

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$2.00 a copy; \$80 a year

© Entire contents copyright 1991 by Crain Communications Inc. All rights reserved

Feds sue 2 firms that bought annuities from Executive Life

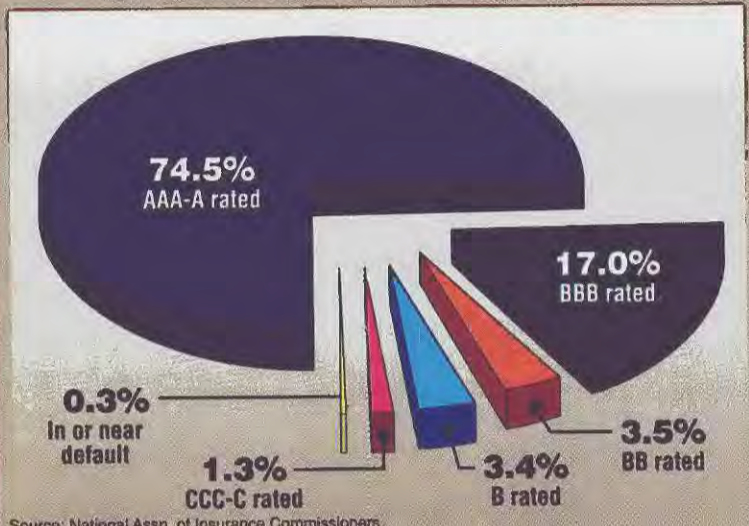
WASHINGTON—The Labor Department is charging that two employers violated the Employee Retirement Income Security Act by purchasing annuities from Executive Life Insurance Co. of California to pay benefits promised to pension plan participants.

In one case, the department is suing Houston-based Maaxam Inc. and subsidiary Pacific Lumber Co. of Scotia, Calif. In 1986, Maaxam terminated the Pacific Lumber pension plan, bought

Continued on next page

U.S. insurers' bond quality

Nearly three-quarters of U.S. property/casualty and life/health insurers' bonds were rated A or higher at year-end 1990.



GRAPHIC BY JOHN HALL

Action expected soon on McCarran proposal

House panel considers Brooks bill

By JERRY GEISEL and ADRIENNE LOCKE

WASHINGTON—Legislation introduced in the House to overhaul the insurance industry's antitrust exemption under the McCarran-Ferguson Act is back on the fast track, with subcommittee and committee votes expected soon.

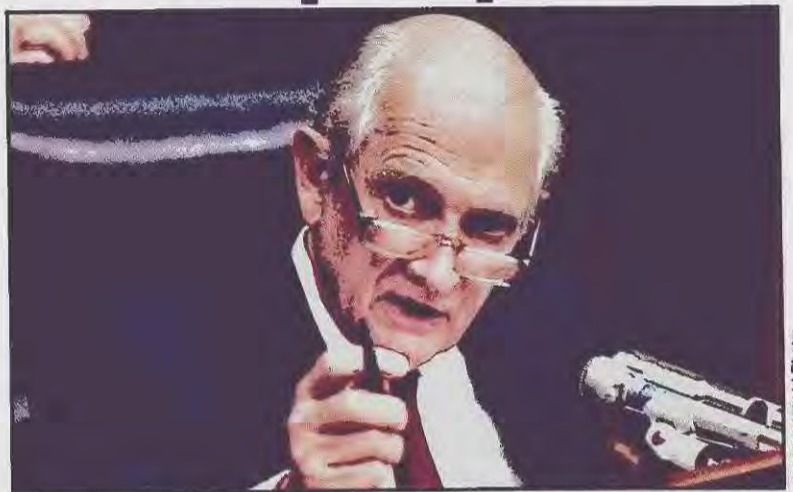
Industry observers say last week's hearing on the legislation, H.R. 9—introduced by Judiciary Committee Chairman Jack Brooks, D-Texas—is a sign that action is near, first by the Economic and Commercial Law Subcommittee and then the Judiciary Committee.

"The hearing is a signal for action," said Tom O'Day, associate vp of the Alliance of American Insurers in Washington, D.C.

The hearing is a "precursor" to a vote, agreed Barbara Haugen, director of federal affairs with the National Assn. of Insurance Brokers in Washington, D.C.

Indeed, Rep. Brooks suggested that he intends now to move quickly on his proposal, which the insurance industry strongly opposes as damaging both to insurers and policyholders.

"We will think about what we heard (at the hearing) but I don't know how long we will think about it," Rep. Brooks said.



AP/Wide World Photo

Rep. Jack Brooks says 'we will think about what we heard (at the hearing) but I don't know how long we will think about it.'

It isn't known how receptive Rep. Brooks will be to changes to his legislation when it comes up for a vote.

In a clear reference to a McCarran-Ferguson alternative proposed by the American Insurance Assn., Rep. Brooks described that proposal as a "constructive effort." However, he said the proposal "falls short of all that is needed."

An AIA spokeswoman said the

trade group will continue to discuss McCarran-Ferguson changes with Rep. Brooks.

"We're still talking to Rep. Brooks. The door is not closed," she said after the hearing.

Under the AIA proposal, most insurance industry practices would be fully subject to federal antitrust laws with the exception of four safe harbors for essential business

Continued on page 38

NAIC votes to cap insurer junk bonds at 20% of assets

By MEG FLETCHER

INDIANAPOLIS—State insurance regulators, hoping to enhance consumer confidence in insurers' financial stability, want to limit insurers' junk bond holdings.

The National Assn. of Insurance Commissioners last week approved a model regulation that would limit U.S. property/casualty and life/health insurers' junk bond portfolios to 20% of admitted assets.

In addition, the model would place even more stringent caps on bonds rated B or lower.

The NAIC by year-end likely will require states seeking NAIC accreditation to adopt the junk bond model rule, which would probably spur states to adopt it, said North Dakota Insurance Commissioner Earl Pomeroy, who heads the NAIC's Committee on Financial Regulation and Accreditation.

However, state legislators and regulators may not even need that encouragement. Many states already are moving toward tighter investment restrictions in the wake of the financial woes of First Executive Corp.'s insurance units,

Continued on page 37

Legislators say program needed to cut costs

Canadian plan lauded

By JERRY GEISEL

WASHINGTON—A Canadian-style national health insurance program is the most cost-effective way to achieve universal coverage, a group of congressmen say.

The congressmen—Reps. Marty Russo, D-Ill., Fortney (Pete) Stark, D-Calif., and Bernie Sanders, an independent from Vermont—say that only a single-payer system can hold down administrative costs and effectively control physician

fees and hospital charges while providing coverage for all.

By contrast, mandating that employers provide coverage, an idea favored by Senate Democratic leaders, does nothing to restrain administrative costs or provider charges, the congressmen said.

The congressmen gave their strong endorsement to a single-payer system during testimony last week before a House Government Operations Committee hearing comparing the U.S. and Canadian

health care systems.

The committee earlier this month released a General Accounting Office study that reported that the administrative savings of a Canadian-style program would more than offset the cost of providing first-dollar comprehensive coverage to all Americans (BI, June 10).

"You can't control costs without a single payer. You just have cost shifting," Rep. Stark said.

Rep. Russo described employer

Continued on page 26

Court ruling could expand cargo liability

By DOUGLAS McLEOD

NEW YORK—Shipowners' liability for lost or damaged cargo could widen in some cases under a first-of-its kind court ruling interpreting the international Hague-Visby rules on certain ocean-going shipments.

A federal judge in New York ruled last month that a shipowner that recklessly operates an unseaworthy vessel cannot take advantage of a per-package limitation of liability for cargo shipped under the Hague-Visby rules.

The ruling—the first such decision by any court in a marine cargo case—went against Tecomar S.A., a Mexican shipowner hit with \$22 million of cargo claims after one of its ships sank in the North Atlantic following a 1987 winter storm.

The exact amount of damages Tecomar will have to pay the cargo owners will be determined in the second phase of the trial.

Tecomar will appeal the decision to the 2nd U.S. Circuit Court

Continued on page 4

NEWSPAPER

Colorado high court favors policyholder in pollution case
Page 2

Employers rush to comply with California job safety law
Page 3

ACE to increase premium rates for excess liability accounts
Page 31

Update

Labor Department sues 2 firms

Continued from previous page
annuities from Executive Life and recovered about \$62 million in surplus assets.

The department's suit charges that Maaxam, Pacific Lumber and plan trustees failed to act in the best interests of plan participants by selecting Executive Life as the annuity provider. Executive Life was selected despite warnings from consultant Conning & Co. that Executive Life's junk bond holdings were "highly controversial."

The other suit involves Los Angeles-based MagneTek Inc., which used more than \$23 million in pension plan assets to purchase annuities from Executive Life on behalf of plan participants.

Both suits seek reimbursement for any losses to participants and ask that the employers buy new annuities to guarantee benefit payments.

"We want to send a clear signal that employers must honor their commitments" by choosing strong insurers, said Assistant Secretary of Labor David Ball.

Maaxam said the suit is without merit. It noted that Executive Life had the highest ratings from A.M. Best Co. and Standard & Poor's Corp. when the annuities were purchased. MagneTek declined to comment.

Both firms say they currently are ensuring that retirees receive their full promised benefits. Under Executive Life's conservation order, the insurer is paying annuitants only 70% of promised benefits. Maaxam said making up this difference is costing the firm more than \$48,000 a month, while MagneTek pegged its costs at \$68,000 a month.

Florida work comp law stands

TALLAHASSEE, Fla.—Sweeping state workers compensation reforms that reduce benefits and roll back rates 25% are constitutional and will remain in effect, the Florida Supreme Court has ruled.

In a suit brought by the Florida AFL-CIO, a lower court had ruled that the law containing the reforms was unconstitutional because it dealt with more than one subject and excessively reduced workers comp benefits (BI, Nov. 12, 1990; July 2, 1990). The law dealt with international trade by Florida companies as well as workers comp.

However, the Florida Legislature in January passed the workers comp and international trade provisions as two separate laws.

The state Supreme Court also ruled that the law provides sufficient benefits and is a reasonable alternative to tort litigation.

Florida AFL-CIO President Dan Miller asserted the law helps only employers, saying benefits will be cut 30% across the board.

Bank insurance law upheld

NEW YORK—A federal appeals court ruling allows subsidiaries of state-chartered banks to sell and underwrite insurance nationwide if the state in which they are based allows such sales.

The ruling opens the door for large bank holding companies to compete directly with agents and insurers.

In its unanimous June 10 decision, the 2nd U.S. Circuit Court of Appeals overturned a Federal Reserve Board decision that effectively nullified a Delaware law. The Fed had ruled that the Delaware law ran afoul of federal banking law by requiring banks to set up operational and financial "firewalls" between their banking and insurance business so extensive that they made the insurance business nearly a separate "corporate entity." Federal law allows banks to set up only units that conduct business banks are allowed to conduct (BI, Sept. 10, 1990).

The Fed ruling meant that Citicorp's Family Guardian Life Insurance Co. unit had to cease selling insurance.

The 2nd Circuit concluded that the Fed ruling was unreasonable, especially because the Federal Deposit Insurance Corp. and the Comptroller of the Currency agree that subsidiaries of state-chartered banks are beyond the scope of the bank act and the Fed's regulatory authority.

But, a federal bill would bar such sales, so it is unclear whether the Alliance for Separation of Banking & Insurance, a coalition of insurance trade groups, will appeal, said Chairman Ken A. Crerar.

Green sentenced to 25 years

NEW ORLEANS—A federal judge has sentenced former Louisiana Insurance Commissioner Doug Green to 25 years in jail on fraud and money laundering charges stemming from his 1987 election campaign.

U.S. District Judge George Arceneaux Jr. imposed the sentence last week. Mr. Green was convicted in March on 31 mail fraud, conspiracy and money laundering counts for accepting campaign contributions in exchange for favorable regulatory treatment of the now-defunct Champion Insurance Co. (BI, March 18).

Mr. Green—who is to begin serving the sentence Aug. 1—also faces three years of supervised release and five years of probation.

Mr. Green also is scheduled to be sentenced Thursday on two state bribery charges to which he pleaded guilty. He faces a maximum of 10 years in jail on those two charges.

Mr. Green's wife and brother also are scheduled for sentencing Thursday after pleading guilty to state charges on false accounting and bribery, respectively. They are expected to be sentenced to probation.

Continued on page 38

Errors and omissions

• A statement in the June 10 issue that California Insurance Commissioner John Garamendi's proposals for small-group health care reform would "give security to those groups that have insurance" was made by Walter Zelman, special deputy insurance commissioner for health. Due to an editing error, the statement had been attributed to political consultant Emery B. Dowell.

• Kemper National Insurance Cos.' first-quarter underwriting loss was \$58,833,000. It was incorrectly reported in the May 27 issue due to an illegible facsimile.

• Due to a production error, not all the officers of International Advisory Services Ltd. were listed in the April 29 directory of captive managers. The officers whose names were omitted are Simon Everett and David Lampit.

Insurers' duty to defend cleanup suits upheld

By STACY ADLER

DENVER—The pollution exclusion in comprehensive general liability policies does not relieve insurers of their duty to defend a policyholder facing hazardous waste cleanup litigation, the Colorado Supreme Court has ruled.

In a 4-3 decision, the Colorado Supreme Court ruled that the pollution exclusion, which bars coverage for all pollution that is not "sudden and accidental," only bars coverage for pollution that is expected or intended by the policyholder. Because the underlying litigation against the policyholder does not allege this, insurers must defend the policyholder, the court ruled.

Insurers argue that the word "sudden" should be construed to mean that coverage is barred for all pollution that does not occur quickly.

The May 13 ruling by the Colorado Supreme Court marks the

third time a state supreme court has interpreted the "sudden and accidental" provision of the pollution exclusion in favor of policyholders.

In June 1990, the Wisconsin Supreme Court ruled 6-1 that the pollution exclusion does not bar coverage for hazardous waste cleanups (BI, July 2, 1990).

And, in June 1989, the Georgia Supreme Court ruled 4-3 that the pollution exclusion does not bar coverage for pollution cleanups (BI, July 3, 1989).

In addition, at least three state supreme courts have interpreted the pollution exclusion in favor of insurers: North Carolina, Massachusetts and New York.

"There have been a number of decisions on the pollution exclusion, and the courts are split fairly evenly," said Jean E. Dubofsky of Williams, Trine, Greenstein & Griffin in Boulder, Colo., who represented the policyholder in the Colorado case.

"The courts remain split on this issue," agreed Frederick J. Baumann of Rothgerber, Appel, Powers & Johnson in Denver, who represented Industrial Indemnity Co., a Basking Ridge, N.J.-based unit of Crum & Forster Inc., one of the insurers involved in this case.

Industrial Indemnity has asked the Colorado Supreme Court to reconsider its pro-policyholder ruling, Mr. Baumann said. The insurer's petition for rehearing is pending.

"There is a split among the state supreme courts," agreed Victor Rabinowitz of Buchalter, Nemer, Fields & Younger in Los Angeles, who represented New Hampshire Insurance Co. of Manchester, N.H., an American International Group Inc. unit, in this case.

However, "the federal circuit courts have favored insurers," he said, though he noted the 1st U.S. Circuit Court of Appeals and the

Continued on page 36

Excess/surplus directory deadline looms

Business Insurance will publish two directories in the Aug. 12 issue, which will also contain a Spotlight Report on the excess and surplus insurance markets.

One directory will list underwriting managers, managing general agents and surplus lines brokers. The second will list surplus lines insurers and insurers that specialize in writing excess liability coverages.

To be listed in the directory of insurers, surplus lines insurers must write at least 50% of their gross premiums on a direct, non-admitted basis; excess insurers must write at least 50% or \$500,000 of gross premiums in excess liability insurance lines.

There is no charge to be included in the directories. Companies that wish to be listed must fill out and return a questionnaire provided by Business Insurance.

Underwriting managers, managing general agents, surplus lines brokers, excess insurers and surplus lines insurers that have not yet received a questionnaire should request one from Karen Armaganian, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590; 312-280-3195.

The deadline for returning completed questionnaires is July 8.

J&H establishes new U.K. unit, eschews merger

By DOUGLAS McLEOD

NEW YORK—Johnson & Higgins is forming its own retail brokerage unit in the United Kingdom, ending months of speculation about how it would respond to the loss of long-time U.K. correspondent broker Willis Faber P.L.C. to a merger with Corroon & Black Corp.

J&H notified clients last week that it has formed Johnson & Higgins U.K. Ltd. to take over retail brokerage business previously handled by Willis Wrightson Ltd., a Willis Faber subsidiary.

The new unit will operate alongside J&H Ltd., Johnson & Higgins' existing London wholesale and reinsurance brokerage subsidiary. Staff at J&H Ltd. has more than doubled since the Willis Faber-Corroon & Black merger announcement last year.

In making the move, J&H rejected the options of acquiring another U.K. broker or forming a new correspondent relationship.

While J&H has not publicly named the British brokers with which it discussed mergers, serious talks occurred with Bain Clarkson Ltd. and its parent, Inchcape

P.L.C.; C.E. Heath P.L.C.; and Hogg Group P.L.C. All three British brokers confirmed they had discussed the possibility of a merger with J&H.

Meanwhile, the decision not to forge a new exclusive correspondent relationship with a British broker marks a further departure from J&H's historical reliance on correspondents for overseas placements.

J&H acquired the Lloyd's of London broker that is now J&H Ltd. in 1987. More recently, it has acquired R. Mees & Zoonen, the Dutch member of J&H's UNISON correspondent network, and is discussing the acquisition of a minority interest in Mexican correspondent Brockman & Schuh.

Still, J&H officials say they remain committed to the UNISON network. J&H U.K. Ltd. will replace Willis Faber as the UNISON member for the United Kingdom and Ireland.

"I am personally convinced that establishing a firm of experienced British retail brokers operating in the J&H tradition in the U.K. and Ireland will best serve the needs of

Continued on page 38

Inside

✓ A Canadian-style health care system may not work in the United States, says this week's editorial. **PAGE 8**

✓ For companies facing pollution liabilities, Eugene Anderson has this advice: Notify your own insurer; then try to secure coverage from someone else's policy. **PAGE 12**

✓ For the first time since its was founded in 1985, ACE Ltd. is raising excess liability insurance rates. **PAGE 31**

Departments

Advertiser index	28
At issue	8
Benefit beat.....	6
Classifieds	34
Comings & goings: buyers	7
Comings & goings: industry	14
Global briefs	31
Insider trading	35
Insurance services guide	35

International	31
Legal briefs	25
Letters	8
London	31
Markets.....	37
Opinions.....	8
Perspectives	23
Products & services	29
RMIS commentary	23
Ticker.....	39
Washington.....	18

Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611-2590. 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-210-0229, Fax 212/210-0704.

Vol.25, No.24—Business Insurance (ISSN 0007-3864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207-3185; 800-678-9595 or 313-446-1611. Copyright 1991 by Crain Communications Inc.

Eliminating on-the-job hazards

Employers rush to comply with new California safety law

By LOUISE KERTESZ

SACRAMENTO, Calif.—California employers are rushing to comply with a new state law requiring them to establish formal workplace safety programs that will be evaluated by a state agency for how well they address job hazards.

While large employers already have safety programs in place, they are pressing to make sure those programs comply with new employee communications and record-keeping requirements.

Small employers are further behind. Many learned of the 1989 law only weeks ago, and will have to scramble to be in compliance by the time it takes effect July 1.

And some out-of-state companies

with California operations also are not up to speed with the law.

S.B. 198 requires all California employers to "establish, implement and maintain an effective injury and illness prevention program."

Employers also must establish "a written Code of Safe Practices which relates to the employer's operations." The safety program also must include extensive employee training and record keeping.

And, the law mandates that every California employer identify a person responsible for implementing the injury and illness prevention program (see story, page 34).

The California Occupational Safety and Health division, which now inspects for workplace safety violations, will also be charged with evaluating employers' safety programs and levying fines against those not in compliance with S.B. 198.

S.B. 198 sets penalties at \$1,000 for each minor violation and \$2,000 for each serious violation.

For example, an employer could be fined \$2,000 for each faulty guard rail in a machine shop that might have 50 such guard rails, said Dennis Brooks, general partner of The Special Projects Group in Seal Beach, Calif., which designs injury prevention programs for employers.

However, to keep its federal funding, Cal/OSHA would have to adopt the schedule of higher fines recently set by the federal Occupational Safety and Health Administration, safety and loss consultants say.

OSHA fines range up to \$70,000 per occurrence for a serious repeat violation (BI, Feb. 4).

A.B. 1545, which would increase some Cal/OSHA penalties sevenfold to make them conform with recent federal changes, has received bipartisan support and is scheduled to be heard by the state Senate Industrial Relations Committee next week.

"Considering it is a state agency and they are experiencing budgetary problems, I think that creates a stronger incentive" to issue fines, observed Allen Offinitz, manager of casualty loss control at Johnson & Higgins in Los Angeles.

"That should be a pretty strong incentive for employers to make sure they are in compliance" with the new law, he said.

"Cal/OSHA will be citing like crazy and going after people like crazy," Mr. Brooks predicted.

"The essence of S.B. 198 is to shift the emphasis of Cal/OSHA and the state's occupational safety and health policies to prevention," explained Andrew Schaefer, a consultant to the Senate Budget and Fiscal Review Committee, who was involved in drafting the law.

Compared with existing regulations on workplace safety, the law "provides a lot more specific direction as to what (an employer's) safety program should consist of," Mr. Offinitz said.

The emphasis is on the program's "effectiveness," he explained.

Continued on page 28

Workplace safety

California's S.B. 198 requires employers among other things, to:

- Adopt procedures to identify and evaluate workplace hazards.
- Specify inspection and training procedures to be used whenever new workplace hazards are introduced.
- Establish procedures for investigating occupational illnesses and injuries.
- Maintain a written code of safe workplace practices.
- Establish a system to ensure workers comply with safe work practices.
- Identify a person responsible for implementing the program.

GRAPHIC BY KIMBERLY MART

TV station gets better reception for health plan

By LOUISE KERTESZ

LOS ANGELES—Although it broadcasts programming to millions of people daily, public television station KCET in Los Angeles had to learn the hard way the advantages of properly communicating health care plan changes to its employees.

After KCET informed its 300 employees by mail that their health plan costs would be hiked and their benefits would be cut and then held a poorly planned meeting with employees to discuss the changes, the station faced a near revolt, according to human resource executives at the television station.

But, KCET—along with its new broker and benefits consultant—subsequently fully explained to

workers the factors driving up the station's health care costs and invited workers to help the station find ways to hold down those costs.

And they did. Indeed, at one point, employees voted to reduce their benefits and shoulder a greater burden of the station's health care costs.

However, under the station's new managed care plan, employees' health care benefits have improved.

Like KCET, "a lot of employers just announce" changes in benefit plans, said Marjorie Davenport, assistant vp at Johnson & Higgins in Los Angeles, which the station tapped to help develop a benefits communication program shortly after it first announced the plan

Continued on page 16

Metzenbaum to introduce bill

Senator seeks federal rules

By JERRY GEISEL

WASHINGTON—Sen. Howard Metzenbaum, D-Ohio, will introduce legislation this fall to set uniform national standards for insurance solvency regulation and consumer disclosure.

While Sen. Metzenbaum said his legislation would leave day-to-day regulation with the states, the proposal would give the federal government authority to oversee the states to ensure insurers are properly regulated.

In addition, his legislation would give the federal government a new role in regulating reinsurers.

"I'm calling for the federal government to accept some responsibility in the area of reinsurance," Sen. Metzenbaum said, without specifying what that responsibility would be.

In a wide-ranging address last

week before the National Press Club in Washington, D.C., Sen. Metzenbaum also said:

• He will press the Pension Benefit Guaranty Corp. to guarantee benefits of workers and retirees whose companies terminated pension plans and purchased annuities from Executive Life Insurance Co. to fund the benefits. Under a conservator's order, individuals covered by Executive Life annuities now receive only 70% of promised benefits.

Sen. Metzenbaum also said he will publish a list this week of companies that purchased annuities from Executive Life to fund plan participants' benefits.

• He will hold a hearing later this month to ask the National Assn. of Insurance Commissioners why it "misled" the public about the safety and solvency of Execu-

Continued on page 27



Three recent decisions limit jewelers' ability to recover under jewelers block policies.

3 rulings favor insurers in jewelers block cases

By MICHAEL SCHACHNER

NEW YORK—Three court rulings issued in a span of one week uphold attempts by Lloyd's of London syndicates to contest coverage for jewelers block claims.

Attorneys for the syndicates point out that the rulings—two by juries and one by a judge—are significant because they dispel the belief that insurers wrongfully deny claims.

And, in one case that revolved around an exclusion common to jewelers block policies, lawyers for the Lloyd's syndicates said the ruling clearly establishes as legitimate an exclusion in jewelers block policies that bars coverage for items stolen from an unattended automobile.

In a fourth case, however, a jury ruled in favor of a jewelry dealer in a coverage dispute with a Lloyd's syndicate.

In the biggest of the cases—an alleged robbery of \$7.8 million in gold and diamonds from a New York jeweler—a jury found that the plaintiff's claim was fraudulent and unanimously found in favor of the Lloyd's syndicate.

Also, the judge presiding over the case temporarily

rejected the argument of the plaintiff's gold lender, Fleet National Bank of Rhode Island, which had sought a summary judgment entitling it to recover under the plaintiff's jewelers block policy even if the jury found that the policyholder had committed fraud.

At the center of the litigation, filed in 1987 in U.S. District Court in New York, was Bernard Lesser. He is a former partner in Italgold Inc., a New York gold and diamond wholesaler that is no longer in business.

Mr. Lesser claimed that he was accosted by two men in 1986 while leaving his "Diamond District" office in midtown Manhattan. He alleged that his assailants held him captive for more than four hours and severely slashed him upon his release. His injury required more than 100 stitches, he claimed.

Mr. Lesser alleged that the robbers took \$7.8 million worth of goods, \$4.8 million of which had been lent to Italgold on consignment by Fleet.

Both New York City police and the Manhattan District Attorney's office investigated the case. Although there was strong evidence of fraud, Mr.

Continued on page 30

Photo by Brooke Hummer

Cargo liability

Continued from page 1

of Appeals, said attorney Chester D. Hooper of Haight, Gardner, Poor & Havens in New York.

However, even if the ruling is upheld, maritime experts question whether it will have any impact on the market for protection and indemnity insurance, which, among other things, covers shipowners' liability for cargo losses.

P&I rates generally are higher when shipments are covered by the Hague-Visby rules—adopted by several European and other countries—than when they are covered by the U.S. Carriage of Goods by Sea Act, according to attorney Michael Chalos of Chalos, English & Brown in New York, who represents the cargo claimants against Tecomar.

In part this is because Hague-Visby limits shipowner liability to roughly \$1,000 per package, double the roughly \$500 limit under COGSA, Mr. Chalos explained.

The higher P&I insurance rates for shipowners subject to Hague-Visby are unlikely to be driven higher by the Tecomar ruling, despite its expansion of shipowner liability, Mr. Chalos said.

"Just because a court decided that a liability is not limited, it does not mean that rates are going up," agreed Nick Little, claims manager at Liverpool & London P&I Management Ltd.

"There is no word in P&I circles that we have another crisis on our hands," said Rex Palmer, chairman of the P&I division at Thomas Miller & Co.

The ruling also may not have broad impact in other cases because few cases will involve the kind of shipowner recklessness alleged against Tecomar, observed attorney James H. Simonsen of Bigham, Englar, Jones & Houston in New York.

The litigation arose from the February 1987 disappearance of the Tuxpan, a 437-foot Tecomar container ship bound from Bremen, Ger-

many, to Veracruz, Mexico, with a crew of 27 and the equivalent of 551 20-foot long containers on board.

Much of the ship's cargo was Volkswagen automobile parts bound for Mexico, lawyers involved in the case say.

The Tuxpan was hit on Feb. 24 by a severe winter storm packing near-hurricane force winds and 40- to 50-foot waves.

The circumstances of the Tuxpan loss are unknown: Tecomar claimed its last contact with the ship was Feb. 24 and that the Tuxpan sank in the storm. But cargo owners argued—and a judge later agreed—that the ship did not sink until several days later and that Tecomar remained in contact with the Tuxpan until Feb. 27. Tecomar did not report the Tuxpan missing until Feb. 28.

A five-day U.S. Coast Guard and U.S. Navy search covering 19,000 square miles of the North Atlantic found no trace of the ship.

On March 10, 1987, a search vessel chartered by Tecomar found one

container from the Tuxpan about 170 miles from the area Tecomar claimed had been Tuxpan's last reported position.

No other debris or life-saving equipment from the ship was sighted, and no bodies were ever found.

Hull underwriters paid roughly \$12 million on the Tuxpan loss, according to Mr. Hooper.

Cargo owners and their insurers, meanwhile, filed a total of \$22 million of claims against Tecomar.

In all, about \$16 million of the claims relate to cargo shipped from Bremen and Antwerp, Belgium, to Mexico and governed by the Hague-Visby rules.

U.S.-bound cargo was valued at \$6 million and governed by COGSA, according to Mr. Chalos.

The Volkswagen parts were insured by Seguros America S.A. of Mexico, which seeks to recover the largest portion of the claim, Mr. Chalos said. Other Mexican insurers covered the remaining cargo bound for Mexico, he said.

In a petition filed in U.S. District Court in New York in 1987, Tecomar argued that it should be able to avoid liability for the cargo losses because they resulted from a "peril of the sea" and because Tecomar exercised due diligence to make the Tuxpan seaworthy.

And, any liability it may have should be limited by the per package limitations under Hague-Visby and COGSA, Tecomar maintained.

But, the cargo claimants argued that because Tecomar was reckless in not adequately maintaining the ship, the shipowner should be held liable for the full amount of the losses, without limitations provided under the various provisions of the Hague-Visby rules and COGSA.

In his May 31 ruling, U.S. District Judge Charles H. Tenney found in favor of the cargo claimants on most points.

Judge Tenney noted that the Tuxpan sustained about 118 cracks in its bulkheads, deck plates, hatch covers and other areas from the time it was built in 1982. Many of these cracks were discovered when water or fuel oil entered cargo holds or the engine compartment, the judge found.

Though Tecomar was required to report the cracking to Germanischer Lloyd, the classification society that certified the Tuxpan and a sister ship experiencing the same problems, it failed to do so.

Tecomar also failed to report the opinion of a marine design firm that worked on the Tuxpan that the cracks were caused by overflexibility of the ship, Judge Tenney found.

And, Tecomar delayed maintenance on several engine problems—including putting off work that was needed just before the Tuxpan's final voyage—so the Tuxpan could maintain its shipping schedule, he found.

Over its five-year life, the Tuxpan had repeatedly been forced to shut down its engines while at sea to work on mechanical problems, the judge found.

In his ruling, Judge Tenney rejected Tecomar's argument that the Tuxpan loss was caused by a peril of the sea, ruling that severe weather of the kind that hit the Tuxpan in February 1987 was to be expected in the North Atlantic in winter and that the Tuxpan had weathered similar storms before.

Judge Tenney concluded that the Tuxpan's loss was caused by its unseaworthiness and that Tecomar failed to exercise due diligence to make the ship seaworthy before its last voyage.

Tecomar had argued that its liability should be limited to the value of the Tuxpan's hull and pending freight charges for the lost cargo under a U.S. statute—known as the Limitation Act—that limits shipowners' liability if the cause of the loss is not within the shipowner's privity and knowledge.

Finding that Tecomar knew of Tuxpan's unseaworthy condition, the judge rejected that argument.

And, in the first court ruling on the point, Judge Tenney refused to let Tecomar limit its liability under the per package limit in the Hague-Visby rules.

Unlike COGSA, Hague-Visby prohibits the package limitation from applying in cases of shipowner recklessness.

The Tuxpan case "involves a continuous course of reckless conduct by a shipowner who was well aware of the risks created by its actions," Judge Tenney wrote.

"Tecomar not only failed to disclose the problems with the Tuxpan and (its sister ship) but also affirmatively concealed information it knew to be relevant to the vessels' seaworthiness."

In the one portion of the ruling favorable to Tecomar, the judge rejected the cargo claimants' attempt to throw out the package limitation under COGSA, which contains no recklessness exception.

Associate Editor Gavin Souter in London contributed to this article.

*Seeking a glide path in the self-insured risk corridor?
ERC's flexible excess worker's compensation
is the safe alternative to winging it.*



Employers Reinsurance Corporation began

writing excess worker's compensation cover-

age in the 20's. Unlike the companies which

periodically withdraw from the market,

we've stayed in it continuously. With a

Best's A+ rating.

Here-today, here-tomorrow security. Top-

flight underwriting expertise. The broadest,

most flexible policies in the industry. An

emphatic determination to go the distance

for those we represent. Call 1-800-255-6931

or the branch nearest you for information.

ERC. Providing flight patterns to keep

the self-insured aloft and healthy.

Employers Reinsurance

5200 Metcalf, Overland Park, Kansas 66201

A General Electric Financial Services Company.

Atlanta/Boston/Chicago/Columbus/Dallas/Kansas City/Los Angeles/New York/Philadelphia/San Francisco

WAUSAU WASN'T ABOUT TO TELL VAN HEUSEN THAT THERE'S ONLY ONE WAY TO DO THINGS.



Stripes,

solids, cottons,

knits, button-downs,

blends, and classic whites. The

Phillips-Van Heusen Corpora-

tion, New York, has been making

an assortment of quality men's

shirts for 110 years. As times

change, they change. Flexibility

is part of the fabric of their

company.

They also look for flexibility

in their business insurer. "We

like Wausau because they're

willing to work with us,

Wausau knows that business insurance coverages have to be tailored to the individual policyholder.

rather than dictate to

us," says Carla Eberling,

Director of Risk

Management. "Like a partner,

they sit down and listen to us and

then we solve problems together."



Phillips-Van Heusen has

Wausau workers compensation,

general liability, auto and excess

property coverages. They

appreciate Wausau's breadth

of coverages and national scope.

"We have operations across the

country, so it's

important

that

Wausau

people are

nearby to help," Ms. Eberling

concludes.

As Phillips-Van Heusen

changes and grows, Wausau has

the experience, the financial

capacity and the willingness to

help. It's what makes these two

companies such a perfect fit.



Wausau and Phillips-Van Heusen arrive at solutions by working together.



A+ (Superior) A.M. Best Rating

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (715) 845-5211 A Member of the Nationwide® Group

Tire workers agree to point-of-service plan

By MICHAEL SCHACHNER

Unionized employees at six Bridgestone/Firestone Inc. plants across the country will receive higher pension benefits and will switch to a point-of-service health care plan as part of benefit changes contained in a new three-year labor agreement.

The bargaining agreement with the United Rubber Workers union, which was ratified May 13 and became effective April 22, affects approximately 5,000 employees and their 13,000 dependents at six different factories.

The agreement covers tire workers in Akron, Ohio; Decatur, Ill.; Des Moines, Iowa; Noblesville, Ind.; Oklahoma City; and Russellville, Ark.

In addition to increasing pension benefits and introducing the point-of-service plan, Bridgestone/Firestone will increase basic life insurance and survivor death benefits, widen eligibility for a company match to 401(k) contributions, give current retirees a one-time \$200 cash bonus and allow workers to participate in savings realized at individual plants under the new managed care program.

The new contract calls for monthly pension benefits under the tire manufacturer's defined benefit pension plan to increase by more than 30% to \$30 per month per year of service from \$23 per month.

Akron-based Bridgestone/Firestone, which is a subsidiary of Bridgestone Corp. of Tokyo, will assume the entire brunt of the pension increase in the first year of the contract, after which \$3 of the monthly benefit will be contributed to URW retirees' pensions by the union.

The contract also calls for current retirees to receive a one-time bonus of \$200.

Under the contract with the URW union, the tire manufacturer also will eliminate its two existing self-insured medical indemnity plans and implement a point-of-service preferred provider organization plan effective Jan. 1, 1992.

The network will be developed and administered by CIGNA Corp., which is currently and will continue to be Bridgestone/Firestone's third-party claims administrator.

Employees seeing network providers will pay only a \$5 copayment for doctor visits. Employees may choose to seek care through non-network providers but will be subject to annual deductibles of \$175 per person and \$525 for family coverage.

Employees seeing non-network providers also will have to pay 20% of costs above the deductible up to a \$1,000 limit per person and \$2,000 per family.

Bridgestone/Firestone has set targets for the amount of health care inflation it expects to experience under the PPO arrangement. If costs come in below the targeted levels, the company will distribute 50% of the difference among individuals' 401(k) accounts.

"In 1989, we brought each location into our home office and discussed how we could try to control costs locally while at the same time keeping quality care. We decided to move the responsibility to the individual locations," explained Jeff Claypool, vp-human resources.

As a result, any savings passed on to workers will be based on targets and actual costs incurred at each plant, rather than on a companywide basis.

Bridgestone/Firestone, which in 1990 spent approximately \$18 million on health care for all its URW

Benefit beat

employees and their dependents, has been experiencing 18% to 20% annual health care inflation in recent years.

It has set targets of 7.5% annual health care inflation for 1991 and 1992, and 5% inflation in 1993-1995. After that, the company has targeted zero health care inflation.

"We know our forecasts are rather ambitious, but we expect initial cost savings from the PPO and after that we hope that through education and incentives our employees will become better purchasers of health care," said Thomas Eaton, Bridgestone/Firestone's manager of benefits and compensation.

Mr. Eaton emphasized that the incentive program will be administered on a location-by-location basis.

Each facility will be aware of the target levels, and bonuses will be available to each facility based on its costs, not the costs of the entire corporation, he said.

The point of service program and its accompanying incentive programs will replace two standard indemnity plans—a major medical plan and a comprehensive medical plan.

Those enrolled in the major medical plan now have 100% of hospitalization charges covered. Other medical services are subject to de-

ductibles of \$100 per person and \$200 for family coverage. Employees pay 20% of all costs above deductibles and there are no annual out-of-pocket maximums.

Under the comprehensive plan, employees are subject to a \$100 individual deductible and a \$300 family deductible for all medical services, after which the plan pays 80% of costs up to \$750 per person and \$1,000 for a family.

Enrollees in the comprehensive medical plan had been the only workers eligible to receive a company match of 35% of contributions up to the first 6% of salary they placed in a 401(k) plan.

However, under the new contract, all employees will be eligible for the 35% match on 401(k) contributions up to the 6% of salary

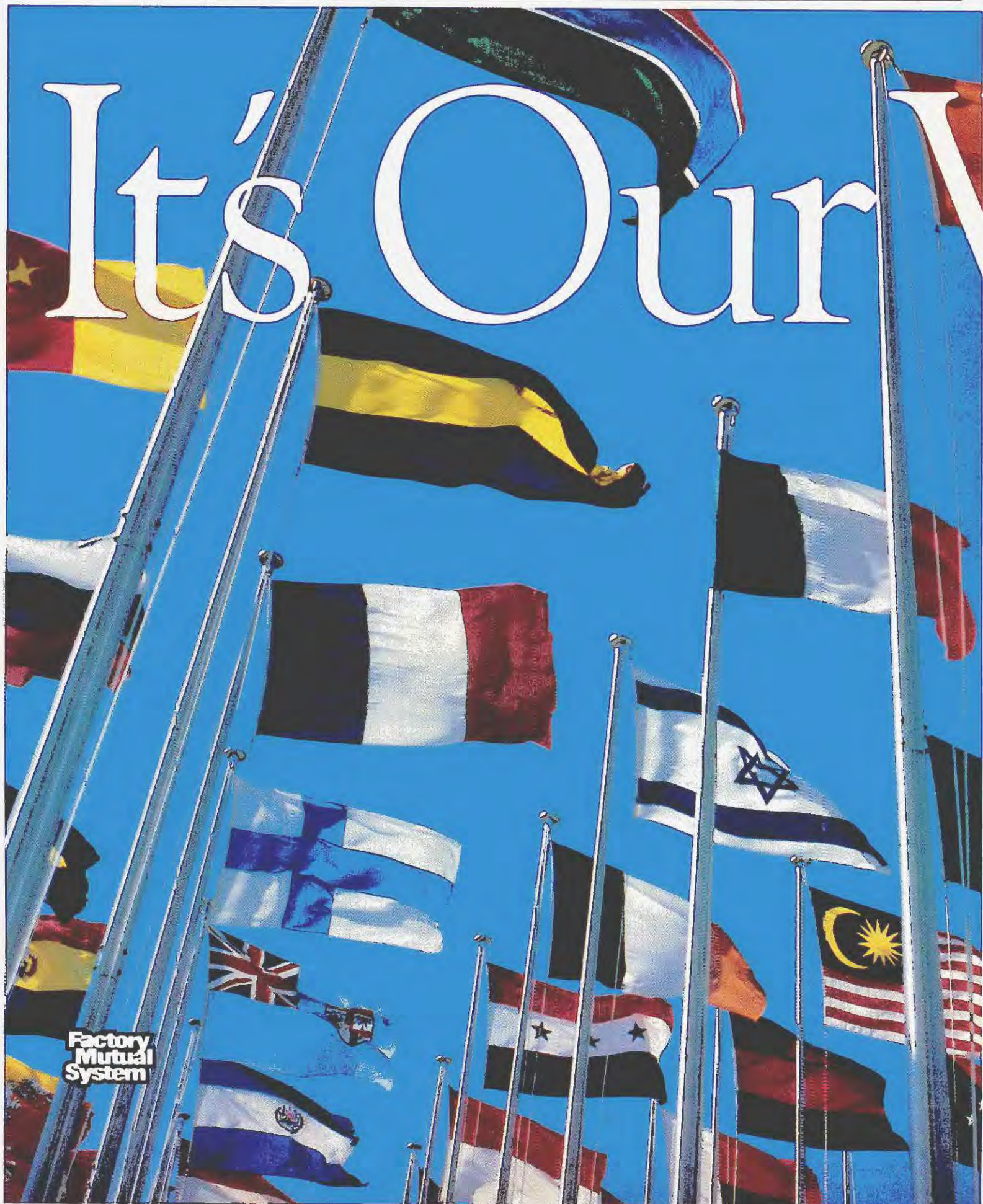
ceiling.

