary payer.

One of the 1993 budget law's changes—intended to shift costs to employers from Medicare—mandated that employers' responsibility to be the primary payer would be 18 months even if an individual developed ESRD shortly before turning age 65.

For example, if an employee developed ESRD at age 64, an employer's health plan would be the primary payer for 18 months. After that, Medicare would become the primary payer. Prior to the 1993 law, an employer's health care plan would have been primary for 12 months, with Medicare taking over

when the individual turned 65.

But HCFA regulators also initially said the OBRA provisions required employers' retiree health care plans to be the primary payer for 18 months for retired workers who developed ESRD after they turned 65 and were already covered under Medicare.

That would have meant that a retiree could bounce from Medicare to the employer's retiree health care plan and then, after 18 months, back to Medicare.

Amid protests from employers and insurers, HCFA earlier this year reversed that interpretation and said Medicare would be the primary payer for retirees who develop ESRD after they turn 65.

This policy shift, according to NMC court papers, came in the wake of pressure from individual congressmen and others.

NMC cites an Oct. 27, 1994, letter to HCFA Administrator Bruce Vladeck from then-Speaker of the House Thomas Foley, D-Wash., asking him to review the situation and "hopefully find a way to modify this interpretation so that people with ESRD are not left with limited or no coverage at a time when they so desperately need it."

Mr. Foley's letter came in the wake of abandonment of sweeping health care reform legislation that would have made clear that Medicare would be the primary payer for retirees who developed ESRD after turning 65.

HCFA's reversal came "only after that legislation failed and individual congressmen and other lobbyists renewed attention to HCFA to change its mind," NMC said.

This reversal was not the result of new points of reasoning but occurred as "individual congressional

leaders and lobbyists simply prevailed upon HCFA to reverse" its earlier position "by asserting without support that Congress as a whole did not intend what it actually wrote. Reliance on such subsequent legislative history is simply impermissible," according to the NMC court papers.

The Justice Department acknowledges that congressional correspondence and lobbying from health insurers led the agency to reconsider its position.

But, the change in position came as a result of a "careful and reasoned analysis," the Justice Department said.

The earlier interpretation would have "wrought havoc; so much so that beneficiaries, insurers and congressional members and staffers expressed their disagreement with the Secretary's earlier position."

The Justice Department also notes that NMC stands "to make substantial financial gains by having private insurers rather than the government pay primarily," a reference to the higher fees for services that dialysis centers charge employer plans compared with Medicare.

NMC says HCFA's retroactive reversal will force the company to massively rebill accounts, requiring 90,000 hours of work by its billing department at a cost of between \$1 million and \$1.45 million.

NMC also argues that it will be harmed by the HCFA reversal in interpreting the end-stage renal disease provision because group plans pay "usual and customary rates" and are generally higher than Medicare's "artificial rates," which provide "little margin over actual cost." **BI**

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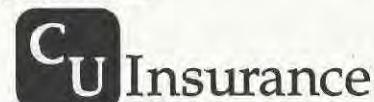
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Diversity

Continued from page 1
 ing minorities as effectively.
 There has been no "noticeable or measurable progress" for minorities in the field of risk management, said Ellen Thrower, president of The College of Insurance in New York.
 "If minority involvement in risk management is close to their participation in the insurance and financial services industries, which I believe it is, then it is woefully inadequate," she explained.
 Although no statistics are available on the number of minority risk managers, it's obvious that they're not well represented, said Chris Ross, a board member of the National Insurance Industry Assn., an organization of more than 400 minorities in the insurance industry.

Insurance historically has been an "undiverse business," said William J. Kelly, senior vp of Morgan Guaranty Trust Corp. in New York and president of the New York-based Risk & Insurance Management Society Inc.

"Looking back 20 years, we saw very little diversity," said Mr. Kelly. "Now we see a great presence of women, but the representation of minorities has not reached the same level."

RIMS itself has had several female presidents, but has never had a minority officer.

While women have made some strides in risk management, there's still a long way to go, said Ms. Thrower. "There are not as many women as there should be at the corporate senior level."

Women have made inroads as risk managers at smaller companies, but nearly all of the risk managers at the largest companies are men.

In 1993, women represented 31% of risk managers at smaller companies, about the same as in 1992, one survey found (*BI*, April 25, 1994).

At the largest companies, however, women made up only 3% of risk managers, though that was up from 2% in 1992. Overall, there were more female risk managers in 1993 than in 1992, the survey concluded.

Some risk managers, while happy with the progress that has been made, hope for greater diversity in the future.

"I have seen a lot more women come in during the past seven years," said Lori Jorgenson, assistant vp of risk management at McCaw Cellular Communications Inc. in Kirkland, Wash. "But I think the representation of women and minorities could be better."

Texas' Ms. Mathur said she would like to see an increase in the participation in risk management of people from different backgrounds.

"Diversity in the U.S. seems to be limited to Hispanics and blacks," she said. "This doesn't represent true diversity."

Ms. Jorgenson attributes the absence of minorities in risk management to corporate culture. "The corporations choose who will fill these positions, so the representation of minorities is a reflection of their decisions and attitudes," she said.

To many women and minorities now in the field, educating future risk managers is the key to greater diversity.

"Education gives people credibility and confidence in their abilities," said Ms. Mathur, who will teach insurance courses at Austin Community College this fall.

"When I first came to the United States, I had a law degree, which showed people that I was qualified. Since then, I have kept my educational efforts up," she said.

RIMS works with universities that offer risk management majors and courses and also sponsors students to attend RIMS' annual conferences. Of the 16 students invited to attend this year's conference, 75% were women. Officials at RIMS could not say what percentage of the students were minorities.

However, an increase in diversity depends on the number of universities that offer courses and

To many women and minorities now in the field, educating future risk managers is the key to greater diversity.

majors in risk management and the degree to which students participate, said Mr. Kelly.

Risk management education should be more prevalent at schools where more minorities study, he said. "Then there would be a natural flow into the field."

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Abdoul Sesay, risk manager of the Metropolitan Transportation Authority in Los Angeles, agreed, saying that minorities are not attracted to risk management in greater numbers because they do not know enough about the field. "Universities need to start expanding their curricula to include risk management programs," Mr. Sesay said. "I think that will definitely help increase the numbers."
 As head of the NIIA's educational efforts, Mr. Ross helps set up mentorships between insurance industry people and students and also schedules lectures about careers in the insurance industry at colleges with minority popula-

tions.
 The NIIA was formed in 1973 to address the need to exchange ideas and experiences of minorities in the insurance industry. It extends membership to college students planning to pursue careers in insurance.
 The organization also sponsors an annual scholarship to The College of Insurance and is a co-sponsor and staff supporter to Howard University's insurance intern program.
 Direct recruitment at colleges is needed to get more minorities involved in the field "before they get started on their career paths," said Mr. Ross. **BI**

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Financial

Continued from page 2

Mr. Rosenthal believes that insurance will be added to the line of financial products that financial services firms offer. "As a consequence, insurance risk will develop into a new asset category in investment portfolios" alongside equities, bonds, real estate,

commodities and others.

The convergence of financial services will create opportunity for some insurers and serious problems for others, he said earlier this month at a session during the annual National Assn. of Insurance Brokers conference at Sea Island, Ga.

However, the property/casualty industry's return on equity continues to lag behind that of other industries, leaving Mr. Rosenthal "quite bullish about the opportunities of the commercial property/casualty industry for firms like Morgan Stanley."

Factors such as environmental liabilities, the loss of market share to the alternative market, soft pricing and inadequate loss reserves continue to reduce the industry's return on equity.

"I believe the worth of a historic franchise in the property/casualty industry is declining, particularly if there is a significant amount of residual asbestos and environ-

mental liabilities," he said.

What is valuable "is to have a pristine balance sheet," he said. At least historically, "investment banks have not had any trouble raising significant capital."

Also of value are underwriters' creativity and innovation.

"I'm convinced the securities industry is going to perform, on balance, a better job in harnessing superior talent in this new era, than the insurance industry ever has," he said. One reason, he added, is that securities firms are willing to pay significantly more.

Strong balance sheets and underwriting talent explain why Bermuda companies have emerged as the leading excess casualty insurance market for the Fortune 1,000 companies, said Mr. Rosenthal. "It's likely to do the same thing in the excess property area in the next several years."

In the past five and 10 years, the property/casualty industry's return on equity under generally ac-

cepted accounting principals was 7.5% and 9.4%, respectively, Mr. Rosenthal said. Other companies in the Standard & Poor's 500 index posted returns of 11.4% and 11.8%, respectively, in that period.

"I don't believe that any rational person would argue that this level of historical operating performance should evoke much interest from the institutional investment community," he said.

Mr. Rosenthal said he sees nothing in his "crystal ball" to change the situation.

Property/casualty insurers continue to lose pricing power in commercial lines as more and more insurance buyers move into the alternative risk transfer market, he said.

Foreign insurance markets, particularly Bermuda, continue to lure away an increasing percentage of domestic commercial premium, he said. "I'm very confident that this trend will continue"

since underwriters domiciled outside the United States tend to have significantly lower operating expenses, more benign regulation and a less hostile legal environment, he said.

In addition, the property/casualty industry's loss reserves continue to deteriorate, Mr. Rosenthal said. While premium volume has grown "at a very tepid rate," it has grown faster than loss reserve additions.

At the same time, the industry "has continued to woefully ignore the full implications of its environmental, asbestos and toxic tort liabilities," he said.

Catastrophes are another factor that will continue to reduce insurers' return on equity, he said.

And, large losses will continue to make the industry's quarterly earnings volatile, he said, adding that factors like global warming will result in more catastrophes and more weather-related claims in the future. **BI**

NAIB conference attracts 200

SEA ISLAND, Ga.—Nearly 200 insurers and brokers from around the world came to the beaches of Sea Island to attend the National Assn. of Insurance Brokers' 61st annual conference.

Between tennis and golf tournaments, attendees participated in a variety of sessions that discussed, among other issues, the future of the brokerage industry, mergers and acquisitions, Lloyd's of London, capitalization trends and insurance in China.

During his address, NAIB Chairman Lucien P. Laborde Jr., senior vp at Willis Corroon Americas in Nashville, affirmed the NAIB's drive to get the insurance brokers' voices heard in Washington.

Among the legislative and regulatory reform issues the Washington-based NAIB is addressing are:

- Appealing some states' imposition of strict liability on brokers that place coverage with non-approved, non-admitted insurers that fail to pay a claim.

- The development of interstate compacts to streamline multistate licensing and continuing education requirements.

- The modernization of the industrial insured exemption to provide for freedom from rate and form regulation, and for elimination of fee restriction and countersignature requirements.

- The proposed revision of premium tax allocation guidelines for multistate policyholders.

Also during the conference, Charles A. McCrann, senior vp at New York-based Marsh & McLennan Cos. Inc., and Dennis R. Connolly, principal and senior vp at New York-based Johnson & Higgins, were awarded the Chairman's Award. The new award recognizes outstanding individual contributions to the NAIB on behalf of non-board members.

Robert P. Froese, president of Roanoke Brokerage Services Inc. in Schaumburg, Ill., was awarded the NAIB Award for outstanding service from a board member not in rotation for chairman. Mr. Froese is currently treasurer of the association.

During a board of directors meeting, Mr. Laborde passed his chairmanship to Larry R. Sorensen, executive vp-corporate marketing for Chicago-based Rollins Hudig Hall Co. Inc.

Next year's NAIB conference will be June 2-5 at The Broadmoor in Colorado Springs, Colo. For more information, contact the NAIB at 1401 New York Ave. N.W., Suite 720, Washington, D.C. 20005; 202-628-6700.

End of Lloyd's not end of world, insurer says

By SALLY ROBERTS

SEA ISLAND, Ga.—If Lloyd's of London were to fail, the insurance industry would continue without any great interruptions, contends a U.S. insurance executive.

"There would not be a tremendous amount of difference one way or another," said Robert V. Mendelsohn, chief executive officer of Charlotte, N.C.-based Royal Insurance Co. of America.

"Clearly it's worse if Lloyd's goes down, but it's also not the end of the world," he said earlier this month at the annual National Assn. of Insur-

ance Brokers convention.

Many Lloyd's members seem generally supportive of an ambitious reconstruction plan that Lloyd's unveiled recently (*BI*, June 5). That plan would segregate hundreds of open accounts into reinsurer Equitas Ltd., raise new funds through various charges on members and agents and offer a package worth £2.8 billion (\$4.4 billion) to settle members' litigation (*BI*, May 29).

More than half of Lloyd's syndicates—there were 179 in 1994—are turning a profit, he said, and "almost all of those syndicates are sitting with contingency plans in their drawers" if Lloyd's does not survive.

Should the market fail, "it's a fair

guess these underwriters will pitch their tents" either with an existing insurance operation or will start an operation and attract new capital, Mr. Mendelsohn said.

Many of those underwriters have expertise in certain classes of business and, if supported by capital, could probably function outside Lloyd's, he said.

The Bermuda market has shown the insurance industry that capital is available to come in and support future underwriting, he said.

Were Lloyd's to fail today, capacity would suffer in only a few lines where Lloyd's is strongest, he said. "I don't think the capacity crisis will be anywhere near the magnitude it

would have been 10 years ago."

Still, a failure could create a huge uncollectible reinsurance problem. As part of the reconstruction plan, all old liabilities will be placed in Equitas, which is to have about \$25.4 billion in assets to pay losses and liabilities of about \$25 billion.

"Whatever loss reserve is established, there is going to be a fair amount of numbers pulled out of the air," Mr. Mendelsohn said.

If reserves in Equitas are inadequate and Lloyd's goes down, "we will still be trying to collect the same amount of money from the same people," he said. "It's an uncollectible problem all insurers are addressing." **BI**

Knowledge gives brokers an edge

By SALLY ROBERTS

SEA ISLAND, Ga.—Insurance brokers will survive competition from new quarters if they accelerate the process of moving to a knowledge-based service from a transaction-based industry, a brokerage executive says.

Risk managers no longer want brokers just to negotiate the purchase and sale of risk transfer, they want brokers to solve problems with additional tools and techniques, said Arthur F. Quern, chairman and chief executive officer of Chicago-based Rollins Hudig Hall Co. Inc.

Knowledge, therefore, is key to adding value, he told brokers and insurers attending the National Assn. of Insurance Brokers' annual conference held in Sea Island, Ga., May 31-June 2.

Clients particularly want brokers with specialized knowledge of industries, countries, coverages, financial techniques, information management and loss avoidance, he said.

As brokers enter into new specialties, though, each area "creates a doorway through which new competitors enter to offer one or more risk-related services," said Mr. Quern. Competition is coming from law firms, banks, accounting firms, consulting and environmental firms, he said.

Therefore, brokers need to demonstrate to risk managers their competitive advantage, or added value, which includes developing client-focused partnerships and integrating innovative and specialized solutions, he said.