The new contract also calls for basic life insurance benefits, which are written by the Newark, N.J.-based Prudential Insurance Co. of America, to increase to \$23,000 from \$20,000.

Also, death benefits that are paid to survivors will increase to \$450 per week from \$400.

A URW spokesman in Akron declined to comment on the contract, other than to say that it will be used as a guideline in the URW's current negotiations with The Goodyear Tire & Rubber Co. in Akron, Ohio.

Kenneth Coss, president of the URW said in a statement that he was pleased with the pension improvements but was disappointed in the \$200 lump sum negotiated for current retirees. ■



Risk manager is promoted at Sony USA

John C. Pierce, 43, has been named vp-risk management at Sony USA Inc. of New York. In this newly created position, he is responsible for the administration of all property/casualty insurance programs. Mr. Pierce reports to Kenneth L. Nees, senior vp/secretary. Before joining Sony USA in 1987 as risk manager, Mr. Pierce was risk manager at Ciba-Geigy Corp. of Ardsley, N.Y. Before that, Mr. Pierce was assistant insurance manager at Amerace Corp. of Parsippany, N.J., and was senior loss prevention engineer at Aetna Life & Casualty Co. in New York. Mr. Pierce holds a bachelor's degree in mechanical engineering from City University of New York-City College. He holds a master's degree in safety management from New York University in New York as well as

Comings & goings: buyers

a master's degree in business administration from New York Institute of Technology in Old Westbury, N.Y. Mr. Pierce holds the Associate in Risk Management designation and is a deputy member of the Risk & Insurance Management Society Inc.

Frank J. Burke has been named vp-risk management at Budget Rent-A-Car Corp. of Chicago. In this newly created position, he is responsible for all risk management, property/casualty insurance, loss control and claims management programs. Mr. Burke reports to James Tolzien, senior vp and chief financial officer. Before join-

ing Budget Rent-A-Car, Mr. Burke was director-risk management at The Marmon Group Inc., a Chicago-based manufacturer. He holds a bachelor's degree in psychology from Loras College in Dubuque, Iowa, and a master's degree in business administration from Northwestern University in Evanston, Ill. Mr. Burke is a deputy member of RIMS.

Timothy J. Bunt, 31, has been named director-risk management and insurance at Witco Corp. of New York. Mr. Bunt is responsible for the chemical and petroleum product manufacturer's worldwide risk management program. He re-

places Roger G. Belliveau, who retired. Mr. Bunt reports to Jim Rutledge, treasurer. Before joining Witco, he was manager-risk management at Texaco Inc. of White Plains, N.Y., while serving as manager of Heddington Insurance Ltd., Texaco's captive insurer in Bermuda. He holds a bachelor's degree in business and economics from State University of New York-Maritime College in Fort Schuyler, N.Y. Mr. Bunt is a member of the Assn. of Average Adjusters of the United States and is pursuing the Associate in Risk Management designation.

Karen J. Miller, 30, has been named risk manager at LSI Logic Corp. in Milpitas, Calif. In this newly created position, she is responsible for the company's prop-

erty/casualty insurance and risk management programs. Ms. Miller reports to David E. Sanders, general counsel. Before joining LSI Logic—a manufacturer of customized integrated circuits—she was insurance manager at Apple Computer Inc. in Cupertino, Calif. Before that, she was underwriting manager at Chubb Group of Insurance Cos. in San Jose, Calif. She holds a bachelor's degree in business and finance from Eastern Illinois University in Charleston. In addition, Ms. Miller holds the Associate in Risk Management designation and is a deputy member of RIMS.

Frank M. Giannattasio, 34, has been named risk manager-corporate insurance at Wakefern Food Corp. in Edison, N.J. He is responsible for the cooperative food wholesaler's risk management and property/casualty insurance programs as well as claims administration. Mr. Giannattasio replaces Paul Truncellito, who is now corporate risk manager at Sands Hotel & Casino Corp. in Atlantic City, N.J. Mr. Giannattasio reports to Thomas Drogaris, director of banking and insurance. Before joining Wakefern Food Corp., he was director of risk management at Harry M. Stevens Inc. of Cranbury, N.J., a restaurant and concessions firm. He holds a bachelor's degree as well as a master's degree in business administration from Seton Hall University in South Orange, N.J. Mr. Giannattasio holds the Associate in Risk Management designation and is a member of the board of directors of the New York chapter of RIMS.

Caryn B. Simons, 34, has been named senior human resources officer at Reliance Insurance Co. of Philadelphia. In this newly created position, she is responsible for development and administration of employee benefit and salary administration programs for Reliance and its affiliates. Ms. Simons reports to Matthew Jarzynski, vp-human resources. She had been a regional human resources manager in Reliance's Federal Way, Wash., office. Before joining Reliance in 1987, she was manager-compensation and staffing at McGraw-Hill Inc. of New York. She holds a bachelor's degree in business administration from the University of Vermont in Burlington as well as a master's degree in business administration from Pace University in New York. Ms. Simons is a member of the Society of Human Resources Management.

Daniel R. Helman, 41, has been named manager-corporate risk at Mack Trucks Inc. of Allentown, Pa. He replaces **Wilmer E. Hough**, who retired. Mr. Helman is responsible for the firm's worldwide property/casualty insurance program in addition to surety and claims management programs. He reports to David J. Smith, vp and treasurer. Mr. Helman, who joined Mack Trucks in 1978, most recently was corporate risk administrator. He holds a bachelor's degree in business administration from Cedar Crest College in Allentown, Pa. In addition, Mr. Helman is working toward the Associate in Risk Management designation and is a deputy member of RIMS.



Today, risk managers confront new challenges associated with the trend toward globalization. Effectiveness in these worldwide markets requires experience. And Protection Mutual's capabilities come from more than twenty-five years on the international scene.

We provide insurance and loss control engineering in most countries around the globe. Our Factory Mutual International affiliate is the world's largest and most proficient loss prevention engineering resource, with more than 140 professional engineers operating from 11 foreign offices throughout Europe, Asia, South America and Australia.

It comes down to one word . . . Protection.

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

Dean E. Johnson

Dean E. Johnson
 Chairman of the Board, President and Chief Executive Officer

Protection . . . It's Our Word.



Part of the Factory Mutual System

300 South Northwest Highway
 Park Ridge, Illinois 60068 708.825.4474

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Nancy Johnson, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-7784. Please send a photograph, too.

Opinions

No Canadian cure for U.S. ills

PRESSURE IS MOUNTING for the United States to adopt a Canadian-style system of national health care.

The latest argument—and the most persuasive one to date—comes from the General Accounting Office, which has calculated that a single-payer health care system in the United States would save \$67 billion in administrative costs—enough to provide comprehensive, first-dollar coverage to the more than 32 million Americans currently uninsured.

Savings like that are hard to ignore.

And, we must admit that our system of health care delivery is broken.

For those who have excellent health insurance through their employer or purchase it privately, our system is the best: instant access to health care supported by the most advanced technology.

But the system doesn't work very well for those without coverage.

Still, we are not sure that a Canadian-style system—under which the government pays hospital and doctor bills—would work in the United States.

First, we question if the United States could manage such a system with Canadian efficiency. Given the population disparity—250.4 million in the United States vs. 26.53 million in Canada—a much larger bureaucracy would be needed to manage a national health care plan.

But it isn't just administration that drives up health care costs in the United States.

The United States has far bigger health care problems than does Canada.

Canada does not, for example, have emergency rooms in large urban centers filled at night with gunshot victims. Canada does not have the number of crack babies that are born in the United States. The AIDS epidemic has not hit Canada as hard as it has the United States. And, proportionately, the United States has a larger elderly population.

Also not to be diminished is the difference in the attitude of each country's citizens. U.S. citizens would



not tolerate waiting for health care as Canadians do.

The United States, therefore, needs a U.S. solution to its health care cost problems.

For starters, states must eliminate mandated benefits under health insurance policies. And, states should enact medical malpractice tort reform.

Furthermore, employers and insurers must continue to exercise their considerable clout to negotiate better care for lower cost while educating employees and policyholders to become better consumers of health care.

All parties to the health care system—doctors, hospitals, insurers, utilization review firms and employers—must come together to find new solutions.

We have no doubt that it will take a long time to craft an American solution to the rising cost of health care in the United States. But it is better to take the time to craft a good solution than to hastily adopt a program that probably will not work in the United States.

Letters

Make providers share in costs of mandated health care

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

To the editor: It seems inevitable that the Democrats will one day prevail. It is time to put forth proposals and other suggestions that will make mandated health care palatable.

According to your June 3 article, "Health Care Access Plan," as many as 34 million Americans do not have medical insurance. Of these, two-thirds are either employees or dependents of employees—and thus could be covered by an employer-mandated plan. If 22 million

Americans suddenly have medical insurance, medical costs will skyrocket.

I don't like mandates. Very few businessmen like government mandates. However, if a medical insurance mandate is inevitable, let's make sure that the pain is spread not only to the payer (the employer) but also to the provider (the doctors and the hospitals).

Mark A. Mitchell
U.S. Benefit Consultants
Acworth, Ga.

At issue

Have you started preparing for a hardening insurance market?



David P. Benyi
Director-Risk Management
Smitty's,
Phoenix, Ariz.

Not really. I have not seen any signs of changing underwriting attitudes, except in specialty-type coverages like fiduciary, D&O and crime. We have positioned ourselves in the insurance market so there will be no big surprises at renewal time. Management is well aware of insurance company pricing cycles and is prepared for the eventuality of a turning market.



Barney Mercer
Corporate Risk Manager
Centex Corp.,
Dallas

Yes. For example, we have completed a captive feasibility study and are currently exploring which of our coverages possibly qualify for captive treatment. Additionally, we are examining the component costs of unbundled services to enable us to negotiate a more attractive risk financing arrangement.



Gary M. Raymond
Senior Insurance Analyst
Diebold,
Canton, Ohio

Yes. We are looking to negotiate multi-year premium agreements when appropriate and have done a preliminary captive study. We feel the market will eventually turn, the only question being when.

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Associate Publisher/Editor: Kathryn J. McIntyre, A. R. M. (Chicago)

Managing Editor: James M. Burcke (Chicago)

Senior Editor: Jerry Geisel (Washington)

Assistant Managing Editor: Dave Lenckus (Chicago)

Assistant Managing Editor/Graphics: Jeanne M. Bartels (Chicago)

CHICAGO: Karen Armaganian (Editorial Assistant)

Karen Brown (Assistant to the Editor)

Meg Fletcher, A.R.M. (Associate Editor)

Sara J. Harty (Staff Reporter)

Mark A. Hofmann (Associate Editor)

Colleen Johnson (Associate Editor)

Nancy Johnson (Copy Editor)

Kathryn M. Larrabee (Copy Editor)

Laura Mazzuca (Agent/Broker Topics Associate Editor)

Sarah E. Polster (Directory Editor)

Roger Schillerstrom (Editorial Cartoonist)

Deborah Shalowitz (Associate Editor)

Timothy Stanton (Copy Editor)

Paul Winston (Copy Desk Chief)

Christine Woolsey (Associate Editor)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)

Gavin Souter (Associate Editor)

LOS ANGELES: Joanne Wojcik (Bureau Chief)

Louise Kertesz (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)

Stacy Adler (Associate Editor)

Judy Greenwald (Associate Editor)

Michael Schachner (Associate Editor)

WASHINGTON: Adrienne C. Locke (Associate Editor)

Advertising Director: Martin J. Ross (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Margaret Hikido (District Manager/Classified Sales)

Elmer Kerstowski (Production Manager)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Kathryn Premetz (District Manager)

Cynthia Bykowski (District Manager)

LOS ANGELES: Michael J. Sharpe (Western Advertising Manager)

Director of Communications: Ronnie I. Drachman (New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 71-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0140

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0228

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.
Founder (1885-1973)

MRS. G.D. CRAIN
Chairman

S.R. BERNSTEIN
Chairman-executive committee

RANCE CRAIN
President

KEITH E. CRAIN
Vice chairman

MARY KAY CRAIN
Treasurer

MERRILEE P. CRAIN
Secretary

WILLIAM A. MORROW
Executive Vp-operations

WILLIAM STRONG
Vice president-circulation

ROBERT C. ADAMS
Vice president-production

H.L. STEVENSON
Corporate editor

PENELOPE A. GEISMAR
Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231-6415, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 71/430-2176. \$2.00 a copy. \$80 a year in U.S. Canada and all other foreign add \$38 for surface mail. Europe and Middle East only add \$105 for air delivery. First-class mail to U.S., add \$95; to Canada add \$105. Bermuda only, \$180 per year expedited delivery. SHEILA GORMLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691.

A Publication of:

Crain Communications Inc.
1916-1991 75 Years of Publishing Leadership



Member of Business Publications Audit of Circulation



Effective Claims Management is more than a fist full of dollars

It takes dollars to pay claims, but it also requires smart management to run an effective Claims Division.

RELIANCE NATIONAL'S professional Claims Division is built on integrity and prudent claims management. Our specialists have years of experience in claims assessments. We follow a special brand of quality in achieving our goals: minimizing allocated expenses and obtaining advantageous settlements.

A quick response to a claim with a fist full of dollars can be impressive, but it's the smart management team that wins the draw.

THE CHOICE

Reliance National

77 Water Street, New York, N.Y. 10005

For further information
write us or call (212) 858-3600



Reliance

Reliance National
A Reliance Group Holding Company

Reliance National underwrites through: Reliance National Insurance Company, Reliance Insurance Company, Planet Insurance Company, United Pacific Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of New York, and General Casualty Insurance.

Better investment advice needed: Study

By DEBORAH SHALOWITZ

Many large employers give themselves a failing grade on how well they explain investment strategies to participants in employer-sponsored savings plans, a recent survey says.

Without that explanation, workers increasingly are shifting their savings to investment options that could jeopardize their ability to retire comfortably, according to the survey by benefit consultant A. Foster Higgins & Co. Inc.

For the survey, "Investment Education Study," Foster Higgins polled 50 of the nation's largest employers that allow workers to choose among investment options for their defined contribution savings plan contributions.

The survey was conducted before two life insurance units of First Executive Corp. were seized by state regulators. First Executive Life Insurance Co. of California wrote, among other things, guaranteed investment contracts for 401(k) plans (BI, May 13, April

If employees are not satisfied with their own investment decisions for their savings plans, they eventually may pressure companies to alter the plans or implement a defined benefit plan, warns Mr. Knapp of Foster Higgins.

22).

"There's a lot at stake here," observed Richard Knapp, a principal and national practice leader for

communication consulting with Foster Higgins in Princeton, N.J.

Employees may be investing their savings more conservatively

—resulting in far smaller returns—than if they were more knowledgeable about investment strategies, he said.

And, Mr. Knapp warned, if employees are not satisfied with their own investment decisions, they eventually may pressure companies to alter the plans or implement a defined benefit plan.

Sixty-four percent of the employers polled said the number of employees shifting their savings among investment options during a six-month period ending in March has increased.

Thirty percent said it has remained the same, and 6% said it has decreased.

Of those companies that said employees increasingly are shifting their savings among investment options, 86% said workers are moving their funds into fixed income options, like guaranteed investment contracts, from equity options, like company stock and mutual stock funds.

"Employees tend to look at short-term investment performance and overreact to market fluctuations. These moves could lock in losses and retard growth of employees' retirement nest eggs over the long haul," Mr. Knapp said.

"There are fundamental concepts of investing, particularly for retirement, that employees need to learn," Mr. Knapp said.

A majority of employers polled—53%—said they think employees are comfortable with their level of knowledge regarding investment option decisions.

Still, 57% of the employers polled said the number of employees looking for help with their investment decisions has increased during the six-month period. One-third said the number of employees seeking help has stayed the same, and 10% said it has decreased.

However, only 18% of employers said they are satisfied with their own ability to explain personal investment strategies to plan participants, according to the survey.

Nearly half of the employers—47%—said they are dissatisfied with their ability to advise plan participants, and 35% said they are neutral.

"Employers are recognizing that employees have been given very little information on which to base investment decisions," Mr. Knapp said.

Mr. Knapp suggested that employers try to communicate investment strategy information to employees over an extended period of time.

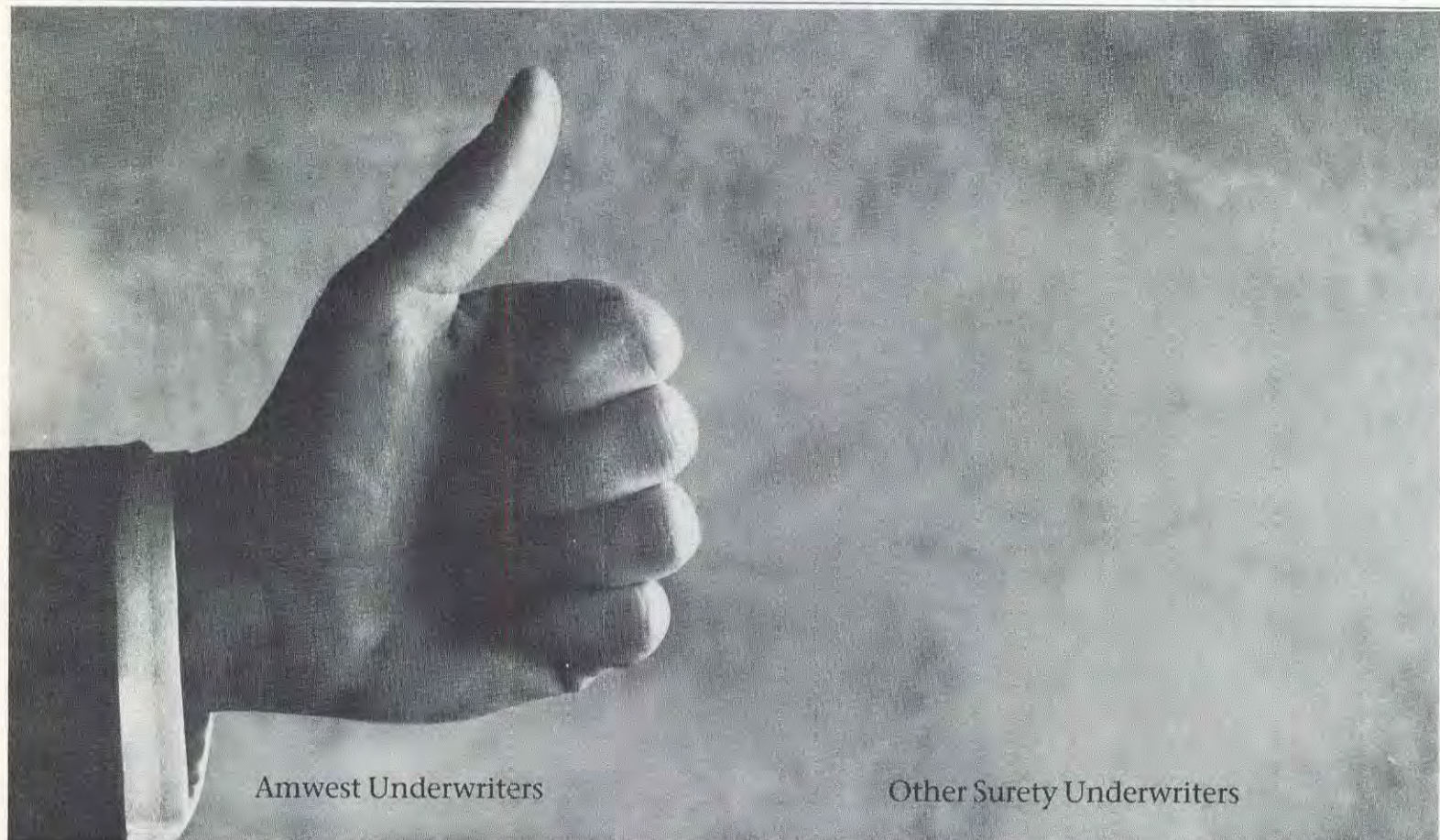
The investment information can be too complicated to absorb all at once, he noted.

There are a variety of techniques employers can use to educate employees, including newsletters, video tapes, interactive voice response systems, summary booklets and employee meetings, he said.

A majority of employers, however, are satisfied with their ability to explain the nature or characteristics of each investment option and investment performance, according to the survey.

Fifty-two percent said they are satisfied with how they explain the nature of investment options. One-quarter said they are dissatisfied and 23% said they are neutral.

And, 53% of the employers said they are satisfied with how well they explain the performance of investments, while 35% said they are dissatisfied and 12% said they are neutral.



Amwest Underwriters

Other Surety Underwriters

DO YOU KNOW WHERE YOUR UNDERWRITER'S THUMB IS?

Most standard bond underwriters you'll find are very good at saying things like "probably not," "nope" and the ever-popular, "no."

But at Amwest, we're very good at saying "yes." And since surety is all we do, we say it a lot.

We train our underwriters to find new and innovative ways to approve your clients' bonds instead of ways to reject them.

We're "A" rated and Treasury listed. And, we

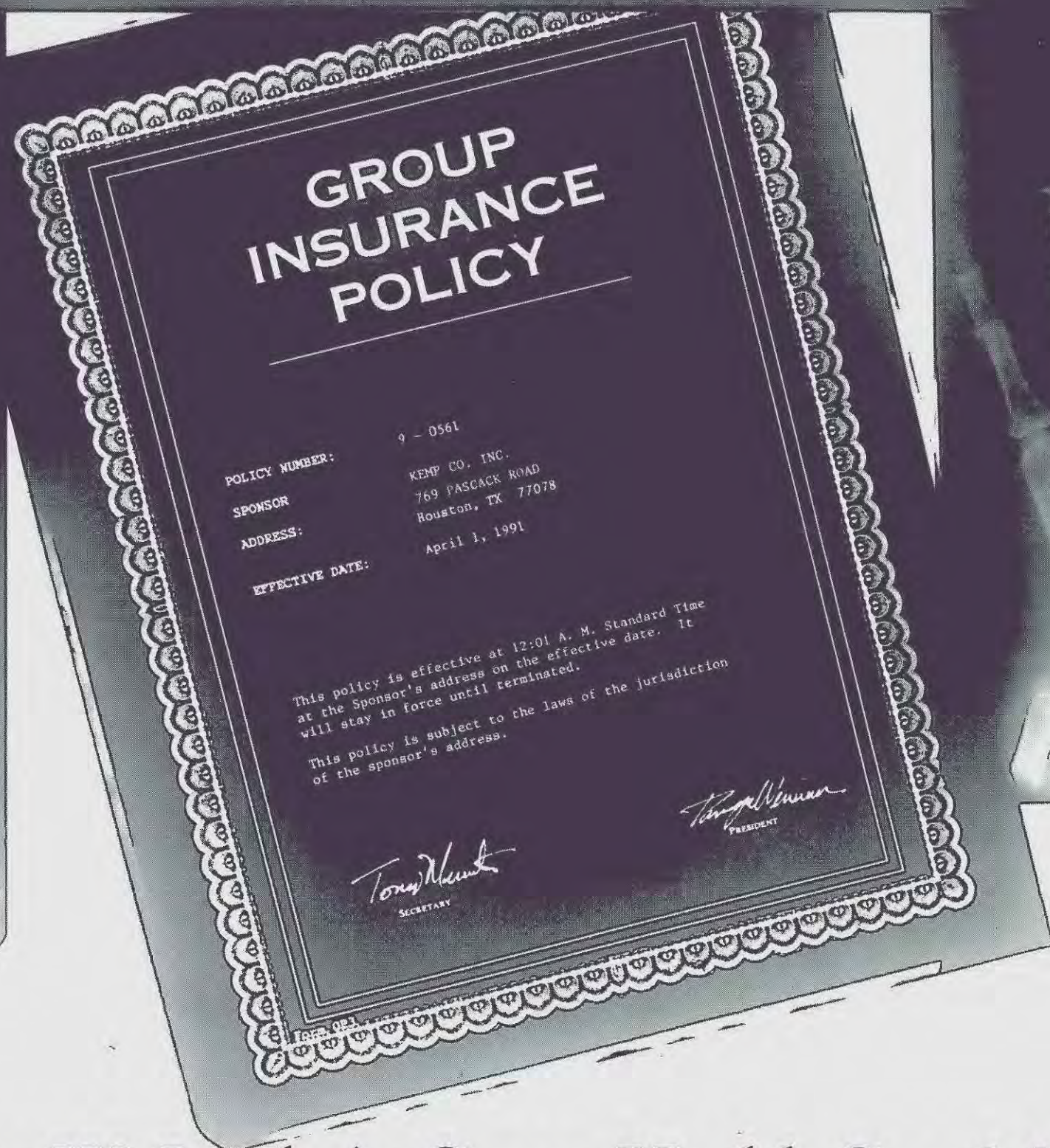
can write just about any surety bond there is.

For the Amwest Office nearest you, check your Yellow Pages. We have 35 branch offices across the country to help you wherever you are. We're also licensed in all 50 states, so we can issue bonds no matter where your clients are.

Can the standard underwriters you deal with say all that? Probably not, nope and no.



Copies of the "Investment Education Study" are available free of charge from Richard Knapp, A. Foster Higgins & Co. Inc., 212 Carnegie Center, Princeton, N.J.



The Way We Look At Group Health Care Makes All The Difference.

What sets Liberty Mutual apart from other insurance companies is our proven approach. Risk Management. That's what made us #1 in Workers Compensation.

And that's what enables us to effectively manage your Group Health Insurance costs.

That's why we manage your costs before, during, and after claims occur. Why we first give you utilization management review programs. Followed by coordinated case management by trained nurses when necessary. And finally a retrospective claims review of the medical bills.

In short, risk management is what guarantees that the patient gets exactly what he or she should be getting: The best quality care.

It's what guarantees that you pay exactly what you should be paying.

At Liberty Mutual, we understand that a comprehensive Group Health Care plan requires a comprehensive approach to all the costs involved. The financial costs. The human costs.

And our approach has been successful for over 75 years.

For more information, call your Liberty Mutual Benefit Sales Representative or contact: J. Michael Ashwood, V.P./Manager Benefit Sales, Liberty Mutual Insurance Group, 100 Main Street, Dover, New Hampshire 03820. Telephone: 603-749-2600.



Maximizing coverage for pollution

Finding other liable parties is key: Anderson

By STACY ADLER

CLEVELAND—For policyholders facing pollution liabilities, Eugene Anderson has two bits of advice: Notify your own insurer; then try to secure coverage from someone else's policy.

The first step requires only overcoming the natural reluctance to tell insurers of a claim; for the second, a dash of creativity may be needed.

Known as the "Dean of the Policyholder Bar," Mr. Anderson, a lawyer with Anderson, Kill, Olick & Oshinsky in New York, offered some tips for policyholders seeking to recoup pollution cleanup costs from their liability insurers. His advice came as part of a one-day conference titled "Evaluating Insurance Coverage for Environmental



Mr. Anderson

Liabilities: A Special Briefing for Policyholders" held here June 6 and sponsored by Anderson, Kill, Olick & Oshinsky.

"Policyholders don't want controversy; they want insurance," said Mr. Anderson.

The trouble, he says, is that they don't always take the right steps to ensure they are covered. Too often, for example, they fail to properly notify insurers of a problem.

"Notice is critical," said Mr. Anderson. "But risk managers hate to give notice. I can't describe the reluctance they have to tell their insurers there may be a problem."

However, if a risk manager hesitates to give notice or fails to give notice, the insurer can void the coverage, he explained.

"Lawyers and brokers ought to know better," said Mr. Anderson. "Lawyers and brokers are getting sued for failing to advise their clients to give timely notice."

In addition, shareholders often sue the officers and directors of a company that fails to give timely notice, he added.

Even captives can present problems. Mr. Anderson pointed out that captives must be treated like separate insurance companies and be given proper notice.

Another mistake risk managers often make is to look only at their current insurance policies when a problem arises, he said. These risk managers fail to realize that old insurance policies cover current problems, he said.

Mr. Anderson displayed a current advertisement from CNA Insurance Cos. that states: "Imagine being surprised in 15 years with a liability lawsuit. You just never know if a service performed today, a product sold tomorrow, or a material used next week may come back to haunt you in the form of a lawsuit. Even if it takes five, 10 or 30 years to result in a claim, your business would be liable for the loss. That's why it is critical to choose an insurance company now with the financial strength to pay claims not just today, but in 20 or 30 years."

"This ad tells you that old insurance policies cover today's litigation problems," said Mr. Anderson. "Whenever a lawsuit relating to old activities comes through the door, look to old insurance policies."

Risk managers also often fail to utilize what he called OPI: Other People's Insurance.

For example, if a company is being held liable for a leaking un-

derground storage tank, the policyholder should check to see whether a certain component made by another company caused the leak. If it did, that company's insurance could be applicable.

What about the company that supplied the tank? he asked. Its policies could also be applicable.

If the policyholder is being held liable for sending hazardous wastes to a dump site, the policyholder should look at the other responsible parties that used the dump site and what insurance they have, Mr. Anderson said.

Sometimes only a lawyer can recognize insurance possibilities.

The policyholder attorney shared this comic hypothetical example: A male worker files a sex discrimination lawsuit because the predominantly female company for which he works does not provide a convenient men's restroom. Later, the worker alleges that he suffers from constipation because the restroom is so far away. Recognizing this as a workplace bodily injury, the lawyer quickly files a workers compensation claim on behalf of the employee.

Risk managers also must fight to receive defense costs from their insurers, Mr. Anderson said.

"Defense is unbelievably important," he stressed. "For every one dollar spent on Superfund cleanups, 85 cents goes to gray suits and not to denim suits."

Therefore, policyholders must do everything they can to get liability insurers to cover their defense costs, said Mr. Anderson.

One tactic Mr. Anderson's firm is using to win both defense and indemnification for policyholders facing multimillion-dollar hazardous waste cleanups is to use arguments insurers themselves use in litigation against other insurers.

In one case, First State Insurance Co. and several Lloyd's of London syndicates, which wrote property insurance for a policyholder, paid for the policyholder's pollution cleanup expenses. Then First State and Lloyd's tried to recoup these costs from the policyholder's liability insurers. In the course of this insurer vs. insurer litigation, First State and Lloyd's made many of the same arguments policyholders make when trying to recoup cleanup costs from liability insurers (*BI*, Sept. 11, 1989).

First State and Lloyd's later tried—unsuccessfully—to retract their pro-policyholder statements

Continued on next page

The secret of success is never being at a loss for words. (Or pictures)



If you've ever been frustrated by a misplaced or lost piece of information, don't lose this page.

Because IBM can make sure that never happens again—thanks to ImagePlus.®

ImagePlus is IBM's system solution designed to give you image processing capabilities, including high-speed capture of large volumes of documents, to help streamline your paper-intensive operation.

It's an imaging system created to make you more productive, by making you more responsive.

With ImagePlus, you can scan or fax your documents, letters, photos—any piece of paper—directly into your computer.

Continued from previous page (BI, July 23, 1990). The case is now pending before the Michigan Supreme Court.

For now, Mr. Anderson and other policyholder lawyers are using the First State and Lloyd's briefs as evidence that even insurers recognize that cleanup costs are covered by the comprehensive general liability policy.

According to Mr. Anderson, there are 22 other cases in which insurance companies have argued in court that cleanup costs are covered by the CGL policy.

Each time an insurance company "has asked that it be paid for environmental damages, it has succeeded," according to Mr. Anderson. "Their batting average is 1.000."

"Policyholders are entitled to the same treatment," he said. ■

Even the lawyers agree: settle

Weighing the costs of pollution litigation

By STACY ALDER

CLEVELAND—More and more policyholders are opting to settle pollution coverage disputes with liability insurers rather than pursue expensive and protracted litigation, according to attorneys.

They caution, however, that it is not easy for policyholders to know when or how to settle.

Attorneys from Anderson, Kill, Olick & Oshinsky in New York and The Sherwin-Williams Co. offered some suggestions to policyholders contemplating an insurance settlement. Their advice was part of a

conference sponsored June 6 by the law firm.

"A bad settlement is better than good litigation," said Thomas Sear of Anderson, Kill, Olick & Oshinsky.

"Policyholders are obtaining substantial dollars without engaging in full-blown litigation," he said.

Because pollution coverage litigation is costly and time-consuming, many policyholders stand to gain from settling coverage disputes early on, he said.

But initiating settlement discussions does carry risks.

For example, because the law regarding whether or not pollution cleanup costs are covered by the comprehensive general liability policy varies from state to state, the forum for the litigation can be critical, said Mr. Sear.

A policyholder that begins aggressive settlement negotiations before filing suit runs the risk that the insurer will decide to sue the policyholder in a jurisdiction where the law favors insurers, he said.

One option for policyholders is to file the coverage lawsuit in a jurisdiction that is favorable to policyholders and then begin negotiating a settlement with the insurers, suggested Mr. Sear. He con-

cedes, though, that filing suit makes negotiating more difficult.

"There are a lot of mental gymnastics a company must go through to try to determine the best course of action," agreed Dale Normington, senior corporate counsel for Sherwin-Williams in Cleveland.

"A lot of soul-searching needs to go on in-house" before a company decides to start on the path of litigation, said Mr. Normington.

He suggested that companies deciding whether to negotiate with or sue its liability insurers ask three questions.

First: "What do you have available as a weapon in this fight?"

Specifically, what types of policies did the company purchase and what types of exclusions do they contain. For example, an exclusion in the post-1973 CGL policy bars coverage for all pollution that is not "sudden and accidental." And exclusions in more recent CGL policies bar coverage for all pollution.

Second: "What is the cost to the company vs. the benefit of initiating coverage litigation?"

The answer to this question lies in a comparison of the company's likelihood for success and the amount that could be recovered against the cost to achieve this recovery, explained Mr. Normington. Attorneys' fees need not be a factor in this calculus, since attorneys' fees can usually be recouped from the insurer if the policyholder is successful, he added.

Third: "How important is this fight in relation to the other coverage problems at the company?"

If other problems outweigh this coverage dispute, this needs to be a factor in the decision of whether to settle or sue, said Mr. Normington.

Finally, he advised, "know your carriers." Are they known for offering reasonable settlements or being hardball litigators?

Once negotiations are under way, Mr. Sear said a policyholder should weigh several factors to determine what size settlement is appropriate:

- Policy limits.
- Whether the insurer wrote primary or high-layer excess coverage.
- Whether the policy years are likely to be affected by the underlying claims.
- The number of polluted waste sites to be cleaned.

Policyholders must also examine the various allocation theories courts have adopted for when a claim involves more than one policy, according to Mr. Sear.

Some courts hold that every policy from the moment the polluting event occurs until the land is cleaned is triggered; other courts hold that only the policies in place when the polluting event occurs are triggered, he explained.

"There is no science to this process" of determining what is an appropriate settlement, said Mr. Sear. "Policyholders simply must make a common sense estimation of the carriers' exposure."

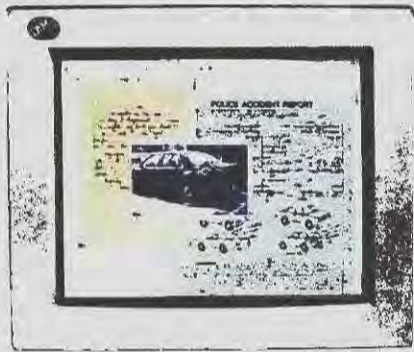
Mr. Sear cautioned policyholders never to allow their insurer to "buy out" a policy it has written as a form of settlement. In a buyout, an insurer offers to pay a sum to the policyholder. In return, the policy is voided.

While this may appear like a good idea in light of the current problems facing the policyholder, future liabilities may be much greater, explained Mr. Sear. A policyholder agreeing to a buyout never knows how much risk he is assuming in exchange for the settlement, he said.

Mr. Normington of Sherwin-Williams agreed, cautioning risk managers: "Don't make settlement decisions in a vacuum." ■

So they can't accidentally fall off your desk, slip behind your coffee mug or inadvertently end up in the wastepaper basket.

And, once you've scanned or faxed information into your system, anyone in



any department—from your accounting people to your customer service reps—can retrieve it, file it, view it in full color, and reproduce it. Instantly.

One of the many other conveniences: An image of a color photograph can be captured, stored and retrieved from the same folder that contains an image of a handwritten letter and other related documents.

Today, hundreds of ImagePlus systems are installed and improving productivity and customer service in banks, insurance companies, government agencies, hospitals, manufacturers, retailers and transportation companies around the world.

From now on, everyone with an ImagePlus terminal can have the information they need, the second they need it. Which, alone, is enough reason to consider ImagePlus.

But there are other reasons.

Like flexibility: ImagePlus with OS/2® gives you the multitasking power to run several different programs—spreadsheets, word processing, desktop publishing, host computer emulation and other image applications—at the same time, without interrupting the one you're working on.

You can imagine the impact on productivity.

Projects that used to take weeks to close, now can take hours.

Customer questions that used to take days to answer, now can take seconds.

One ImagePlus customer recently reported significant increases in productivity after only *eight weeks*. Our image specialists are hearing more reports like this all the time.

And remember, IBM can help you integrate ImagePlus into your existing data management system. In fact, thanks to ImagePlus' open interfaces, you can integrate your own image applications and even attach your own scanners and printers.

Best of all, these features are in *addition* to IBM's long-term commitment to service and support.

ImagePlus, from IBM. Now, when it comes to information, you can't lose.



For more details, contact your IBM representative, call us at 1 800 IBM-6676, ext. 883 or send in the coupon below.

IBM, ImagePlus and OS/2 are registered trademarks of International Business Machines Corporation. © 1991 IBM Corporation

Please send me more details about IBM's
Imaging Solutions

Clip and mail to:
IBM Corporation, Dept. 883
P.O. Box 3974, Peoria, IL 61614

Or call:
1 800 IBM-6676, ext. 883

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone _____

Complete environmental solutions



With a unique understanding of the needs of the insurance community, ESE's scientific and engineering experts combine to provide service that goes beyond technical expertise.

ESE offers a comprehensive range of services to support underwriting, claims management, and investment and property management including:

- Expert Witness Testimony
- Third Party Review
- CERCLA/PRP Representation
- Technical Support to Agency Negotiations
- Transactional Environmental Assessments
- Analytical Laboratory Services
- Risk Assessment, Air Resources Industrial Hygiene, Geosciences
- Remedial Engineering



**Environmental
Science &
Engineering, Inc.**

Call 800-669-4391 for a brochure outlining ESE's services for the insurance community

More than 30 offices nationwide

"Claims Professional of the Year" Only nine people can make this claim.



Region I
Carol Massare, CPIW
Property Unit Manager
Prudential Property and Casualty Insurance
Company—Linwood, NJ



Region II
Victoria A. Beyer
Claims Manager
J. Edward Cochran & Co., Inc.—
Hagerstown, MD



Region III
Patty L. Scheider, AIC, CPIW
Senior Claims Adjuster
Gay and Taylor Inc.—
Mobile, AL



Region IV
Jacklyn Reindl, CIC, CPIW
Claims Supervisor
Kentucky Central Insurance Companies—
Lexington, KY



Region V
Patricia J. Timm, CCLA, CPIW
Claims Representative I
Rockford Mutual Insurance Company—
Rockford, IL



Region VI
Patrick M. McEnroe
Director of Claims Services, Audit & Training
Rodney D. Young Insurance—
Fort Worth, TX



Region VII
Georgia A. Taylor
Independent Insurance Adjuster/
Owner/Operator
Ability Insurance Claim Service, Inc.—
Steamboat Springs, CO



Region VIII
**Latricia (Pat) Young, CPIW,
AIC, WCLA, CCLA**
Senior Worker's Compensation Adjuster
Unigard Insurance Group—Phoenix, AZ



Region IX
Lucia K. Diegel
Claims Representative
Industrial Indemnity—
Boise, ID

There aren't many people who can claim to be the top in their industry. Continental Insurance is proud to honor nine who are. As the sponsor of the NAIW Claims Professional of the Year awards for the 17th consecutive year,

Continental wants to recognize these claims experts. We congratulate these professionals on their outstanding achievement, and wish them continued success in the future.



Comings & goings: industry

Thomas A. Greene promotes Coleman

William R. Coleman has been named chief operating officer with reinsurance intermediary Thomas A. Greene & Co. Inc. of New York.

Mr. Coleman will remain executive vp of the Alexander & Alexander Services Inc. unit.

In other reinsurance changes:

William G. Clark, formerly president of Transamerica Reinsurance Co., named to the newly created post of chairman and chief executive officer of the Transamerica Corp. unit in Woodland Hills, Calif. Replacing him as president is **Edwin M. Millette**, a former executive vp, who was also named chief operating officer.

Laurence W. Cheng named senior vp and chief financial officer with Centre Reinsurance Holdings Ltd. of Hamilton, Bermuda. Mr. Cheng will temporarily continue as president of Zurich International (Bermuda) Ltd., a unit of Zurich Insurance Co. that is a major Centre Re shareholder. The post had been vacant.

Abe Altman appointed general manager for North American reinsurance operations with QBE Insurance Group Ltd., an Australian insurer. Mr. Altman had been an executive vp with U.S. International Reinsurance Co.

Prudential Reinsurance Co. of Newark, N.J., announced these changes: **Jackson W. Carpenter** promoted to regional vp in the direct treaty department; **Gregory Coda** promoted to regional vp in the direct treaty department; and **Thomas D. MacKenzie** promoted to departmental vp for Canadian operations.

Stephen S. Brewer joins Cooper Gay Steele & Co., a reinsurance intermediary in New York, as vp in the facultative reinsurance division. Mr. Brewer had been with Marsh & McLennan Cos. Inc.

Insurers

Robert V. Mendelsohn was named president and chief operating officer at W.R. Berkley Corp. of Greenwich, Conn. **William B. Berkeley**, who had been president since founding the insurance holding company in 1967, will remain chairman and chief executive officer. Replacing Mr. Mendelsohn as executive vp is **John D. Vollaro**, who had been senior vp and chief financial officer. Both men joined the company in 1974.

Rolf Huppi promoted to president and chief executive officer of Zurich Insurance Group from president and chief operating officer, effective July 1. Since 1984, Mr. Huppi has been chief executive officer of the Swiss insurer's Zurich-American Insurance Group unit in Schaumburg, Ill.

Ramani Ayer elected president and chief operating officer of domestic property-casualty and international operations of Hartford Insurance Group. Most recently, Mr. Ayer, who will also join the company's board of directors, had been executive vp for domestic property-casualty operations.

Michael J. Poulos named vice chairman and **Roy W. Haley** named to replace him as president of American General Corp. of Houston. Mr. Poulos, a 21-year veteran of American General, had been president since 1981. Before joining the company in 1988, Mr. Haley had been with Arthur Andersen & Co. in Houston.

U.S. Life Corp. of New York announced these promotions: **Paul M. Brustowicz** named vp-new business; **Moni E. Gabbai** named

vp-financial systems; and **Ignazio J. Greco** named vp-taxes. And, at All American Life Insurance Co., a U.S. Life subsidiary, **Kenneth E. Kelting** named vp-association group.

William L. Stafford, formerly vp of risk control for Industrial Indemnity Insurance Co. in San Francisco, named director of loss control for Transamerica Insurance Co. of Woodland Hills, Calif.

Louis J. Rampino promoted to senior vp and chief operating officer with Fremont General Corp., an insurance holding company in Los Angeles. He had been senior vp, operations.

Mathias Sullivan and **Richard Davis** promoted to senior vps with Associated Aviation Underwriters, a joint underwriting venture of Marine Office of America Corp. and Chubb & Son Inc. Mr. Sullivan is based in the Short Hills, N.J., headquarters and Mr. Davis has been regional manager since 1984. Also at AAU, **Paul O'Donnell** named vp in Short Hills.

George C. Wynne named senior vp and division officer for the agency division at Erie Insurance Exchange of Erie, Pa.

Janet Lawrence promoted to vp of product development at United Community Insurance Co., a Lawrence Group Inc. unit in Albany, N.Y.

Kenneth Fekete named senior vp in the special programs casualty department at Reliance National Insurance Co. of New York. He had been vp of primary and umbrella insurance.

Robert A. Bonner named vp-pensions with Sun Life Assurance Co. of Canada (U.S.) in Wellesley Hills, Mass.

Michael L. Downs joined Engineering Insurance Co. Ltd. in London as managing director. EICL is a joint venture of Hartford Steam Boiler Inspection & Insurance Co., where he previously worked, and General Reinsurance Corp.

Gerling America Insurance Co. and Gerling Konzern American Service Corp., both of New York, announced these appointments: **Lothar Riedle** to executive vp; **Jack Fu** to senior vp and treasurer; **Bernd Vogelsang** to senior vp and corporate secretary; and **James A. Robbins** to vp.

Agents/brokers

Frank B. Hall & Co. Inc. announced these changes: **Daniel J. Leuschen**, formerly president of the brokerage's Hawaii unit, named president and chief executive officer of the Grand Rapids office of Frank B. Hall & Co. Inc. of Michigan; replacing Mr. Leuschen in Honolulu is **Carl P. Hennrich**, who had been a senior account executive with John H. Connors Inc., a Honolulu brokerage; and **John T. Carroll Jr.** named vp at Frank B. Hall & Co. of Minnesota Inc.

James J. McCahill appointed president and chief executive officer of Braishfield Associates Inc. in Clifton, N.J. He had been vp and director of commercial operations for Palmer & Cay/Carswell Inc. of Savannah, Ga.

Johnson & Higgins announced these changes: **Bernardo J. Calonge** named senior vp and manager of Johnson & Higgins of Ohio Inc. in Cincinnati; **Herbert R. Selander Jr.** named senior vp and manager of the account management department in New York; and **Eric G. Dalrymple** named vp and treasurer for J&H in New York. ■

ECS & Reliance National Introduce: Coverage of the "No Man's Land" Between Consulting and Clean-up.

CEL. The first single policy for consulting and clean-up. Companies that do both environmental consulting and clean-up run more than twice the risk of a company that only does one. Functions overlap. Responsibilities blur. The result: two separate policies for clean-up liability and consulting errors can leave gaps big enough for a company to fall through. Now ECS and Reliance National offer a single insurance policy that covers environmental consulting, clean-up operations, and all the gray, hazardous areas in between. It's called Consultants Environmental Liability, or CEL, and it's the first and only coverage of its kind. Leave it to ECS, experts in environmental insurance since 1979, to innovate coverage that protects your real world exposures, while providing your company with greater security. Return this coupon or call ECS at 800-ECS-1414 today for more information on CEL.

Environmental insurance protection for American industry.

Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Telephone _____ 91-11-CEL-6/17



ECS
Underwriting,
Inc.
An ECS Company

THE CHOICE
Reliance National

One East Uwchlan Avenue, Suite 300
Exton, PA 19341
Or call (800) ECS-1414 (in PA (215) 269-6731)
FAX (215) 524-5354

OSHA follow-up procedures faulted by GAO

By ADRIENNE C. LOCKE

Washington

WASHINGTON—The Occupational Safety and Health Administration should require employers that are cited for workplace health and safety violations to provide "detailed evidence" that they have corrected the hazardous conditions, the General Accounting Office says in a critical report.

The GAO, the investigative arm of Congress, last month reported that OSHA has difficulty confirming that employers actually correct the workplace health and safety violations for which they are cited. "Limitations" in the way OSHA confirms companies' promises hinder efforts to uncover those companies that have failed to correct problems, the GAO said.

Rep. Joseph M. Gaydos, D-Pa., chairman of the House Health and Safety Subcommittee, and Rep. Paul B. Henry, R-Mich., the ranking Republican on the subcommittee, asked the GAO to assess the adequacy of the procedures OSHA uses to determine whether workplace hazards have been corrected.

Calling OSHA's policies "incomplete," the GAO pointed out that, the agency does not require—only requests—that employers provide evidence that violations have been corrected. OSHA relies on information from the employer that cited violations have been corrected, the GAO reported.

Documentation like purchase orders and photographs are requested from employers, but the report found that the documents provided often are incomplete and photographs too poor to confirm the actions taken.

Because OSHA rules do not require any documentation, follow-up inspections are needed to monitor compliance. But, the report said, resource constraints and higher priority inspections limit the number of follow-ups.

And if an inspector does return to a worksite, sometimes it's not

for a follow-up inspection, but to investigate a new violation, the GAO said.

Without better confirmation, OSHA cannot be sure which hazards have been corrected. Yet many cases are closed, meaning "employers may not have corrected the hazards and workers may remain at risk," the report charged.

The GAO said it could not estimate how many employers fail to correct violations that OSHA believes have been abated. However, the report said, OSHA itself found that in fiscal 1989 employers failed to correct known hazards in at least 25% of the inspections.

Another finding: the agency's abatement policies and procedures do not adequately confirm whether unsafe conditions at construction sites have been corrected.

Because the industry has the highest serious injury rate and the third-highest fatality rate, more than half of the agency's inspections are of construction companies, the report said.

Efforts to ensure that cited hazards are corrected are hampered by the short-term nature of the work. Construction projects may be completed before OSHA can confirm that a hazardous condition found in a site inspection was corrected.

This makes follow-up inspections infrequent, the report said. Although construction sites accounted for 55% of all inspections, they accounted for only a fifth of the follow-up inspections.

And, once the construction site is no longer in operation, the hazard is considered abated. "After work has ended at the inspected site, OSHA requires no further abatement efforts by the contractor even if the cause of the problem, such as untrained personnel (or) defective equipment... could continue at another worksite," the GAO said.

The GAO recommends that construction companies be required to correct cited hazards before a job is completed. Companies also should not be allowed to "correct" a problem merely by moving to another location if the cited condition, equipment or procedures would likely create a hazard at the new location, the report said.

Those two "valuable recommendations" will receive "serious" consideration, said Gerard F. Scannell, an assistant Secretary of Labor and head of OSHA. The agency will report back to the GAO by October on its plans.

Acknowledging that administrative procedures "may limit our ability to confirm abatements," Mr. Scannell said the agency has implemented revised internal audit and regional oversight processes to improve employers' documentation of abatement.

Mr. Scannell also said that most violations directly affecting the safety and health of workers on construction sites are corrected immediately by contractors and verified by the inspector before leaving the worksite.

However, "because of the nature of mobile worksites, there is no guarantee, even if abatement is verified at a given site, that an employer will fulfill his or her responsibility... when utilizing equipment or conducting business at another site," he said.

The agency will continue to seek "improved means" to ensure safe conditions, he said.

New ERISA advisers

Five new members were appointed to the Advisory Council on Employee Welfare and Pension Benefit Plans last month.

Appointed by the secretary of labor, the 15-member council advises the secretary on implementing and administering the Employee Retirement Income Security Act of 1974.

Starting their three-year terms will be:

- Maceo K. Sloan, president and chief executive officer at NCM Capital Management Group of Durham, N.C. He will be representing investment management interests.

- Janae L. Schaeffer, a labor lawyer at Jolley, Walsh & Hagar in Kansas City, Mo., who frequently represents employee organizations. She will be representing the interests of employees.

- Edward R. Mackiewicz, fund general counsel for the Master, Mates & Pilots Plans in Linthicum, Md. He will be representing the interests of employer organizations, particularly those of multi-employer plans. Mr. Mackiewicz is also general counsel for the Pension Benefit Guaranty Corp.

- Edwin M. Jones, a partner at Bentley, Moser & Babson, a law firm in Stamford, Conn. He will represent the interests of the general public. Mr. Jones is a former executive director of the PBGC.

- Ronald D. Watson, chairman and chief executive officer at the Custodial Trust Co. in Princeton, N.J. He will be representing corporate trust interests.

Record EPA penalties

Two corporate pollution cases have ended recently with record, multimillion-dollar penalties.

"It should now be abundantly clear that criminal sanctions are not reserved only for the flagrant and the deliberate violations of environmental laws, but also for violations that result from a company's plain or institutional indifference to meet its legal responsibilities," said Julie Belaga, regional administrator for the U.S. Environmental Protection Agency in Boston.

In the largest criminal penalty ever for hazardous waste violations, United Technologies Corp. has agreed to pay \$3 million. The Hartford, Conn.-based company pleaded guilty in U.S. District Court in Connecticut to six felony violations of the Resource Conservation and Recovery Act.

Charges against United Technologies stem from the dumping of hazardous chemicals at a facility in Stratford, Conn.

One chemical cited in the case, Clean All-D, ended up on the floor of a testing building after helicopter transmission tests. Workers swept the mixture of that chemical, transmission fluid and oil onto the ground outside the facility, according to court papers.

Even after the facility's in-house environmental compliance officer became aware of the improper disposal in 1982 and tried to change the practice, the practice continued, the EPA said.

United Technologies halted the ground dumping of Clean All-D in 1986 and stopped using the chemical completely at the test facility in 1987. The company has undertaken "significant" compliance efforts, the EPA said.

Meanwhile, in what is the largest settlement to date of a single Clean Water Act violation, Wheeling-Pittsburgh Steel Corp. has agreed to pay \$6 million plus any interest accrued since February. The agreement settles a three-year lawsuit alleging that the Pittsburgh-based steelmaker discharged more waste water into the Ohio River than its permit allowed.

The EPA charged that three Ohio plants released illegal amounts of waste water containing chrome, lead, ammonia, zinc, oil and grease into the Ohio River.

Most of the alleged violations occurred before January, when the steelmaker emerged from protection under Chapter 11 of the U.S.

Bankruptcy Code.

In addition to paying the penalty, Wheeling-Pittsburgh Steel has also agreed to upgrade its waste water treatment facilities to comply with its discharge permit. And, the company will undertake special environmental programs at two of the Ohio plants—in Steubenville and Mingo Junction—to keep its waste water at a higher quality than required.

Health trends cited

While reported deaths from heart disease and cerebrovascular diseases continue to decline, deaths from AIDS and the percentage of uninsured are on the rise, a government health report says.

According to the Health and Human Services report, "Health United States 1990," mortality rates for many illnesses declined during 1988—the most recent year for which data is available.

For example, deaths from heart disease, the nation's No. 1 killer, have continued to decline with 166.3 deaths per 100,000 U.S. residents reported in 1988, down from 169.6 deaths per 100,000 residents in 1987 and 175 deaths per 100,000 residents in 1986. Deaths from heart disease have been steadily declining since 1981, the report said.

Deaths from cerebrovascular diseases, including high blood pressure and strokes, also have decreased to 29.7 deaths per 100,000 residents in 1988, down from 30 deaths per 100,000 residents in 1987 and 31 deaths per 100,000 residents in 1986.

However, the mortality rate for those with AIDS continues to rise, the report found.

There were 6.6 AIDS-related deaths per 100,000 residents in 1988, up from 5.5 deaths per 100,000 residents in 1987.

Overall, there were 22,616 reported deaths from AIDS in 1989, up from 18,379 in 1988, 14,710 deaths in 1987 and 11,012 in 1986. In 1985, there were 6,430 reported deaths from AIDS, and in 1984, there were 3,276 deaths. In 1983, the first year AIDS-related deaths were reported, there were 1,441 deaths attributed to AIDS, the report said.

There were 33,710 cases of AIDS reported in 1989, compared with 30,850 reported in 1988, 21,114 cases in 1987 and 13,123 in 1986. In 1985, there were 8,181 AIDS cases and in 1984, there were 4,436 AIDS cases. In 1983 there were 2,058 cases of AIDS reported.

There were 12,294 deaths from AIDS out of 33,215 reported cases as of Sept. 30, 1990, the report said.

In addition, the report shows that the percentage of Americans without health insurance has increased during the past decade.

According to the report, 15.7% of the population under age 65 was uninsured in 1989, while 76.6% was covered by private insurance and 6.4% was covered by Medicaid. The remaining 1.3% of the population had other types of insurance coverage, like Medicare or CHAMPUS.

In 1984, 15.4% of the population under age 65 had no health insurance coverage, while 76.9% had private coverage and 6% were covered by Medicaid. The remaining 1.7% had other types of insurance.

In 1980, 12.5% of the population under age 65 had no health insurance coverage, while 78.8% had private coverage and 5.9% were covered by Medicaid. The remaining 2.8 had other types of insurance.

Copies of "Health United States 1990," can be obtained for \$18 from the U.S. Government Printing Office, Washington, D.C. 20402; 202-275-2091.



WOULDN'T YOU RATHER BE A CAPTIVE IN HAWAII?

Why Hawaii for your captive insurance company?

Capitalization requirements are lower than most states. And all of the captive services you'll need—investment management, banking, legal, actuarial, and accounting are here, in the financial center of the Pacific. As for those mandatory annual meetings... well, you might give that some thought, too.

Once you've selected Hawaii, First Hawaiian's Trust Group will help you with the necessary financial services for your captive insurance company. If our name sounds familiar, you may have read that *Business Week* rated us "the most solid bank in America" in 1990 and "the safest lender in America" in 1991.

Phone Richard Chiozzi, Assistant Vice President at (808) 525-6266 or Katie Anderson at (808) 525-6237 for more inducements. Call collect.



First Hawaiian Bank
The Answer is Yes. Member FDIC

Federal involvement likely: NAPSLO head

By KATHRYN J. MCINTYRE

PEARL RIVER, N.Y.—Legislation creating national charters for insurers and repeal or substantial modification of the McCarran-Ferguson Act is likely to be passed, but to the detriment of the insurance market and buyer, predicts the president of a national surplus lines organization.

"These two major pieces of legislation, in the regulator's mind, would guarantee competition with unregulated rates and form but maintain control of insurers with stringent solvency standards," says Joseph D. Timmons, president of the National Assn. of Professional Surplus Lines Offices Ltd.

However, he warns, the result would be a "similar situation which occurred in the early '80s in the savings and loan industry... as the companies begin to fail under the pressure of super competitive rates and the stringent solvency standards."

Mr. Timmons, who also is president of Midwestern General Agency Inc. in Kansas City, Mo., made his remarks at the 1991 Mid-year Conference of the Professional Insurance Wholesalers Assn. of New York State Inc.

The conference was held late last month in Pearl River, N.Y.

The insurance industry, Mr. Timmons commented, is "perhaps one of the most scrutinized industries except perhaps banks and S&Ls," with seven different House and Senate committees or government entities reviewing segments of the business.

Surplus lines insurers, he noted, would not favor a federal system of regulation if it included them in a federal guaranty fund.

The surplus lines industry also must be vigilant in defending against unwarranted state regulations that could be passed, Mr. Timmons said.

"We must remain active in the regulatory arena to keep the door open for our needed services," he advised.

"We have always had our hands full during the soft market times as regulators both on a federal and state level try to figure out how they can put us out of business while we are seemingly not needed," he said.

Among the laws under consideration in individual states is the model surplus lines law adopted by the National Assn. of Insurance Commissioners, he said.

While NAPSLO supports the passage of this law, he stressed that the law should be adopted with the additional provision that commissioners can find a surplus lines insurer with a minimum capital and surplus of \$4.5 million eligible to write insurance.

Originally, the model law called for minimum capital and surplus of \$15 million by the end of 1992 for all surplus lines insurers.

The lower capital and surplus provision was added as a result of testimony by NAPSLO and the Surplus Lines Advisory Committee to the NAIC, he noted.

"We depend on a multitude of smaller companies that might not be able to continue in some states if the model law is passed without modification," Mr. Timmons explained.

Commissioners need the latitude "to take into consideration the company management, type of business being written or other circumstances" when determining the required minimum capital and surplus, he said.

NAPSLO also is concerned that states may adopt laws requiring that insurance buyers first be re-

jected by an assigned risk facility before they can access surplus lines insurers.

"Every inch that we give up to the regulator during the soft market, we pay for in restrictions when we are asked to respond to the cry of the insured for coverage at any price," Mr. Timmons said.

"We all know the specialty/excess and surplus lines industry will again be asked to respond to the call when the market turns," he commented.

While specialty lines wholesalers serve only a small percentage of the overall industry, "we are the ones that step in and keep products available to solve the insurance problems of the insurance consumer," he said.

COBRA SOFTWARE

The most popular Cobra Software System in use today.

Join the over 2,200 employers using the single-employer version, or the 300 TPA's and insurance carriers using the multi-employer version of Corporate Cobra Manager from Travis Software.

Cobra Corporate Manager automatically produces up to 29 letters, forms and documents required by COBRA. Flexible and easy to use, it performs record-keeping, correspondence generation, premium billing and full reporting.

And it costs just \$1,295 for the single-employer system.

Travis Software fully supports Corporate Cobra Manager, and has updated the system 9 times since 1986, as new regulations have arisen. Also, our latest version, Release 5.0, offers fully network compatibility.

For information or a demonstration diskette call 1-800-521-5409 or in Houston, call (713) 496-3737.

Other Systems Include: TravisFlex, Group Premium Billing Manager, Retiree Premium Billing Manager and Travis/Comp.



NAME _____

TITLE _____

COMPANY _____

STREET _____

CITY, STATE, ZIP _____

TELEPHONE _____

Travis Software

1001 S. Dairy Ashford, Suite 206 • Houston, Texas 77077
Phone: 1-800-521-5409 or in Houston, call (713) 496-3737

PLEASE SEND MORE INFORMATION ON:

Corporate Cobra Manager TravisFlex

Retiree Premium Billing Manager

Group Premium Billing Manager Travis/Comp



WE COULD HAVE HELPED HIM FACE THE MUSIC.

After losing his hearing, Beethoven went on to produce some of his greatest work. But his disability took an emotional toll on him.

ITT Hartford knows the emotional costs of disability must be managed, along with the dollar costs of disability. We can provide Rehabilitation Counselors to work closely with disabled employees, their employers and physicians. This work can range from helping the disabled cope with their condition, to arranging for specialized assistance and equipment, to coordinating the return to work.

The result is a comprehensive vocational program tailored to an individual's skills and requirements.

Employers and their employees shouldn't have to face disability alone. Ask about our full range of Employee Benefit products and services. It'll be music to your ears.



ITT HARTFORD

For The Best In Life—And Health.

N.Y. regulator defends state oversight

Industry's woes aren't states' fault: Curiale

By JUDY GREENWALD

NEW YORK—Despite increasing efforts to create a federal role in insurance regulation, New York's top insurance regulator is defending the current system of state oversight.

"It's a tough, tough job to regulate insurance," said Insurance Superintendent Salvatore Curiale.

In Japan, where prices are tightly controlled, the job is "fairly easy," but in the United States "we demand tough competition," he said. The American consumer wants the best products at the cheapest price, all risks covered and a solvent company to boot, Mr. Curiale said. "We try to give him this, but it ain't easy."

The New York superintendent spoke at a recent seminar on current developments in insurance co-sponsored by the Public Regulation of Insurance Law committee of the Tort and Insurance Practice Section of the American Bar Assn. and by the Assn. of the Bar of the City of New York.

Federal intervention could play a significant role in improving insurance regulation, but it could also make it worse, Mr. Curiale said.

It is important for "well-in-

formed dialogue" on this issue to continue, Mr. Curiale said. And, pointing to congressional hearings on insurance regulation, he said, "I know that dialogue will continue."

Mr. Curiale also discussed the department's seizure in April of Executive Life Insurance Co. of New York, a troubled subsidiary of First Executive Corp. that is now in rehabilitation (EI, April 22).

The department felt "until the end" that the insurer was in a position to meet its obligations. But then came a "run on the bank." With 500 policy surrenders a day draining the insurer's liquid assets, "we stepped in," Mr. Curiale explained.

"We feel at this point that every obligation will be met, and that's without the guaranty fund," he said. And, if the insurer's situation gets worse, the guaranty fund will be available, Mr. Curiale said, stressing that no one will lose his or her pension, life insurance or life savings.

Turning to regulation of property/casualty insurance, Mr. Curiale observed that "property/casualty business was always a tougher business than life insurance," although it has the benefit of more conservatively invested assets.

It also faces a host of new problems, he said. These include: opportunistic politicians; rate suppression; rate rollbacks; uncollectible reinsurance; exposure to guaranty fund assessments; exposure to catastrophe losses, earthquakes and pollution liabilities; directors' and officers' exposure to liability in connection with the savings and loan fiasco; and the loss of premium volume to alternative markets like captives and risk retention groups.

These worries are in addition to the longstanding problems of the insurance cycle, overcapacity and underreserving, he said.

Those problems, Mr. Curiale said, do not reflect the failure of state regulation. Instead, he attributes them to the nature of the business and "drastic changes" in the economic and social environment and in the free enterprise system.

Society today is having a hard time making difficult choices, Mr. Curiale observed. For instance, it wants state-of-the-art health care but does not know how to pay for it, and it wants to clean up the environment but does not know how to pay for it, either, he said.

Another speaker at the session, George K. Bernstein, spoke of an evolution in federal regulation. Twenty-five years ago, insurance "was essentially unknown in Washington," said the New York attorney. Today, however, "people are aware of rates and people are aware of insurance."

Mr. Bernstein traces that change

to the mid-1960s when Sen. Thomas Dodd, D-Conn., began to focus on insurance insolvencies. And, the states at that time began to enact guaranty fund legislation, he said.

But, "the underlying causes of insolvencies were never addressed," Mr. Bernstein said.

In recent years, Congress has again focused on insurer insolvencies, concentrating on issues like solvency regulation, depressed rates and the McCarran-Ferguson

derwriting authorities and assigned risk plans—and the surplus lines market, Mr. Martin said.

The involuntary markets are designed as markets of last resort when the voluntary market, including both licensed and unlicensed insurers, cannot provide coverage, he explained. A small number of states, though, have attempted to say the existence of JUAs precludes the use of surplus lines insurers, he said.

Mr. Martin said he approved of a

Pointing to McCarran-Ferguson reform efforts, 'unfortunately, the debate in Washington is a typical Washington debate' that focuses on ideology rather than on substance, Mr. Bernstein says. 'The substance of that debate will be minimal.'

Act, which grants insurers exemptions from federal antitrust law, Mr. Bernstein said.

Pointing to McCarran-Ferguson reform efforts, Mr. Bernstein commented, "unfortunately, the debate in Washington is a typical Washington debate" that focuses on ideology rather than on substance. "One could be sure the substance of that debate will be minimal," he said.

Nevertheless, there could be substantial amendment to the federal law, said Mr. Bernstein. Insurers that had been ideologically wedded to state regulation are beginning to have second thoughts as rates and markets are being restricted, he pointed out.

And insurers' disillusionment with state regulation is coalescing with what is happening in Washington, where legislators have reached the conclusion that state regulation has done a poor job, Mr. Bernstein said.

Pointing to the Mission Insurance Co., Integrity Insurance Co. and Transit Casualty Co. insolvencies, Mr. Bernstein said there is the sense in Congress that "something's wrong when insolvencies have grown to the size of those."

"We may have a new alliance for change," although it will not necessarily be immediate, he said.

Also speaking at the session was Jay B. Martin, an attorney with LeBoeuf, Lamb, Leiby & MacRae in Albany, who reviewed current issues in the surplus lines marketplace.

Mr. Martin spoke out against what he described as increasing attempts by state regulators to apply minimum policy form requirements to surplus lines insurers. For instance, there have been some attempts to impose restrictions on policy cancellations, he said.

Minimum policy form requirements, although intended to protect policyholders, is "completely and totally inconsistent with the very nature of the surplus lines market," said Mr. Martin.

The surplus lines market accepts hard-to-place risks, he said, adding, "I think it's important to keep that in mind."

Regulating surplus lines policy forms would reduce market capacity, Mr. Martin warned. Insurers will not put their capital at risk if they must follow policy terms applicable to the regular market, he said.

"It's important to distinguish between the voluntary and the surplus lines market," he explained, adding that attempts to apply policy form restrictions on surplus lines insurers "simply don't make sense."

It is also important to distinguish between the involuntary market—which includes joint un-

proposal by the National Assn. of Insurance Commissioners that would permit it to act as a "gatekeeper" for alien insurers.

In April, the NAIC approved the concept of a federal law to expand the duties of its Non-Admitted Insurers Information Office so that it could become a national "gatekeeper" of non-U.S. insurers writing direct business (BI, April 22).

The NAIC is proposing that Congress authorize that office to determine which insurers can do business anywhere in the United States.

Also speaking at the session was Eugene R. Anderson of Anderson, Kill, Olick & Oshinsky in New York; William D. Latza of Stroock & Stroock & Lavan in New York; and Vincent J. Vitkowsky of Buchalter, Nemer, Fields & Younger in New York.

The session was moderated by Linda P. Berry, vice chairman of the Public Regulation of Insurance Law Committee and an attorney with LeBoeuf, Lamb.

To cut your downtime, our specialists handle both the appraisal and adjusting. And they have experience-based expertise in such areas as construction, mining, logging, precision machinery, farm and marine equipment.

To give your claims a fast start, report them to one of our four conveniently located regional offices, for referral to the nearest adjuster with the right expertise.

Ask for our Claims Directory and more information. Please contact:

Michael J. O'Malley
Assistant Vice President
Continental Loss Adjusting
One Continental Drive
Cranbury, NJ 08570-0001
Tel: (609) 395-2368
Fax: (609) 395-6303

 **Continental
Loss Adjusting** SM

There when it counts.

**WHY DEAL WITH
JUST AN APPRAISER
WHEN WE'LL
GIVE YOU A
HEAVY-EQUIPMENT
ADJUSTER?**

From The Reprint Department Of:

**Business
Insurance**

Reporting weekly for
corporate risk, employee benefit
and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

**REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.**

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3.00 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

Insurer Topics

A special editorial section sent exclusively to insurers and reinsurers

Targeting niche markets

Soft market spurs need to reach the 'right' audience

By MARK A. HOFMANN

Property/casualty insurers shooting for additional premium volume by taking aim at niche markets should set their sights carefully, experts warn.

Insurers have to choose a niche market not already picked over by other underwriters and must be sure their advertising and marketing campaigns are directed at the right—not just the biggest—audiences to generate the additional premium they seek, the experts say.

By focusing their efforts on certain market segments and attempting to dominate these niches by offering superior service rather than the lowest price, insurers hope they can maintain adequate premium volume during a soft market.

Of course, not all insurers have adopted the niche market strategy as the best means of coping with a soft market. But insurers for the most part have accepted the notion that they must do something to set themselves off from the pack to survive.

"As the market gets softer and softer," an insurer needs to become more specialized, said Arthur S. Phillips, executive vp-specialty lines for The Home Insurance Co. in New York.

"We're constantly surveying the market for opportunities of one sort or another," he said.

Even in a soft market, an insurer can select a market segment in which rates are adequate and begin offering services that will attract customers, Mr. Phillips said. However, picking the right niche is no simple thing, and insurers are "waking up" to the fact that niche marketing for the sake of niche marketing does not make a lot of sense, said Kim Paterson, president of Red Bank, N.J.-based Creative Insurance Marketing, an independent consulting firm.

In some cases, so many companies have targeted the same niches that they are no longer attractive, she said.

Mr. Phillips agreed. "I think segmenting the market where

it's not necessary is kind of silly," he said.

Mr. Phillips stressed that entering a niche market first with the best product is critical.

"The goal is to try to add value to the product," he said.

Entering a niche that other insurers have penetrated means that the business has already been picked over, he said.

An insurer that does not rank first, second or third in a niche market probably should look for another niche, he said.

"You want to end up as the leader," Mr. Phillips explained.

However, offering superior service does not mean that price competition can be ignored, Mr. Phillips warned. "You've got to be in the ballpark with respect to price," he said.

Successful niche marketing requires more than identifying a particular industry with which an insurer would like to be involved, according to Joe Hamilton, vp-marketing, special operations group for Continental Corp. of New York.

The insurer must find a market that is sensitive to something other than price competition, like loss control and claims adjusting, and then tailor those services to that market, he said.

Mr. Hamilton, noting that Continental has identified about 20 niche markets in which to participate, also pointed out that pursuing niche markets does not involve promoting a just single line of coverage to that market. One of Continental's chosen niches—railroads—involves marketing a wide range of property and casualty coverages, he said.

Creative Insurance Marketing's Ms. Paterson said that as the large-account commercial property/casualty market remains soft, national insurers have begun looking hungrily at the "Main Street" or small business accounts normally left to

regional insurers.

With their investments in automation, national insurers can underwrite and service such accounts much more efficiently than they could in the past, she said.

And with large accounts increasingly relying on self-insurance and other alternative risk-financing mechanisms, national insurers may find these small accounts a niche they can no longer ignore, Ms. Paterson said.

After picking the right niche, insurers still have to make sure their message is reaching the right audience, experts say.

It is particularly important that insurers reach the right audience now because the soft market has cut into advertising and marketing budgets, Ms. Paterson observed.

"The first two things to go have traditionally been (agent and personnel) education and advertising," noted George Nordhaus, founder of Insurance Marketing & Management Services in Santa Monica, Calif.

"It's short-term management," he said.

And, an insurer's marketing and advertising budget will be wasted if the insurer does not take the time to pinpoint which audience it wants to reach, said Susan L. Silk, president of Chicago-based Media Strategy Inc., a communications consultant.

Ms. Silk cited the example of a group pension insurer in the South that had spent several thousand dollars on television advertising in a small city but was getting no results.

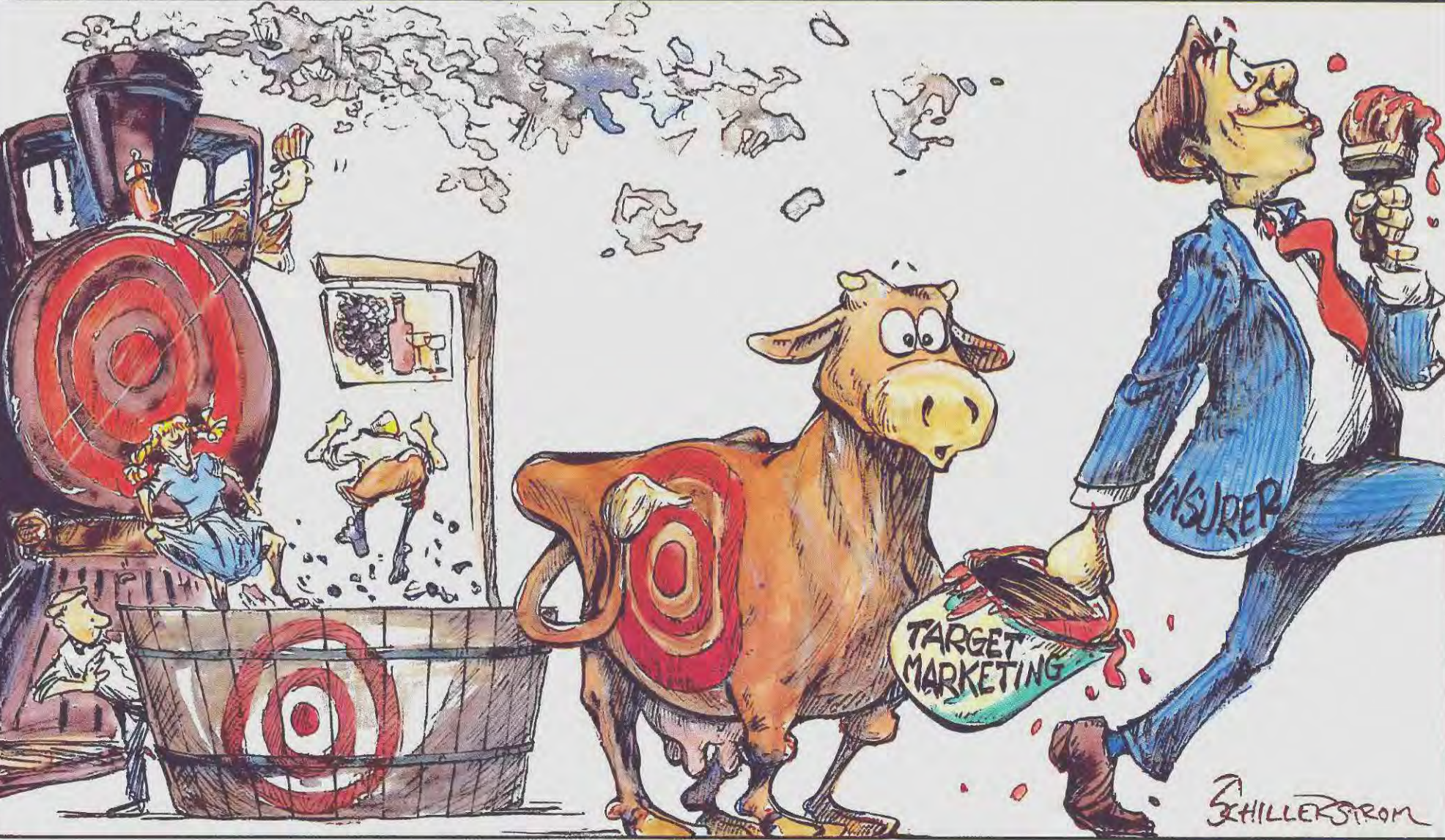
The company's president called her and said that his advertising agency assured him that his message was reaching the largest possible audience. The insurer executive explained that the company's commercials were booked on shows like "Geraldo," "Donahue" and "The Oprah Winfrey Show."

Ms. Silk suggested that he change his media buying habits

Continued on next page



Mr. Phillips



SCHILLERSTROM

Insurers try avant-garde promotion efforts

By MARK A. HOFMANN

Regardless of market conditions, some insurers look for ways other than traditional advertising to get their names before the public.

Non-advertising promotional strategies are closely linked to niche marketing, say insurer advertising executives. The trick is to find an event or medium that reaches a pool of potential customers who fit the desired demographic profile without squandering efforts on people unlikely to buy.

Making sure that promotions reach their target audience has been a guiding tenet at Chubb Corp., which prints pocket-sized loss control handbooks and then offers them without charge to customers and non-customers alike, said Marylu Korkuch, manager of promotion and public relations for the Warren, N.J.-based insurer.

Chubb offered its first booklet, "Directors and Officers Liability Loss Prevention," in 1989, Ms. Korkuch said. The booklet, written by Dan A. Bailey, an attorney with the Columbus, Ohio, law firm Arter & Hadden and co-author of the standard legal text on directors and officers liability, had an initial press run of about 50,000 and was available without charge to anyone who requested it.

Eight other paperbacks on loss control and liability insurance have followed. But the original remains the Chubb "best seller," said Ms. Korkuch: It has already run through four or five press runs of 50,000 to 60,000 copies each.

Ms. Korkuch noted that the booklets fulfill two purposes: to provide name recognition and to educate current and potential customers.

"We're trying to keep our name in front of the risk manager in a useful and memorable way. These booklets don't try to sell anything," she said.

"We look at the dissemination of this series as a public service," Ms. Korkuch added. "We do have a commitment to educate people. It seems like a natural fit."