"If the terms of competition being set by our clients were still predominantly tied to the intermediary role of negotiating the purchase and sale of risk, many of these new competitors could not succeed," Mr. Quern said. "We, as brokers, perform excellently in the role of intermediary" due to brokers' industry knowledge and ability to secure the best price, coverage and service from insurers and other risk financing sources.

But while a broker's success is tied to creatively designing and efficiently delivering risk transfer solutions, it is only one component "in an expanding equation of

Brokers need to enter the "field of competition" equipped to demonstrate the advantages of their highly efficient distribution system, their ability to generate specialized knowledge and their ability to deliver innovative solutions, Mr. Quern said.

"It is up to us to demonstrate the advantage to the new competitors of working through us as a better alternative," he said.

Furthermore, brokers have advantages over potential competitors, he contends.

One advantage that needs "to be repeatedly highlighted and diligently pursued" is the broker's ability to establish true value-

of competition, Mr. Quern said.

"We are today, I'm convinced, fundamentally positioned to excel in this new era of competition because of the tradition of trust which has been the foundation of our past success," he said.

If brokers can focus on the client and integrate specialization, innovation and delivery into the traditional equation of price, coverage and service, "we will find that the changes going on around us are not a threat, but rather an advantage for us in the future," he said.

Indeed, a broker's biggest competitor does not exist outside the brokerage, Mr. Quern said. The biggest competitor exists in the attitudes of people within the firm who fear change, worry about individual credit, and avoid complex challenges.

Brokers need to convince all employees that specialization and innovation enhance their individual opportunity for success because they increase the broker's ability to compete, Mr. Quern advises.

"Being entrepreneurs within a large company is not to say that we are a collection without a direction," he said. Instead, it is "the best way for large organizations to welcome and foster innovation."

When brokers deliver consistent and creative value-added services, clients are willing to pay for it, he said. When partnerships are client-driven, accountability is established easily. And, when specialized services are truly integrated, the efficiency and quality of solutions made will be unmatched, he said. **BI**

Clients want brokers with specialized knowledge of industries, coverages, information management and loss avoidance, says Arthur Quern.

risk management," said Mr. Quern, adding that price has not disappeared from the equation. "It simply has become one part of an evaluation of who has the better solution."

The terms of competition have come to also include such capabilities as specialization, innovation and delivery, he said.

But just as brokers have spent a sizable amount of time, effort and capital in the development of these capabilities, new competitors easily can mimic the networks the brokers have created, he said.

added, client-driven partnerships, Mr. Quern said.

As partners, brokers can demonstrate they are positioned not only to provide a strategy of integrated solutions better than any competitor, but "that we are also better prepared than any other entity to achieve a client-driven partnership which fully leverages an essential base of specialized knowledge in the client's best interests," he said.

These "twin concepts" of integrated solutions and client-driven partnerships provide brokers with a "true advantage" in the new era

Texas

Continued from page 1
the specifics, except to say that her organization remains confident "that its actions were entirely appropriate and that we will ultimately prevail in the matter."

Lawyers for the other defendants were in court last week and could not be reached.

The certification hearing began last Monday and was expected to run at least through the week.

The importance of the hearing—which will determine whether the plaintiffs can pursue their case together or will have to pursue separate actions—could be seen in the courtroom gathering of so many attorneys from high-profile Texas law firms. Approximately 40 firms are involved in the defense.

"There was a roomful of people and at least 90% of them were attorneys," said John Prickett, vp of risk management and driver administration at Frozen Food Express Industries Inc. of Dallas, one of the plaintiffs in the case. "I'd like to have 1% of the attorneys fees."

The plaintiffs range from small

companies like Mi-De Pizza Inc. of Arlington, Texas, that bought first-dollar indemnity coverage, to large concerns like Imperial Holly Corp. of Sugar Land, Texas, that purchased retrospectively rated plans.

Lawyers for the employers have indicated that they believe Texas employers were overcharged nearly \$1 billion for workers comp coverage over the five-year period.

"If the case is not certified, we will be writing to all the employers, which we believe to be around 4,500, and telling them they need to intervene on their own or waive their claims," said Fred Misko, an attorney with Misko, Howie & Sweeney in Dallas.

The suit, dubbed the *Weatherford Roofing* case, originally was filed in 1991 by about 20 employers that purchased workers comp coverage between May 15, 1987, and April 1, 1992.

They allege that they were forced to buy workers comp coverage at rates that were unapproved by insurance regulators.

Insurers were able to do this, according to the suit, through various charges in addition to premiums and with help from the NCCI, which the plaintiffs' court filings

claim is a "mere tool of the defendants and should be recognized as their alter ego."

ITT Hartford Group Inc. and The St. Paul Cos. Inc. have settled claims related to the case. In 1994, ITT Hartford paid \$13 million to settle claims and St. Paul paid \$16 million.

The plaintiffs allege that sometime before May 15, 1987, insurers "began using policy forms and rates of premium that were not approved by the State Board of Insurance," the regulatory body that set rates at that time.

The plaintiffs allege insurers used several schemes to overcharge employers.

Some of those schemes were described as residual market charges in addition to premiums, altering retrospective premiums in an "unapproved side agreement" and writing and using arbitration clauses "in a fashion calculated at destroying the protection offered to the insured by the policy form approved" by regulators, according to court papers.

The suit states: "Although the methods employed by the defendants are varied and limited only by the creativity of their underwriters, the common theme that belies their agreement is unmis-

takable: the defendants agreed to support or not disclose rates" in excess of approved rates by "using devices" not approved by regulators.

CIGNA included in its workers comp coverage written from 1987 to 1990 a charge for coverage of employees outside the United States, said Mr. Prickett of Frozen Food Express Industries. "They told us it was a requirement. We don't have any employees outside the states."

Frozen Food Express has paid overcharges it estimates are "in excess of six figures," he said.

CIGNA has offered to rectify any errors and refund amounts that shouldn't have been charged, but that hasn't been done, Mr. Prickett said.

The Philadelphia-based insurance company would not comment on the coverage or the litigation.

The lawsuit charges that insurers shared information on policyholders' rating factors to assure "they would only seek illegally high rates of premiums from insureds that either had no alternative insurance program or were subject to 'competing bids' at the illegally high rates."

The NCCI assisted in the insur-

er's efforts to charge illegal rates by "misrepresenting the propriety of the defendants' rates to the named plaintiffs," according to the suit.

The NCCI helped insurers avoid detection by insurance regulators by forwarding to regulators rates that the organization "knew were not the actual rates that were charged to the named plaintiffs," the court filing says.

The suit characterizes insurers as bullying each other not to sell coverage at lawful rates and threatening to withdraw from the market if policyholders didn't accept the illegally high rates.

Some insurers refused the insistence of other insurers to sell coverage at lawful rates unless policyholders also purchased "unrelated, unneeded and unwanted insurance, services or products," the suit alleges.

And, insurers conspired not to deal with producers who sought approved rates, according to court papers.

"Any agent that sought insurance on approved forms and at approved rates was threatened with the loss of its agency agreement or a loss of preferred treatment with some or all of the defendants," the suit states. **BI**

Partners

Continued from page 2
is attempting to scale back its medical coverage costs.

Xerox also is reviewing other benefits, such as bereavement, family medical leave, relocation assistance and dependent college tuition to see if they will be made available to domestic mates, the spokesman said.

Of the 459 foundation members who responded to the recent survey, 15%, or 71, said their employers provide domestic partner benefits. While 94% of those employers offer health care coverage, 68% percent of them also offer non-health care benefits to domestic partners.