Ms. Korkuch said that the Persian Gulf war boosted interest in one of the booklets. Initially, Chubb did not receive a flood of requests for "Managing Terrorism Risks" by E.C. (Mike) Ackerman, who is a former Central Intelligence Agency official whose consulting firm—the Ackerman Group Inc. in Miami—is on retainer to advise Chubb's kidnap and ransom insurance policyholders.

But once the war broke out, demand for the 32-page booklet surged and remained high throughout the conflict, Ms. Korkuch said.

Niche marketing

Continued from previous page
—and perhaps his advertising agency—because even if such shows reached the largest number of people, those viewers were not the right audience for the insurer.

Ms. Silk explained to the insurer executive that people viewing television talk shows in the middle of a weekday afternoon are not likely major purchasers of group pension plans.

Ms. Paterson reported that insurers' advertising and marketing budgets are increasingly being directed toward specific markets, "things that can generate business today."

For example, insurers are participating somewhat more in trade shows for particular industries they wish to penetrate, Ms. Paterson said.

During the past year or so, Chubb Corp. of Warren, N.J., has begun attending more industry trade shows than in the past because it has been looking for businesses like wineries

and museums, according to Marylu Korkuch, manager-promotion and public relations.

Ms. Korkuch said the insurer has a specially designed booth that allows it to customize its message to whatever audience it desires.

Panels for the modular booth, designed by Mt. Vernon Displays Inc. of Prospect Park, N.J., have fasteners that permit them to be changed very easily, she said.

For example, if the insurer is going to a winery trade show, it can emblazon the booth with panels advertising its products and services aimed at wineries.

For the Risk & Insurance Management Society's annual conferences, Chubb can put up panels showing a variety of products and services, Mr. Korkuch said. "It's so clever, and it looks so simple," she said.

Kemper National Insurance Cos. of Long Grove, Ill., has used "vertical

advertising"—advertising in the trade journals of certain industries the insurer wants to penetrate—as a marketing tool, said Charles F. Johanns, senior vp-public affairs and communications.

However, Kemper is not concentrating much of its efforts on a handful of industries, Mr. Johanns said.

"We market in a number of niches," he said, noting that the insurer has seen some growth in its personal lines operations.

Zurich-American Insurance Group of Schaumburg, Ill., tries to "appeal to a customer who is willing to pay a little more" for its expertise, said E.K. Loughridge, vp and director of corporate communications.

noted that his company has chosen a different non-traditional way of reaching what it considers the right demographic mix: The insurer sponsors Midwest Grand Prix Assn.'s equestrian show jumping events that take place in various locations throughout the Midwest.

The sport, which features horses and riders negotiating a series of obstacles within a short period of time, tends to draw a well-to-do audience. This includes corporate decision-makers and entrepreneurs, he said.

"It's narrow, but it's narrow for a purpose," Mr. Loughridge said. The events, which he described as "relaxed yet elegant," give Zurich-American executives an opportunity to mingle with their customers and producers in a cost-effective way.

"We couldn't touch a golf tournament for 10 times what we spend on horses," said Mr. Loughridge. He noted one further advantage: free television time. Footage of the events, showing the Zurich-American logo on one of the hurdles, appeared on ABC's "Good Morning America" and on ESPN, he said.

One of the oldest and best known examples of event sponsorship is the Kemper Open, a Professional Golfers Assn. tournament sponsored by the Kemper National Insurance Cos. of Long Grove, Ill.

Kemper tries "to wring every advantage out of the (advertising and promotional) dollars we have," said Charles Johanns, the insurer's senior vp-public affairs and communications. The tournament, now a quarter of a century old, is a key part of that strategy.

Mr. Johanns noted that even if the insurer did not sponsor the tournament, it would be buying commercial air time during a golf tournament anyway, because its customers and potential customers are likely to be interested in golf. "We feel we get an added result because of the sponsorship identification," he said.

By contrast, Zurich-American recently sponsored a modern art event—with a historical twist.

Earlier this spring, the insurer made its first foray into art sponsorship when it joined other Swiss companies to sponsor an exhibit of avant-garde Swiss artists in Chicago. The exhibit, called "A Swiss Dialectic," was held at several locations in the city, with each gallery highlighting the work of a different artist or artists.

Christine Tasher, Zurich-American's manager of public relations and internal communications, said the display was scheduled to commemorate the 700th anniversary of the Swiss declaration of independence on Aug. 1, 1291.



Mr. Loughridge

For example, to reach the large California dairy operations niche, Zurich-American also has used the vertical advertising approach by running spots in the California dairy industry's chief trade journal, "The Dairyman," Mr. Loughridge said.

In addition, Zurich-American dairy insurance specialists have written articles for other publications and have been "quoted as experts" in trade journals, all of which has had "a positive impact" on the insurer's niche-marketing efforts, he said.



Jean-Frederic Schnyder's "#85 Puidoux-Chebnes 5.6.89" is part of a Swiss art exhibit co-sponsored by Zurich-American Insurance Group.

The exhibit was assembled by Chicago's Renaissance Society, an independent non-profit museum located on the University of Chicago campus. The society has no permanent collection; instead, it assembles temporary exhibitions consisting exclusively of contemporary art.

The Swiss Dialectic exhibit features 13 artists whose work is generally unknown in the United States. Most of the artists are relatively young, in their 30s and 40s, and are considered in the forefront of Swiss avant-garde art.

Ms. Tasher said called the sponsorship "a natural situation," given Zurich-American's corporate parentage. "We try to bring them a little bit of Switzerland."

Suzanne Ghez, director of the Renaissance Society, agreed that the insurer's sponsorship of the Swiss Dialectic show was a natural fit, although for a slightly different reason. She said that she admired Zurich-American's involvement with the exhibit because becoming associated with avant-garde art can be a risky proposition. Ms. Ghez added with a laugh, however, that perhaps it's only appropriate that a professional risk taker such as an insurer should accept the risk of having its name associated with an exhibit of contemporary and unknown art.

Chubb has also made forays into the world of art, Ms. Korkuch noted. She said that the insurer's sponsorship of art shows is logical given Chubb's reputation as an underwriter for art shows and museums.

"From our point of view, the clientele ties nicely to the people we're looking for in both personal and

commercial lines," Ms. Korkuch said.

Chubb is currently sponsoring an international tour of the Solomon R. Guggenheim Foundation's permanent collection. The show consists of about 135 works from the Solomon R. Guggenheim Museum in New York and its sister museum, the Peggy Guggenheim Collection in Venice, Italy. The tour began in Venice, moved to Madrid, Spain, and is currently in Tokyo. Ms. Korkuch said the show emphasizes the insurer's international capabilities.

Chubb is also sponsoring a three-year international exhibition of the works of Robert Bateman, Canada's most prominent wildlife and nature artist. The exhibit, which opens in Colorado Springs, Colo., later this summer, is scheduled to appear in several U.S. cities as well as in Tokyo, London and Vancouver, British Columbia, between 1991 and 1994, Ms. Korkuch said. Sponsoring the Bateman exhibition also gives Chubb's local offices in cities on the tour an opportunity to hold museum receptions for clients and producers.

Ms. Korkuch also noted that Chubb's longtime commitment to public television has proved to be an effective non-traditional means of getting its name before the public it seeks.

"We've been a pretty visible player on public television since the late 1970s," Ms. Korkuch said. Demographically, sponsorship of "American Playhouse" and other PBS programs has been "very, very successful for us" even though what a sponsor can say about itself is limited by the commercial-free educational network.

so on, Ms. Martinson said.

The reason is that insurers "don't have focused messages," primarily because insurers generally do not know what their existing and potential customers really think about them—good or bad, Ms. Martinson explained.

Insurers need to face up to how the public perceives them and act on that perception, she said.

"Lay these (strengths and weaknesses) on the table," she advised. "This is the real world, folks. What kind of key messages can we sell that will punch through the noise of 'Buy me! Buy me!'" Ms. Martinson said.

Getting that type of message across is particularly critical in the current soft market, Mr. Nordhaus said.

However, Zurich-American does not "manage around the market," Mr. Loughridge said. "There's nothing we do differently in a soft market," he said.

Beware Of Perils In The Alternative Market Paradise.



Are you properly funded?
Are you adequately reserved?
Are your reinsurance covers secure?
Nasty surprises await the unwary.
For over 25 years, North American Re has been providing reliable alternate market reinsurance protection.
If you're interested in a purchasing or risk retention group, a captive or

self-insurance, call us, we can help.
We also offer finite risk programs and support services including actuarial, claims and engineered risk.
With our parent Swiss Re, we provide the overseas connections you need.
North American Re.
We'll keep your venture from becoming a misadventure.

NORTH AMERICAN



**Choosing A Reinsurer
Shouldn't Be A Risk**

Insurers told how to communicate effectively

By MARK A. HOFMANN

CHICAGO—Advertising alone doesn't assure that an insurer will get its message to the public, says a media relations expert.

But unfortunately, too many insurers ignore or even attempt to block other means of reaching the public, said Susan L. Silk, founder and president of Media Strategy Inc.

Media Strategy is a Chicago consultant that holds workshops on dealing with the media for managers in a variety of industries. Ms. Silk's clientele includes both property/casualty and life insurers, though she declined to identify her customers for proprietary reasons.

While insurers are not alone in their failure to use effective means

to get their message to the public, the increasing public and legislative scrutiny of the industry makes it imperative for them to do a better job of communications, she said.

But insurers can't be satisfied merely with providing spokesmen to the media; they must also be willing to act as educators who can explain their actions, she said.

"I would liken the insurance industry's problems to those of the banking world," said Ms. Silk, a former television and newspaper reporter and editor in Boston, Detroit and Chicago. Most insurance executives pursued their careers in a corporate culture that didn't like calling attention to itself, she said. The executives believed that "you don't toot your own horn. Their job was to sell



Ms. Silk

insurance—and not to go public about it," she said.

"Once upon a time, if you had a large enough advertising budget, you could wait for the phone to ring," she said. That approach might have been appropriate two or three decades ago, but it's no longer enough, Ms. Silk said.

"We have an industry that the spotlight is turning toward," she said, noting the public debate over how best to provide health insurance as well as rising concerns about insurer solvency. "The minute the light of

scrutiny turns on your industry, you have a choice."

An individual insurer can remain silent, take a reactive, defensive position or take an active role in responding to the spotlight, Ms. Silk explained. But despite the appearance of having a choice, "you have no choice any longer," she asserted. Keeping quiet or responding defensively are counterproductive, because the scrutiny isn't going to go away, she said.

But, she said, there is a catch: Insurers are by nature conservative. Taking an active role doesn't mean that "they have to become used car salesmen," she said. Instead, they need to decide how they want to be perceived and then create a plan to project that image.

"A good image happens from the top," Ms. Silk said. "There has to be some direction from the top," and then a commitment to implement the plan, she said.

Instead of sitting back and waiting for the public to stumble upon the company, an insurer needs to reach out to the media, Ms. Silk said. "You'd be surprised how many public relations departments never call up a reporter," she said, adding that insurers were among the enterprises that followed this relatively rare strategy the least.

Insurers view staying out of sight as playing it safe, said Ms. Silk. "Safe isn't the right plan," she said.

When they learn that a new reporter for a local newspaper or radio or television station will be covering insurance, she advised public relations officials to invite the reporter a briefing about what the company. "Create a relationship," she said. "Let them know that you're there as someone whose brain they can pick."

Insurers have to understand that reporters aren't insurance experts and may never even have taken an undergraduate business course, let alone earned a master's degree in business administration, she said. "Be willing to educate."

One key is avoiding jargon as much as possible. "I'm suggesting more and more that corporations have a glossary in their media kit," she said. Ms. Silk said that the glossary need include only a dozen or so key terms that a reporter needs to know to cover that industry, whether it is property/casualty insurance or construction.

Education, she said, is the most important action an insurance company can take to improve its media relations. "Be prepared to translate, explain and diagram," she said.

"Be willing to be quotable," she said. Ms. Silk added that executives should remember, however, that they "have a right as an insurance executive to have an agenda."

She suggested that an executive should first determine what he or she wants the public to think about his or her company. Then, the executive should write down the points that need to be made in an interview to project that image. In too many interviews, unprepared executives become very nervous, anticipating that every reporter is going to hit them with dozens of pointed questions that sound as if they'd been drafted by Mike Wallace for "60 Minutes," she said.

Building media relationships, Ms. Silk stressed, can be particularly valuable when the company gets caught in a controversy or disaster. She said that creating a positive image is like setting up a savings account. When something does happen, the company can draw on some of that built-up good will, she said.

"It's worth the time to spend some time," said Ms. Silk.

Insurers, like companies in any other industry, should also have a crisis communications task force that moves into place as a crisis arises, with each member knowing exactly what role he or she will play, she said. A company's short-term response to a crisis plays a key role in determining how people will view it for years to come, said Ms. Silk.

"The court of public opinion has a long, long memory," Ms. Silk said.

Take Exxon Corp., for example. After the Irving, Texas-based company stonewalled on the seriousness of the 1989 Valdez oil spill, it ended up with a public relations black eye, she said.

Companies also have to be honest with themselves and their public, Ms. Silk said. When picking a spokesman, officials shouldn't automatically assume that the higher the

Continued on next page

Lobbying/Government Relations

Workers compensation and health care reform ... Superfund and other pollution problems ... congressional efforts to tighten regulation and to amend the McCarran Ferguson Act ... these are just some of the important issues before government that are having a direct impact on insurers. BI editors will examine the kind of lobbying efforts insurers are making and on what level of government. And they'll look at what services are available through membership in insurance trade groups or other associations.

Issue: July 15
Ad Closing: July 2

Employee Development and Education

Insurers are looking for the best and brightest. Are insurers recruiting the managers of tomorrow from today's college campuses? What's being done to promote and support college-level insurance courses? What are insurers doing to encourage employees to pursue continuing professional education? BI editors will look at where the talent is coming from.

Issue: August 19
Ad Closing: August 7

Compensation and Benefits

Whether insurers need to fill vacancies in executive suites or technical seats, they want to tap into the best possible pool of talent. And, once that talent is on board, they want to keep them ... happy and productive. BI will look at compensation packages, including benefits, used to lure and keep top level and technical staff.

Issue: September 16
Ad Closing: September 3

Insurer Topics is a monthly demographic section published within the pages of *Business Insurance*, and sent exclusively to BI's insurance and reinsurance company subscribers.

Advertisers in **Insurer Topics** are positioned within an unparalleled editorial environment and reach an undiluted audience representing a wealth of purchasing power for a broad range of products and services. 85%* of the influential executives who read **Insurer Topics** take action as a direct result of the articles or advertisements they see in *Business Insurance*.

* An Audience Profile of the Business Insurance 'Insurance & Reinsurance Company' Subscriber, 1990.

New York: 220 East 42nd Street, NY 10017 • 212/210-0228
Chicago: 740 Rush Street, IL 60611 • 312/649-5276
Los Angeles: 6500 Wilshire Boulevard, CA 90048 • 213/651-3710

Business Insurance
a publication of Crain Communications Inc.

J
uly

A
ugust

S
eptember

I
nsurer
Topics

Insurer Topics

Continued from previous page
rank, the better, she said. For example, a chief executive officer who stutters is probably not the ideal person for a radio interview.

"Corporate America is extremely defensive," Ms. Silk said. This defensiveness leads to questionable and sometimes utterly self-defeating strategies, she said.

Ms. Silk recalled hearing a public relations officer advise a group of managers from another company to lie to the press. The particular instance involved a chief executive officer of a non-insurance company who was having a heart operation.

When a reporter who had heard rumors of the operation called and asked if the executive was being operated on, the public relations officer denied that any operation was planned. The reporter called again in a few days, having been tipped off by a hospital employee that the executive was indeed scheduled for surgery. Once again, the public relations officer denied anything was going on. When the reporter pressed for an interview with the executive, the public relations officer said a rash of meetings rendered the CEO unavailable.

The reporter was still not satisfied, and called back a day later. The public relations officer once again denied that there was any question about the CEO's health. He then went to the hospital, dialed the reporter on the CEO's bedside phone, propped the still groggy executive up in bed, had him answer a few questions and then told the reporter that the man sounded out of breath because he was calling from an airport between flights.

The story about the surgery never appeared.

Ms. Silk said while the public relations officer bragged of his ability to lie to the press and get away with it, and encouraged his audience to do likewise, he was oblivious to the fact that he was violating Securities and Exchange Commission regulations by withholding information that could have a material impact on the value of the company's stock.

The company that had offered the less-than-truthful public relations officer its podium quickly dissociated itself from the practice of lying.

Even less dramatic lies hold serious consequences, Ms. Silk said. Once a journalist finds out that he or she has been lied to, that journalist will never trust the spokesman again and will regard any statements coming from that company as suspect no matter who makes them.

"There is no margin in lying," she said.

Ms. Silk said the practice of insurers projecting the right image through effective media relations is far more than a matter of window-dressing.

As Exxon's treatment of the Exxon Valdez spill proved, a bad public image—which in this case led to consumer boycotts and calls for punitive fines—can hurt the bottom line, she said. ■

Acquisitions

Corporate Restructure

Company Administration

Capital Infusion

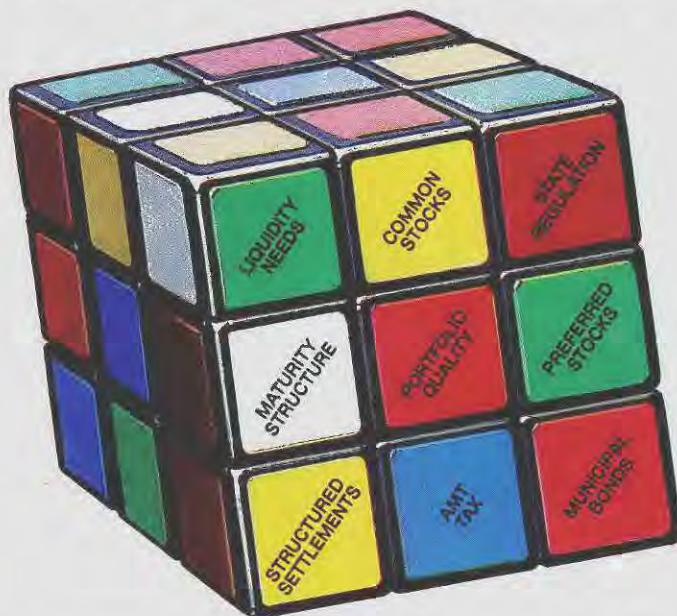
Foley & Partners Inc.

NEW YORK • MINNEAPOLIS • LONDON

HDQTRS: 450 PARK AVE., NEW YORK, NY 10022
212-486-7122

Financial Advisors To The Insurance Industry

YOUR INSURANCE COMPANY'S INVESTMENTS CAN BE A PUZZLE . . .



LET US HELP YOU SOLVE IT!

We're SIAM — Scudder Insurance Asset Management — and we've found that it takes broad resources plus a thorough understanding of insurance to properly manage insurance company investments.

That's why the experienced professionals at SIAM manage nothing but the investments of insurance companies, both large and small. And as a subsidiary of Scudder, Stevens & Clark, one of America's most trusted investment managers, SIAM brings you all the pieces of the investment puzzle.

Let's discuss how we can help your company find the right solution. Call David B. Watts, Managing Director, or Richard M. Drury, Managing Director, toll free at (800) 225-2471, or in Mass. (617) 482-3990, or write Scudder Insurance Asset Management, 175 Federal Street, Boston, MA 02110.

SIAMSM
Scudder Insurance
Asset Management
(800) 225-2471



Boston
Chicago
Cincinnati
New York
San Francisco
London

Worldwide Investment Counsel For Insurance Companies

From The Reprint Department Of:

Business Insurance

Reporting weekly for
corporate risk, employee benefit
and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3⁰⁰ per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

Ads that tackle consumer concerns

Ad campaigns take a stand on the issues

By MARK A. HOFMANN

There are times when the message an insurer wants to get out is less about a product than about a public issue it considers important. These ads often aim to pinpoint an area of consumer concern and explain what the insurer and its customers can do about it.

"We recognize that consumers are very concerned about the rising cost of insurance," said Himanshu Patel, assistant vp-marketing support for Chicago-based CNA Financial Corp. So, CNA held a series of focus groups to determine which radio advertising approach to this problem would be most effective with consumers.

"Fraud tested as the most effective," said Mr. Patel, whose company's radio commercials bracket programs like "The Osgood File" on the CBS Radio Network.

Mr. Patel said that CNA researchers found that consumers really didn't expect insurers to reduce costs; the companies were seen as pass-through mechanisms. CNA's radio campaign stresses that the insurer takes fraud seriously because fraud penalizes honest policyholders.



Gerald L. Maatman became company spokesman as he explained what Kemper is doing to contain costs in a new television commercial.

The commercials have drawn "quite a few complimentary letters," said Mr. Patel, although he could not say how many.

He contrasts the commercials with an earlier print advertising campaign that featured "warm and fuzzy situations" like a wedding or a father playing ball with his son. This series, called "Commitments," left readers with the impression that CNA was a personal lines, rather than commercial lines, insurer, he said. "It didn't establish us as a business insurance company."

There is no such confused message with the current radio campaign, Mr. Patel said. Future spots "will continue to address the need for cost containment," he said.

Cost containment also plays a lead role in a recently launched Kemper National Insurance Cos.

television campaign.

Previous commercials stressed Kemper employees and their abilities. "What we've added is a cost containment message, which says we are going to act and put a lid on insurance costs," said Charles F. Johanns, senior vp-public affairs and communications for the Long Grove, Ill.-based insurer.

The commercial still features a Kemper employee—Gerald L. Maatman, president and chief executive officer. Mr. Maatman stresses the company's commitment to keeping costs in line and in the process becomes the only property/casualty insurer chief executive to appear as his company's spokesman on television.

Using Mr. Maatman in that role is deliberate. "It underlines what we feel is a very important message—that we're committed to

holding down costs," said Mr. Johanns.

He added that when a company uses its chief executive rather than an actor or lower-ranking employee as spokesman, it is putting the insurer's full corporate muscle behind the message.

Another insurer has chosen to stress its chief executive officer's concerns, if not his face, in a series of print advertisements.

About three years ago, American International Group Inc. began running advertisements stating its position on issues like the cost of environmental cleanup in the general news and business press, as well as in influential magazines like *The Atlantic*. Readers are asked to send their comments to Maurice R. Greenberg, chairman of the New York-based insurer (*IT*, June 18, 1990).

John Wooster, AIG's vp-communications, said that one issue ad alone—calling for liability law reform—drew "hundreds and hundreds of letters." All letters are answered, he said.

"We find we can use this forum for single one-time ads as well as the ongoing campaign," said Mr. Wooster, who noted that AIG recently ran a one-shot issue ad supporting President Bush's call for a trade agreement with Mexico.

He stressed, however, that the campaign's goals are long-term. "We feel this type of campaign is only effective if you're willing to be in for the long haul," he said. And, he made it clear that AIG has no intention of dropping its commitment to this form of issue advertising. "It's very effective in getting our views across to a broad audience," he said. ■

Fletcher

consulting services, inc.

Insurer, intermediary reinsurance information management. System analysis, design & testing. Vendor evaluation. Underwriting audits.

PHONE • (708) 680-8533
FAX • (708) 816-8622

Preparation for trade shows pays off

By MARK A. HOFMANN

VOORHEES, N.J.—As the soft market tightens promotional budgets, insurers are looking more and more toward trade shows as a means of reaching potential customers.

But without proper preparation, trade show participation can be an expensive waste of time, warns an independent consultant who ad-

vises clients on how to get the most out of exhibiting.

Long before the booth is set up on the exhibit hall floor, an exhibitor needs to know just what it wants to achieve at the show, said Keith Reznick, an independent consultant. "They really need to determine what their goals and objectives are" and, whenever possible, quantify them, said Mr. Reznick, who is based in Voorhees,

N.J.

Quantifiable goals would include objectives like producing a certain number of qualified new sales leads or arranging a certain number of meetings with existing customers during a show, Mr. Reznick said.

It is particularly critical that the people staffing the booth understand what these goals are and do their utmost to meet them, Mr. Reznick asserted.

Failure to make the most of sales leads is one of the most common shortcomings of exhibitors, Mr. Reznick said. Before going to the show, the exhibitor needs to create a form for qualifying sales leads and also should instruct booth personnel about its correct use, he said. Poorly designed forms hamper the exhibitor's goals.

He recommends paying special attention to how the forms are handled during the show. In some cases, he recalled, booth personnel simply packed the forms away in a shipping box where they were forgotten. By the time they surfaced again weeks later, the forms' information was outdated.

Another mistake that exhibitors sometimes make is failing to differentiate between the demands of trade show selling vs. field selling. A sales call in the field might last an hour or more, while a person at a trade show booth has three to five minutes at most, said Mr. Reznick. "You'll interact with 20 to 30 people an hour at a show."

This compressed atmosphere makes it especially important for those staffing the booth to take care of themselves, he said. "It's physically, intellectually and emotionally draining." He recommended that booth personnel take a 15- to 20-minute break every two hours and be sure to take a longer lunch break.

Although "it might sound corny," booth personnel should

also get a good night's sleep and eat properly, Mr. Reznick said. People should dress comfortably but professionally, he said. For example, women should avoid wearing high heels.

Mr. Reznick also urges exhibitors to make sure that their trade show personnel avoid a common mistake that can greatly diminish a booth's effectiveness. Without being aware of it, booth personnel can convey the message that they

Staffing a trade show booth is 'physically, intellectually and emotionally draining,' says Mr. Reznick.

really don't want anyone to come into the booth.

Booth personnel can give these unconscious signals by:

- Talking to each other.
- Spending a lot of time talking on the phone in the booth.
- Reading.
- Eating or drinking.

Each of these actions is an activity most people have been trained not to interrupt, Mr. Reznick said.

In addition to making a conscious effort to avoid these unconscious shortcomings, booth personnel should smile and maintain what Mr. Reznick called "an open body posture," with hands at their sides while facing the aisle.

Mr. Reznick stressed that the successful exhibitor sets goals for what happens before, during and after the show.

In that few minutes of contact with an existing or potential customer, "you're really trying to influence" how the public perceives your company, he said, not just making a random contact. ■

Society of Insurance Research Fall Workshop

Measuring Up to the Baldrige: The Winners and How to Become One

September 18-20, 1991, Hyatt Regency, Atlanta, Georgia

Insurance companies are facing multiple challenges: negative industry image, rising customer expectations, and a changing competitive mix. The nation's highest quality recognition—**The Malcolm Baldrige Quality Award**—provides criteria that offer a clear path to address these problems.

S.I.R. is proud to bring you Dr. Curt Reimann, Director of the Malcolm Baldrige Quality Award, N.I.S.T., as the keynote speaker, as well as speakers from two Baldrige award-winning companies: IBM and Federal Express. Organizations such as USAA, Paul Revere, The New England, Connecticut Mutual, and Fidelity Investments will also discuss how to use the Baldrige criteria as a practical road map for effectively competing in today's rapidly changing insurance and financial services environment. Topics will include:

- Meeting the challenges in winning the Baldrige
- Achieving quality in the insurance and financial services industry
- Incorporating quality concepts into the organization
- Discovering tricks and traps when implementing quality systems

Registration fee: \$350 S.I.R. members (\$35 spouses); \$475 non-members

For workshop information, contact Debbie Larson, Administrative Director, Society of Insurance Research, P.O. Box 933, Appleton, Wisconsin 54912, at (414) 730-8858.

Futurist sees plans to ward off 'untimely' life

By MARK A. HOFMANN

ORLANDO, Fla.—Life insurance companies will have to rethink their products and realize their customers are often more concerned about "untimely living" than "untimely dying," according to a prominent insurance futurist.

Life insurance marketing will also undergo a significant change during the next decade or so, predicted Charles Barry H. Watson, an actuary with The Wyatt Co. in Washington, D.C.

Mr. Watson offered his assessments in interviews connected with an address to a management conference sponsored by the Life Office Management Assn. of Atlanta. Calling his presentation "The World of Insurance: Ways You Can Succeed," he dealt with, among other things, the internationalization of the insurance market.

Mr. Watson is a member of the Bethesda, Md.-based World Future Society and past chairman of the Schaumburg, Ill.-based Society of Actuaries' section on futurism. He has spoken extensively on the future of the life insurance industry.

Mr. Watson also predicted that the shape and number of life insurers will change to meet consumer demands in the next century.

"The key is we're no longer interested in providing security against untimely dying; we're interested in providing security against the risk of untimely living," Mr. Watson said. He defined untimely living as outliving one's financial resources.

Assuring that one manages to live within one's financial resources for life could require creating a package of life, health and personal liability coverages, he said. "You can be ruined more effectively by someone suing you for a liability you're unaware of than by dying."

Except among the very wealthy or very egotistical, the thought of leaving a large estate to one's children has lost much of its appeal, he said. Instead, the emphasis now is on providing children with a good foundation for life and then "planning your resources so you get the most use out of them," he said.

This is where life insurers will have to show a willingness to break with tradition, Mr. Watson said. One possibility is a "sinking fund" policy. Policyholders in such arrangements would put a certain amount of money into a general insurance fund to be used for whatever purpose the customer wanted—term life, disability, perhaps even some forms of casualty insurance, he said. The result would be "cafeteria-style" programs on an individual rather than group basis, Mr. Watson said.

Providing adequate retirement income will also require changes in the life insurance product, Mr. Watson said. He described the options available as "two sides of the same coin."

The first option would be to allow people to set up annuities in which they could increase the amount of their annual payment to keep up with inflation, he said. A relatively young person could launch a retirement plan by making smaller initial payments and increasing the size of the payments as time passed, he said.

The other approach would be to allow annuitants to pay a flat rate but receive a smaller initial payout upon retirement—say 70% of the projected annual earnings—in return for guaranteed payouts that keep up with increases in the cost of living, Mr. Watson said. He added that, given their flexibility,

such policies would have a cap on the maximum monthly payout.

He said that such arrangements may already exist, although he was not aware of any specific offerings.

Mr. Watson said the changes in consumer expectations will result in changes in marketing as well. "The concept of one-stop shopping makes a lot of sense," he said.

"It will be increasingly likely" that life insurance marketing will be done by people who are not commissioned agents in the usual sense of the term, he said. These will be salaried employees of banks and other institutions who will assist in other forms of financial planning as well as insurance, he said.

Insurers themselves will also

'You can be ruined more effectively' by an unknown liability than by dying, says Mr. Watson.

need to change. Now "viewed by their customers—and justifiably so—as horrendous bureaucracies," insurance companies will have to become more responsive to consumer needs to survive, he said.

Employees must be allowed to become more involved with the company's operations and even product design, he said. Communi-

cations within the companies will have to be enhanced and streamlined, and employee training will have to be improved so they can provide better customer service.

Insurers will also have to rethink how they use automation, Mr. Watson said. Asserting that insurance companies "haven't done anything creative" with automation, Mr. Watson said insurers use computers to handle great amounts of data but don't go beyond that to change work processes significantly.

Automation costs will also affect the number of companies competing in the life insurance marketplace, Mr. Watson said.

According to the A.M. Best Co., there are currently about 2,600 life

insurers in the United States. Mr. Watson noted that many of these companies are very small.

But competitive pressures will force a greater dependence on new and expensive technologies, Mr. Watson said. For example, large companies will have resources to equip their employees with the latest laptop or notebook computers as a means of enhancing customer service. Smaller companies will find doing so extremely difficult, if not impossible, he said.

And, as competition accelerates, small companies that don't fill a specialized market niche may be acquired by larger competitors, forced to merge with larger entities or may disappear, according to Mr. Watson.

Perpetuations/NAIB Conference Report

Perpetuation is an important topic among agents who want their legacy to endure. Insurers have a vested interest too, because they want stable outlets to distribute their products. Focusing particularly on the help insurers can provide, BI editors will examine the different — and best — ways agents can perpetuate their business. BI will also wrap up coverage of the annual National Association of Insurance Brokers conference.

Issue: July 1
Ad Closing: June 18

New Selling Opportunities

As the soft commercial insurance market continues, agents and brokers are forced to search out new selling opportunities. BI editors will examine the hows and whys of identifying and following through on new market niches and target audiences. Articles will share the secrets of success for those agents who have already taken advantage of new opportunities to sell their products.

Issue: August 5
Ad Closing: July 24

Automation & Most Productive Agencies

How do America's most productive insurance agencies generate huge amounts of revenue per employee? And what do computer hardware and software manufacturers have in their plans to help surge agency productivity? BI will rank and profile the nation's most productive agencies and examine how automation can help agents boost their output.

Issue: September 2
Ad Closing: August 20

Agent/Broker Topics is a monthly demographic section published within the pages of Business Insurance, and sent exclusively to BI's agent/broker subscribers.

Advertisers in Agent/Broker Topics are positioned within an unparalleled editorial environment and reach an undiluted audience representing a wealth of purchasing power for insurance products and services. With an average premium volume of \$14.91* million, 94%* of these influential readers take action as a direct result of the articles or advertisements they read in Business Insurance.

* An Audience Profile of the Business Insurance 'Agent/Broker' Subscriber, 1990.

J
u
l
y

A
u
g
u
s
t

S
e
p
t
e
m
b
e
r

A
g
e
n
t
B
r
o
k
e
r
T
o
p
i
c
s

New York: 220 East 42nd Street, NY 10017 • 212/210-0228
Chicago: 740 Rush Street, IL 60611 • 312/649-5276
Los Angeles: 6500 Wilshire Boulevard, CA 90048 • 213/651-3710

Business Insurance
a publication of Grain Communications Inc

Not one, but many voices

Agents are ideal spokespersons

By William T. Hold

IT HAS BEEN SAID MANY times before, but the truth always bears repeating: No one knows the insurance customer's needs, feelings and concerns better than America's independent agent, who remains on the front line of public communication as the insurer's strongest and most effective link to the policyholder.

In the face of such an undeniable truth, it is puzzling that the captains of this industry don't invite greater agent participation in their quest to restore credibility and improve public understanding of the business. In all the discussion about how best to achieve this important but elusive goal, one often is left with the impression that the means of attaining it are the sole province of the companies to decide.

Why?

While the movers and shakers in the business continue to seek better ways of communicating directly with policyholders, independent agents have been doing it for years, and doing it quite well. How else does one explain the survey results that show a more favorable public regard for the agent than for the company or the industry?

If company and association executives were to actively solicit the knowledge and assistance of agents, they might gain innovative ideas for more effective communication. They might also receive some sage advice, though not all of it would be popular.

For example, insurers might be asked to get rid of the old notion that a "common voice"

IT perspective

or "designated hitter" who can speak for all of us is the solution to the industry's communications problems. Such is the chief executive officer's recurring pipe dream, born of frustration whenever times become turbulent.

They might also hear that designated hitters belong on the baseball diamond, not in the insurance business, and that what is required is not one, but infinitely more educated voices explaining insurance to customers in language unencumbered by legalese and technical jargon.

Moreover, they may hear that improved public understanding of the business will not be achieved merely through slick image-advertising campaigns or more expensive public relations programs.

All of that has been tried before, and it hasn't worked well enough to justify the time and money spent. We learned this (didn't we?) from painful experience during the liability crisis of the mid-1980s. And we learned it again in 1988 in California, where a plugged nickel would have purchased the result we achieved at a cost of tens of millions of dollars.

Perhaps some surprising questions might be raised as well. Could it be, for instance, that our problem is really not one of communications? Could it be that our customers actually do comprehend our words but that they simply don't like what we're telling them?

If we're honest with ourselves, don't we have to admit that we already know

what our customers want: an available and affordable insurance product, fair and fast settlement of claims, a share of the credit when they have no losses, a halt to the continuing and appalling theft of their premium dollars by malingerers and frauds?

Again, could it be that instead of a communications failure, we are actually confronted with an "expectations gap"—the great difference that seems to exist between what our customers receive and what they expect to receive? In our search for better understanding, shouldn't we focus our efforts more on closing this gap?

Whatever the answers, they will not come so long as the company and agent continue to operate at arm's length, or to use only the trade publications to talk to one another.

It is time to work more closely together, and that means reserving a rightful place at the conference table for the independent agent, where, among other things, we might:

- Renew our commitment to deliver and service the insurance product with the highest level of professionalism and public sensitivity.
 - Take an introspective look at our basic practices and make the difficult decisions required to change those things that need change.
 - Bring informed judgment to bear on lasting solutions to systemic problems.
 - Agree to participate in public forums and before the media as educated spokespersons for the business.
- No longer is it correct—if it ever was—to consider the

agent as merely a passenger on someone else's ship. For years, that's what many of the nation's agents thought of themselves, and what many company executives thought of them.

But times have changed.

While their numbers may have declined slightly in recent years, largely because of market constrictions, America's independent agents today are among the best educated and most experienced this industry has ever known.

Consider the fact that of the 14,000 agents who have earned the Certified Insurance Counselor designation (agents committed to lifelong continuing insurance education):

- 58% have a bachelor's degree.
- 6% hold a master's or doctorate degree.
- 85% have 10 or more years of experience in insurance.
- 48% are agency owners.
- 74% are between the ages of 30 and 50, with many more years of professional service to offer the company and the public alike.

The figures also suggest a growing diversity among agents. Thirty percent (42% of all participants in the CIC educational program) are women, and 11% have the Chartered Property & Casualty Underwriter or Chartered Life Underwriter designation.

Of equal interest is the fact that 16% of the 48,000 active participants in the CIC

program are company people. By accepting our invitation to "meet us at the customer's front door," they recognize the importance not only of keeping informed about the insurance product, but of staying close to the public pulse.

Agents. Merely passengers on someone else's ship? Passive suppliers and distributors of policies and endorsements? Hardly.

With their intimate knowledge of customer needs, their experience, and their steadfast commitment to practical insurance education, America's agency force has earned the right to share the helm and help steer the course toward a restoration of public respect for and confidence in the insurance business.

Captains of the insurance industry would do well to give agents a place at the wheel. They can't afford not to tap into this rich reserve of knowledge. To search for long-lasting solutions to our problems requires that company and agent come together for a true sharing of ideas and common objectives.

Put it off any longer, and we will all surely miss the boat. ■



William T. Hold is president of the Society of Certified Insurance Counselors in Austin, Texas.

Access to driving records studied

OAK BROOK, Ill.—Gaining access to driving records is becoming increasingly difficult, according to a report by the Insurance Research Council.

A forthcoming report from the group, titled "Adequacy of Motor Vehicle Records in Evaluating Driver Performance," surveys state motor vehicle reports on a sample of 27,627 reportable crashes in 1990.

According to the council, only 40% of the accidents showed up in the records of states that allow the dissemination of some accident information.

Insurance Research Council Director Donald Segraves noted that 16 states no longer make any information public.

Those states are Alaska, the District of Columbia, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maryland, Minnesota, Mississippi, Mis-

IT briefs

souri, Montana, Nevada, New Mexico, North Dakota and West Virginia.

The loss of information on car accidents "affects millions of drivers every year and is a serious threat to public safety," according to Mr. Segraves.

"When states withhold information, drivers with poor records may be inappropriately hired as school bus and taxi drivers, truck operators, delivery workers or employees entrusted with other types of company vehicles," Mr. Segraves added.

"Insurance applicants who successfully conceal their poor driving records from insurers cheat other policyholders by paying lower auto insurance rates than their records

warrant," he commented.

"This drives up the rates of low-risk drivers, whose premiums must pay for part of the losses caused by the unrecognized high-risk group," he said.

For further information on the report, which is available for \$7.50, contact the Insurance Research Council, 1200 Harger Road, Suite 310, Oak Brook, Ill. 60521, 708-572-1177.

Marketing group moves

BOSTON—The Insurance Marketing Communications Assn. has moved its offices from suburban Wellesley, Mass., to downtown Boston.

The association's new address is 148 State St., Suite 305, Boston, Mass. 02109-2506; 617-266-8400; fax: 617-236-1177.

—By Mark Hofmann

Advertiser Index

Insurer Topics

Issue of June 17

ADVERTISER	PAGE #
Agent/Broker Topics	20G
Fletcher Consulting Services	20F
Foley	20E
Insurer Topics	20D
North American Reinsurance	20C
Scudder Insurance Asset Mgmt	20E
Society of Insurance Research	20F

Business Insurance

Presidential panel on insurance proposed

By ADRIENNE C. LOCKE

WASHINGTON—An insurer trade group is "skeptical" that any good will come out of a Senate proposal to appoint a presidential commission to examine insurance issues.

Insurer solvency, the effectiveness of state guaranty funds, the antitrust exemptions for insurers under the McCarran Ferguson Act and health care coverage for the uninsured would be some of the topics to be reviewed by the commission, according to legislation, S. 1276, introduced last week by Sen. Christopher J. Dodd, D-Conn. Five administration officials—including the secretaries of the Labor, Commerce, and Justice Departments—would sit on the commission, as well as a total of eight insurance industry, state regulatory, legal and consumer representatives.

The commission would have until November 1992 to file its report.

One trade group opposes the bill, expressing reservations about what the commission would accomplish.

"I don't think that it will defuse the current debate on solvency and McCarran Ferguson," said Tom A. O'Day, associate vp at the Alliance of American Insurers in Washington, D.C.

Mr. O'Day also questioned the need for a new comprehensive study on the insurance industry. "There is no lack of materials on these issues," he said.

And, even if there was a need to gather this information, the scope "is too broad," the presidential commission would be trying to "do too much," he said.

While he acknowledged that Sen. Dodd has good intentions, Mr. O'Day noted that two presidential commissions formed in the 1970s that dealt with the insurance industry—one that studied insurers' antitrust exemptions and one that studied workers compensation problems—issued solutions opposed by insurers.

In contrast, other insurer groups were more receptive to the proposal.

Although the American Insurance Assn. had not fully studied the bill last week, it is "pleased that Sen. Dodd is interested in (insurance issues) and is going forward with" the bill, said Andrew Wright, the insurance trade group's senior counsel in Washington, D.C.

"There may be a role for such a commission if it brings about a better understanding on the part of the general public and Congress that simplistic solutions... have a negative affect on the insurance consumers and the insurance marketplace," said Lowell R. Beck, president of the National Assn. of Independent Insurers in Des Plaines, Ill.

In announcing the legislation last week at an Insurance Information Institute government briefing, Sen. Dodd said that a presidential commission would provide a proper forum to discuss insurance issues.

"Congress must find a way to understand the insurance system as a whole if we are to make intelligent legislative and regulatory decisions about its pieces," he said.

"That is not happening in the Congress today," Sen. Dodd said. In fact, this lack of understanding and the "compartmentalized" debating of insurance issues has "unleashed several myths" about the industry and how to resolve its problems, he said.

Sen. Dodd said that, to date, most of the legislative or regula-

tory remedies have been to require insurance companies to provide coverage and force them to lower their rates.

However, quoting H.L. Mencken, Sen. Dodd said "there is always an easy solution to every human problem—neat, plausible and wrong."

Sen. Dodd said he did not know what kind of feedback the commission would provide.

"However, I strongly believe that only when we have the answers to

'Congress must find a way to understand the insurance system as a whole if we are to make intelligent legislative and regulatory decisions about its pieces,' says Sen. Christopher J. Dodd. 'That is not happening in the Congress today.'

these and other important questions will we have a chance to de-

velop a financially strong, competitive insurance system that assures

consumers of the availability of adequate insurance coverage and the best possible range of products at a competitive price," said Sen. Dodd.

The legislation is co-sponsored by Sen. Donald Riegle, D-Mich., who last year asked the Treasury Department to conduct a similar study of the insurance industry. The Treasury study has not been completed (BI, Jan. 28; Dec. 31 1990).



"The art of individual attention . . . that's what separates RLI from the rest."

Steve Lindell, Vice President
RLI Special Risk
Hartford, CT

An elephant is a fine animal, but it does not dance very well or for long on the head of a pin. At RLI Special Risk, we relish the agility our specialized focus provides. RLI's products are distinctive both tangibly and conceptually. Our ability to quickly analyze and respond to individual risk proposals and programs for emerging industries is unique. We are in the business of putting together good deals . . . stable alliances that benefit the insured, our producer and our stockholders. Our goal is to provide the kind of service that elicits comments like these from Dennis Randolph, of McAlear Associates, Inc. in Grand Rapids:

"Operating as a wholesaler for over 20 years, we have learned to value those markets that work closely with us. RLI has demonstrated a willingness to help us succeed in serving the needs of our customers. I especially appreciate their capacity for target marketing and ability to research and develop coverage for specific products. RLI's willingness to go the 'extra step' has convinced us that this is an excellent market now and for the future."

At RLI Special Risk, making the right selection means using our underwriters' proven expertise in the business. Our people average over 15 years of creative challenge. They have been through several market cycles. They know what works, what endures, what produces balance between value and cost.

The personality and individual judgement of our people are attached to every decision. Individual accountability guarantees we're concerned with each and every account. Whatever the market cycle, we will continue to deliver innovative, rational products with unsurpassed service. Our customers demand and deserve no less.

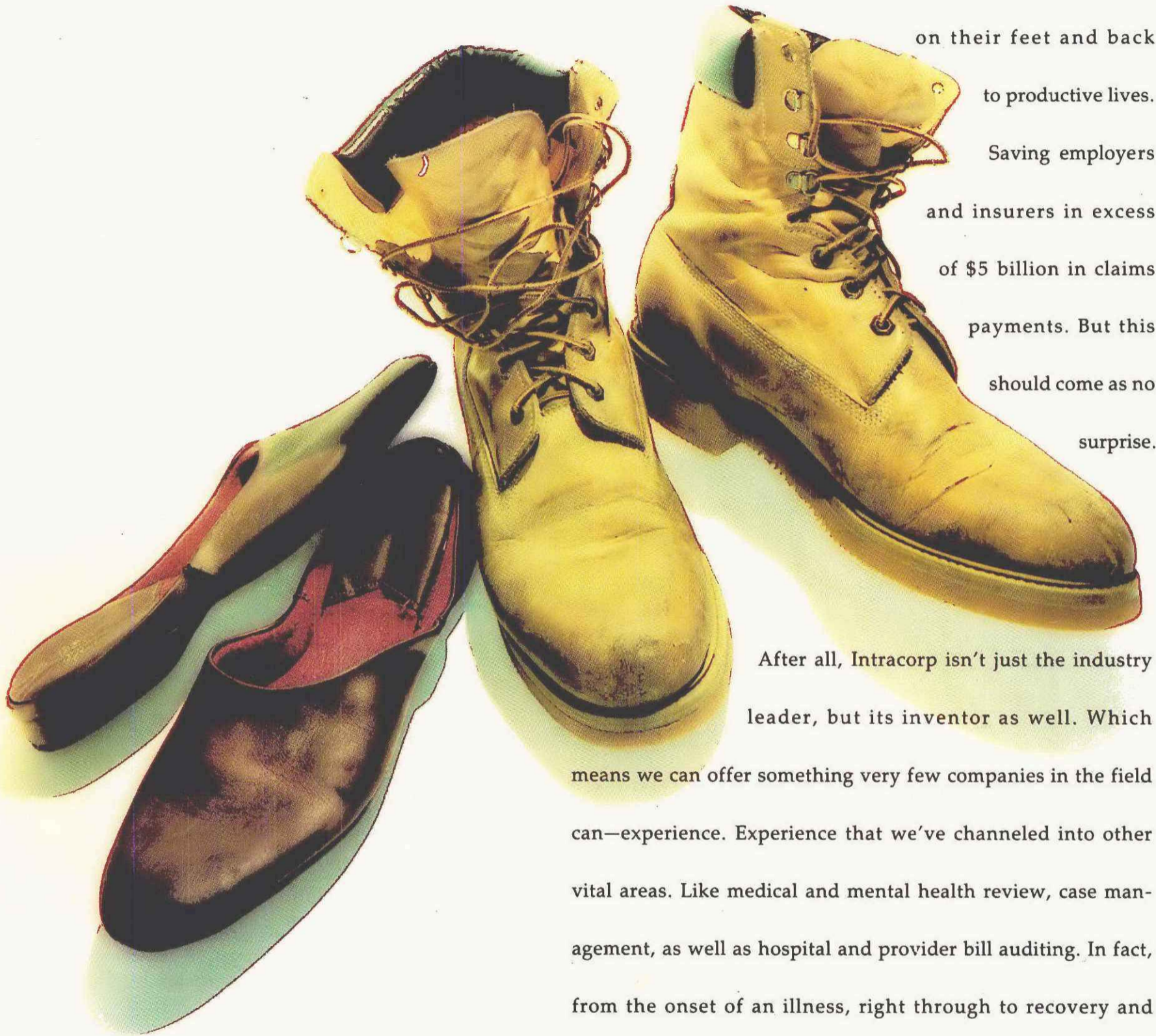
RLI

9025 N. Lindbergh Drive Peoria, IL 61615
800/445-5468

These boots were made for working. Probably no one realizes that more than the disability management specialists at Intracorp. Since 1970, they've helped nearly 500,000 people get back

on their feet and back to productive lives.

Saving employers and insurers in excess of \$5 billion in claims payments. But this should come as no surprise.



After all, Intracorp isn't just the industry leader, but its inventor as well. Which

means we can offer something very few companies in the field can—experience. Experience that we've channeled into other vital areas. Like medical and mental health review, case management, as well as hospital and provider bill auditing. In fact, from the onset of an illness, right through to recovery and rehabilitation, we have the largest network of people and services to control the cost of health care, while preserving the quality of care. For more information, write Intracorp, Department I2, 1205 Westlakes Drive, Suite 300, Berwyn, PA 19312 and learn why for health care cost control and disability management, no one else can fill our shoes.

**OUR GOAL IS SIMPLY TO GET PEOPLE
TO CHANGE THEIR SHOES.**



System design for pools

Pools require diverse—and confidential—RMIS functions

ONE OF THE THEMES I wish to continue in this column is how a particular industry segment can benefit from risk information management systems. With the increasing interest in RMIS by groups like pools, captives and associations (and because I have two projects at present dealing with these matters), this is a good time to address effective system design for pools.

Pools have unique and distinct needs for a well-designed RMIS. Unfortunately, vendors have not yet effectively quantified and tapped the burgeoning number of pools. However, along with the captive/risk retention group market, I believe that the vendors will fix their attention on this area.

An RMIS designed for pools is much the same as it is for any other claims-oriented client, with one exception. Instead of one client, there are many contained in the pool. Each member of the pool desires its own specific loss information (or underwriting data information) as well as knowledge of how it compares to the rest of the pool. This poses special challenges to the vendor in meeting the varied and diverse needs of some of the pools' membership.

Confidentiality of information is another challenge. One member may not desire the others to obtain specific information on its particular risk. This becomes especially difficult when the RMIS is being designed, as we will see later.

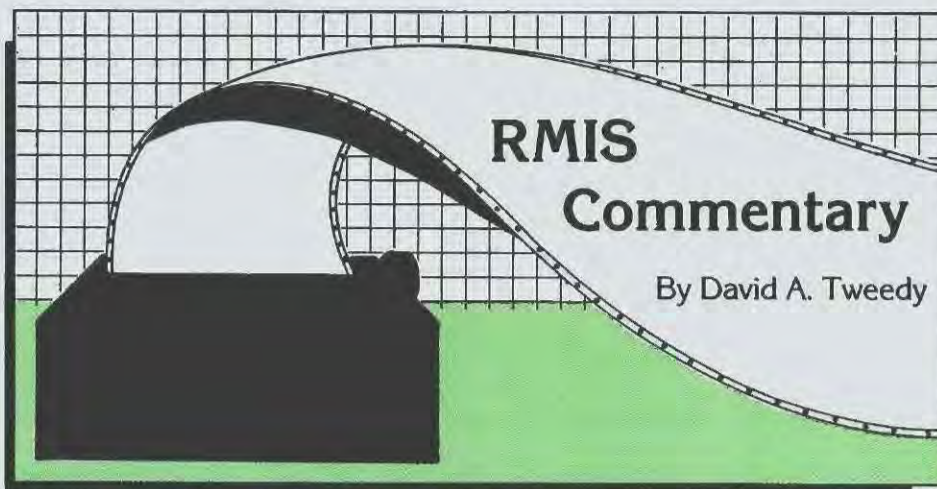
Closely related to this first problem is data collection, a problem common to all systems. An RMIS vendor, utilizing a timeshare system, receiving

Due to the individual member makeup of a pool, each may want a customized report design on data it wishes to analyze. Also, there are different comfort levels of data confidentiality.

hundreds of loss reports or bits of data from the various members, must properly code and input the data into the system. That data must be correct when received and properly coded and input into the system in order to generate meaningful aggregate and individual results.

However, pools have a unique slant on this problem. Due to the individual member makeup of a pool, each may want a customized report design on data it wishes to analyze. Also, there are different comfort levels of data confidentiality. These different needs place an extraordinary burden for system flexibility and vendor administration and communication.

One large project I worked on involved more than 20 similar companies using one major timeshare RMIS vendor. Poor planning and miscommunication among pool management, individual members and



the vendor resulted in significant dissatisfaction and frustration over what the system provided.

Indeed, inaccurate data and poor planning are the most troublesome and commonplace of all RMIS mistakes that users experience. Advances in technology are overcoming software and hardware limitations, but it really comes down to this fact: good data must be collected and input in order for the RMIS to provide the answers risk managers are looking for. In past columns, I have stressed the need for a careful needs-determination assessment so that you aren't surprised by requests for new data or new reports that are beyond your current system's capabilities.

Other key problems noted as a result of poor planning are inadequate training of the people who use the system, too much paper output in terms of meaningless reports and a poor understanding of the total costs involved in administering a comprehensive RMIS.

Also, interfacing with existing financial or personnel systems is an obstacle.

Assuming that the system is properly planned, all needs have been identified, the budget has been set and

approved and the specifications have been designed, there is the question of what type of output should be expected.

The most useful reports for a pool's risk manager are:

- Loss reports.

This basic report deals with loss experience. Usually, the pool members agree on what information is necessary. The report should be issued monthly and sorted by categories, meeting the members' described needs (for example, by department, supervisor or location). It may be useful to describe some of this information in suitable nomenclature, like claims cost per employee. This is particularly important to the pool's management and the individual member's management as they look at costs.

- Reserve analysis report. Monthly reserve change or loss

disposition reports are extremely helpful in monitoring claims activity. A report on significant fluctuations in the reserves gives management a good monitoring device. The system should be able to generate such reports in as much detail as is required. The system should be able to list the reason for each reserve change for justification purposes.

- Litigation analysis reports.

This report requires much more detail than the average loss run generated from the claims module. It indicates a specific breakdown of defense counsel costs, lists of experts, plaintiff attorneys, defendants, recent offers, settlement demands and status of negotiations. There are many good litigation management modules available today within the RMIS industry. A pool-based RMIS needs to have such capability.

- Underwriting management report.

This report will analyze specific causes of losses that are tailored to the needs of an individual pool. Claims dollars per hundred man-hours or some other useful member statistic is an example.

- Ad hoc request reports.

Essentially, the ad hoc report allows the risk manager or pool manager the flexibility of comparing different groups of data and conclusions. For example, it may specify the number of claims that have occurred by member or location or by shift or supervisor. It can also provide loss stratification reports by size or reserves, by adjuster, by state or any other desired parameter. Further, such information should be available from one time period compared with past, similar time periods.

- Analytical reports.

Based on basic loss data, reports centering on loss trends, loss development and even loss forecasting are quite useful, given statistically significant claim volume. Such reports should be designed with actuarial input.

- Marketing reports.

The system should allow input from marketing surveys or questionnaires to the underwriting module. This will

enable a better generation of quotes to prospective members.

- Claims management reports.

These reports monitor the effectiveness of the organization handling the pool's claims. Such reports generate and evaluate useful statistics like subrogation status, legal costs contracted out by the claim administrator, average number of days before the injured is first contacted by the adjuster and adjuster claim turnover per month.

Apart from report generation, another area in effective system design is software and hardware configuration. This, of course, is always open for debate as to which hardware platform is the best. Much depends on available resources, both in equipment and in available capital.

Generally, software will control the decision-making process. Currently, I am not aware of vendors offering the whole spectrum of necessary capabilities (claims, underwriting, financial, accounting, loss control, marketing) in a personal computer

Advances in technology are overcoming software and hardware limitations, but good data must be collected and input to provide the answers risk managers are looking for.

environment, which is a typical question most pools will ask regarding comprehensive design. Typically, several vendors' products must be merged to offer a comprehensive system. In fact, this design issue is probably worth a separate column or two.

A risk management information system for pools must have heavy orientation in claims management. It should provide some analytical capabilities in performing trend analysis and perhaps some loss forecasting, and should provide data in a format useful for actuaries or consultants.

However, it must be able to provide the basic raw data on losses, including reserve changes, adjuster performance, underwriting data reports, litigation management reports and other useful management-oriented tools. ■

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



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

Early retirement plans

New FASB rules creating problems for many programs

By Thomas Malloy and Diane S. Luedtke

FOR THE PAST TWO decades, many employees have welcomed the opportunity to retire early. Those with the economic means grabbed the chance to call it quits, while others, beset with health worries, also wanted to stop working. Still others seized the chance to start a second career. Of course, there were yet others who would have liked to continue working but were seduced by the lure of a rich early retirement program.

By and large, American companies encouraged their employees to choose early retirement. Squeezed by the recessions of 1973 and 1981, and later alarmed by the prospects of takeovers and foreign competition, employers saw early retirement plans as a humane means to a bottom-line end.

Today, early retirement programs are as much a part of business culture as briefcases and gym bags. Now, all this is changing.

Much of the change is coming from the new accounting standards required for retiree health care benefits by the Financial Accounting Standards Board (FASB, Dec. 17, 1990). Effective in 1993 for large employers, the new standards under FAS 106 are requiring nearly all employers to expense funds on an accrual basis for their current and future retirees—a drastic change from the old

pay-as-you-go days.

And, as everyone knows by now, the liabilities facing companies are enormous. What's more, early retirement programs have added significantly to those debts. Clearly, it's more expensive for an employer to pay for the benefits of an employee who has retired early and is no longer contributing to the company than to pay benefits for an employee who works until age 65.

To make matters worse, it's been shown that early retirees use their health benefits more than their working counterparts.

Clearly, as chief financial officers and benefits directors across the country struggle to address FAS 106, early retirement programs are destined for a drastic overhaul, if not outright extinction.

However, outright, rapid elimination of early retirement programs would create considerable controversy among employees who now regard this option as a positive one and among human resource managers, who have long used it to trim the workforce.

Fortunately, there are practical and fair alternatives to these dramatic measures. What's more, these alternatives also will help employers substantially reduce and control their retiree health care liability, while still giving employees an equitable choice of quality benefits.

Traditionally, early retirement medical programs have awarded participants a richer benefit than that received by their counterparts retiring at a later, normal retirement date. Recently the fairness of this practice has come under scrutiny.

As an alternative, employers may want to consider encouraging their employees to postpone early retirement, by providing them with a richer retiree health care benefit plan the longer they stay on the

job. At the same time, those employees who opt to retire early would have to pay a greater share of their health benefit costs in the form of greater contributions or larger deductibles and copayments for the rest of their lives.

A new plan that would provide early retirees with a benefit equivalent in value to that received by employees retiring at a later, normal retirement date would actually be more equitable to employees than the traditional early retirement plans. The new plan would also parallel the time-honored pension principle of actuarially reducing benefits for early retirees.

Under this type of plan, for example, an employee who retires at age 55, rather than age 65, would receive a 50% reduction in benefits for the rest of his or her life. For each year the employee postpones retirement, the percentage of employee cost-sharing would decrease. Finally, employees retiring at age 65 would receive a full benefit.

As an alternative to actuarially reducing early retirement benefits, a company can reduce costs by simply tightening the eligibility provisions. For example, an employer with an eligibility requirement of age 55 and 10 years of service can postpone eligibility to age 62 with 20 years of service.

Besides saving some early retirement benefit payments, there's an added advantage under FAS 106. The accounting rules require attribution—or assignment of benefit costs to periods of employee service—from hire date until full eligibility date. Postponing the eligibility date lengthens the attribution period and effectively decreases the accrued liability and annual accrued expense by spreading them over a longer period. Employers can

Continued on next page

Foreign insurers in Japan

Commitment to Japanese insurance market is still limited

By George Lavrov

MORE THAN 85 YEARS ago, John Hay, the U.S. Secretary of State, remarked: "The Mediterranean is the ocean of the past, the Atlantic the ocean of the present and the Pacific the ocean of the future." The Pacific has now entered the present. Since 1900, America's focus and power has definitely shifted westward to the Asian/Pacific Rim area with its 43% of the world population and \$3 trillion-plus annual market.

The U.S.-Japan trade balance, as well as Japan's U.S.-based investments, continue to make headlines. Japan has made great strides in the U.S. automotive, high-tech, real estate and other key industries. The Japanese insurance industry has followed these dramatic developments with great interest and, particularly in recent years, has significantly expanded its own role in the U.S. insurance market, although its focus is still essentially on "Japanese" business.

The opposite appears to be the case for the U.S. insurance industry in Japan. While the volume of business written by U.S. and foreign firms in Japan has grown during the past 30 years, the actual percentage of the Japanese insurance "pie" representing

U.S. and foreign insurers has consistently hovered near 3%. There are a number of reasons for this "historical consistency," nevertheless, it is due at least in part to the limited long-range commitment to the Japanese market by many U.S. and foreign insurers. Furthermore, the number of Americans working for Japan-based subsidiaries of U.S. insurance companies continues to decline.

Although the number of foreign companies now licensed in Japan has increased to 37, the actual number of American and foreign representatives stationed in Japan has been declining. In contrast, most of the Japanese property/casualty insurers licensed to do business in the United States have been expanding their operations. Independent U.S. branch offices have been opened of Tokio Marine & Fire Insurance Co. Ltd., Yasuda Fire & Marine Insurance Co. Ltd. and Sumitomo Marine & Fire Insurance Co. Ltd., for instance. And many other Japanese insurers—like Taisho Marine & Fire Insurance Co. Ltd., Nippon Fire & Marine Insurance Co. Ltd., Chiyoda Fire & Marine Insurance Co., Koa Fire & Marine Insurance Co. Ltd. and Nissan Fire & Marine Insurance Co. Ltd.—operate with U.S. managing general agents.

All these underwriters' offices are staffed with Japanese expatriates and those with U.S. branch operations have significant numbers of Japanese employees, both expatriate and locally hired.

These U.S.-based representatives are augmented by visiting Japanese insurance industry delegations representing the insurance companies, as well as the "captive" agencies of the major industrial groups or *keiretsu*. These delegations, including the well-known Insurance School of the Pacific, which is jointly sponsored by the Marine & Fire Insurance Assn. of Japan and the Non-Life Insurance Institute of Japan in conjunction with the Insurance Educational Assn. of San Francisco, visit the United States annually.

It was the 28th such delegation that visited California last year to study areas like U.S. insurance practices, legislation and claims handling. According to Roger Smith, president of the IEA, more than 800 graduates of the program now work for insurers around the world. After the California earthquake in October 1989, a special earthquake delegation, also sponsored by the Marine & Fire Assn. of Japan, visited California on a fact-finding mission.

Many "Japan" seminars are

sponsored in the United States. Yet specific interest in the Japanese insurance industry remains low, especially when compared with the degree of interest Japanese companies exhibit toward U.S. coverages, practices and market conditions.

Despite some recent interest in balancing the above state of affairs, it doesn't appear that an "equilibrium" can be expected soon. Currently, the Insurance Educational Assn. is trying to organize a "reverse" delegation of U.S. insurance people for a Japan trip in 1992. This trip would let them obtain first-hand knowledge of the Japanese system, as well as enable them to meet Japanese insurance industry players on their home turf.

A fairly enthusiastic response was received when the idea of a "reverse" Japan ISP program was initially announced and it will be interesting to see how many Americans will sign up for this important insurance study group tour. With the continued expansion of Japanese business in the United States, it is highly desirable for Americans to be better informed of Japan's changing insurance climate. Although still essentially a controlled market, there are increasing changes in Japan. For example, after many years, directors and officers liability

Continued on next page

Early retirement benefits

Continued from previous page

phase in changes for eligibility for early retirement benefits at whatever pace they choose.

Ultimately, these kinds of incentives will encourage more employees to stay on the job longer. And, staying on the job longer is really in keeping with our demographic shift. Demographics show that older workers will be in great demand by the year 2000, as the number of younger workers entering the workforce drops dramatically.

In addition, trends show that Americans are living longer and living healthier. In fact, Social Security normal retirement age is gradually being changed from 65 to 67.

At first glance, actuarially reducing benefits or postponing the eligibility date for early retirement may not seem to generate great cost savings. But, look more closely and it becomes clear that these alternatives do produce substantial savings.

To illustrate, consider a sample case of a company with 300 employees and an early retirement eligibility of age 55 with 10 years of service, a mature population (about 6 active employees per retiree) and an accrued liability divided equally between actives and retirees (50% of total accrued liability is generated by active employees, 50% by retirees).

In this company, moving eligibility from age 55 with 10 years of service to 62 with a minimum of 20 years of service would result in an 18% decrease in a company's overall retiree health care accrued liability for both its active and retired employees—a dramatic drop from \$5.4 million to \$4.4 million. Under this scenario, look just at the liability for a company's active employees—all that can now be influenced—and its liability decreases by 36%.

The comparable figure for reduced early retirement benefits for employees retiring between ages 55 and 64 is a 16% overall liability decrease—from \$5.4 million to \$4.5 million. In this scenario, the overall reduction in active employee liability is 32%.

Interestingly, these two alternatives produce roughly equivalent levels of savings. The savings will be more dramatic as the company grows in size.

And, as for how these measures affect the same company's annual income statement, consider these figures:

Applying FASB's new guidelines to the sample case with the traditional eligibility provision of age 55 and a minimum 10 years of service produces an annual expense of \$938,000—a dramatic increase from the \$150,000 the same firm spent on retiree health care under the pay-as-you-go system.

However, the company's \$938,000 annual expense for retiree health care could be decreased 20% to

\$750,000 by moving the eligibility for early retirement to age 62 with a 20-year service requirement. If the company gave employees the choice of retiring early but with an actuarially reduced benefit, that expense on the income statement would change to \$779,000—still a sizable 17% decrease from the debit developed under the traditional early retirement system.

As the numbers show, developing alternatives to early retirement programs can have a substantial impact on a company's retiree health care liability—and profit.

Carefully considered and implemented alternatives can go a long way toward reducing a company's retiree health care obligations, while still providing retirees with needed protection. ■

Thomas Malloy is senior vp at CIGNA Employee Benefit Services Inc. in Philadelphia.



Mr. Malloy



Ms. Luedtke

Diane S. Luedtke is a vp and consulting actuary at CIGNA Employee Benefit Services Inc.

Japanese insurance market

Continued from previous page
was recently approved.

If Americans want to develop more Japanese business in the United States, it is highly recommended that they sharpen their knowledge of Japan and its business climate. It sounds paradoxical, but the ideal way to achieve this objective would be to station more representatives in Japan. Unfortunately, as noted above, the trend is more of a gradual reduction in U.S. and other foreign representatives in Japan.

Another option would be to send more American insurance representatives on business trips to Japan. Though helpful, this approach does not provide the kind of in-depth

training and experience required for anyone trying to specialize in Japanese business.

A more effective approach, especially from the long-range standpoint, would be to send more young American "insurance trainees" to Japanese insurance companies for extended periods of time (i.e., six to perhaps 18 months). During this time (and preferably even earlier), these trainees would study the language, customs and practices, in addition to developing insight into the day-to-day practices of the Japanese insurance industry.

The Japanese have used this training approach quite effectively in the United States, and a similar approach

for Americans in Japan would not be a bad idea. Unfortunately, the high cost of living and working or studying in Japan has kept away many Americans. On the other hand, in recent years, costs have also been steadily increasing for Japanese representatives in the United States.

Japanese investments, no doubt, will continue playing a significant role in the United States in coming years, and for those involved with the Japanese niche, adequate Japanese business training and experience is an absolute must.

As the Japanese insurance industry continues to educate its representatives in acquiring a good working knowledge of the U.S.

insurance industry, it is crucial for the American insurance industry to follow suit in exposing more and more young Americans, in particular, to Japan and its unique and interesting business and insurance climate. ■

George Lavrov is senior vp of Corroon & Black International in San Francisco. Mr.



Lavrov, who was born in Japan and worked there as an account executive for a U.S.-based broker, is director-Japanese business development for Corroon & Black.

Comp award in demotion-related claim

Stress-related workers compensation claims that arise out of common work conditions, like a job demotion or employee discipline, are not barred as a matter of law, according to a Colorado appellate court.

Suzann R. Nelson was a legal secretary with 20 years of experience. Ms. Nelson had been employed for eight years by a law firm when she was unexpectedly demoted from her supervisory position as a secretarial coordinator. Ms. Nelson had no oral or written warning of deficiencies in her job performance prior to the demotion.

Following her demotion, Ms. Nelson continued to work at the firm but she reported having nightmares and feelings of abandonment, rejection, terror and shock.

Ms. Nelson's condition deteriorated and she was ultimately hospitalized for inpatient psychiatric care. She was diagnosed with major depression and aggravation of a pre-existing but latent personality disorder.

Her psychiatrist said that Ms. Nelson's disability was caused by the demotion.

Ms. Nelson applied for and was awarded disability benefits. Her employer appealed the disability ruling.

On appeal, the employer argued that claims based—in whole or in part—upon facts and circumstances that are common to all fields of employment are not compensable under the state compensation law.

But, the appeals court said this interpretation of

Legal briefs

the law was overbroad and thus would defeat the intent of the legislature to retain job-related stress claims within the scope of the workers compensation act.

The court stated: "Although demotions and employee discipline are common conditions of employment, we conclude that discipline which is arbitrary, unreasonable, or taken in bad faith is not common to all fields of employment." The award was affirmed.

Holme, Roberts & Owen vs. Ind. Claim App., Colorado Court of Appeals, July 19, 1990, rehearing denied Aug. 23, 1990, certiorari denied Dec. 10, 1990 (BI/02/Jy.-\$10).

Health plan termination

A Colorado appellate court held that under terms of a group health policy, benefits for an injured insured continued for at most three months after the employer terminated the group policy.

In August 1986, James Lister sustained severe and disabling brain injuries in an automobile accident. At that time, he was covered under a group policy issued to his mother by American United Life Insurance Co.

The group health policy provided major medical benefits with a maximum lifetime benefit of \$1 million. In April 1987, the mother's employer

terminated the group health policy under which James was insured.

The Listers brought a suit seeking a declaration that the insurer was obligated to pay major medical lifetime benefits up to \$1 million. The trial court ruled in their favor.

On appeal, the insurer contended that the group policy provided for termination of benefits three months from the date on which the employer terminated the policy.

The court concluded that the contract unambiguously expressed that if the group policy was terminated, then benefits would continue for three months at most.

The court said its view was in accord with other jurisdictions which have held that if a group policy provides insurance for medical and hospital-related expenses, as such expenses are incurred, the insured is not entitled to post-termination benefits beyond the terms provided for extended coverage.

The Colorado Court of Appeals reversed the trial court decision.

Lister vs. American United Life Insurance Co., Colorado Court of Appeals, Aug. 9, 1990 (BI/05/My.-\$10)

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

Canadian plan

Continued from page 1

health care mandates as just a Band-Aid with prohibitively high costs for small employers.

"Employer mandates provide no relief," Rep. Russo said, explaining that mandates do not solve the problems of soaring health care inflation and costly administrative expenses.

"An employer mandate is simply throwing good money after bad money. Employer mandates do not begin to address cost containment—\$100 billion goes in the garbage can in administrative costs" to insurers, Rep. Sanders said.

But not all congressional witnesses were gung-ho on the Canadian program, with some contending that the 20-year-old program lacks sufficient controls to prevent unnecessary services.

If the United States were to adopt a single-payer program, "the volume of care would skyrocket," said Rep. Nancy Johnson, R-Conn.

"If we are honest, we have to get at how to control the volume of services," said Rep. Christopher Shays, R-Conn.

A Canadian-type program with no deductibles or other cost-sharing requirements would mean more services will be used, Rep. Shays said. It is a basic economic tenet that a service will be used more frequently if it is free, he said.

Because of the resulting increased volume of services, the cost of a Canadian-type program in the United States would be much more

costly than has been acknowledged, according to Rep. Shays.

But Rep. Mary Rose Okar, D-Ohio, disagreed. With individuals seeing physicians more frequently, diseases could be detected sooner, saving billions in dollars of health care costs over the long run, she said.

Under the Canadian program, first-dollar comprehensive medical care coverage, administered by the nation's 10 provinces and two territories, is available to all residents. Physician fees are set through annual negotiations with provincial and territorial medical societies. And, the provinces and territories provide a fixed amount of funds to hospitals, effectively controlling hospital budgets.

Some committee members say the Canadian controls on physician fees and hospital charges—only possible through a single-payer system—are the key reasons why per-capita health care costs are much lower in Canada than in the United States. U.S. per capita health care costs totaled \$2,300 in 1990, compared with \$1,700 in Canada.

A single payer system says to providers: "Guess what, this is all you are getting," Rep. Sanders said.

Indeed, a Canadian hospital official told the committee that his country's lower health care costs are possible only because the single-payer system limits physician fees and hospital charges.

W. Vickery Stoughton, president and chief executive officer of The

Toronto Hospital, Canada's largest teaching hospital, also said that mandating employer-provided health care coverage without imposing cost controls on providers would fail to rein in costs.

Small employers would protest the most as their health care costs would continue to escalate, he said.

Mr. Stoughton also noted that medical innovation and creativity

**An employer
mandate is simply
throwing good
money after bad,
says Rep. Sanders.**

in Canada remain alive and well, denying charges often heard in the United States that Canada's single-payer system stifles medical advances. "Lung transplantation was developed (in Canada) in the late '70s and early '80s. And, at Toronto's Children's Hospital, the cystic fibrosis gene was discovered in 1990. Does this represent a system totally dependent on the U.S. for creativity and innovation?" Mr. Stoughton asked in his written testimony.

In addition, Canada has the same advanced medical equipment found in U.S. hospitals, he said.

But the proliferation of expensive medical technology is deliberately limited in Canada, he

said. For example, Ontario provincial officials determined that three lithotripters, a device used to destroy kidney stones, could adequately serve the medical care needs of the province's 9.5 million residents.

By contrast, U.S. hospitals, competing for patients, have no restraints on buying such equipment, he said.

However, Mr. Stoughton acknowledged that waiting lists for non-life threatening services are the "Achilles' heel" of the Canadian program.

In addition, health care services are not always delivered as conveniently as in the United States, he said. Because certain procedures may be performed only in specified hospitals, Canadians may have to travel to distant hospitals for surgery. But, in such cases, the province would pay for the patient's air fare.

While health care delivery may be slower and less convenient in Canada than in the United States, Canadians remain enthusiastic supporters of their health care delivery system, he said.

"The system is by far the most popular social program provided through government funding. More than 85% of the public, in spite of waiting times, are very satisfied with the Canadian health care system," Mr. Stoughton said.

Indeed, Canadians would rather wait for a medical service than face bankruptcy because of high medical bills, a risk for Americans without group health insurance, he said.

And, in fact, waiting lines are not an automatic part of a single-payer system, he said. Waiting times can be reduced "depending on planning efforts and resources. Hence, adopting and adapting Canadian-like structures into the

U.S. health care system does not necessarily mean giving U.S. citizens Canadian waiting times," he said.

Mr. Stoughton said so much money now is spent on health care in the United States that it would be decades before there would be any chance of waiting lines to develop after the adoption of a single-payer system.

While some congressmen at the hearing said they liked the Canadian health care system, they called for an approach that combines elements of both the U.S. and the Canadian systems.

For example, Sen. James Jeffords, R-Vt., said he is putting together a proposal that would establish a Canadian-style single-payer system, financed by the federal government, that would provide universal coverage for basic health care services. A panel of health care experts would determine benefits to be offered in the so-called CORE package.

In addition, employers and states could offer benefits that would supplement the CORE package.

This approach incorporates the best of the two nations' health care delivery systems, according to Sen. Jeffords.

"America needs a system that achieves the dual goal of universal access and maximum efficiency, yet we also need to maintain an outlet for innovation that has made the U.S. the leader in delivery of quality care and development of technology," he said.

In addition, Rep. Stark has introduced legislation, H.R. 650, that would extend to the entire population benefits similar to those the elderly now receive through Medicare (BI, Feb. 4).

Medicare is "all-American, designed and developed in our own

Continued on next page

RISK-MANAGEMENT Mid-Year Market Report

A recent survey* among BI's corporate executive readers revealed that ...

- 62% read all of their last four issues of BI;
- 71% are especially interested in property/casualty topics;
- 74% are responsible for risk management;
- 74% review their risk management programs annually;
- 76% buy, specify or approve property/casualty insurance and reinsurance;
- 88% take action based on what they read in BI.

Corporate executives rely on Business Insurance to present the facts. Always taking the pulse of what's happening, BI will measure the impact of market conditions ... analyze trends ... examine the direction renewals will take ... in this special mid-year market report on risk management.

In-depth news and comprehensive reports on projected capacity and rates will be must reading for thousands of financial and administrative executives, risk managers and loss prevention managers. And these readers will turn to BI for fresh insights — revealing what risk managers, insurers, reinsurers, surplus lines insurers, brokers, Lloyd's and the London market have to say at this critical mid-year point.

If you're an important player in the risk management market, you have to act on the fact that only BI is on the cutting edge of news and developments. To keep your company's name and capabilities in front of the decision-makers reading Business Insurance call one of our sales offices today to reserve your space.

*Source: An Audience Profile of the Business Insurance "Buyer" Reader, 1990

**Issue: July 22
Ad Closing: July 9**

New York: 212-210-0228
Chicago: 312-649-5276
Los Angeles: 213-651-3710

**Business
Insurance**
a publication of Crain Communications Inc

Add This To Your File On Risk Management

On July 29 Business Insurance will report on:
SYSTEMS & ANALYSIS ...

- ✓ information systems;
- ✓ the impact on risk management;
- ✓ the influence of corporate cost control policies;
- ✓ the developments in technology;
- ✓ the systems and tools being used.

Plus, BI's Directory of Information Systems lists vendors and their products & services.

**PUBLISHING:
JULY 29
AD CLOSING:
JULY 16**

New York: 212-210-0228
Chicago: 312-649-5276
Los Angeles: 213-651-3710

**Business
Insurance**
a publication of Crain Communications Inc

Metzenbaum

Continued from page 3
tive Life.

• He continues to favor overhaul of the McCarran-Ferguson Act, a law he described as "ridiculous." He suggested, though, that new solvency standards should have a higher priority than reforming McCarran-Ferguson (see story, page 1).

"While reform of the insurance industry antitrust exemption is imperative, the most important battle is reform of state regulation," Sen. Metzenbaum said.

In his speech, the senator said the days are gone when the states—with widely varying laws, staffs and workloads—can fully regulate 3,800 property/casualty and 2,400 life/health insurers.

The growing complexity and sophistication of the insurance industry demands a new regulatory framework, Sen. Metzenbaum said.

"Some regulatory functions can only be carried out on a national basis, like the regulation of reinsurance and the setting of uniform national standards for matters like solvency and consumer disclosure," he said.

Sen. Metzenbaum said in this proposed redistribution of regulatory responsibilities between the federal and state governments, it will be important to make full use of all existing state resources.

However, "it will be equally critical for the federal government to constantly oversee the states to make sure they aggressively regulate the companies," he said.

Sen. Metzenbaum emphasized

Canadian plan

Continued from previous page
country. Americans know what it is, and by and large Americans understand Medicare. This understanding will help as the program is expanded to cover everyone," Rep. Stark said.

But not all congressmen who testified before the panel favor a Canadian-style approach.

For example, Rep. Johnson said she endorses a multiple-step approach to cutting health care costs, including barring states from imposing benefit requirements on health plans sold by commercial insurers, reforming medical malpractice laws and making it easier for small employers to band together to buy health insurance as a group.

"These approaches to cost control can make a tremendous difference," she said.

Some legislators said they were frustrated at the lack of progress in expanding access and the practice of appointing commissions to study the issue.