Of those providing non-health care benefits: 83% offer life insurance, including coverage for domestic partners; 60% offer domestic partners invitations to employer functions; 58% offer EAP services; 56% extend bereavement leave to employees who lose a partner; 56% offer family sick leave to care for an ill partner; 42% provide some form of pension option such as allowing a partner to collect benefits if the employee dies; 27% open their child care services to children of partners; and 25% allow domestic partners to use company fitness facilities.

According to separate interviews by *Business Insurance*, employers often opt first to provide non-health benefits to partners.

More than a decade before Levi Strauss Co. extended dental and medical care benefits to domestic partners in 1992, the San Francisco-based clothing company offered bereavement leave and family sick-care leave to employees who needed to care for their mates, said Reese Smith, manager of employee benefits.

Companies often extend the softer benefits first so that cost would not be a stumbling block to fostering equity and goodwill through the benefit plan.

For example, when Apple Computer Inc. decided same-sex domestic partners should have similar opportunities as heterosexual married couples, the company first made available to partners its day care and fitness centers. At

the same time, Apple offered family sick leave and bereavement leave for employees who needed to care for their mates.

Later, the Cupertino, Calif.-based company extended health benefits to same-sex mates.

"It was a two-step process," said Sally Gottlieb, benefits manager. "We didn't have the cost issue as a hurdle."

Cost concerns lead the list of reasons employers do not offer domestic partner benefits, according to 85% of the survey respondents whose companies do not offer them now. Yet 33% of respondents that do offer them said they do not affect their overall cost of benefits, while 14% reported cost increases of 1% to 4%.

Cost concerns lead the list of reasons employers do not offer domestic partner benefits.

Other studies also have found that offering domestic partner health benefits adds little to cost.

"In fact, the cost of adding same-sex domestic partners appears to be more than offset by almost non-existent maternity-related claims," states a research paper prepared by Hewitt Associates L.L.C. of Lincolnshire, Ill. Hewitt also found that enrollment rates are lower than expected and what was seen as a potential increased risk of AIDS claims has not materialized.

Blue Cross & Blue Shield of Massachusetts provided domestic benefit health coverage to its own employees after finding that client companies offering the benefits did not experience an increase in cost or administrative complexity, a company spokeswoman said.

Besides cost deterrents, respondents to the recent survey listed concerns such as administration complications, negative public relations and a lack of insurance coverage.

Past studies have indicated that insurers have been reluctant to provide policy coverage for domestic mates. But HMOs and

other insurers increasingly are making the coverage available, according to Hollywood Supports, a Los Angeles-based organization that created a domestic partner benefits model adopted by several entertainment companies.

However, the survey of IFEBP members, who are employee benefit specialists, concludes that "the future of domestic partner benefits is uncertain." The conclusion is drawn from the finding that more than 50% of respondents think the number of companies offering the benefit will increase. But, 74% of those not offering the benefit said they either no longer are considering domestic partner benefits or are unlikely to consider them.

Employers contacted by *Business Insurance* cited a lack of employee interest as the reason they have not considered extending the benefits.

"I had (only) one letter requesting it about two years ago, so we really haven't given it a lot of thought," said John Geiser, manager of employee benefits for Continental Airlines Inc. in Houston.

"We have not looked at it, and we have not had requests to provide this type of coverage," said Dennis Chech, assistant vp of human resources for Santa Fe Pacific Corp. in Schaumburg, Ill.

But there are plenty of signs that interest in the issue is alive and growing.

Apple Computer's Ms. Gottlieb said she often receives telephone calls from benefit colleagues at other companies who are preparing proposals and want advice on implementing the perks.

Among other survey findings:

- 44% indicated domestic partner benefits are limited to same-sex partners and 51% said they are available to same-sex and opposite-sex partners.

- 43% of those offering the benefits do not require employees to pay additional costs.

- 35% of those offering the benefits said that employee requests were the driving force for implementation.

Copies of the survey are available by contacting Kim Kelley at the International Foundation of Employee Benefit Plans, 414-786-6710, ext. 219.

Transit authority self-insured for New York subway crash

NEW YORK—The New York Transit Authority is self-insured for any damage or injury claims arising from last week's collision of two subway trains.

Transportation officials still do not know the cause of the crash, which occurred at 6:15 a.m. on June 5, when a J train crossing the Williamsburg Bridge between Brooklyn and Manhattan slammed into an M train that was stopped on the bridge.

The train operator driving the J train was killed in the accident, which also injured 54 people.

As of last Thursday, no lawsuits had been filed against the transit authority. The agency, like the city, is self-insured for property/casualty exposures.

Although there has been speculation that the accident was

caused by equipment malfunction, possibly combined with human error, a spokesman for the National Transportation Safety Board emphasized that the agency has not reached this conclusion. Its investigation continues.

The spokesman did say that according to New York city police, the train operator was not legally drunk or under the influence of drugs.

On Feb. 9 two other New York subway trains were involved in a rear-end crash that injured six people.

—By Deborah Shalowitz Cowans



AP/WIDE WORLD

A train operator was killed and 54 passengers were injured in last week's train collision on New York's Williamsburg Bridge.

Senate panel offers answer to Blues' woes

By MARK A. HOFMANN

WASHINGTON—Uniform solvency standards and tougher state oversight of Blue Cross & Blue Shield plans should help the health care plans avoid repeating the problems uncovered at several plans by the Senate Permanent Subcommittee on Investigations, a report by the panel says.

The subcommittee, which launched the investigation under its former chairman, Sen. Sam Nunn, D-Ga., began holding hearings on troubled plans in 1992 (*BI*, July 13, 1992). The hearings uncovered numerous instances of mismanagement and waste. After examining plans in the District of Columbia, Maryland, New York and West Virginia—the only Blues plan that has ever been declared insolvent—the subcommittee concluded in a report issued last week that an “accountability triad” of individual plan directors, the national Blue Cross & Blue Shield Assn. and state insurance regulators failed to assure that plans performed in the best interests of their policyholders.

To remedy this situation, the

subcommittee's report, “Problems in Blue Cross & Blue Shield Plans in West Virginia, Maryland, Washington, D.C., New York and Federal Contracts,” recommends, among other things, that:

- The national association establish cost containment guidelines and develop incentives to assure compliance among member plans; develop minimum accounting standards and internal control procedures and require plans to comply with them; require that executive compensation packages be made public; establish guidelines to “curtail waste and abuse in travel and entertainment expenses”; and forbid plans' chief executive officers from simultaneously serving as plan board chairmen.

- The National Assn. of Insurance Commissioners “expedite” its efforts to determine how best to protect Blues plan solvency.

- The Blue Cross & Blue Shield Assn. and the NAIC develop “specific solvency standards, financial reporting requirements and other additional measures as needed, to apply uniformly to all plans.”

- States strengthen insurance

regulation of the plans.

- Federal criminal and civil sanctions be enacted for insurance fraud.

The report received a decidedly tepid reaction from the Chicago-based Blue Cross & Blue Shield Assn.

“The report presents a picture that's based on outdated information on four out of 67 Blue Cross & Blue Shield plans. It's information that is up to 10 years old and in most cases is more than 2 years old. The report appears to suggest that the report reflects the current situation when in fact Blue Cross & Blue Shield reserves are at record levels and health care costs have stabilized and even declined in some cases. This is clearly a case of taking old wine and putting it into new bottles,” said a spokesman for the Blue Cross & Blue Shield Assn. in Washington.