"No more commissions," Rep. Stark urged. He added, somewhat in jest, that health care access problems would be resolved more quickly if members of Congress did not have health care coverage until all Americans were covered.

Other members said the intense debate on the access issue is a sign that Congress will not let the access issue die.

Legislators have broken the "logjam of silence" on the issue of health care, said Rep. John Conyers Jr., D-Mich., chairman of the Government Operations Committee.

Other committee members, while not necessarily favoring the Canadian approach, said reform of the nation's health care delivery system is urgently needed.

"The time is fast approaching when we need some kind of (access) program," said Rep. Frank Horton, R-N.Y. The current system leaves too many people without coverage while costs continue to escalate, he said.

The U.S. health care system "is out of control," agreed Rep. Rosa DeLauro, D-Conn. ■

that giving the federal government a new role in the regulation of the insurance industry should not be interpreted as a federal bailout, which he would oppose.

"It is a recognition that in the 1990s, multibillion-dollar insurance companies are a national and international business. Only a national system of insurance regulation can possibly protect the public," he said.

Turning to the pension area, Sen. Metzenbaum said he will press the PBGC to make up shortfalls for workers whose employers used Executive Life annuities to fund their benefits.

Los Angeles-based Executive Life, a subsidiary of First Executive Corp., was placed in conservatorship April 11. The other major insurance unit, Executive Life Insurance Co. of New York, was placed in rehabilitation the following week (BI, April 29, April 22).

"I do intend to press the PBGC to

provide the protection they should have provided. I am concerned about it and am trying to work with them (the PBGC) to try to fashion an answer," the senator said.

Sen. Metzenbaum acknowledged that the PBGC, which has a \$1 billion deficit, is financially ill-equipped to guarantee annuities sold by Executive Life or other insurers.

But if necessary, PBGC premiums, which are paid by employers sponsoring defined benefit plans, should be increased so participants receive the benefits they expected, he said.

"I think we are going to cover those who should be covered and have a right to expect the government to protect them," the senator said.

Sen. Metzenbaum also lit into the NAIC for what he called misleading the public on the financial condition of Executive Life.

"A committee, which was estab-

lished to look into Executive Life, raised serious questions that needed answers. But the commissioners were in a rush to tell the public everything was OK. So, even before the answers came back, the commissioners concluded in a Dec. 5 resolution that there was no 'imminent financial danger' facing Executive Life," Sen. Metzenbaum said.

NAIC officials earlier told a congressional committee that the NAIC formed a working group to monitor Executive Life in January 1990, but was concerned that actions against the insurer by individual regulators could trigger massive policy surrenders. They added that the group did not have financial data showing the company was insolvent until the first quarter of 1991 (BI, May 27).

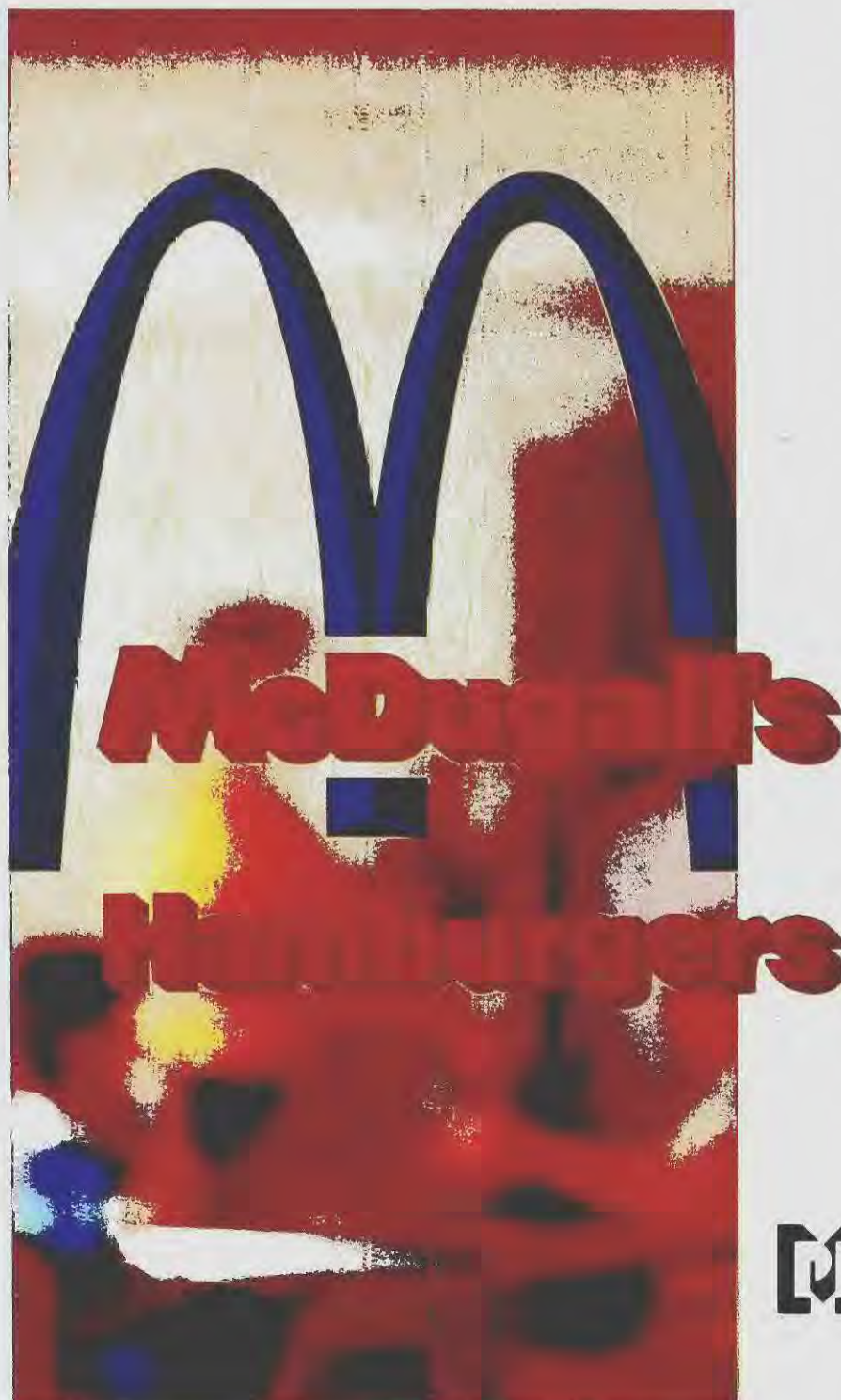
Sen. Metzenbaum also blasted pension plan sponsors for purchasing Executive Life annuities to replace workers' and retirees' pension benefits.

"The public may have been kept in the dark about the financial condition of Executive Life, but pension plan managers had access to much more information and went ahead and bought annuities with Executive Life. That irresponsible behavior has turned thousands of retirees into victims with uncertain futures. It tells you what could happen to other retirees whose pensions have been turned over to shaky insurance companies," he said.

Sen. Metzenbaum also revealed that he has a personal stake in the outcome of the collapse of Executive Life: On the advice of an insurance agent, he purchased a "substantial" Executive Life individual policy.

"I bought it because I had faith in the insurance man who sold it to me. . . . Fortunately, my family can sustain that hit. . . . most families cannot," said Sen. Metzenbaum, who is thought to be a multimillionaire. ■

Imitation can be the sincerest form of trouble.



If one company follows another's recipe for success, it can easily wind up in the pan. And quite often, the imitator and its advertising agency are slapped with an infringement lawsuit quicker than they can say "large order of fries."

But most of the time, the advertiser or agency doesn't know its ingredients may be someone else's trademark or copyright. Infringement lawsuits are on the rise and even the innocent infringer has to pay to defend a suit and may still have to pay damages.

That's why Media/Professional Insurance offers copyright and trademark infringement coverage for qualified advertisers and advertising agencies as a regular part of our Media Special Perils policy. Media/Professional's highly specialized in-house legal department, superior claims handling and affiliation with A+ "Superior" rated SAFECO are only part of the reason why we're the leading media insurance underwriter.

Remind your media clients that imitation isn't just the sincerest form of flattery. It's sheer folly. Then call the experts at Media/Professional Insurance.



Media/Professional Insurance, Inc.
Two Parshing Square, Suite 800 • 2300 Main Street
Kansas City, Missouri 64108 • 816-471-6118

America's E & O Authority

Safety law

Continued from page 3

"Cal/OSHA feels employers should know what are the hazards associated with their particular operation."

Large employers say their safety programs already meet most of the new law's standards.

Compliance in other areas, however, will require "a fairly sizable effort," said John Stokdyk, national risk manager of Toyota Motor Sales U.S.A. Inc. in Torrance, Calif.

Toyota is preparing a video to provide safety training for office personnel and is making sure vendors like cafeteria workers are in compliance with S.B. 198, he said.

Mr. Stokdyk said 10 of his staffers are working part-time on the project to ensure that Toyota is in compliance by July 1.

"It's a matter of just collating everything we're doing and documenting it in a written format," agreed Ed Lavin, director of safety

and security at Mattel Inc. in Hawthorne, Calif. "If S.B. 198 is forcing us to do anything, it's just getting everything organized under one umbrella."

But the ongoing effort of compliance, like annual training and record keeping, will be "a fairly sizable burden on small businesses," Mr. Stokdyk predicted.

Many small firms only recently learned of the law. Take Devon Blaine, principal of The Blaine Group, a small public relations firm in Los Angeles and president of California Small Business United. She just learned of the existence of S.B. 198 in early May in a letter from Blaine's insurance agent, she said.

Ms. Blaine, who characterized the small business group as "a start-up group of 25 companies," said the new law means "probably another scramble" for small employers.

Employers with fewer than 10 workers are exempt only from some of the written communication

and record-keeping requirements of S.B. 198.

"It's very clear to me from talking to consultants that there are large numbers of employers who had not been very familiar with existing requirements and are seriously trying to comply with this bill," Mr. Schaefer said.

In addition, out-of-state employers with offices in California may be late in preparing to comply with the new law, consultants say.

"There's a lot of problems" with out-of-state companies, said SPG's Mr. Brooks.

Out-of-state companies "don't understand California law. They think we're nuts out here, and they may be headquartered in areas where fed OSHA is weak," Mr. Brooks said.

"One of the ways we tried to address that is we have notified all of our other offices throughout the country as to the existence of this law," J&H's Mr. Offinitz said. "We've been getting questions from our consultants throughout the country."

Because Cal/OSHA is understaffed, the agency will give priority to inspecting the safety programs established by companies in high-hazard industries, safety and loss control consultants say. S.B. 198 required Cal/OSHA to establish a list of the "most hazardous industries" for random inspections.

The 100 industries Cal/OSHA identified as most hazardous range from agriculture, mining, construction and manufacturing to nursing, hotels, local government and retail companies.

Employers should be "keying in to where they are having losses" by examining the OSHA 200 Log of Occupational Injury and Illness they are required to maintain, J&H's Mr. Offinitz said. The log is a record of workplace accidents within a specified period.

"If a company is having a problem, as reflected in the 200 log," Cal/OSHA will ask, "Is the company training employees with respect to that hazard?" Mr. Offinitz explained.

Though the new law may mean more work for employers' safety personnel, compliance will "absolutely" help reduce workers compensation costs in the state, said Priscilla Ross, manager of the seminar department at the California Chamber of Commerce.

SPG's Mr. Brooks concurs. "If you implement S.B. 198 correctly, you can knock down 60% to 80% of accidents and claims," Mr. Brooks told a meeting of the Orange Empire chapter of the Risk & Insurance Management Society Inc. last fall.

"S.B. 198, if properly implemented and supported by employers, can have an immense impact on our state's future," Mr. Brooks

What the law requires

SACRAMENTO, Calif.—California's new law, S.B. 198, requiring the establishment of formal workplace safety programs, mandates that employers:

- Install "procedures for identifying and evaluating workplace hazards, including scheduled periodic inspections to identify unsafe conditions and work practices."
- Specify the inspection and training procedures the employer will implement "whenever new substances, processes, procedures or equipment are introduced to the workplace that represent a new occupational safety and health hazard and whenever the employer is made aware of a new or previously unrecognized hazard."
- Establish a procedure for investigating occupational injuries or illnesses and "procedures for correcting unsafe or unhealthy conditions" and work practices in a timely manner.
- Establish in writing a code of safe practices relating to the employer's particular operations.
- Establish written and oral procedures for communicating with employees about occupational safety and health hazards.
- Establish "a system for ensuring that employees comply with safe and healthy work practices," including training employees, recognizing employees who comply and disciplining employees who do not comply.
- Encourage employees "to inform the employer of hazards at the worksite without fear of reprisal."
- Identify the person responsible for implementing the program.

S.B. 198 also requires that employers keep "records of the steps taken to implement and maintain the program." The records must include:

- Details of required inspections and actions taken to correct unsafe conditions, which must be maintained for three years. Employers with fewer than 10 employees may keep the inspection records only until the hazard is corrected.
- Documentation of required employee training, also to be maintained for three years. Employers with fewer than 10 workers may maintain a log of instructions on the hazards of a particular job to be provided to employees when they are first hired or assigned new duties.

—By Louise Kertesz

PUBLIC ENTITY INSURANCE PROGRAM

FOR:

CITIES • TOWNS • COUNTIES • TOWNSHIPS • SPECIAL DISTRICTS • POLICE DEPTS.

Liability Carrier: American Governmental Reciprocal Insurance Exchange
A Risk Retention Group

Property Carrier: Best Rated A + XV

Excess Carrier: Best Rated A + XV

Excess Limits available to \$25,000,000.

Providing Competitive Pricing & Broad Coverage including:

General Liability • Public Officials

Police Professional • E & O • Automobile

Excess Liability • Property

Special Program for Self-Insured Retentions

Contact: American Risk Pooling Consultants
P.O. Box 5088, Southfield, MI 48086
Phone: (313) 358-4010 Fax: (313) 358-2276

Your life just got easier!

If you're not seeing Business Insurance every week — or are merely catching a dated pass-along copy now and then...you're missing important news and new developments in corporate risk and employee benefits management. Riskyl!

Make sure you have the business insurance news you need.

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)
 USA \$80 \$175
 Canada \$118 \$185
 Bermuda (air only) \$180
 United Kingdom \$190 or £104
 Europe/Middle East \$185
 All other foreign \$118 Rates on request

new subscription. renewal. payment enclosed.
 bill me. bill company.
 Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

ENTER YOUR SUBSCRIPTION TO BUSINESS INSURANCE TODAY!

It will make your life a lot easier.

CALL TOLL-FREE on 1-800-678-9595. Fax your order in on 1-313-446-1650. Use the card in this issue, or if it's gone, use the coupon below.

name _____ (please print)
 title _____ telephone _____
 company _____
 nature of business _____
 business or home address
 city _____ state/country _____ zip/postal code _____
 I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Advertiser Index

Issue of June 17

Advertiser	Page #	Advertiser	Page #
ACS Group	32	Home Insurance Company	16-17
A.G.R.I.E.	28	IBM Insurance	12-13
Amwest Surety Insurance	10	Industrial Risk Insurers	36
Business Insurance	26,30,33	Intracorp	22
Continental Agency, Inc.	14	ITT/Hartford Insurance Co.	19
Continental Loss Adjusting	20	Liberty Mutual	11
Duncanson & Holt	40	Media/Professional Ins.	27,29
Employers Reinsurance Corp.	4	Protection Mutual Ins. Co.	6-7
Environmental Compliance	15	Reliance National	9
Environmental Science & Eng.	14	RLI Corp.	21
Equipment Insurance Mgrs	32	Travis Software	19
First Hawaiian Bank	18	Wausau Insurance Company	5

Business Insurance

Data base to help curb fraudulent claims

A new service aims to help self-insured employers, property/casualty insurers and claims administrators recognize and investigate potentially fraudulent bodily injury claims more quickly.

The Index System, a division of New York-based American Insurance Services Group Inc., will be able to electronically identify a claimant whose name, address or Social Security number has been entered into its data base during the last five years.

The system, which has been automated since 1986, helps identify claims patterns that may be fraudulent or suspicious. It works by searching for and comparing similar names and addresses on nearly 40 million bodily injury claims in the data base.

While the system has been successful in helping claims payers identify fraud, until now it could not cross-reference Social Security numbers. In addition, subscribers without mainframe hookups had to wait up to two weeks to receive claims information through the mail.

However, under the new system, all incoming claims will be entered and the data immediately matched against past claims. Claims reports will now be sent to subscribers with mainframe hookups overnight or within two to three days if claims were filed manually.

Identifying "potentially fraudulent claims just got easier," said Gerald Murphy, vp-claims and underwriting with the AISG. Insurance companies and self-insurers "will receive more precise data more quickly than ever so they can identify suspicious claims."

About 1,500 self-insurers and 1,000 insurers and claims administrators have been providing Index System with bodily injury claims information.

The system receives more than 9 million claims each year and generates some 2,000 reports for subscribers annually.

Mr. Murphy said the cost to a subscriber is about \$100 per \$1 million in liability premiums written.

AISG is a non-profit, insurer-sponsored provider of loss data.

For more information, contact Susan Black, Director of Marketing, American Insurance Services Group Inc., 85 John St., New York, N.Y. 10038; 212-669-0406.

Hospital excess cover

Transamerica Insurance Co. now offers a hospital excess liability insurance program through Victor O. Schinnerer & Co.

The Transamerica Corp. unit's program provides in-house limits of \$5 million—with higher limits available—for hospital professional liability on a claims-made basis over a self-insured retention or primary underlying insurance, and excess general liability on an occurrence basis.

It can be extended to provide excess auto liability and employers liability coverages.

The hospital program from the Woodland Hills, Calif.-based insurer is designed for small to medium-sized hospitals. But acute-care facilities meeting the underwriting criteria may be included.

To qualify, hospitals must be operating a fully funded self-insurance program or maintaining acceptable underlying insurance.

Schinnerer, which is based in Chevy Chase, Md., also provides risk management, quality assurance, claims monitoring and actuarial services to insured hospitals.

For information and applications, contact Scottie Vollmer at Victor O. Schinnerer & Co., 301-961-9800.

Products & services

Contractors' coverage

A new general liability program underwritten by Reliance National Insurance Co. allows contractors to lock in their insurance costs when bidding for a project.

The program enables contractors to bid with the certainty that their insurance costs will not rise during the course of a job lasting up to three years, said Gene Pittelli, a Reliance senior vp.

The program is offered in conjunction with Atlantic Star Intermediaries' Construction Trades Purchasing Group. Coverage is provided on an occurrence basis with limits of \$1 million per project/\$2 million annual aggregate.

Deductibles are negotiated on an individual basis. Minimum premium is \$100,000.

Contact William Casey, Vp-Specialty Contracting/Construction Unit, Reliance National Insurance Co., 77 Water St., New York, N.Y. 10005; 212-858-6354.

Long-term care

CIGNA Corp.'s direct marketing division is offering a new long-term care program as an employer-sponsored voluntary group benefit.

The program is available for active employees and their spouses, retirees and their spouses, and parents of employees and spouses. Spouses and parents may apply for

coverage, even if employees do not.

Premiums are based on age at enrollment and are completely paid by the policyholder. Employee and retiree premiums can be deducted from payroll or from pension benefits. Parents are billed directly by the insurer.

Covered benefits include skilled, intermediate and custodial nursing home care; community-based adult day health care; home-based nursing care and personal care; and prescribed skilled therapies.

Covered individuals are eligible for benefits when they need help with two or more of the following activities: dressing, using the toilet, getting in or out of a bed or chair, walking, and feeding. A medical diagnosis of Alzheimer's disease or other irreversible organic disease causing cognitive impairment also qualifies the policy-

holder for benefits.

Catastrophic case managers and rehabilitation specialists from Intracorp, a CIGNA managed care unit, would assess patient needs, formulate and implement a plan of care and monitor and adjust services, said Betsy Van Loon, director-product delivery and management of the employer/employee marketing unit of the direct marketing division.

Applicants choose their own limits. Choices range from \$50-\$150 a day for skilled nursing facility care. Community, custodial and home care is covered at 50% of the skilled nursing limit. Lifetime maximums capped at 1,500 to 2,500 times the daily maximums.

The plan is now available in 31 states. For more information contact Jesse Parker, Product Manager, 203-285-1567.

No matter what size your agency, our rates will make you drool.

From the agency in its infancy, to the full grown multi-office firm, we know you need reasonable premiums for E&O. That's why at E&O Professionals, we've been searching for ways to offer rates to pacify even the most demanding agency.

And now we've finally done it. Working with A+ rated SAFECO, we've developed a new pricing structure for the growing agency, one that's sure to fit your formula.

Our SAFEPRO® plan is already one of the broadest and most flexible policies you can get. It's received endorsements from agent organizations across the country. It offers prior acts and innocent officer protection.

But it's our expertise in claim management that will really tickle you. Our seasoned staff of E&O attorneys will help you through difficult situations. And SAFEPRO® insureds receive a free subscription to "Defensive Strategies" newsletter, plus seminars, videotapes and prevention advice.

When you're ready to renew, don't play around. Call the others, then call us. Our rates will keep you smiling.

1-800-243-6836



Errors & Omissions Coverage for Insurance Professionals

Administered by E&O Professionals, a division of Media/Professional Insurance, Inc. Kansas City, MO



SAFEPRO® is a registered trademark of SAFECO Corporation. ©1990 Media/Professional Insurance. New rates may not be available yet in your state.

Jewelers suits

Continued from page 3

Lesser was never charged, said Daniel Friedman of Abrams & Martin in New York, which represented the Lloyd's syndicates in all the cases.

The jury on May 17 found that Mr. Lesser concocted the story of the robbery and that his wound was self-inflicted. The jury ruled that the syndicate was not required to indemnify Italgold under its jewelers block coverage.

Italgold in 1986 had purchased \$500,000 in primary jewelers block coverage from Lloyd's syndicate 112, managed by C.I. de Rougemont & Co. Ltd. and underwritten by Michael White.

Italgold also carried \$4.5 million in excess jewelers block coverage from Lloyd's syndicate 202, managed by Sturge Holdings P.L.C. and underwritten by Simon Wilmot-Smith.

Fleet was listed as the policy's

loss payee. The bank urged the New York court to adopt a recent ruling by a U.S. District Court in Miami, which ruled in a similar case that an innocent loss payee could recover under a policy even if the named insured could not.

But Judge John Sprizzo, citing New York law, said that a loss payee is a "mere assignee of the insured and, thus, its right to recover is derivative of and dependent upon the insured's rights."

Judge Sprizzo has scheduled an Oct. 25 rehearing of the loss payee issue. Lawyers for both Fleet and the insurer will be required to present oral arguments on the issue.

Alfred Paliani of Edwards & Angel in New York, which represents Fleet, said the fact that Judge Sprizzo is requiring the Lloyd's underwriters to argue at the October hearing indicates that the loss-payee issue "has not been rejected or denied."

He said Fleet will try to show

that a jewelers block policy, unlike a standard property insurance policy, responds to both property and liability losses and, thus, holds the policyholder responsible for all losses, regardless of cause.

Jewelers block insurance, which covers the stock and trade of a jeweler as well as third-party merchandise in the jeweler's possession, "is a mix of property and liability coverage," according to Mr. Paliani.

"Fleet, as owner of the gold, is entitled to both property and liability protection. Mr. Lesser was responsible to Fleet for the gold and is liable for its loss for any reason," he asserted.

Mr. Friedman said the Lloyd's syndicate will base its opposing arguments on elements of New York law already noted by Judge Sprizzo.

"The judge applied the principles of New York law at this trial. I guess we'll have to see if it's still the law after Oct. 25," he said.

"The jury found that Italgold breached its policy by committing fraud, which does not entitle it or an innocent beneficiary to recover."

Also on May 17, U.S. District Judge John S. Martin in a non-jury trial ruled in favor of another Lloyd's syndicate in a case involving the interpretation of the language of a jewelers block insurance policy.

In that case, Adam Gindi Inc., a jeweler based in New York, was robbed in November 1989 of \$58,000 worth of watches and other jewelry. The jewelry company's management filed a claim with the Lloyd's syndicate for full indemnification of the loss.

However, a Lloyd's syndicate managed by Cuthbert Heath Underwriting Ltd. that wrote the coverage for Gindi contended that a manuscript addition to the policy limited coverage to watches worth \$250 or less.

The syndicate offered to pay only for the value of such watches, which totaled \$12,500, said Norman Landres of Abrams & Martin, who represented the syndicate.

But Gindi refused the offer, claiming that the policy language was ambiguous and that the full value of all the stolen items should be covered.

Last year Gindi sued in federal court seeking full coverage for the loss and also demanded that the underwriters pay punitive and consequential damages in excess of \$1.5 million plus attorneys' fees for bad faith.

Judge Martin agreed with the syndicate's position that the policy was unambiguous and that the policy was intended to limit recovery.

Prior to this ruling, Judge Martin

television camera and video recording machine had to be operating at all times.

Lawyers for the Lloyd's syndicate argued that coverage should be denied because the store's showcase was unlocked and because the robbery was not recorded.

Jurors rejected that argument. Mr. D'Antonio said the TV camera focused only on the cash register, not on the area of the store where the robbery occurred, and that the jewelry case was open because jewels were being shown at the time.

Mr. Landres, who represents the Lloyd's syndicate, said that "we wanted the judge on the case to ask each juror to answer whether all three warranty requirements were met, but he didn't do that. Posing these direct questions would have provided for a more objective jury response and would have played less into the hands of a sympathetic verdict."

The Lloyd's syndicate had not been served with a judgment as of late last week, Mr. Landres said, adding that he will ask the underwriter to consider an appeal.

Finally, on May 22, another New York federal court jury found in favor of a Lloyd's syndicate in a case in which a jeweler claimed to have lost more than \$100,000 of jewelry while on a business trip to California.

Freddy Noy, a principal with S.N. Gold Inc. in New York, claimed that while on a trip to Los Angeles in 1987, he stopped at a service station to have a flat tire on his rental car repaired. After the tire was repaired, Mr. Noy claimed that he returned to his car only to find that his briefcase containing

'People are always leaving their cars, and usually for good reasons,' says Daniel Friedman, a lawyer for the Lloyd's syndicates. 'But the underwriters are aware of how vehicles go unattended and that's why this type of loss isn't covered.'

dismissed Gindi's claim for punitive damages, finding that even if the policy had been ambiguous, there was no bad faith.

Dennis D'Antonio, an attorney with Weg & Myers in New York, which represented Gindi, said he will appeal the ruling to the 2nd U.S. Circuit Court of Appeals.

"We feel the judge erroneously concluded that the clause was not ambiguous. He spent three days himself deciding, so obviously he wasn't too clear on the language either," Mr. D'Antonio said.

While Gindi lost its case over coverage for the watches, just days earlier a federal court jury in New York found in favor of the jeweler in a case against the Heath syndicate and awarded Gindi \$116,000 for a claim that centered around a robbery of the jeweler's downtown Manhattan store.

Mr. D'Antonio explained that in June 1989 a man entered the Gindi store, grabbed a ring and fled into the street. Michael Gindi, one of the store's proprietors, gave chase. Meanwhile, a second man entered the store and held up the store's remaining attendant for \$116,000 worth of mixed jewels.

The Lloyd's syndicate denied Gindi's claim, stating that Gindi's jewelers block policy is breached if fewer than two people are on the premises when a robbery occurs. Attorneys for the Lloyd's syndicate argued that by chasing the first thief, Mr. Gindi breached the policy terms, according to Mr. D'Antonio.

Also at issue in the case was a policy requirement that the store's showcase had to be locked at all times except when moving or showing merchandise and a requirement that a closed circuit

about \$135,000 worth of gold jewelry was missing.

Mr. Noy alleged that he never was more than a few feet from the car the entire time he was at the service station. But a station attendant said in a deposition that he and Mr. Noy had a conversation about the tire some 30 feet from the car.

Mr. Landres of Abrams & Martin argued that the loss occurred during that conversation and thus an "unattended automobile" exclusion in the jewelers block policy would apply.

The Cuthbert Heath syndicate wrote S.N. Gold's policy, which carried a \$100,000 off-premises limit.

The case was first tried in January and resulted in a hung jury, but a jury unanimously found in favor of the Lloyd's syndicates during retrial.

"We had a real credibility issue here," said Mr. Landres. "The insured never admitted that he strayed more than a couple of feet from the car and we only had the sworn transcript from the attendant that we took during deposition in California. The exclusion in the policy was never challenged and this verdict confirms that the unattended vehicle exclusion means just what it says."

"The auto exclusion is always a tough case," added Mr. Friedman. "People are always leaving their cars, and usually for good reasons. We never said this was a case of fraud. But the underwriters are aware of how vehicles go unattended and that's why this type of loss isn't covered."

The verdict will not be appealed, according to the lawyer for S.N. Gold.

AGENT/BROKER PROFILES

The publishers of Business Insurance proudly announce the 20th Annual Agent/Broker Profiles Issue. Presented to nearly 150,000* readers, this outstanding editorial package contains vital information on leading insurance agents and brokers.

Editors will profile major brokerage firms worldwide and rank the 100 largest U.S. brokers.

In addition, BI's exclusive Directory of Agents & Brokers will provide readers with a ready reference for a full year.

Advertise in this Business Insurance annual and reach the executives who reach for Business Insurance first. Call now to reserve your ad space.

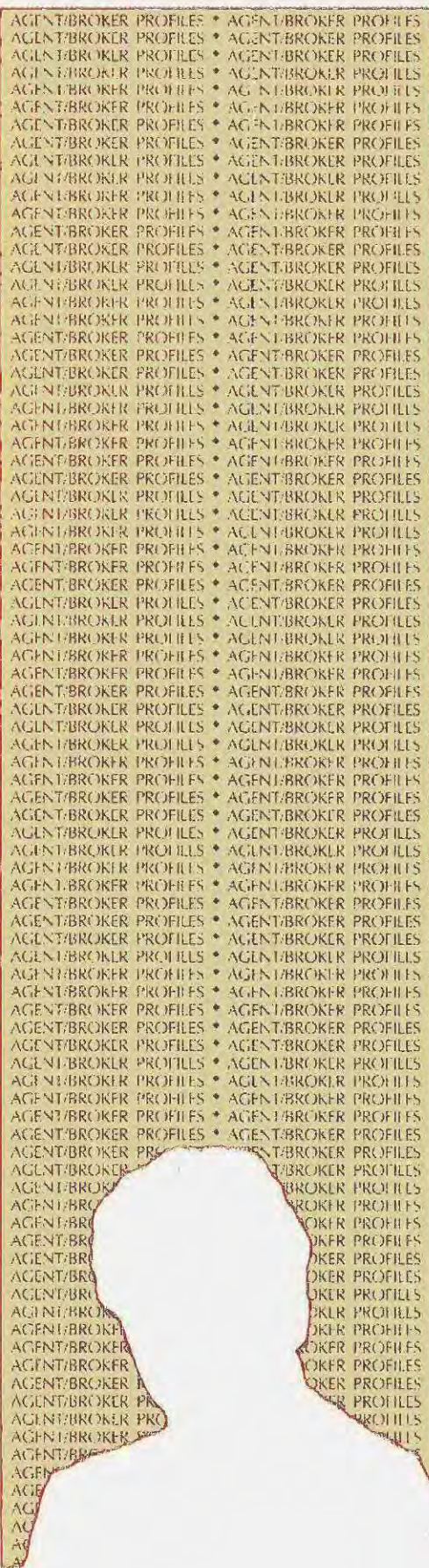
*Includes pass-along

PUBLISHING: JULY 1

AD CLOSING: JUNE 18

New York: 212/210-0228 • Fax: 212/210-0704
Chicago: 312/649-5276 • Fax: 312/280-3189
Los Angeles: 213/651-3710 • Fax: 213/655-8157

Business Insurance
a publication of Crain Communications Inc



INTERNATIONAL

ACE to increase excess liability rates

By ROGER SCOTTON

HAMILTON, Bermuda—For the first time since its was founded in 1985, ACE Ltd. is raising excess liability insurance rates.

But the insurer won't say by how much.

Starting July 2, "everybody will get a price increase," said Walter A. Scott, chairman and chief executive officer of ACE, which offers \$200 million in liability limits excess of a \$100 million attachment point. "But there's no average, no across-the-board rate increase."

Any of ACE's 410 excess liability accounts renewing on or after July 2 will be "individually underwritten and adjusted," said Mr. Scott. Those increases will reflect:

- The increased probability of losses exceeding \$100 million.
- The extent of a policyholder's exposures in Texas, where the in-

surer has suffered its greatest losses to date.

• The cost per layer of insurance.

Only excess liability policies are affected by the rate hikes. On the directors and officers liability side, where the company writes a maximum limit of \$50 million excess of \$25 million, ACE is a following form insurer, said Mr. Scott.

He said the decision to increase rates followed an independent actuarial review of the company's excess liability book.

"What we found was an increased frequency and severity of

catastrophic losses," he said. "Individual settlements have been greater than we had anticipated and our adjustment reflects both financial and social inflation."

William J. Loschert, ACE's executive vp-underwriting, said that social inflation had led to higher payouts for loss of life. "We're seeing awards in excess of \$5 million per life," he said. "But, personal injuries are also commanding higher awards and we're seeing more claims from post-traumatic syndrome."

Another contributing factor was unexpectedly rapid payouts and the resulting loss of potential investment income.

"We found that our cash disbursements were taking place at a significantly greater rate than we'd anticipated," Mr. Scott said.

"Until less than a year ago, we hadn't paid out on any losses, but

in the space of the past 10 months, we've paid out five losses totaling \$210 million, including our biggest, of \$125 million in March," he said.

Although Mr. Scott refused to divulge details of the policyholder involved, he said the \$125 million claim arose out of an explosion in a "petrochemical plant in Texas."

ACE wrote \$200 million of liability coverage for Phillips Petroleum Co., which owned a petrochemical complex in Pasadena, Texas, that exploded in 1989 (BI, Oct. 30, 1989).

The "aggressive plaintiff bar" in Texas and high settlements have given rise to what Mr. Scott described earlier this year as "our biggest concern" (BI, April 29).

"Three of the five claims we've paid out on were in Texas," he said.

One of those losses is known to

involve the crash of a Valley Coca-Cola Bottling Co. Inc. truck and a school bus near Alton, Texas, in 1989 (BI, May 7, 1990). Twenty-one children died in the crash.

"After collecting underwriting information together over a period of about four months, we are now in a position to be able to factor into our excess liability rates a certain amount for the degree of Texas exposure involved," he said.

"Everybody has a Texas exposure," he said, though the exposure is greater for some policyholders, like those with a significant percentage of their assets or staff in the Lone Star State.

"We cannot say we won't cover Texas exposures, because that would go against our operating philosophy and the reason ACE was formed in the first place. But that doesn't mean to say we can't

Continued on page 35



Mr. Scott

Mentor litigation

Disclosure could weaken allegations against Pinnacle

By ROGER SCOTTON

HAMILTON, Bermuda—A recent disclosure in the litigation filed by the liquidators of Mentor Insurance Ltd. against auditor KPMG Peat Marwick may weaken a separate lawsuit the auditors have filed against financial reinsurer Pinnacle Reinsurance Co. Ltd.

The disclosure concerns "secret" side letters to three stop-loss contracts that Pinnacle wrote for Mentor.

The liquidators are suing Pinnacle, Mentor parent Ocean Drilling & Exploration Co. and eight Mentor directors in connection with the insurer's collapse in 1985. They also are suing KPMG Peat Marwick for alleged negligence in 1981, 1982 and 1983 audits of Mentor.

The liquidators charge Pinnacle helped "conceal and misrepresent" Mentor's true financial condition from Mentor's auditors and others through secret side letters to the reinsurance contracts. The liquidators contend the letters, in effect, turned the contracts into deposits rather than reinsurance.

In their action against Mentor's auditors, the liquidators say that the contracts appeared to indemnify Mentor as it became liable to pay its policyholders and cedants.

"In the case of each of the Pinnacle contracts, the same were proffered as complete agreements to... (Peat Marwick) for their approval of the desired balance sheet relief in order that Mentor's loss reserves could be reduced by the amount of the reinsurance cover granted by each Pinnacle contract," the liquidators' suit says. However, the suit argues, "none of the Pinnacle contracts contained or evidenced the complete agreement between Pinnacle and Mentor. In the case of each Pinnacle

contract, a secret side letter... was entered into by Mentor and Pinnacle which provided that notwithstanding the terms of the contract, Pinnacle's obligations would be limited to one predetermined amount, unrelated to Mentor's actual insurance losses and payable only at the end of 10 years."

The liquidators assert that if any of the side letters had been disclosed to the auditors, "Mentor would or should not have been permitted to obtain the benefit of the desired balance sheet relief and would or should have been obliged to account for each of the Pinnacle contracts as an interest-bearing account, rather than as reinsurance."

The Bermuda office of KPMG Peat Marwick has repeatedly said that it never saw the side letters and therefore had to take the stop-loss contracts at face value.

Yet during recent discovery between the auditors and Mentor, Peat Marwick said knowledge of the side letters would not have altered its opinion of Mentor's financial condition.

The auditors were asked: "State whether it is (Peat Marwick's) case that the disclosure and/or discovery of the side letters would have led to no difference in (Peat Marwick's) agreement to the proposed accounting treatment of each of the Pinnacle contracts."

The auditors replied: "Peat Marwick (Bermuda) will say that if Mentor had insisted upon accounting for the Pinnacle contracts as reinsurance, the financial statements would, on the basis of then current standards, have fairly presented Mentor's position and Peat Marwick (Bermuda) would not have qualified its report."

Pinnacle declined to comment on the disclosure. Mentor's liquidators and KPMG Peat Marwick could not be reached.

New asbestos facility proposed by reinsurer

By GAVIN SOUTER

COLOGNE, Germany—Small and medium-sized reinsurers may form a single body to negotiate hundreds of millions of dollars of asbestos claims with London market insurers.

If the entity takes off, it also would handle pollution losses and other long-tail liability losses that involve the London market, according to Cologne Reinsurance Co., which launched the proposal. The non-profit entity tentatively would be called the International Alliance of Asbestos & Pollution Reinsurers.

Cologne Re is one of a group of six reinsurers that recently concluded an asbestos claims payment agreement—the London Asbestos Reinsurance Information agreement—with the London market (BI, March 11).

However, LARI does not cover "the substantive legal issues" that arise in individual asbestos reinsurance disputes, and many of the reinsurers involved do not have the internal resources needed to pro-

cess the complex claims, said Wilhelm Zeller, an executive director at Cologne Re.

The International Alliance would handle the asbestos-related losses of the London cedants once they had been presented according to the LARI standard, Mr. Zeller explained.

If Cologne Re obtains sufficient support, the International Alliance could be in place by the beginning of 1992, he said.

Cologne Re has suggested creating the facility in a letter to 130 reinsurers and insurers that have previously asked Cologne Re for assistance in unraveling asbestos claims, Mr. Zeller said.

"Every year we have people from overseas countries that come to us for two or three days and say that they would like to learn all about asbestos. Sometimes they want to be accompanied to London," he said.

The letter proposes that the International Alliance assume the task of dealing with London underwriters on an individual basis

Continued on next page

Coverage insufficient for Japanese rail crash

TOKYO—The owners of the trains involved in a head-on collision in Japan last month that claimed 42 lives and injured 576 are drastically underinsured for liability claims arising from accident.

The collision occurred May 14 near the town of Shigaraki-cho in the Shiga prefecture, about 230 miles west of Tokyo, on a railway line owned by privately held Shigaraki Kogen Railway Co. The company operated the three-car tourist train involved in the crash.

The other train involved in the accident was operated by the government-owned Nishi Nippon Railway Co.

A criminal investigation into the accident continued early this month, and full details of the crash have not been made public.

The liability loss is expected to total 50 billion yen (\$354.1 million), according to industry sources.

Shigaraki Kogen's public liabil-

GLOBAL BRIEFS

ity policy provides only 300 million yen (\$2.1 million) per accident, sources said.

And, Nishi Nippon has 10 billion yen (\$70.8 million) of public liability insurance. The coverage is underwritten by a consortium of Japanese insurers.

The Ministry of Transport has said it hopes the Shiga prefectural government, which holds a stake in Shigaraki Kogen, will pay a portion of claims.