“They demonstrate with their report a tremendous lack of confidence in the power of market forces in containing high costs. Consistently, Blue Cross & Blue Shield plans are at the top of customer satisfaction surveys,” he added. **BI**

For the Record

Texas health care legislation passes

AUSTIN, Texas—Health care providers in Texas could provide services to managed care plan members without becoming licensed as a health maintenance organization under a bill passed May 29.

Currently, health care providers who provide services to plan members on a prepaid basis must themselves be licensed as an HMO by the Texas Department of Insurance. Current law also says HMOs cannot contract with each other.

The legislature rejected an amendment that would have required HMOs to accept any willing provider who met certain plan criteria.

Gov. George W. Bush has not said if he will sign the bill, S.B. 1407. If the governor doesn't sign or veto the bill by June 18, it will become law.

Another bill on his desk is H.B. 2766, the Patient Protection Act. Among other things, it would require managed care plans to disclose more information to enrollees.

Blues plans tackling health care fraud

CHICAGO—Aggressive fraud investigation by independent Blue Cross & Blue Shield plans nationwide has garnered a collective \$68.3 million in recoveries and documented savings during 1994, a 32% increase from \$51.7 million in the same period in 1993.

The jump in savings is primarily due to plans' increased investigative and audit staff, according to an annual survey by the Chicago-based Blue Cross & Blue Shield Assn.

Forty-seven of the nation's 68 BC/BS plans have units dedicated to anti-fraud efforts. The remaining plans use their internal audit or other departments to ferret out potential fraud.

Anti-fraud activities range from the establishment of anti-fraud hot lines to undercover investigations, often in cooperation with local, state and federal investigators. Many of the dedicated units are headed by former law enforcement officers and federal investigators.

The 60 plans that participated in the survey reported that: collec-

tively, 14,041 fraud cases were opened in 1994; 281 warrants or indictments were issued; 647 referrals for regulatory intervention were made; 276 referrals for criminal prosecution were made; and 273 cases resulted in criminal convictions. An additional 47 cases were pursued through civil action.

“Blues plans have been in the forefront in pushing for stiffer laws and more stringent penalties against those who rip off the health care system, the consumer and business community, as well as the federal government,” said John M. Travis, the association's director of financial and information services.

Guy Carpenter chief backs corporate Lloyd's

LONDON—Lloyd's of London should become a totally corporate limited liability market rather than a mixed market with individual unlimited liability membership as planned, the president of the world's largest reinsurance brokerage says.

“I still have faith in Lloyd's,” and the reconstruction proposal lets the market put its problems behind it, Hady Wakefield, president of Guy Carpenter & Co. Inc., said at the Third International Reinsurance Conference organized by the DYP Insurance & Reinsurance Research Group Ltd. last week.

However, Lloyd's current structure of mixed limited corporate and unlimited individual liability capital should be changed, he said.

Mr. Wakefield favors a market of incorporated underwriting companies. Had the market been all corporate and limited liability when losses struck between 1989 and 1992, Mr. Wakefield doubts whether Lloyd's would have been so “dramatically challenged.”

He also believes that Lloyd's brokerages should contribute to the market's \$5.9 billion (\$9.42 billion) reconstruction plan because “the market is important to the future of our business.”

DuPont faces fines over Benlate tests

WILMINGTON, Del.—E.I. du Pont de Nemours & Co. is facing a

\$120,000 fine and charges from the Environmental Protection Agency that samples of its fungicide Benlate contained a contaminant.

The EPA has charged that the Benlate differs chemically from the formula DuPont registered with the agency. DuPont has until later this month to respond to the charges and proposed fine.

The Wilmington, Del.-based chemical manufacturer stopped marketing the fungicide in 1991 and has spent more than \$500 million settling Benlate claims (*BI*, Dec. 12, 1994; Oct. 25, 1993). DuPont still faces about 200 Benlate suits.

DuPont said it doesn't expect the EPA charges to give leverage to plaintiffs because the substance identified as a contaminant is actually an impurity that results from the breakdown of ingredients.

Agents have obligation to advise clients: Court

PHOENIX—Insurance agents have a special obligation to their customers and could potentially be liable if they fail to advise them on the need for specific coverages, an Arizona appeals court has ruled.

A lower court had ruled that agents had no special obligations to customers.

The May 23 ruling sends the case involving an auto body repair firm back to Maricopa County Superior Court for trial. Still to be determined: the extent of the duty, and whether an agent can be held liable for not recommending specific coverage.

The decision stems from a case in which an employee embezzled about \$150,000 from the repair business.

The company then filed a malpractice action against its agent, Jay Binsfield, and his employer, General Southwest Insurance Agency Inc. of Scottsdale, Ariz., alleging that failure to offer or advise the company of the need for employee dishonesty and theft coverage fell below the standard of care expected of an agent or broker who obtains insurance for a business.

Southwest Auto Painting & Body Repair Inc. vs. Jay Binsfeld, Arizona Court of Appeals, Division I, 1 CA-CV 93-0305, May 23, 1995.

Updates

Insurers post gain in quarter

NEW YORK—The absence of a major natural catastrophe in the first quarter of 1995 helped push the property/casualty industry's after-tax net income above \$5 billion, compared to a first-quarter loss of more than \$1 billion in 1994.

Insurers lost \$3.1 billion on underwriting in the first quarter, compared with a \$10.5 billion loss in the first quarter of 1994, according to the Insurance Services Office Inc. of New York and the National Assn. of Independent Insurers of Des Plaines, Ill. The 1994 loss reflects claims from the Northridge, Calif., quake, which caused an estimated \$11.7 billion in insured damage. Reflecting the lower losses, first-quarter combined ratios after dividends improved to 104% from 116.3%.

An investment income gain of 5.4%—to \$9.35 billion from \$8.87 billion—also helped boost first-quarter results. Over the same period, industry surplus grew 13.2% to \$199.98 billion from \$176.6 billion.

Developer has Andrew cover

MIAMI—Arvida/JMB Partners is insured for the \$4.3 million it agreed to pay insurance companies that sought to recover money they had paid to victims of Hurricane Andrew.

The four insurers—State Farm Group of Bloomington, Ill.; Allstate Insurance Co. of Northbrook, Ill.; Prudential Insurance Co. of America of Newark, N.J.; and The Travelers Insurance Group Inc. of Hartford, Conn.—filed or threatened subrogation lawsuits following allegations of shoddy construction, the Boca Raton, Fla.-based developer said in a recent Securities and Exchange Commission filing.

A lawyer for the partnership, Hugh Totten, of Kirkland & Ellis in Chicago, said it had a \$2 million primary policy from The Home Insurance Co. of New York that would apply. Excess coverage is written by Crum & Forster Insurance Co., but he did not give the limits.

The settlement covers damages, costs and interest in connection with amounts the companies paid to residents of Country Walk, a Miami development that Andrew shredded in 1992.

Country Walk homeowners accused Arvida/JMB and Walt Disney Co., which used to own Arvida Corp., of selling homes that were poorly built and thus more vulnerable to hurricanes.

Arvida also faces other subrogation claims by insurance companies that paid claims by Country Walk residents.

Boston group's health savings

BOSTON—Group health insurance premiums in Massachusetts remained flat in 1995 due to the efforts of the Massachusetts Healthcare Purchaser Group, an association of public and private purchasers that provide health care to more than 1 million individuals.

The group issued a “cost challenge” to the state's 18 health maintenance organizations to keep premiums flat in 1995 and now reports that the average increase was 0%, with one plan cutting premiums by 5% and another by 4% in 1995. A few plans did not meet the challenge and increased 1995 premiums.