The ministry in the meantime has started reviewing insurance and crisis management programs of all railway lines jointly owned by public and private entities.

The accident also has highlighted the need for transportation companies, however small, to have adequate liability insurance limits.

Shigaraki Kogen owned only the

Continued on next page

Legal fees added to big award

By GAVIN SOUTER and STACY SHAPIRO

LONDON

LONDON—The Lloyd's of London underwriters facing a \$61.5 million Alaskan jury award for denying a \$280,000 claim filed by the owners of a restaurant destroyed by fire have to pay \$24.7 million more in legal and other costs to the policyholders, a judge has ruled.

The total judgment, which includes \$60 million of punitive damages, now exceeds \$86.2 million.

Alaskan Judge Victor Carlson awarded the additional costs to the policyholders last month when he was temporarily reinstated after retiring in February. The judge had not signed the judgment before he retired (BI, April 29).

The award stems from a \$280,000 fire damage claim by the owners of a Ketchikan, Alaska, restaurant. The owners, Carson and Jeanne Lindley, alleged among other things that the 32 underwriters refused to pay the claim without even investigating it and accused them of fraud (BI, Feb. 4).

Gotham Insurance Co. of New York and the Lloyd's underwriters, led by John Wetherell, underwriter for syndicate 1031 managed by Janson Green Management Ltd., each wrote 50% of the risk.

Explaining their refusal to pay, the Lloyd's underwriters said they thought the claim for loss of contents was overstated.

Initially, Judge Carlson awarded \$60 million of punitive damages, \$1 million for emotional distress, \$150,000 for monetary losses and \$386,472 in compensatory damages.

Additionally, last month Judge Carlson awarded the plaintiffs \$24.5 million in attorneys' fees, \$203,565 for 10.5% post-judgment interest on the emotional distress and monetary losses awards, and more than \$4,400 for out-of-pocket expenses.

The underwriters are seeking a retrial.

If their motion is denied, they will appeal to the Alaska Supreme Court, said Leo Fraser, a partner with Mendes & Mount in New York, who is representing the underwriters.

Continued on page 33

INTERNATIONAL

Cologne Re plan

Continued from previous page on behalf of the facility's members, charging time and costs involved back to the members.

Cologne Re would manage the operation, but qualified staff from other reinsurance company members would be welcome to assist, the letter says.

"The realization of this initiative would, above all, bring the idea of 'strength through unity' to fruition, and on the other hand it would contribute to cost-minimization due to its non-profit orientation," the letter says.

If there is insufficient support for the facility, Cologne Re will withdraw much of the assistance it had previously offered the reinsurers, Mr. Zeller said.

"LARI established how the losses should be presented, but it does not deal with the problem of sorting out complex claims information by individual insurers and reinsurers," he said.

The LARI agreement was worked out between the Asbestos Working Party in London—an association representing insurers throughout the London market—and six reinsurers. The reinsurers are: Mercantile & General Reinsurance Co. P.L.C. of London; Netherlands Reinsurance Group N.V. of Amsterdam; Swiss Reinsurance Co. of Zurich; Munich Reinsurance Co. of Munich; Gerling Global Reinsurance Co. A.G. of Cologne; and Cologne Re.

The group of reinsurers has dispersed having negotiated LARI, Mr. Zeller said.

Although all six of those reinsurers have the internal resources and information to deal with the plethora of complex information that accompanies asbestos claims, small and medium-sized reinsurers do not, Mr. Zeller said.

Much of that complexity arises from the number of insurers and reinsurers involved, he said.

"In London, there are about 130 separate entities, including Lloyd's syndicates and (London market) companies, and their reinsurers number about 400 worldwide, so

it's very difficult to communicate all of the information to all those involved," he said.

In London, each claim can involve more than 50 different underwriters, depending on the number of layers of coverage, he added.

And, "we are talking about losses that stem from reinsurance transactions that were conducted 30 to 40 years ago, and in those days reinsurance was conducted largely on a handshake agreement, so it is very difficult to work out what was agreed and what wasn't," Mr. Zeller asserted.

Additionally, many of the reinsurers on the risk decades ago no longer conduct reinsurance busi-

"If (the reinsurers) turn us down, then we can at least say that we tried to do something," Mr. Zeller says.

ness, he said.

Cologne Re has sufficient claims information to set up the facility, but ideally it also would like to tap into the London market's information systems, he said.

"The ideal solution would be for the Asbestos Working Party and the London Market Claims Service to send us a diskette with their information, and then we would have the same information and would be in a position to represent all of the members (of the International Alliance) in their discussions with the London market," Mr. Zeller said.

London market members are non-committal about the proposal.

"We do not have a view on it as such," said Robin Jackson, chairman of the Asbestos Working Party and a former Lloyd's underwriter. "A lot is happening at the moment, and we are keeping an open mind."

The London organizations also would have to consider conflicts of interest before they could release any information to the reinsurers, he said.

"Also, a lot of the reinsurers are

on contracts where the leader has agreed to pay and they should get on with it," Mr. Jackson said.

Mr. Jackson has just returned from trips to Scandinavia and the Far East to explain LARI to reinsurers there that are affected by the agreement. "Now, most of the people in the world who are affected by LARI have been informed about it," he said.

The London Market Claims Service views the Cologne Re proposal positively, as long as it assists in the payment of claims, said Sebastian Salama, senior consultant at Alexander Howden Reinsurance, who is on leave to work with LMCS.

Cologne Re says that 40 to 50 reinsurers would need to support the International Alliance for it to take off. But the facility could be justified if as few as 20 to 30 reinsurers support it, provided they had a large volume of claims from London, Mr. Zeller said.

Cologne Re has asked for responses to its proposal by June 30. If it receives enough support, it will conduct a feasibility study over six to eight weeks and outline the facility's costs.

If this stage is passed, the organization could be in place by the beginning of 1992, Mr. Zeller said.

"If (the reinsurers) turn us down, then we can at least say that we tried to do something but you didn't want it," he said.

If the reinsurers do reject the proposal, Cologne Re will be reluctant to continue offering its current extensive help to other reinsurers involved, Mr. Zeller said.

However, if the facility is a success, it could be used to negotiate other long-tail claims with the London market, he added.

"The most important long-tail claims at the moment concern asbestos, but the next problem will be pollution, and then there may be other claims in the future, which we do not yet know about," Mr. Zeller said.

The proposal comes weeks after a similar, for-profit venture was set up by Chilton Intermediaries Ltd. (BI, June 3).

However, the International Alliance "will be a non-profit-making association of self-help," Mr. Zeller said.

Both the Cologne Re proposal and the Chilton companies—called International Reinsurance Advisory Service BmbH and Chilton International Reinsurance Advisory Service—stem from a proposed marketwide asbestos claims service that was touted at a London conference in 1988 (BI, March 21, 1988).

That original plan—under which a clearinghouse would gather information about asbestos claims for reinsurers worldwide—was scuttled by opposition from London market underwriters and brokers who viewed it as a means to delay claims payments. ■

GLOBAL BRIEFS

Continued from previous page three cars involved in the crash and has a total staff—including management—of just 20.

—By Judith Rawnsley

BASF forms captive

LUDWIGSHAFEN, Germany—Chemical manufacturer BASF A.G. has established a captive insurer in Germany to gain "more influence" over its own reinsurance.

The captive will be capitalized with 5 million deutsche marks (\$2.8 million) and located in Ludwigshafen, where BASF is based, said Karl Heinz Jager, head of the insurance division.

The captive, dubbed Lucura, will begin underwriting at year-end, when the chemical manufacturer's policies begin to expire.

BASF will use the captive to take on more of its risk, Mr. Jager explained.

"Ninety percent of our fire insurance was passing from primary insurers to reinsurers anyway," he said. "We decided to try to do some of this ourselves."

BASF is one of the last major German chemical manufacturers to set up a captive. Other manufacturers, including Bayer A.G. and Hoechst A.G., have taken similar steps to retain a greater portion of their risk.

The BASF captive also will reinsure the company's U.S. risks, according to Mr. Jager.

More than 20% of BASF's sales are generated in the United States, where the company has five divisions.

BASF's U.S. product line includes chemicals, coatings, colorants, consumer products and technical equipment.

—By Don Lewis Kirk

Mexico City fire

MEXICO CITY—Seguros America S.A. and Seguros de Mexico S.A. are among several insurers that wrote property coverage for tenants of an 18-story office building in Mexico City destroyed by fire late last month.

The blaze, which fire investigators suspect may have been caused by a short circuit in the electrical system, killed 17 people and injured more than 40.

Office space in the building was owned by the tenants and several insurers wrote their coverage, according to Antonio Murgia, vp of claims at Seguros America.

Property claims filed by tenants of the floor Seguros America insured are expected to amount to around \$100,000, Mr. Murgia said.

Seguros de Mexico confirmed that it wrote the property coverage for a dentist's office in the building and that the property claim should amount to around \$40,000.

—By Michael Bradford

Fondiarra acquisitions

FLORENCE, Italy—La Fondiarra S.p.A. has improved its position as one of Italy's largest multiline insurers with several recent acquisitions by two of its insurance operations.

The Fondiarra Group—which specializes in commercial and industrial lines—is controlled by holding company G.A.I.C. The holding company is half owned by merchant bank Paleocapa and half by AIFA Holding, which is controlled by the Feruzzi family.

As a result of corporate restructuring over the past 18 months, Fondiarra has become the holding company for three insurance operations: La Fondiarra Cia. di Assi-

curazioni e Reassicurazioni S.p.A.; Milano Assicurazione S.p.A.; and La Previdente Assicurazione S.p.A.

The recent acquisitions began with La Fondiarra acquiring 74% of the Latina group of insurers from Cofide, a holding company controlled by Italian industrialist Carlo de Benedetti.

Gruppo Latina is composed of three companies: Cia. Latina di Assicurazioni S.p.A.; Latina Vita S.p.A.; and Gruppo Ausonia Assicurazioni.

It remains unclear how the Latina insurance companies, which specialize in automobile coverages, will fit into Fondiarra's corporate structure.

The second deal involved the Milano Assicurazione subsidiary acquiring three life insurers from Italy's largest private bank, Istituto Bancario San Paolo di Torino. The three companies are: Gideas Assicurazioni; Sipea Assicurazioni; and Polaris Vita.

The total cost of both acquisitions was 504 billion lire (\$382.38 million).

However, the first deal calls for Cofide to buy back Latina's distribution network for financial products, like unit investment trusts, for 100 billion lire (\$75.87 million), making the net acquisition price 404 billion lire (\$306.51 million).

Fondiarra is one of Italy's principal commercial and industrial insurance groups, controlling 13% of the domestic market in those lines.

A Fondiarra spokesman said that under an agreement with Gestione Polizze Assicurazioni Europe—a leading Italian brokerage—the insurance group is marketing industrial risk management advice throughout Italy and plans a similar strategy for the European market.

The spokesman added that the company also plans to market its commercial/industrial expertise in South America.

Although no decision had been made about a specific country, Argentina is a likely candidate, he said.

Milano Assicurazione purchased the life insurance companies because Fondiarra had few interests in personal lines and wanted to expand into the life and pension market, he said.

"Life is not our strong position," he said.

However, another possible reason for the move was that Fondiarra wants to forge a new strategic relationship with the Italian banks in different financial spheres, ahead of wide-ranging reforms called for under the so-called "Amato law."

This law aims to reform the Italian banking system, two-thirds of which is owned by the public sector. The measure is expected to lead to mergers and partial privatizations of public sector banks.

"At the moment, insurance companies cannot buy shares in banks, but banks may buy shares in insurers," the spokesman explained. "The new law is unclear for the moment, so we are starting with a commercial agreement."

This agreement is between the newly acquired affiliates and Bologna-based regional bank Credito Romagnolo to sell life insurance and other financial products through the bank's network.

The Fondiarra Group's gross premium volume for 1990 was 3.8 billion lire (\$2.9 million) in Italy alone. And, when foreign operations are taken into account, the group's gross premium income last year totaled about 27 billion lire (\$20 million), the spokesman said.

—By Maria Kielmas

TPA GUIDE

to the
Administration of Self-Funded Health Care Plans

Written by: Carlton Harker, FSA, EA

- Claims Manual - 3 Notebooks
- Monthly Update of Major Changes
- Monthly Newsletter
- VHS Tape Catalogue (in-process)
- Membership to National Self-Funding Educational Coalition

- 5 Support Books
- Self-Funding of Health Care Benefits
- Cost Containment of Health Care Benefits
- Medical R&C Charges (1990)
- Dental R&C Charges (1990)
- Late Applicant Underwriting Guide

Published by:
ACS Publications Tel: (919) 759-2013
8025 North Point Blvd. Fax: (919) 759-0404
Winston-Salem, NC 27106 Not sold NC or VA

Prospective Buyers:
TPA's Consultants
Insurers (ASO) Risk Managers
Large Employers

Call or Write for a Sales Brochure, Table of Contents, etc.

LIABILITY FOR CONTRACTORS

EQUIPMENT INSURANCE MANAGERS, INC. is now offering contractor liability programs for those large hard to place clients.

Our new cost saving liability programs include contractors in the areas of...

EQUIPMENT INSURANCE MANAGERS, INC.

continues to offer liability programs for...

- Construction Equipment Manufacturers
- Equipment Rentals
- Scaffolding

For more information, contact:

Elaine Garner
4514 Cole Ave. • Suite 700 Dallas, TX 75205
214/522-5204 • FAX: 214/520-1664



- Steel Erection
- Bridge Building
- Tunneling
- Land Improvement

Member of:
ASSOCIATED EQUIPMENT DISTRIBUTORS (AED)
AMERICAN RENTAL ASSOCIATION (ARA)
SCAFFOLD INDUSTRY ASSOCIATION (SIA)
SPECIALIZED CARRIERS & RIGGERS ASSOCIATION (SC&RA)

INTERNATIONAL

LONDON

Continued from page 31

P&I calls continue

Following a massive and unexpected increase in marine liability claims, the United Kingdom Mutual Steam Ship Assurance Assn. (Bermuda) Ltd. is making a 25% supplementary call on members for the 1989 underwriting year to raise an additional \$28 million.

The call comes amid huge premium increases throughout the protection and indemnity market as P&I insurers steel themselves against consistently deteriorating claims experience.

The U.K. Club says it is trying to prevent further losses by stepping up ship inspections and encouraging crew training.

Total supplementary calls for 1989 now 100% equal 100% of original premium. The club made a 75% call in October 1990.

Claims for 1989 total \$337 million, well ahead of the \$257 million generated by the original premium, the supplementary calls and investment income, said Stephen James, underwriter at Thomas R. Miller & Co. which manages the club.

The shortfall will be made up by future investment income and reserves, which now stand at \$40 million, Mr. James said.

And, even larger calls may be made for the 1990 year, according to Mr. James.

"Taking a pessimistic view, we could make a 150% supplementary call for 1990," he said. "And, even if we take the optimistic view, we will still probably need to make an 85% call."

Reserves were severely depleted in 1988 when the club took \$110 million out of reserves to help cover \$294 million in claims. Higher original premiums and future calls will boost reserves, according to Mr. James.

Like many other clubs, the U.K. Club has greatly increased original premiums over the past two years (BI, March 18). Due to an across-the-board rise in claims, it charged an extra 50% in both 1990 and 1991, he said.

"All types of claims are up. It's not just the highly publicized oil pollution claims. We are getting more cargo claims, collision claims and personal accident claims," he said.

The increase has happened in all jurisdictions, Mr. James added.

Claims began rising in 1987, but the club delayed increasing original premiums until 1990 in anticipation of a downturn in claims, he explained.

"Experience shows the market is cyclical with claims rising for two to three years and then leveling off, but this time the rise started in 1987 and it has not yet stopped," Mr. James said.

It is difficult to pinpoint the cause of the increase in claims, but poorer quality ships and poor training of crews could be to blame, he said.

In 1990, the U.K. Club began a system of ship inspections under which independent inspectors already have inspected at least one ship from one-third of the club's members. The inspectors expect to inspect at least one ship from every club member's fleet by mid-1992, the club says.

The U.K. Club is the largest of the P&I clubs, covering 7,000 ships totaling 100 million gross registered tons. The club estimates its membership at about 900.

Weavers runoff

One of the two runoff services companies set up to handle claims faced by the line slip formerly un-

derwritten by H.S. Weavers (Underwriting) Agencies Ltd. has appointed a key figure in the Lloyd's of London market to head its operations.

Ken Randall, group managing director of Merrett Holdings P.L.C., is leaving Merrett to become chief executive of Atropos Management Services Ltd., the company formed by some former members of the Weavers line slip late last year.

The line slip members that formed Atropos include Winterthur Insurance Co. (U.K.) Ltd., Bermuda Fire & Marine Insurance Co. Ltd., St. Katherine Insurance Co. and Yasuda Fire & Marine Insurance Co. Ltd.

Mr. Randall, who has been with Merrett for the last six years and will remain a non-executive director, said he is looking forward to the challenge of running off the

Continued on page 35

JUNE CLOSINGS

issue:	June 17	Bonus Distribution: NAIW
closing:	June 5	
demographic section:	Insurer Topics: Advertising/Marketing/Sales Promotion	
issue:	June 24 — Reader Service	Bonus Distribution: GHAA; SHRM
closing:	June 11	
editorial feature:	Benefits: Mid-Year Market Report — Directory: EAPs & Mental Health Networks	
issue:	July 1 — Reader Service	Bonus Distribution: WIC
closing:	June 18	
editorial feature:	Agent/Broker Profiles — Directory: Agents & Brokers	
demographic section:	Agent/Broker Topics: Perpetuations & NAIB Conference Report	
issue:	July 8	
closing:	June 25	

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						

New York
(212) 210-0228
Fax: (212) 210-0704

Chicago
(312) 649-5276
Fax: (312) 280-3189

Los Angeles
(213) 651-3710
Fax: (213) 655-8157

Business Insurance
a publication of Crain Communications Inc.

Editorial Index Service 1991

The Business Insurance Editorial Index Service is a valuable resource that directs you to all news reports and feature articles published by Business Insurance newsmagazine during the year.

The annual service includes three quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago ... at no additional charge ... it's part of the service. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

If it's in Business Insurance, it's in the Editorial Index. Uncover the issues. Track the trends. Follow the changes and developments in risk management, employee benefits and the commercial insurance industry with topics such as self-insurance, cost control, captives, benefit plan design & administration, systems & analysis, surplus lines, reinsurance, market conditions, financial developments, claims settlements, government regulations & legislations, and more.

The fee for the 1991 Business Insurance Editorial Index Service is \$100. Take advantage of this cost effective tool and fill out the coupon today.

Business Insurance

Please send me the following index(es):

Full Index Service at \$100* for: 1991 1992

Softcover editions at \$100* each:

1990 1989 1988 1987 1986

Hardcover editions at \$150* each:

1985 1984 1983 1982 1981

* foreign postage additional

TOTAL ENCLOSED \$ _____

PAYMENT MUST ACCOMPANY ORDER —

Visa Mastercard Optima American Express

Check Enclosed (payable to Business Insurance)

Mail to:
Editorial Index Service
Business Insurance
220 East 42nd St.
New York, NY 10017
Or call: 212/210-0137

name _____
title _____
company _____
address _____
city _____ state _____ zip _____
phone# _____
account# _____ exp. date _____
signature _____

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$116.75 per column inch, minimum of one inch. Straight classified is \$10.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$17.50 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for all advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.

DIRECTOR OF LOSS CONTROL

We're Personnel Pool of America, Inc. a dynamic leader in the temporary help industry. Our Ft. Lauderdale based Corporate Service Center is looking for an individual with 4 plus years exp. and excellent communication skills to develop and implement Loss Control & Claims Management techniques and programs to reduce claim costs. Heavy emphasis on Workers Comp. Ability to travel (30%). We offer an excellent compensation and benefit package including 401K and profit sharing. Please send resume with salary history to Dick Myers, Personnel Pool of America, Inc., 2050 Spectrum Blvd., Ft. Lauderdale, FL 33309.



An H & R Block (NYSE) Company

SAFETY MANAGER

A unique position with long term growth potential has developed with a highly successful and steadily growing company with a number of operations in agriculture and processing, headquartered in North Central California.

Major responsibilities will be to develop and implement safety programs and procedures; continuously review operations' compliance with Federal, State and County laws and regulations; conduct safety meetings; coordinate with Workers' Comp. Department. Candidates should have a degree (AA or BA) and at least five years experience in the safety field; good knowledge of CAL-OSHA and Workers' Comp.; excellent communication skills; and the ability to interact with all management levels.

We offer an excellent compensation and company paid fringe benefit program. Please send resume and salary level to: Rogers & Associates Confidential Reply, Dept.13127-SM, 1970 Broadway, Suite 1105, Oakland, CA 94612. EOE M/F/H

DIRECTOR OF CLAIMS

Direct administration and technical activities in regional claims dept. of dental professional liability co. Reports to the President. Requires ten years exper. in claims, specializing in prof. liability with five yrs. in litigation control/settlement negotiation and a 4 yr. degree or add'l exper. Excellent salary, employer pd. benefits, and car provided. Send resume and salary history in confidence to: H.R. Director, TDIC, P.O. Box 1582, Sacramento, CA 95812. EOE

RISK MANAGEMENT ADMINISTRATOR

Rohr Industries, Inc., a leading San Diego-based designer and manufacturer of specialized aircraft components for major commercial, military and business aircraft, has an immediate administrative opportunity for a Risk Management Administrator.

You'll work in an innovative corporate risk management department, analyzing and evaluating all corporate operations at multiple locations to determine extent of potential property and casualty losses resulting from each operation.

A Bachelor's degree in Risk Management or Finance, and a minimum of 7 years' experience in Risk Management are required. Candidate should be a team player and have a strong proactive orientation. ARM and/or CPCU designations are desirable.

Please send your resume (including salary history/requirements) to: Professional Placement, Rohr Industries, Inc., P.O. Box 878, Dept. 3000, Chula Vista, CA 92102-0878. EOE.

ATTENTION INSURANCE EXECUTIVES

Oklahoma's second largest health care insurance company, with over 90,000 participants, is taking applications for the position of Deputy Administrator of Operations. The successful applicant must have seven (7) years experience in group health insurance claims administration at a senior manager level. Applicants with organizational and interpersonal skills will be strongly considered.

Salary is in the 60K range annually, with excellent health, life, dental and retirement benefits.

Resumes should be submitted by June 21, 1991, to Odie A. Nance, Administrator, State and Education Employees Group Insurance Board, 3545 N.W. 58th Street, Suite 1000, Oklahoma City, Oklahoma 73112.

Equal Opportunity Employer

LEGAL NOTICES

IN THE SUPREME COURT OF BERMUDA COMPANIES (WINDING-UP) 1991 1991: NO.44

IN THE MATTER OF FORUM REINSURANCE COMPANY LIMITED - IN LIQUIDATION AND IN THE MATTER OF THE COMPANIES ACT 1981

NOTICE TO CREDITORS OF THE FIRST MEETING

(Under The Order for Winding-Up of the above Company dated the 8th day of March 1991)

NOTICE IS HEREBY GIVEN that the First Meeting of Creditors in the above matter will be held at The Bermuda Chamber of Commerce, Front Street, Hamilton, Bermuda on Monday 8th day of July 1991 at 10:00 a.m.

To entitle you to vote thereat your Proof and Proxy must be lodged with us not later than 5:00 p.m., on Thursday 4th day of July 1991.

Dated this 31st day of May, 1991

Malcolm L. Butterfield & E. Kirkland Cooper Joint Provisional Liquidators
Dorchester House
P.O. Box HM 1171
HAMILTON
Bermuda HM EX

(The statement of the Company's affairs has not been lodged)

NOTE

At the First Meetings of the Creditors and Contributories they may amongst other things:

1) By resolution determine whether or not an application is to be made to the Court to appoint a Liquidator(s) in place of the Joint Provisional Liquidators.

2) By resolution determine whether or not an application shall be made to the Court for the appointment of a Committee of Inspection to act with the Liquidator(s), and who are to be the members of the Committee if appointed.

NOTE: If a Liquidator is not appointed by the Court the Official Receiver will be the Liquidator.

NOTICES

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE LIQUIDATION OF INDUSTRIAL FIRE & CASUALTY INSURANCE COMPANY

NO. 91CH 02081

PLEASE TAKE NOTICE, that on March 6, 1991, an Agreed Order of Liquidation With A Finding of Insolvency was entered against Industrial Fire and Casualty Insurance Company ("Industrial") by the Honorable Lester D. Foreman, Judge of the Circuit Court of Cook County, Illinois. James W. Schacht, Acting Director of Insurance of the State of Illinois is the statutory and court affirmed Liquidator of Industrial.

TAKE FURTHER NOTICE that pursuant to the Order of said court, all rights and liabilities of Industrial and its creditors, policyholders and all other persons interested in its assets are fixed as of March 6, 1991 unless otherwise provided by such other Order of the Court.

TAKE FURTHER NOTICE that any and all persons, partnerships, corporations, associations, estates, trusts and governmental units having or claiming to have any accounts, debts, claims or demands against Industrial or claiming any right, title or interest in or to any funds on property of Industrial in the possession of the Liquidator are required to file a Proof of Claim with the Liquidator on or before 4:30 p.m. Chicago Time, March 6, 1992.

TAKE FURTHER NOTICE that the form of and required content of all proofs of claims are described in the Illinois Revised Statutes, 1989, Ch. 73, Par. 821. Proofs of claim together with supporting documents, if any, are to be filed with and may be secured from the Liquidator of Industrial Fire & Casualty Insurance Company, in Liquidation, 446 East Ontario Street, Suite 700, Chicago, Illinois, 60611. Filing shall occur upon the receipt of Proof of Claim by the Liquidator. The Liquidator reserves the right to require such additional information with respect to any claims as he may deem necessary. The Liquidator further reserves all rights to any and all defenses of Industrial concerning such claims. All Proofs of Claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH LIQUIDATOR AT HIS ABOVE-MENTIONED OFFICES IS March 6, 1992, at 4:30 p.m. Chicago Time. No person having or claiming to have any claims against Industrial Fire & Casualty Insurance Company SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE FILED WITH THE LIQUIDATOR ON OR BEFORE March 6, 1992, at 4:30 p.m.

James W. Schacht, Liquidator; Office of the Special Deputy, 446 E. Ontario, Suite 700, Chicago, Illinois 60611 (312) 915-4700

Careers for the '90s



Market Specialist

This aggressive individual will serve as the field expert to the Account Management staff of our Marketing Department. In this non-traditional sales position, you will determine client needs in order to manage retention and growth among existing accounts. You will also identify and qualify prospects and new product opportunities. Candidates must have 3-5 years of managed care and indemnity sales experience with a proven track record in Sales.

Please send resume to: Harvard Community Health Plan, 27 Mica Lane, Wellesley, MA 02181, Attn: K.Y. No phone calls please. We offer competitive salaries and an excellent benefits package. An equal opportunity employer.



GROUP SALES MANAGER

Major commercial carrier working in large employer market is seeking a qualified individual for Sales Manager position in Chicago, Illinois.

This is an opportunity for an individual who answers challenge with results. You will manage, motivate and provide direction to Group Insurance Sales and Service personnel. This will involve creating new business opportunities and maintaining current business at an optimum level while meeting the objectives and goals required.

Candidates must possess exceptional sales skills, organizational abilities, and comprehensive knowledge of group insurance plans and coverages. Supervisory experience, knowledge of underwriting and administrative practices, and the ability to evaluate risks are required. Interested applicants please submit resumes and salary to:

Box 2674, Business Insurance, 740 N. Rush St., Chicago, IL 60611-2590

MARKETING RESOURCES

MOTOR CARRIER X-DATES

With Policy #, Ins. Co. and More Custom Format is Available Most State's are Available

Call us at (714) 546-7465

HELP WANTED

SALES POSITION

Excellent opportunity with rapidly growing, automated Health Claims Systems company. Experience required. Contact Win Brayer 602-493-0288

COUNTY RISK MANAGER

Northern California Administration of the Liability, Workers Compensation and Safety Programs. (Salary: \$3,079-\$3,769/Mo DOQ, plus fully paid retirement and an excellent benefit package) Apply by 7-8-91. FOR JOB ANNOUNCEMENT AND APPLICATION CONTACT: Sutter County Personnel 1160 Civic Center Blvd, Ste B, Yuba City, CA 95993 (916) 741-7113. An Equal Opportunity, Affirmative Action Employer. Minorities and handicapped are urged to apply.

FRINGE BENEFITS SPECIALIST

Immediate Vacancy to manage and coordinate employee insurance and benefit programs for school district of 1,500 employees, including medical, disability, annuities, leave time, unemployment and worker compensation program. B.A. required. Major or minor in business, insurance, industrial relations, or related fields. Preparation and risk management/insurance desirable. Certificate in General Insurance preferred. Strong people skills.

Submit letter of application, resume and transcripts to Patrick M. Brennan, Assistant Superintendent of Personnel and Employee Relations, Saginaw City School District, 550 Millard, Saginaw, Michigan, 48607. Deadline June 30, 1991. EEO.

HELP WANTED

DIRECTOR OF MANAGEMENT SERVICES

The Connecticut Interlocal Risk Management Agency (CIRMA) is a leading provider of worker's compensation, property and liability coverage for public entities in Connecticut.

CIRMA, a service program of the Connecticut Conference of Municipalities, CT's association of towns and cities, seeks individual to direct claims administration and loss control service program for two risk-sharing pools for CT municipalities and local public agencies. Bachelor's degree in risk management, insurance, business or related field with 6-8 years increasingly responsible experience in managing claims administration (including litigation management), loss control and risk management. Excellent written and oral communication skills required. Experience in municipal insurance programs desirable. ARM or CPCU desirable. Competitive benefits and salary

Send resume and salary requirements to: Connecticut Conference of Municipalities, 900 Chapel Street, 9th Floor, New Haven, CT 06510-2807.

EOE/AA Protected Classes are encouraged to apply.

GET RESULTS!

Advertise in the PROFESSIONAL MARKETPLACE



A TRULY GOOD WINE BEGINS WITH ONE INGREDIENT... YOU.

Here's your opportunity to enjoy all the best a company can offer. Desirable living, rewarding management position and an exceptional compensation and benefits package await you at the Ernest & Julio Gallo Winery.

SAFETY DIRECTOR

Responsible for establishing, directing and administering a corporatewide safety function for a wide variety of facilities. Must research and develop necessary practices and procedures to assure compliance with all Federal, State and local laws and requirements. Outstanding administrative ability and management skills are essential. In addition to a successful track record, a law degree would be ideal.

To pursue a career with the leading international wine producer, please send resume and salary history to: Professional Staffing, Ernest & Julio Gallo Winery, P.O. Box 1130, Modesto, CA 95353. EOE M/F/H.



THE WINERY OF Ernest & Julio Gallo

INTERNATIONAL

LONDON

Continued from page 33
Weavers line slip.

Mr. Randall said he is leaving Merrett because of "a combination of opportunity and the time being right. I am fascinated by the whole Weavers thing. . . There is a lot to be done. I want to move on to a new challenge."

Mr. Randall plans to join Atropos in early September.

In the meantime, Merrett plans to appoint a new chief executive for its insurance services division, while management responsibilities for the company's underwriting agencies already have been "reassigned," the company said.

Meanwhile, Atropos is hoping to combine its runoff services with those of Southwark Run-Off Services Ltd. to allow all business written by the Weavers line slip to be run off together. Weavers' assets and many of its former employees, including Chairman Roger Borley, were transferred to Southwark last fall.

Negotiations are under way between Atropos and Southwark to combine the two runoff services, confirmed Andrew Fleming-Williams, managing director of Winterthur U.K.

"It's an attractive possibility. We're confident that a single runoff office will emerge," he said.

Combining the two services into a single entity is being prompted by the difficulty in recovering money owed to the line slip insurers by reinsurers, observers say. The reinsurers are not certain

which firm to pay, particularly when one policy is at issue but insurers represented by both services are seeking recovery.

In addition, the British High Court last week once again postponed action on a petition to wind up four insolvent insurers owned by Weavers' parent, London United Investments P.L.C. The hearing is now scheduled for July 31.

A decision on the petition, which was filed by LUI's court-appointed administrators as a technicality to give the companies time to set up a scheme of arrangement to pay claims, has been postponed many times (BI, April 8).

Stock listing

Lloyd's of London broker Lowndes Lambert Group Holdings Ltd. will introduce a full listing on the London stock exchange next month.

The announcement comes three years after the company was bought by its management for a rumored 15 million pounds (\$28.2 million at appropriate exchange rate) from merchant bank Hill Samuel Bank Ltd. (BI, May 2, 1988).

The 50 million pounds (\$87.5 million) that analysts estimate Lowndes Lambert will raise will be used to clear the company's debt and make acquisitions, said Richard Shaw, chief executive and deputy chairman.

"This is an exciting move for the group and is the logical step following our management buyout. We are committed to pursuing a steady growth pattern and intend to maintain our track record in ac-

quiring companies as part of that growth strategy," Mr. Shaw said.

Currently, 55 managers have a stake in the company and all intend to maintain an equity stake after the public offering, he added.

More than 90% of the company's business is commercial lines. It places all classes of marine, non-marine, aviation, professional indemnity, and reinsurance coverages, Mr. Shaw said.

For the year ended March 31, 1990, its pretax profits totaled 5.1 million pounds (\$8.4 million). Revenues, including shares in associated companies, stood at 46.1 million pounds (\$75.6 million). Revenues for this year are forecast to increase to 54 million pounds (\$94.5 million), Mr. Shaw said.

Only a severe drop in stock prices or a major world catastrophe, such as a war, would stop Lowndes Lambert going to the market in July, he added.

The funds raised will be used to pay off 4.5 million pounds (\$7.5 million) of the company's 11 million pound (\$18.1 million) debt and the company will also repurchase 7 million pounds (\$11.6 million) of preferred stock.

Business agreement

British insurers and brokers have established a set agreement for terms of business after three years of negotiations.

The agreement should lead to prompt claim payments and clearer divisions of responsibility between brokers and underwriters, they say.

The agreement was drafted by the Assn. of British Insurers and

the British Insurance & Investment Brokers' Assn. but it is not binding on members.

However, both organizations say they expect it to be adopted for most direct non-marine insurance contracts. It does not apply to marine, aviation, and reinsurance contracts.

The key features are:

- At least six months notice will be given for changes in commission.
- Companies "will endeavor" to issue policy documentation within 60 days of inception and will supply renewal documents at least 21 days before the renewal date.
- Claims will be paid within 30 days of notification.
- The credit period will be a minimum of 30 days and a maximum of 90 days.
- The broker and insurer will agree on a period between 30 and 90 days when the broker should notify the company if a premium has not been received.

Credit insurer issue

Trade Indemnity P.L.C. has announced it will offer a 39.6 million pounds (\$65.3 million) issue of new stock.

The credit insurer will use the issue to combat the increase in claims due to the rise in British bankruptcies.

Most of the company's main shareholders back the issue, but Prudential Corp. P.L.C., which has an 8% holding, is not participating.

"1990 was a grueling year for U.K. business. Trade Indemnity's interests are still predominantly U.K.-based, and therefore the cy-

clical movement of the U.K. economy has a major influence on our underwriting results," said Chairman Peter Dugdale.

Trade Indemnity generated 27 million pounds (\$52.1 million) in new business in 1990 but the company paid 86 million pounds (\$166 million) in claims. The company made provisions totalling 41 million pounds (\$79.1 million) at the end of 1990 to cover losses in 1989 and 1990, he said.

The company's net tangible assets dropped to 44 million pounds (\$84.9 million) in 1990 from 81 million pounds in 1989 (\$130.4 million at appropriate exchange rate).

The stock issue is priced at 55 pence (96 cents) per share on the basis of 13 new common shares for every 20 existing ones.

"The proceeds of the issue, which in the short term will be added to our investments, will greatly improve our balance sheet and enable us to take advantage of the significant opportunities now open to us in an increasingly competitive marketplace," Mr. Dugdale said.

Most of Trade Indemnity's main shareholders are supporting the issue. These include: Guardian Royal Exchange Assurance P.L.C., Swiss Re Holding Ltd., Commercial Union Assurance Co. P.L.C., Royal Insurance P.L.C., Eisen und Stahl Re A.G., Hannover Re A.G., C.E. Heath P.L.C. and General Accident Fire & Life Assurance Corp. P.L.C., which collectively own 68.42% of the company.

Prudential would not reveal why it was not supporting the rights issues. ■

ACE rate increase

Continued from page 31

charge for it," Mr. Scott said.

Another factor in the rate hikes was ACE's earlier practice of charging existing policyholders less for renewals at higher attachment points. When ACE was formed, its average premium was \$489,000 and each policy had limits of \$100 million. By last year, its average premium had dropped to \$414,000, while the average attachment point for liability coverage had risen to \$133.4 million and average limits purchased were \$125.3 million.

"Increases in new business were tending to be offset by these higher attachment points," Mr. Scott said. "Basically ACE has been too generous in giving credit for higher attachments. In fact, in view of the greater frequency and severity of high layer losses, an insured whose policy was attaching at \$100 million in 1986 should now have a policy attaching at \$152 million and shouldn't be paying any less for it than he was five years ago," he

said.

Although each excess liability account will be priced individually, Mr. Scott said that ACE will "try to maintain parity within the industries."

But that doesn't mean that rate increases will be the same for all drug companies or all utilities. "We're going to take a different view of a utility in Texas than one in the state of New York," cautioned Mr. Loschert. And pharmaceutical companies that make no prescription drugs will not have to pay the same rates as those that do, he added.

Messrs. Scott and Loschert point out that the rate increases will not affect ACE's financial results until 1992.

Yet while ACE's rates are going to change, its philosophy of refusing to chase business that is shopping around for the best price from the excess market will remain intact.

"We will continue to set the price for each risk that we feel is right

for our exposure," said Mr. Scott. "We are not a market share-driven company and we are not going to chase the business, even if that means we end up with fewer insureds."

However, Mr. Scott said he does not expect to lose many accounts because of the rate increase. With its comparatively low operating costs and a good spread of risk, ACE is "the most competitive provider of high-layer excess liability insurance," he said.

"Our competitors tend to have higher operating costs and suffer from not having as good a spread of risk, so we're not anticipating any major attrition of our business base," Mr. Scott said. Earned premiums in the second half are projected to rise at 9% to 10%, just as they did in the first half.

According to ACE's recently released results for the six months ending March 31, 1991, earned premiums totaled \$115.1 million, of which \$81.1 million was from excess liability policies and \$36.3

million from directors and officers liability business. Earned premium volume was up 9.2% from \$105.4 million in the same period of fiscal 1990.

Premiums written rose by 40.5% to \$128 million as of March 31, compared with \$91.1 million during the same period of fiscal 1990.

Underwriting profits fell to \$13 million as of March 31, down 66.8% from \$39.1 million in the first six months of fiscal 1990. Mr. Scott blamed the decline on an \$85 million loss provision in the first half of the current fiscal year, up from a \$50 million provision in the year earlier period.

In a half-year report to shareholders, Mr. Scott said the strengthening of reserves "primarily reflects adverse development on the claims reported in prior years." Commenting on the \$125 million payment in March for the Texas petrochemical plant explosion, he said that ACE paid the claim by using a \$75 million borrowing facility it had set up for cash management flexibility.

Mr. Scott's report said that 20 new excess liability accounts and 13 new D&O accounts were underwritten during the six-month period, bringing the total number of excess liability policies in force to 388 and D&O policies to 223. He

added that 93 excess liability policyholders have now purchased the full \$200 million in limits.

Despite ACE's increased loss provision, the company reported net income of \$107.8 million for the six months ending March 31, up 41.3% from \$76.3 million in the comparable period of fiscal 1990.

"The strong investment performance during the six-month period more than offset the decline in underwriting profit resulting from increased reserves for losses," Mr. Scott said.

He added that the total investment return on ACE's \$1.5 billion portfolio of cash and securities was approximately 12% over the six months. Investment income and realized gains of \$99 million during the period were more than double the \$41 million reported during the first half of 1990. And, he pointed out that an additional \$64 million increase in unrealized gains occurred in the half year that is not reflected in ACE's income statement.