Now the group—which includes Hewlett-Packard Co., Polaroid Corp. and the city of Boston—is demanding that HMOs cut premiums an average of 3% for 1996. The group, which also requires HMOs to meet specific quality standards, says health plans can meet that target without sacrificing quality.

“I think it's a realistic goal,” agreed Kevin Counihan, vp of sales for Tufts Associated Health Plans in Waltham, Mass. “This type of group will only gain in membership and stature in the years ahead and we'll work with them to obtain their cost and quality goals,” he added.

Briefly noted

Orange County, Calif., will again have coverage for a \$275 million bankruptcy recovery bond issue that is to come to market this week. MBIA Insurance Corp., which had withdrawn its backing of a riskier plan earlier, will back the offering of “super-priority” bonds (*BI*, May 29). . . . **United Airlines Inc.** and two aircraft equipment manufacturers—General Electric Co. and McDonnell-Douglas Corp.—will pay \$29 million to settle claims from 13 passengers and crew members on **United Flight 232**, which crashed in Sioux City, Iowa, in 1989 (*BI*, July 24, 1989). . . . **Standard & Poor's Corp.** has given an AA+ rating to **British Gas P.L.C.'s captive**—British Gas Insurance Co. P.L.C. of the Isle of Man—the first time the agency has ever rated a pure captive that writes no third-party business. . . . **Peter T. Pruitt** is taking over as chairman and chief executive officer of **Willis Faber North America** in New York, replacing James F. Dowd, who is leaving the reinsurance brokerage to take an undisclosed underwriting position. . . . **Corning Inc.** will take a \$365.5 million charge against second-quarter earnings to reserve for its investment in Dow Corning, its joint venture with Dow Chemical Co. that filed bankruptcy to limit its growing legal exposure to silicone breast implant lawsuits (*BI*, May 22). . . . **Legion Insurance Co.** of Philadelphia, a unit of Mutual Risk Management Ltd., was upgraded to A from A- by A.M. Best Co. . . . **House Commerce Committee Chairman Thomas Bliley Jr.**, D-Va., said last week that he intends to push forward a financial services bill that would not allow **alliances between banks and insurance companies**. Rep. Bliley said he couldn't develop a consensus on the issue. . . . **AT&T Corp.** and union officials tentatively agreed last week on a company-paid health plan covering more than 100,000 active employees under a proposed three-year contract, but neither side would release details. . . . **Lloyd's of London** managing agency **Hiscox Syndicates Ltd.** would become the first in which corporate capital will hold a substantial ownership stake after Hiscox Dedicated Insurance Fund P.L.C. last week said it intends to buy 25% of Hiscox Holdings for £11 million (17.49 million), pending shareholder approval, and then split it up. . . . **The Colorado Health Care Purchasing Alliance** selected four HMOs to participate in its group purchasing project (*BI*, April 10): FHP of Colorado, Frontier Health Holdings, Kaiser Permanente and HMO Colorado, a Blue Cross/Blue Shield plan.

Greenberg

Continued from page 1

The resignation also revived questions about who will succeed the elder Mr. Greenberg, widely known as Hank, who at 70 has announced no plans to retire.

William D. Smith, senior vp, will take over Jeffrey Greenberg's duties.

Kristian P. Moor was named to succeed Mr. Smith as president of AIG's National Union Fire Insurance Co. of Pittsburgh, Pa. Mr. Moor was president of National Union's management liability division. Mr. Smith was promoted only three weeks ago to senior vp of the parent company. At that time, Evan G. Greenberg and two other officials also were elevated to executive vp, joining Jeffrey Greenberg and one other AIG officer at that level.

In a statement on his resignation, Jeffrey Greenberg said, "I have made a personal decision that now is the right time for me to pursue my career independent of AIG. I leave AIG with great respect for my father as a leader and as a valued teacher to many of us." While he intends to stay in the insurance and financial services industry, he said, "I have not taken the time to evaluate my options."

In an interview, Jeffrey Greenberg said he has been approached about jobs but is in no hurry to make a decision. "I've been here for 17 years, so I want to be sure that the next move is the right move," he said.

In a separate statement, Maurice Greenberg said, "I am personally saddened by Jeff's decision, but I respect his wishes. During his 17-year career at AIG, Jeff has made many contributions and we will miss him. I am confident whatever Jeff decides to do in the future, he will be successful."

Maurice Greenberg did not return calls.

Jeffrey Greenberg joined AIG in 1978 and has held a number of positions, including president of National Union and president of the North American division of American International Underwriters, AIG's overseas general insurance unit. He was named executive vp of the parent company in 1991 and was widely seen as a likely successor to his father as chairman and chief executive officer.

Industry analysts minimized the impact of the departure.

"The culture is so strong and so deeply inculcated throughout the corporation that no person, even Hank, could affect the security that the company offers," said Alan Levin,

managing director of Standard & Poor's Insurance Rating Services in New York.

Michael Frinquelli, an analyst with Salomon Bros. in New York, noted that AIG's stock price rose \$2.25 to \$118.88 the day after the announcement. "I don't think it was up because Jeff left, but it didn't go down," he said.

Jeffrey Greenberg directly and indirectly held 27,570 common shares as of April 3. At last week's prices, that holding would be worth \$3.3 million.

Jeffrey Greenberg is the latest in a string of top AIG officers—all considered potential successors to the elder Mr. Greenberg—who left to run other companies. These include: Brian Duperreault, now chairman of ACE Ltd. of Hamilton, Bermuda; Dinos Iordanou, now chief operating officer of Zurich-American Insurance Co. of Schaumburg, Ill.; Dennis Busti, now president of Reliance National Insurance Co. of Philadelphia; William L. Munson, now president and chief operating officer of Mercantile & General Reinsurance Co. of America in Morristown, N.J.; Steven H. Newman, now chairman of Underwriters Reinsurance Co. in Woodland Hills, Calif.

"Every one of those guys was considered to be very keen," Mr. Frinquelli said. "But they left, and nobody noticed."

The fact that the latest to leave is the chairman's son—and that his departure was so abrupt—has stirred up the industry more than the previous exits.

"It lends itself to speculation of some dissension in the ranks," said Myron M. Picoult, managing director and senior insurance analyst with Oppenheimer & Co. in New York. "There's no way to quell that."

Insurance industry executives familiar with AIG suggest that over a period of months Jeffrey Greenberg may have become more frustrated with his position for several reasons.

As his authority grew—along with perceptions that he was the heir apparent—he may have increasingly clashed with his father, a famously tough boss who is especially rough on perceived heirs apparent and may have been even harder on his own sons.

"It would be very much in Hank's nature to put them through the wringer," said one executive.

Jeffrey Greenberg, who some say was nearly ready to take over AIG's top job, also may have seen that his father isn't about to retire and that he could be stalled for several years. Industry observers, though, did speculate that if his father did leave AIG, he might return.

Industry observers expressed doubts that Evan Greenberg's promotion signals his emergence as the favorite for the top job, and several doubted there is any bad blood between the brothers. Even so, Jeffrey may have resented the promotion, seeing it as an attempt to create a horse race for succession, some AIG observers suggest.

Jeffrey Greenberg dismissed this speculation. "I wasn't on the board and wasn't privy to their discussions about succession, but I believe that the speculation about a one-man or a two-man choice was nonsense," he said. "There are a lot of very good and qualified people at AIG."

He added that "I'm a big fan of (Evan's) and I know he's a big fan of mine."

The resignation has also revived questions about who ultimately will take over at AIG.

Hank Greenberg has said that there is a succession plan locked in an AIG safe, though no one outside the company knows what it says, according to analysts.

Some observers don't appear worried. "What's certain is there is an enormous amount of management depth" at AIG and no shortage of candidates, Mr. Picoult said.

Who the leading candidates are remains a matter of debate. One observer speculated that Hank Greenberg could remain in the top post long enough for Evan to be groomed as a successor. If not, AIG could have an interim leader until it's decided whether Evan is ready to take the helm.

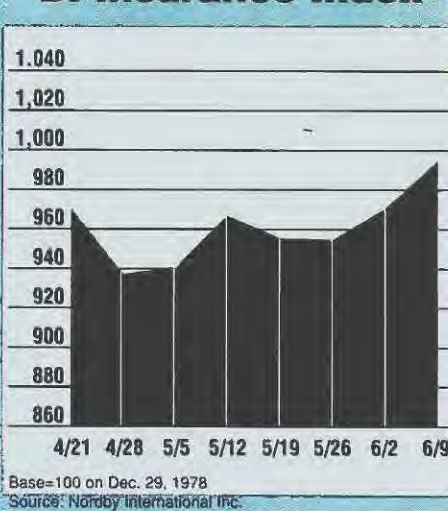
An executive familiar with the company said the recent addition of new executive vps may indicate that top management responsibilities in the future may be divided rather than residing in a single person.

Another suggested that Hank Greenberg may still be looking for "the next Hank Greenberg," and the future chairman may be a surprise choice. Hank Greenberg himself was a surprise choice when AIG founder C.V. Starr picked him decades ago. This person might even come from outside the company, according to this executive, who maintained that Maurice Greenberg's domination of the company wouldn't encourage the development of another leader like him.

"The system would not nurture such a person. It would eliminate them," he said.

Whatever the case, some express certainty that Mr. Greenberg has a plan, even if no one knows what it is. "Hank is not the kind of guy who would leave this in a state of dangling participle," Mr. Picoult said.

BI Insurance Index



Catastrophe insurance option call spreads

As of June 9			As of June 9		
Call spread	Price bid/ask	Rate on line %	Call spread	Price bid/ask	Rate on line %
Eastern September 1995			Western Annual 1995		
45/65	6/7	30/35	20/30	—/—	—/—
50/70	5.7/7	28.5/35	30/40	0.3/—	3/—
60/80	4/6	20/30	30/50	—/—	—/—
100c	8.5/12	8.5/12	50/70	0.6/—	3/—
150c	4.5/5.5	9/11	60/80	—/—	—/—
Total volume: 283			Total open interest: 2,350		

For quotes, call the CBOT trading floor at 312-341-3342. For general information, call 312-435-3674.
Source: Chicago Board of Trade

British Issues

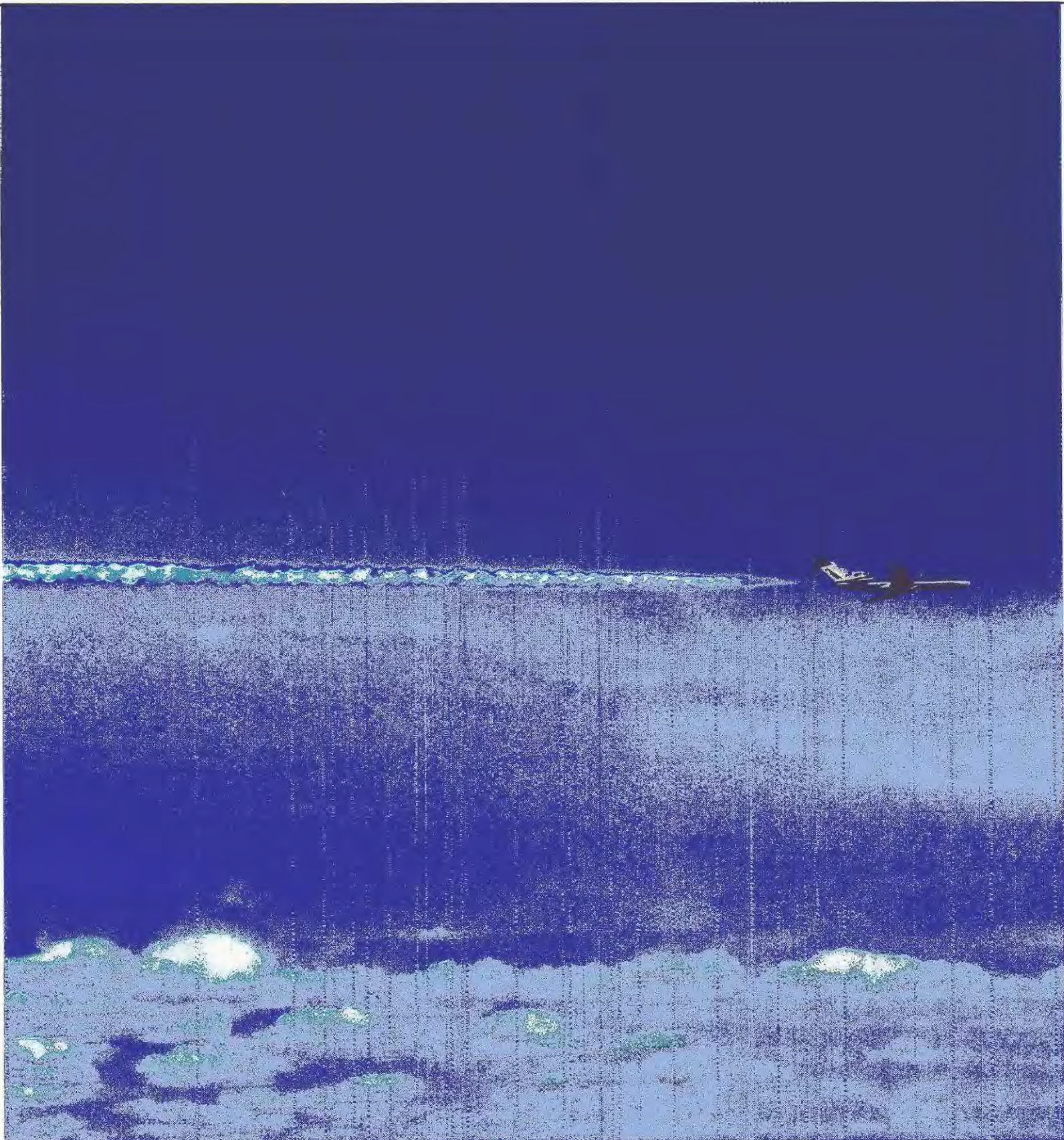
June 8 Companies	Price pence	P/E	Div. pence	Yield %	1 week high-low
Comml Union	615	12.3	33.0	5.4	640-615
Genl Accident	618	9.1	36.3	5.9	642-618
Gdn Royal Exch	203	N/M	10.3	5.1	210-203
Independent	288	8.0	11.9	4.1	288-288
Royal	329	6.2	15.0	4.6	346-329
Sun Alliance	352	11.9	19.7	5.6	358-349

Brokers	Price pence	P/E	Div. pence	Yield %	1 week high-low
Bradstock	63	7.1	7.1	11.3	80-63
Fenchurch	150	10.5	10.0	6.7	150-150
CE Heath	240	12.0	20.0	8.3	246-240
JIB Group	134	1.7	9.4	7.0	136-134
Lloyd Thompson	179	12.4	9.8	5.5	180-177
Lowndes Lmbrt	152	8.9	10.4	6.8	165-152
Nelson Hurst	148	1.5	8.3	5.6	148-148
PWS Holdings	18	N/M	0.8	4.4	18-18
Sedgwick Grp	148	13.5	8.1	5.5	155-148
Steel Bri Jones	89	10.5	11.3	12.7	98-89
Willis Corroon	161	N/M	8.3	5.2	167-161

Source: Philip Olsen, London * Estimated 1994 data

BI Industry Stock Report JUNE 5, 1995, THROUGH JUNE 9, 1995

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									
Acordia Inc.	NYS	30.63	-0.81	-8.58	34.50	24.63	14	0.72	2.35	15	13.24	2.31	NAC Re Corp.	NDO	30.00	-0.83	-10.45	35.25	24.25	254	0.16	0.53	14	19.75	1.52
Alexander & Alexander	NYS	23.88	-3.05	29.05	26.44	15.63	152	0.10	0.42	-13	6.08	3.93	National Re Corp.	NYS	31.13	0.00	18.57	31.38	22.25	18	0.16	0.51	18	17.31	1.80
E.W. Blanch Holdings Inc.	NYS	18.25	0.00	-11.52	23.00	17.50	72	0.40	2.19	15	4.55	4.01	Navigators Group	NDO	15.00	12.15	3.45	19.75	12.75	14	0.00	0.00	-19	10.21	1.47
Gallagher Arthur J. & Co.	NYS	34.38	0.00	7.42	36.38	29.00	28	1.00	2.91	15	6.48	5.30	Nobel Insurance Ltd.	NDO	9.88	3.95	19.70	9.38	7.63	40	0.20	2.03	4	6.64	1.44
Hibb, Rogal & Hamilton	NYS	12.75	0.99	5.15	12.88	10.50	52	0.56	3.39	15	4.72	2.70	Ohio Casualty Corp.	NDO	31.50	5.00	11.50	34.25	27.00	402	1.52	4.83	11	24.68	1.28
Marsh & McLennan	NYS	79.25	0.00	0.00	88.63	71.25	728	2.90	3.66	15	19.40	4.09	Old Republic Int'l	NYS	25.63	-2.84	20.59	26.38	18.85	397	0.52	2.03	10	24.60	1.04
Poe & Brown	NDO	23.38	-2.60	7.47	24.25	19.00	116	0.48	2.05	15	4.49	5.21	Orion Capital Corp.	NYS	38.50	0.33	9.22	39.75	28.13	15	0.80	2.08	9	25.86	1.49
BROKERS AVERAGE			-0.8	4.1				2.6	11				Partner Re Holdings Ltd.	NDO	24.25	-1.02	16.87	25.25	18.50	786	0.40	1.65	8	N.A.	N.A.
INSURERS/REINSURERS													Penn-America Group Inc.	NDO	9.50	4.11	28.81	9.75	6.50	3	0.12	1.26	11	6.21	1.53
ACE Ltd.	NYS	27.00	6.93	15.51	27.50	20.75	642	0.56	2.07	-12	22.45	1.20	Philadelphia Cons. Holding	NDO	14.00	0.90	14.29	14.25	9.50	19	0.00	0.00	14	8.43	1.66
Acceptance Insurance Cos.	NYS	14.63	1.74	-2.50	18.00	12.50	50	0.00	0.00	9	9.83	1.49	Phoenix RE Corp.	NDO	22.75	-1.09	-19.47	29.25	21.00	174	0.60	2.64	4	22.86	1.00
AEGON N.V.	NYS	34.13	4.52	34.35	82.50	34.13	85	9.08	26.61	5	43.84	0.78	Provident Life	NYS	23.88	-3.05	9.77	29.38	20.50	115	0.72	3.02	10	27.09	0.88
Aetna Life & Casualty	NYS	60.50	1.04	28.38	60.75	42.25	3045	2.76	4.56	12	57.21	1.06	Reliance Group Holdings	NYS	6.38	-1.92	22.89	6.75	4.85	1111	0.32	5.02	10	3.48	1.63
AFLAC Inc.	NYS	42.88	1.18	33.98	44.50	31.63	1754	0.52	1.21	14	57.21	0.75	Roliastar Financial Corp.	NYS	38.50	-0.32	32.76	39.25	27.00	482	1.00	2.60	11	24.81	1.55
Allied Group Inc.	NDO	28.75	1.77	16.16	31.00	22.00	24	0.68	2.37	6	23.43	1.23	RUI Corp.	NYS	26.50	1.92	29.27	26.50	19.86	13	0.64	2.42	10	20.51	1.29
Altmira Prop. & Casualty	NYS	20.88	0.60	23.70	21.00	14.25	156	0.16	0.77	9	19.45	1.07	St. Paul Companies	NYS	49.25	-3.67	10.06	51.38	38.50	918	1.60	3.25	9	31.88	1.54
Alstare Corp.	NYS	29.00	-4.92	22.11	31.63	22.63	1265	0.78	2.69	10	19.60	1.48	SAFECO Corp.	NDO	57.50	-1.71	10.58	59.75	46.75	455	2.12	3.69	12	46.94	1.22
American General	NYS	33.63	-3.93	19.03	35.50	25.63	888	1.24	3.69	13	20.39	1.55	SCOR U.S. Corp.	NYS	9.00	1.41	7.46	12.25	7.50	4	0.20	2.22	16	13.60	0.66
American Heritage Life Ins.	NYS	19.63	1.29	3.29	19.75	16.25	26	0.68	3.46	11	12.42	1.38	Seibels Bruce Group	NDO	0.88	-17.65	-65.00	3.50	0.75	29	0.00	0.00	-1	1.05	0.83
American Indemnity/Fin'l	NDO	10.75	0.00	6.17	12.75	10.00	21	0.28	2.60	3	15.92	0.88	Selective Ins. Group	NDO	32.25	10.26	27.72	32.25	23.25	482	1.12	3.47	10	23.36	1.38
American International	NYS	113.25	-2.58	15.56	119.50	86.38	2890	0.51	4.15	16	49.75	2.28	Sphere Drake Holdings	NYS	15.38	3.36	10.81	16.38	10.75	16	0.16	1.04	8	13.15	1.17
American Re Corp.	NYS	37.00	-1.66	14.73	39.88	25.25	398	0.32	0.86	15	16.85	2.20	TIG Holdings	NYS	24.25	2.11	29.33	24.25	17.00	847	0.20	0.62	22	17.25	1.41
Aon Corp.	NYS	36.25	-0.68	13.28	38.00	29.25	520	1.36	3.75	11	21.96	1.55	Tian Holdings, Inc.	NYS	10.63	-2.30	8.97	11.00	7.38	36	0.24	2.26	8	9.31	1.14
Argonaut Group	NDO	30.00	1.69	6.19	31.25	27.00	38	1.32	4.40	10	29.80	1.21	Tokio Marine & Fire	NDO	56.63	-3.21	-6.79	66.30	49.88	12	0.44	0.78	-	57.72	0.98
AVEMCO Corp.	NYS	17.25	2.22	12.20	18.25	13.38	64	0.44	2.55	14	6.30	2.74	Torchmark Corp.	NYS	39.00	-2.80	13.04	44.30	32.38	566	1.12	2.87	11	17.49	2.23
Baldwin & Lyons Inc.	NDO	16.25	0.00	10.17	17.63	14.00	4	0.32	1.97	12	13.56	1.20	Transatlantic Holdings	NYS	63.50	0.20	13.65	63.50	47.75	42	0.40	0.63	13	32.43	1.96
Berkley W.R. Corp.	NDO	35.50	-0.87</																						



HOW AIG'S ABILITY TO CONTROL FINANCIAL RISKS PUT ONE AIRLINE ON A STRAIGHTER COURSE.

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