"We've seen a truly spectacular investment performance in our first six months, which was partly a rebound from stock and bond market declines during the Gulf crisis. But we don't expect to see that continue for another six months," Mr. Scott said. ■

Insider trading

American International Group Inc.: James T. Howe, vp, sold 1,550 shares of common stock at \$100 per share on April 3 and now directly holds 7,531 common shares.

Maurice R. Greenberg, chairman, disposed of by gift 10,112 shares of common stock at an unreported price per share from March 21 to March 27 and now directly and indirectly holds 4.51 million shares.

AIG stock was trading at \$88 per share on June 7.

Belvedere Corp.: Leandro S. Galban, director, indirectly sold 400 shares of common stock at \$3 per share on April 18 and now directly and indirectly holds 9,920 common shares.

Belvedere stock was trading at \$3.13 per share on June 7.

CIGNA Corp.: Hicks B. Waldron,

director, purchased 500 shares of common stock at \$50 per share on April 29 and now directly holds 3,414 common shares.

CIGNA stock was trading at \$48.63 per share on June 7.

The Hartford Steam Boiler Inspection & Insurance Co.: James E. Stevens, officer, sold 6,800 shares of common stock at \$49 per share on Feb. 1 and now directly holds 2,836 common shares.

Hartford Steam Boiler stock was trading at \$61.25 per share on June 7.

Marsh & McLennan Cos. Inc.: Richard H. Blum, director, disposed of by gift 225 shares of common stock at an unreported price per share on March 21 and now directly and indirectly holds 76,493 common shares.

M&M stock was trading at \$76.13 per share on June 7.

The St. Paul Cos. Inc.: Lawrence E. Honig, director, purchased 500 shares of common stock at \$70.25 per share on April 30 and now directly holds 1,000 common shares.

St. Paul stock was trading at \$63.75 per share on June 7.

USF&G Corp.: Edwin G. Pickett, vp, purchased 5,500 shares of common stock at \$9.25 per share on March 1 and now directly holds 5,659 common shares.

USF&G stock was trading at \$10 per share on June 7.

Insider Trading, compiled by Invest/Net Trading Group Inc. of Fort Lauderdale, Fla., from reports filed with the Securities and Exchange Commission, tracks stock transactions by insurance industry directors and officers. The column is distributed by Tribune Media Services Inc.

Insurance services guide

Advertise in
The Insurance Services Guide
FAX your advertisement for the next issue
FAX: 312/280-3189
PHONE: 312/649-5340
Contact Margaret Hikido
to reserve space.

FRONTING

We're specialists in fronting arrangements and mergers/acquisitions. In the industry since 1960.
Corporate Intermediaries
W.F. "Bill" Vest
Box 816124, Dallas, TX 75381
PHONE/FAX 214-620-2581

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

Colorado ruling

Continued from page 2

6th U.S. Circuit Court of Appeals recently interpreted the pollution exclusion in favor of policyholders (BI, June 3).

Policyholder attorney Jerold Oshinsky of Anderson, Kill, Olick & Oshinsky in Washington, D.C., said that recent pollution exclusion rulings "are running more in favor of policyholders than the insurers, especially in state courts of last resort."

He pointed out that insurance contract interpretation is ultimately a matter of state law, meaning state supreme courts have the final say.

Thus, the recent Colorado Supreme Court ruling not only binds Colorado

courts, but federal courts nationwide interpreting Colorado law, Ms. Dubofsky explained.

The decision will influence other courts because "it decided in fairly broad terms that there is insurance coverage for pollution cleanups," she predicted, referring to the ruling on insurers' duty to defend.

Mr. Oshinsky agreed: "This decision undercuts the insurance industry's arguments that there is no coverage for pollution cleanups."

He noted that the decision is a significant victory for policyholders because it stops "the unseemly practice" of insurers trying to prove the charges against policyholders.

When a policyholder is hit with a claim for cleanup costs either from

a private third party or a government agency, insurers do not offer to defend the policyholder, he said.

Instead, insurers argue there is no coverage and then attempt to prove that the pollution was intentional, Mr. Oshinsky explained. "Instead of providing a defense, insurers become your second enemy."

He praised the Colorado Supreme Court for ordering the insurers to defend the policyholder until further facts are developed.

As a result of the decision, New Hampshire and Industrial Indemnity must pay defense costs for Hecla Mining Co. of Coeur d'Alene, Idaho.

In 1983, the state of Colorado filed a lawsuit against Hecla in the U.S. District Court for the District of Col-

orado under the Comprehensive Environmental Response, Compensation and Liability Act, better known as the Superfund act.

The lawsuit alleged that Hecla and several other potentially responsible parties were jointly and severally liable for cleaning up the California Gulch near Leadville, Colo. The pollution allegedly resulted from the discharge of heavy metals and other contaminants from mine shafts into the California Gulch.

In 1985, several potentially responsible parties named in the government's lawsuit brought a third-party action against Hecla and more than 200 other potentially responsible parties seeking contribution for the cleanup costs. Hecla owned one-third

of the company that mined gold, silver and lead in the area.

There is no estimate of what the total cleanup will cost or what Hecla's contribution to the cleanup would be.

Hecla sought defense and indemnification costs for both lawsuits from its primary liability insurers: Industrial Indemnity and New Hampshire.

Industrial Indemnity wrote primary CGL coverage for Hecla from Jan. 1, 1974, to Jan. 1, 1982. New Hampshire wrote primary CGL coverage for Hecla from Jan. 1, 1982, to Jan. 1, 1985.

Both insurers wrote policy limits that varied from \$500,000 to \$1 million annually.

Industrial Indemnity denied Hecla's request for defense and indemnification and filed a lawsuit in state court in Denver seeking a determination of whether it had a duty to defend or indemnify Hecla.

New Hampshire originally agreed to defend Hecla, subject to a reservation of rights, but later denied coverage and joined Industrial Indemnity in the coverage lawsuit.

The trial court entered summary judgment in favor of Hecla, finding that the both insurers had a duty to defend Hecla in the Superfund lawsuit. The trial court said the issue of whether the insurer had a duty to indemnify was not ripe for resolution.

However, an appellate court reversed, finding that Hecla knew or should have known there was a substantial probability that its mining activities would result in environmental damage.

Looking at the occurrence definition of the CGL policy, which states there is no coverage for acts that are "expected or intended" by the policyholder, the appellate court ruled there was no coverage and, therefore, the insurers had no duty to provide Hecla a defense.

But the Colorado Supreme Court then reversed the appellate court.

The majority held that the insurers had a duty to defend Hecla but that attempting to determine whether the insurers must indemnify would be premature. The case has been remanded for further proceedings on many issues, including whether Hecla expected or intended to pollute the environment.

Writing for the majority, Justice William Erickson explained: "There is no allegation and no proof that the damage caused by Hecla was expected or intended. The incident therefore must be deemed an occurrence under the terms of the CGL policies for the purposes of determining the insurer's duty to defend."

The court also interpreted the "sudden and accidental" exception to the pollution exclusion.

"Although 'sudden' can reasonably be defined to mean abrupt or immediate, it can also reasonably be defined to mean unexpected or unintended," Judge Erickson wrote.

"Since the term 'sudden' is susceptible to more than one reasonable definition, the term is ambiguous, and we therefore construe the phrase 'sudden and accidental' against the insurers to mean unexpected and unintended."

Since the complaints against Hecla do not allege that the policyholder expected or intended the discharge into the California Gulch, the insurers have an initial duty to provide a defense, the court concluded, noting that the duty to defend is much broader than the duty to indemnify.

Further fact-finding is needed to tell whether the insurers owe a duty to indemnify Hecla for its share of the cleanup costs, the court ruled.

The dissenting opinion, written by Judge Mary J. Mullarky, says its is premature to decide both the issue of defense costs and indemnity. The dissenting judges say further facts are needed to determine both issues.

Hecla Mining Co. vs. New Hampshire Insurance Co. and Industrial Indemnity Co., Colorado Supreme Court; No. 89SC646.

The IRI Difference:

Our Claims Settlement is Professional, Fair and Prompt

"Whether it's a \$20,000 or a \$20 million claim, risk managers and their agents or brokers want it settled quickly and fairly," said Steve Rogers, IRI Vice President-Claims.

"IRI's philosophy has always been to provide its customers with



Steve Rogers,
Industrial Risk Insurers

the most prompt, fair, and professional service possible within the coverage provided by its policy.

"Risk managers want a company that can be relied on—an insurer that will provide a high level of comfort in times of distress. This is only one example of The IRI Difference," Mr. Rogers said. "Others include financial strength, custom-tailored policies and more."

"IRI is noted for being a property insurer that is reasonable and open-minded when it comes to arriving at a claims settlement with our insureds," said Mr. Rogers. "We try to avoid creating adversarial relationships with them. We want them to know when they insure with IRI, that if they have a claim, they will get every penny they are due."

"Better than 99.9 percent of the time, we reach an agreement with our customers," Mr. Rogers said. "And that's a pretty good track record."

IRI

can make a difference

Junk bond rules

Continued from page 1
which were seized by regulators in April (BI, May 13; May 6).

Already this year, six states have adopted or amended laws or regulations that specifically limit insurers' holdings of medium- and lower-grade investments: Florida, Indiana, Iowa, Minnesota, Nebraska and New York.

And, similar restrictions are pending in California, Connecticut and Missouri, according to an NAIC survey.

Previously, four states had adopted limitations—Arizona, Illinois, Maine and Maryland—bringing to 10 the number of states with such laws in place.

NAIC regulators developed the "Investments in Medium Grade and Lower Grade Obligations Model Regulation" because they were concerned that U.S.-based insurers with a high concentration of junk bonds are vulnerable to economic developments beyond their control, the regulation says.

Fewer than 25 U.S. insurers have more than 20% of their assets invested in medium- and lower-grade bonds, estimated Terence Lennon, assistant deputy superintendent and a chief examiner at the New York Insurance Department.

Overall, 8.4% of all U.S. insurers' admitted assets were invested in bonds classified as medium- or lower-grade at the end of last year, according to the NAIC (see chart).

But even that may be too much, especially if the holdings are concentrated as they were in First Executive, critics say. Sixty-four percent of Executive Life Insurance Co. of California's assets were in junk bonds, as were about 60% of the assets held by Executive Life Insurance Co. of New York.

The House Oversight and Invest-

tigations Subcommittee—which has investigated several major property/casualty insurer insolvencies and issued a report last year highly critical of state insurance regulation—is emphasizing the need for state regulators to better control insurance company investment practices (BI, May 27; March 5, 1990).

The NAIC's model regulation, which has been under discussion for 18 months, states that it is "reasonable, necessary and required" to limit both life/health and property/casualty insurers' investments in junk bonds to assure insurer solvency and protect the interests of policyholders.

Before it could limit insurers' junk bond holdings, the NAIC first had to make changes to its Securities Valuation Office manual, including increasing the number of bond designation categories to six from four (BI, Dec. 3, 1990).

The SVO's new categories of 1 through 6 parallel the categories used by major bond rating agencies: AAA to A; BBB; BB; B; CCC to C; and in or near default.

The new model regulation is concerned with only medium-grade bonds, rated in Category 3 (BB), and lower-grade obligations, which are rated in Categories 4 through 6 (B or lower, including those in default).

The model regulation, which is patterned after the New York regulation, prohibits insurers from directly or indirectly acquiring medium- and lower-grade bonds if that acquisition would push the insurer's holdings to more than 20% of its admitted assets.

In addition, the model regulation institutes new limits that restrict the amount of admitted assets a company can invest in "lower-grade" bonds within the six NAIC rating categories. The amount of

bonds held by an insurer that are in or near default is limited to 1% of its admitted assets, while the amount of bonds rated CCC and below is limited to 3% and those rated B and below to 10% of admitted assets.

The model regulation also requires that insurers diversify their bond holdings by capping at 1% of admitted assets the amount of bonds an insurer can hold rated BB or lower that are "issued, guaranteed or insured" by any one institution. For bonds rated B or lower from a single source, the cap would be 0.5%.

The junk bond cap is 'much too restrictive,' and will stifle innovation, says David Levinson.

While the NAIC is seeking to limit insurers' junk bond holdings, the model regulation states that "medium-grade and lower-grade obligations can have a place in a well-diversified portfolio. However, it is also understood that the special risks associated with these investments require a high degree of management even when they are held within an aggregate limit."

In addition, regulators took care not to disrupt the nation's financial markets, said Mr. Lennon, who chaired the NAIC's High-Yield Securities Working Group that drafted the model regulation.

For example, the model regulation emphasizes that "nothing contained in this regulation shall require a domestic insurer to sell or otherwise dispose of any obligation legally acquired prior to the

effective date of this regulation."

In addition, the model regulation does not bar insurers from acquiring investments: that it already had committed to acquire; to protect an existing investment as long as the acquired investment does not exceed 0.5% of admitted assets; as a result of a restructuring of a junk bond already held.

The model regulation is being greeted with support by most insurance regulators and insurer trade associations.

"At this point in time, the 20% cap is not an unreasonable restriction," said Nebraska Insurance Director William McCartney, who is the NAIC's vp.

"I think it is appropriate to put limits on the amount of high-risk investments that any insurance company can own," said Phillip Schwartz, vp-financial reporting and associate general counsel for the American Insurance Assn. in Washington, D.C. However, he pointed out that few, if any, of the property/casualty insurers he represents have significant junk bond holdings.

However, Douglas Barnert, a consultant who represents the Washington, D.C.-based National Assn. of Life Companies, said he was "disappointed" with the regulation for several reasons.

For example, he believes the 20% cap should have been set at 35%. Insurers that sell interest-sensitive products like annuities will be hard hit because, under the model, they cannot purchase additional high-yield bonds to back high-yielding annuities that already have been sold, he explained.

However, if the 20% cap had been in existence, Executive Life might never have become a major player in the market, Mr. Barnert conceded.

The American Council of Life In-

surers in Washington, D.C., generally supports the model regulation, though it opposes the elimination of a provision that gave an insurance commissioner the authority to approve bond holdings in excess of the caps, said William Carroll, an ACLI actuary.

Two regulators also unsuccessfully argued that an insurance commissioner should be given greater authority to approve bond holdings in excess of the caps contained in the model regulation.

Delaware Insurance Commissioner David Levinson criticized the regulation as "much too restrictive" and symptomatic of a recent trend toward overregulation that will stifle entrepreneurs and put U.S. insurers at a competitive disadvantage with foreign companies.

James Schacht, acting director of the Illinois Insurance Department, supported Mr. Levinson's position. He emphasized that Illinois prefers its 35% cap on insurers' junk bond holdings.

However, other regulators countered that some states have adopted caps lower than the NAIC's 20% limitation.

For example, Nebraska earlier this year adopted a 15% cap on junk bond holdings, which replaced an existing 5% cap, while Florida recently lowered its cap to 13% from 20%.

In addition, the NAIC is moving ahead on several fronts to increase regulators' oversight of insurer investments and reduce the time it takes regulators to react to new investment products or investments, like real estate holdings, whose value can deteriorate quickly.

For example, the NAIC is proposing a new model law that would provide greater uniformity in the way states evaluate insurers' assets.

Toa-Re gets capital boost

Toa-Re Insurance Co. of America, the U.S. subsidiary of Toa Fire & Marine Reinsurance Co. Ltd. in Tokyo, will receive a capital contribution from its parent company that will increase its policyholder surplus to \$100 million.

Toa Fire & Marine is scheduled to contribute \$37.5 million to its Morristown, N.J.-based subsidiary in three separate installments of \$12.5 million.

The first installment should be paid by June 25, with the balance being received over the next two years.

After the first installment, Toa-Re's surplus, which was about \$53 million in March, will exceed \$65 million. The contributions from its parent, coupled with the aftertax earnings of Toa-Re, are expected to bring its surplus well above the \$100 million mark.

"This is the fifth time since the creation of the company in 1982 that the parent has made a contribution to surplus," explained Paul D. Hawksworth, president and chief executive officer of Toa-Re.

The contribution reaffirms Toa Fire & Marine's long-term commitment to the U.S. brokerage reinsurance marketplace, Mr. Hawksworth said.

"Toa-Re America is currently adequately capitalized from a leverage standpoint," Mr. Hawksworth said, though he also noted that the demands of the marketplace—including greater security sought by ceding companies—has made it necessary to provide a capital base beyond the traditional benchmarks.

Toa-Re American wrote \$25.9 million in net premiums last year, according to A.M. Best Co.

Toa Fire & Marine is the world's 17th-largest reinsurance company based on \$574 million in 1989 net reinsurance premiums written (BI Sept. 3, 1990).

Markets

Sedgwick utility unit

The U.S. and U.K. brokerage divisions of Sedgwick Group P.L.C. are jointly forming a new division that will target the utilities industry in Europe and North America.

Boston-based Sedgwick Power & Nuclear Services (USA) will provide speciality products and services, including nuclear risk management and consulting services. Among the coverages it will secure are property, liability, workers compensation and directors & officers liability.

In addition, Sedgwick Power & Nuclear Service will offer tailor-made coverages for the co-generation industry—companies that produce power as a byproduct of their normal operations and then sell that power, like steam or electricity, to nearby utilities.

The new broker is a joint venture of Sedgwick James Inc. in New York and Sedgwick Broking Services Ltd. in London.

"The utilities industry has been identified by Sedgwick James and Sedgwick Broking Services as a priority target for development in Europe and North America," said Sax Riley, vice chairman of Sedgwick Group and chairman of Sedgwick Broking Services.

Sedgwick Power & Nuclear Services will draw on experts from both its British and U.S. operations. Rather than working separately to gain business from large utility accounts, all Sedgwick units, including its reinsurance brokering, excess and surplus and London brokering units, will work cooperatively to serve new clients, a Sedgwick spokeswoman said.

For more information, contact, P.J. McCarthy, Chairman, Sedg-

wick Power & Nuclear Services (USA), 40 Broad St., Boston, Mass. 02109; 617-357-6600.

'No frills' claims service

Small, self-insured employers can purchase "no frills" medical claims processing from a new third-party administrator.

Naperville, Ill.-based Mutual Plan Administrators Inc. offers basic claim processing services to smaller self-funded groups that don't need or can't afford more comprehensive services.

The Mutual of Omaha Insurance Co. subsidiary will offer its services to groups with 100 to 1,000 employees, targeting employers with between 100 and 500 workers.

Gary Auch Moedy, president of MPA, said simplified claims processing system, fewer full-time employees and minimal office space will keep overhead low. The company's claims processing system is compatible with most benefit programs and can incorporate any stop-loss provisions or managed care components, like preferred provider organizations or utilization review, he said.

For more information, contact Randy Horn, Senior Vp & Director-Group Risk Management & Claims, Mutual of Omaha Insurance Co., Mutual of Omaha Plaza, Omaha, Neb. 68175; 402-978-2206.

New offices

Insurance Services Office Inc. consolidated its New York operations into a single office at 7 World Trade Center, New York, N.Y. 10048; 212-898-6000.

Industrial Indemnity Inc., is consolidating its Sacramento and Stockton, Calif., to 7405 Greenhaven Drive, Sacramento, Calif. 95822; 916-394-4000. ■

Hartford contests N.J. ruling

TRENTON, N.J.—Hartford Group Inc. says it will ask the New Jersey Supreme Court to review an appellate court ruling that state insurance regulators can require multiline insurers seeking to withdraw from the state's private passenger automobile market to surrender their licenses for all lines of insurance.

Agreeing with a trial court (BI, Aug. 20, 1990), the three-judge panel last week upheld a provision in the state Fair Automobile Insurance Reform Act that permits the regulators to revoke the licenses of insurers that selectively withdraw from the state auto insurance market.

The ruling stems from a lawsuit filed by Hartford after regulators ordered it to surrender all of its licenses when Hartford unit Twin City Fire Insurance Co. tried to withdraw from the state's auto insurance market last year. Twin City and the American Insurance Assn., which filed a brief in the case, argued that the 1990 reform law jeopardized insurers' ability to turn a profit. The law requires auto insurers to, among other things, pay \$1.4 billion over the next seven years to bail out the state's Joint Underwriting Assn., a now-defunct pool for bad drivers that is more than \$3 billion in debt.

Auto insurers in the state reported a combined profit of \$29.5 million in 1989, pointed out David Snyder, senior counsel with the Washington, D.C.-based AIA. "It doesn't take much of a mathematician to realize that whatever (profit they) realize will be wiped out by the assessments and surtaxes called for under the law."

—By Michael Schachner

Hospital told to repay insurer

CHICAGO—Rush-Presbyterian-St. Luke's Medical Center in Chicago will appeal or ask for a rehearing of an Illinois trial judge's ruling that it must repay \$6 million to its medical malpractice insurer because the hospital did not promptly notify the insurer of a potential claim that was later settled.

In the underlying litigation, a woman who claimed her baby was brain damaged during delivery at Rush in 1984 sued the hospital for malpractice. Hartford Accident & Indemnity Co. wrote \$1 million of primary malpractice coverage and \$8 million of coverage excess of \$1 million for Rush.

The case was settled for \$6 million in 1987, but Hartford asked the court to order Rush to reimburse the insurer. Hartford maintained that Rush did not give timely notice to the in-

surer that the claim could pierce the excess layer, as required under its policy, said Hartford attorney Francis A. Spina, a partner with Tressler, Soderstrom, Maloney & Pries in Chicago. Although the suit was filed in August 1984, the hospital did not give insurers notice until April 1986, he said.

But, Rush attorney Jeremiah Connolly, a partner with Bollinger, Ruberry & Garvey in Chicago, said the excess policy did not require the hospital to notify the insurer until it appeared "likely" that the claim could pierce the excess layer. And, "there's no way that it appeared likely the excess layer would be invaded until May 1986," he said.

Cook County Circuit Court Judge Richard Curry ruled for Hartford on June 3.

—By Colleen Johnson

J&H unit

Continued from page 2
our clients and UNISON partners," J&H Chairman David A. Olsen said in a June 7 memo to J&H offices and UNISON members.

UNISON partners have also been supportive of the plan, Mr. Olsen added in an interview.

"The reaction was extremely positive, from 'Thank God you've done something,' which was the most negative, to 'That's the best thing I've ever heard,'" Mr. Olsen said.

European UNISON members have pledged not to accept any new business from Willis Corroon P.L.C., the firm that resulted from the merger of New York-based Corroon & Black and Willis Faber, according to J&H.

J&H U.K. Ltd. offices are being set up in London and Reading in England and Dublin, Ireland, according to Kenneth A. Hecken, vice chairman of Johnson & Higgins and chairman of its U.K. holding company Johnson & Higgins U.K. Holdings Ltd.

Another three or four offices will open in other cities in coming months, he said.

The new operation will be headed by Chief Executive Officer Patrick Franklin-Adams, a former managing director of Sedgwick Group P.L.C.

J&H has also recruited three former Willis Wrightson officials: Jo-

seph C. Grogan will serve as managing director of J&H Ireland, the Dublin-based unit of J&H U.K. Ltd.; and Roger Letby and John Lewis will be directors of J&H U.K. Ltd. in London and Reading, respectively.

Mr. Grogan was formerly a director of Willis Wrightson (Ireland), while Mr. Letby was a director of Willis Wrightson London Ltd. and Mr. Lewis was regional managing director of Willis Wrightson South Ltd.

New employees hired from other British brokers may face up to three months of "gardening leave" under previous employment contracts, preventing them from moving immediately to a competitor, according to J&H.

Nevertheless, J&H expects the new retail unit to be fully operational with 90 to 100 employees by the fall, in time for year-end renewals.

The wholesale and reinsurance brokerage operations of J&H Ltd., meanwhile, have increased their staff to about 200 from 90 since the Willis Corroon merger, according to Mr. Hecken.

Some additions to J&H Ltd. staff—mainly in specialty areas like aviation, marine and energy insurance—were delayed pending a decision on whether J&H would seek a merger partner or correspondent, he added. Overall, J&H's U.K. units will have about 300 employees by year-end, he said.

As of July 1, Mr. Hecken will be succeeded as chairman of J&H U.K. Holdings by Richard E. Meyer, a J&H executive vp.

J&H's announcement last week came just more than a year after Willis Faber and Corroon & Black unveiled their merger plans, which killed J&H's nearly 100-year relationship with Willis Faber (BI, June 11, 1990).

Several J&H directors favored a new wholly owned U.K. operation from the beginning, though the firm decided to examine all of its options, including finding a merger partner or correspondent.

J&H officials discussed merger possibilities with several prominent U.K. brokers and carried on extensive talks with a few, according to Mr. Olsen.

For various reasons, though, none of the potential mergers was appealing to J&H, and none of the talks ever reached the stage of negotiating price, Mr. Olsen said.

Duplicate operations or offices that would have competed with UNISON partners made some of the mergers unworkable, he explained.

Some merger candidates also wanted to buy UNISON members, which was not possible, while others owned insurance underwriting operations "that we didn't want to have any part of," Mr. Olsen said.

"The reality of figuring it all out was difficult," he observed. ■

Update

Green sentenced to 25 years

Continued from page 2

Separately, a federal jury has convicted former Louisiana Deputy Insurance Commissioner Thomas E. Bentley Jr. of perjury for lying to a grand jury that investigated Mr. Green (BI, Feb. 4). Mr. Bentley, expected to be sentenced next month, faces a maximum five-year prison term and a \$250,000 fine.

AMA blasts Medicare schedule

WASHINGTON—Arguing that doctors' fees would be cut too sharply under a proposed Medicare fee schedule, the American Medical Assn. said it plans to seek modifications in the proposal.

"The physicians of America are outraged," said Dr. James S. Todd, executive vp of the AMA in Chicago.

In particular, the AMA wants to raise the schedule's dollar conversion factor that would be used to determine fees, Dr. Todd said last week at a meeting of the Physician Payment Review Commission, which Congress set up to help reform Medicare's system of reimbursing physicians.

Under the proposed Medicare physician fee schedule, fees would be determined by multiplying a numerical value assigned to each procedure by a dollar conversion factor Congress would determine annually (BI, June 10). The Health Care Financing Administration estimates that over a five-year phase-in period, the fee schedule would reduce overall physician payments 6%, though some doctor's fees would increase.

But, Dr. Todd says the HCFA estimate does account for the "volume offset" adjustment included in the dollar conversion factor that would reduce the conversion factor by 10.5%. That reduction is designed to account for any increased procedures ordered by doctors to make up for lost Medicare revenues. Doctors want to eliminate the adjustment.

Motel 6 settles negligence suit

DALLAS—Liability insurers for the Motel 6 motel chain are paying \$10 million to settle a lawsuit filed by a woman who was raped in 1988 at one of the chain's units.

The woman sued the chain for unspecified damages, charging it was negligent for not providing adequate security at the Fort Worth, Texas, motel where the rape occurred.

CIGNA Corp. paid \$1 million of the settlement; Insurance Co. of the State of Pennsylvania, a unit of American International Group Inc., paid \$5 million; and International Insurance Co., a unit of Crum & Forster Inc., contributed \$4 million, according to plaintiffs' attorney G. Robert Friedman of Friedman & McKernan in Houston.

The plaintiff received a \$7 million lump sum and the remaining \$3 million was used to purchase an annuity from New York-based Metropolitan Life Insurance Co., according to Mr. Friedman.

The suit named Motel 6 L.P., Motel 6 Operating L.P. and Motel 6 G.P. Inc. The Dallas-based chain did not return phone calls.

Court throws out dioxin awards

MOUNT VERNON, Ill.—Sixty-five Missouri residents who sued Monsanto Co. after a 1979 chemical spill will appeal an Illinois appellate court ruling that the company does not have to pay \$16.3 million of punitive damages.

In reversing a jury verdict, the appellate court ruled the punitive award was inappropriate because the jury awarded only nominal compensatory damages.

The Missouri residents alleged they suffered various injuries resulting from exposure to small amounts of dioxin following a 1979 train derailment in Sturgeon, Mo. The jury awarded each plaintiff \$1 for economic damages and two plaintiffs \$14,500 each for property damage.

The Illinois Court of Appeals for the 5th Circuit reversed both compensatory damage awards because it found there was no evidence to support them. "We believe that the verdicts of \$1 per plaintiff for economic loss were entered only to sustain the punitive damage award," said Judge Henry Lewis, writing for the majority. And, "there was no evidence of any kind that dioxin came onto the property. . . . Since there are no underlying compensatory damages, no punitive damage award can stand," the court concluded.

Briefly noted

Aviation all-risk hull underwriters last week paid their portion of the \$80 million loss of an Austrian Lauda Air Luftfahrtgesellschaft Boeing 767 after it was determined that engine problems, not a bomb as initially suspected, caused the airliner to crash shortly after takeoff from Bangkok in late May (BI, June 3). The underwriters' reinsurers already had paid their portion of the loss, according to C.E. Heath P.L.C. . . . A federal grand jury in Los Angeles has indicted five people on charges that they defrauded several health insurers of more than \$1 billion in a massive medical claim scam (BI, Feb. 26, 1990). The 55-count mail fraud and conspiracy indictment names Michael Smushkevich, Bogich Jovovich, Carolyn Vasquez, Dr. Ameer M. Dikshit and Dr. William O. Kupferschmidt. . . . Under an agreement with a federal bankruptcy court, the city of Bridgeport, Conn., has agreed to meet all debt service obligations and will not default on any of its municipal bonds. . . . Two storm systems packing wind, hail, flooding and tornadoes caused \$155 million of insured property damage to the nation's midsection May 27-June 2. The most severe storm, assigned Catastrophe No. 79, caused \$130 million of insured damage to parts of Colorado, Kansas, Nebraska, Nevada, Oklahoma and Texas May 30-June 2. Catastrophe No. 78 caused \$25 million of insured damage to portions of Minnesota, South Dakota and Wisconsin May 27-29. . . . The British government's Serious Fraud Office has called off its investigation of Lloyd's of London, which was widely believed to center on the placing of runoff reinsurance contracts with Lloyd's of London underwriter Richard Outhwaite (BI, April 1). . . . A.M. Best Co. has downgraded its rating for the Equitable Life Assurance Society of the United States to A- from contingent A+, predicated on the insurer's plan to raise additional capital. . . . Hartford Group Inc. writes the liability insurance for Kings Island Amusement Park in Kings Mills, Ohio, where three people were killed recently in two accidents that occurred minutes apart.

McCarran-Ferguson

Continued from page 1
activities that would remain under the scope of McCarran-Ferguson. The safe harbors would:

- Allow insurers and insurer organizations, like the Insurance Services Office Inc., to collectively gather, analyze, report and use historical data as well as allow insurers to continue joint loss developments and trending activities.

- Allow joint underwriting activities, like participation in pools.

- Allow development of common insurance policy forms.

- Allow insurers to collectively inspect buildings with regard to fire hazards and determine the cost associated with the likelihood of loss due to fire.

The AIA proposal also would bar the Federal Trade Commission from any additional jurisdiction over the insurance business.

On the other hand, the Brooks bill—which was approved by the Judiciary Committee last year on a 19-17 vote but was not brought up for a House floor vote before the session expired—would:

- Apply federal antitrust law to four types of anticompetitive practices: price fixing; monopolization; allocation of territories by market rivals; and unlawful tying of the sale or binding the sale of one type of insurance product to another.

- Provide a safe harbor allowing insurers to share historical loss data. Insurers have said that the vague wording of the Brooks bill throws into doubt whether insurers or advisory organizations could—without fear of triggering antitrust litigation—jointly trend loss data or adjust historical loss data to reflect inflationary and other future trends.

"The legislation would open up endless litigation on what is legal and what is not," said the Alliance's Mr. O'Day.

At last week's hearing before the House Economic and Commercial Law Subcommittee, some subcommittee members urged caution in making any changes to McCarran-Ferguson, which was enacted in 1945 to give insurers a limited immunity to antitrust law and leave primary regulation of the insurance industry to the states.

"We have to approach (changes) with great caution," said Rep. Craig T. James, R-Fla., adding that the last significant congressional

intervention in the financial services area—the deregulation of the savings and loan industry—led to disaster.

Rep. Hamilton Fish Jr. of New York, the subcommittee's ranking Republican member, said Rep. Brooks' legislation would lead to years of litigation, adding that "it will do nothing to make insurance more available or affordable."

Rep. Dan Glickman, D-Kan., warned that McCarran-Ferguson is "a complicated issue." While large insurers probably would be able to adapt to legislative changes, small insurers could be hurt by the Brooks proposal, he said.

But Rep. Mike Synar, D-Okla., said: "It is time to make a move. It is a change that is warranted."

"This is a \$2 trillion industry that for 46 years has enjoyed an exemption from antitrust law. I think the time has come for a careful review of this exemption," said Rep. John Conyers Jr., D-Mich.

Several witnesses endorsed the legislation, arguing that the insurance industry doesn't deserve special protection from antitrust law.

"The insurance industry has failed to justify its exemption to antitrust law. It's time that they played by the same rules," said Philip S. Corwin, director and counsel of operations and retail banking at the American Bankers Assn. in Washington, D.C., which supports efforts to allow banks to enter the insurance business.

Mr. Corwin also labeled as irrelevant insurance industry arguments that the large numbers of insurers now writing coverage is a barometer of competition under McCarran-Ferguson. What is important is the quality, not the quantity, of competitors and whether they are making independent pricing decisions, he said.

John M. Rector, vp-government affairs and general counsel for the National Assn. of Retail Druggists in Alexandria, Va., dismissed industry arguments that the Brooks bill is anti-consumer.

Rather than let the insurance industry speak on behalf of the consumer, "We defer to the consumer groups" that support the Brooks bill, said Mr. Rector, who also testified on behalf of the Small Business Legislative Council.

J. Robert Hunter, president of the National Insurance Consumer

Organization in Alexandria, Va., hailed the Brooks bill as "brilliant in its simplicity" and as addressing "real problems with real solutions."

George W. Sampson, assistant New York attorney general and chief of the state's antitrust division, said that some insurer activities under the McCarran-Ferguson antitrust exemption go "beyond cooperation to collusion."

"When one company pulls away from a market, all companies pull away; when one company leaves a state, all companies leave the state. They do it in lock step," he said.

The insurance industry in Texas—as well as nationwide—is "suffering from a very bad image" and is "very eager to clean up its act," said Texas Gov. Ann W. Richards, who added that the Brooks bill will help the industry to do that.

However, other witnesses said the Brooks proposal would lead to higher prices for consumers by forcing smaller insurers to add staff to perform actuarial and other work now conducted by ISO.

"The collective practices which are threatened by modification of McCarran-Ferguson allow an economy of scale for small or medium-sized insurers. They delete the expense of replicating actuarial activities. The higher expenses for actuarial analysis, research and development and other functions would be passed on to consumers in the form of higher insurance premiums," said Tommy Sutton, president of J.P. Sutton Insurance Agency in Kinston, N.C., who testified on behalf of the National Assn. of Life Underwriters in Washington, D.C., and the National Assn. of Professional Insurance Agents in Alexandria, Va.

S. Roy Woodall Jr., president of the National Assn. of Life Companies in Washington, D.C., who also spoke on behalf of several industry groups, described the Brooks' bill as a "plaintiff lawyer's dream." The measure "will subject many vital and pro-consumer insurance industry practices now regulated by the states to unwarranted federal scrutiny and unnecessary litigation—from rate-making practices to packaging insurance products, extending all the way to pooling arrangements for hard-to-place risks," Mr. Woodall said in written testimony. ■

Insurers could be forced to change pricing strategy

By MYRON M. PICOULT
Special to Business Insurance

THE SIXTY-FOUR DOLLAR question being bantered about by property/casualty insurance industry observers is "when will the underwriting cycle turn?"

Insurers' results to date indicate that most companies are hurting, but the pain is still apparently below the threshold necessary to reverse industry pricing. First-quarter earnings and operating results for the industry do not appear to be realistic, given the lackluster pricing environment and embedded cost factors. Most insurers appear to be going out of their way to produce "bland" numbers to obfuscate their real operating results. The last thing insurers want to do is provide grist for the rating company mills!

Many observers still seem to be looking for a conventional turn brought about either by a severe catastrophic loss or by negative cash flow or both. Although this could still occur, we believe an implosion caused by termites is more likely.

A confluence of factors seems to be developing that could result in a pricing change sooner rather than later. It should be stressed that our timeframe for a pricing change remains sometime in 1992; some industry pundits think the current chaos could go on for several more years—indeed the property/casualty industry has shown an uncanny ability to defy logic.

This confluence involves the possibility of some federal regulatory oversight fueled by congressional skepticism about the health (in general) of the insurance industry, the prospect of some risk-based capital changes emanating from the National Assn. of Insurance Commissioners and some accounting changes spawned by the Securities and Exchange Commission and the American Institute of Certified Public Accountants.

The interplay of these factors could result in a reduction, possibly substantive for some insurers, of statutory capital that would be a precursor to a change in industry pricing. Putting all of this together, we are reminded of Dorothy's comment in "The Wizard of Oz": "Toto, I have a feeling we're not in Kan-

sas anymore."

Insurance is the industry of focus in Washington. Senators and representatives all appear eager to deflect attention from their miscues in banks and savings and loans with an aggressive stance on insurance. The perception is that regulation in general is deficient and that the public must be protected. Hence, some minimum standards must be implemented since it appears that the NAIC is not doing an effective job. Many legislators lack an incisive understanding of the industry. Hence, the problems surrounding First Executive Corp., First Capital Holdings

Many observers still seem to be looking for a conventional turn brought about either by a severe catastrophic loss or by negative cash flow or both.

Corp. and insolvencies in general are all intertwined.

Our sense is that the NAIC is in a panic and is aggressively seeking to preserve franchise of regulating companies at the state level. Several task forces are working on various risk-based capital requirements for both life and property/casualty insurers. We believe that these proposals possibly could be implemented by the end of 1991. The proposals could cover assets, premiums, reserves, growth and credit risks.

Our sense is that the NAIC standards may in fact result in the pushing around of numbers vs. a real change in surveillance. However, new definitions of capital requirements could markedly change the capital bases of many insurers. While they may not be pushed over a cliff, their ability to write new business in any aggressive manner could be curtailed.

Clearly, not all managements will be happy with the outcome of the risk-based capital reviews. However, changes in regulation that increase consumer confidence in the insur-

ance business are really a long-term perspective.

The Securities and Exchange Commission has been pushing to get insurers' investment portfolios marked to market values. We would be the first to agree that both the asset and liability sides of the balance sheet should be adjusted. However, at this juncture this may not yet be feasible. It should also be noted that while banks and savings and loans are required to reserve against non-performing assets, this is not the case with insurers. Hence, some pressure to expand insurers' Mandatory Securities Valuation Reserve is also possible.

Finally, the Financial Accounting Standards Board has been reviewing the world of reinsurance, including recoverables and "risk transfer." There is some indication that risk schemes that do not involve a real transfer of risk could be voided. Such a position was taken by the California commissioner with Executive Life Insurance Co. This could void various forms of financial reinsurance.

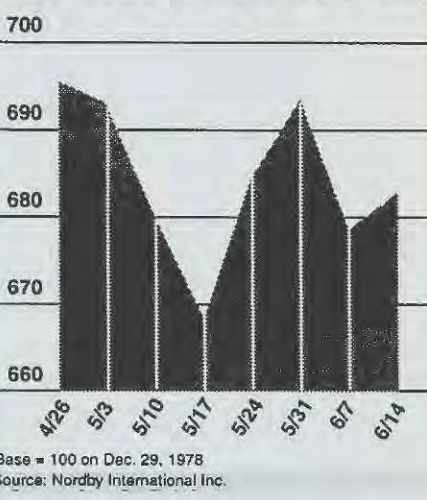
Clearly, the major deficiencies of the aforementioned changes will be those insurers with strong balance sheets. Conversely, those insurers with riskier books of business and an overweighting of poor-quality assets could find themselves in a financial bind. Clearly mutual insurers in the latter position could be in particular difficulty, given their lack of access to the capital markets.

On the flip side, one wonders if the ensuing financial strains might not result in more rational industry pricing standards. This may be too much to ask for until a visible major insurer is pushed to or over the edge of a precipice.



Myron M. Picoult is managing director and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

BI Insurance Index



Insurance industry stocks made a slight gain last week as the *Business Insurance Index* rose 4.4 points to 682.7 on June 14, from 678.3 on June 7. Advancing issues for the week were led by Statesman Group Inc., up 37.2%; U.S. Healthcare, up 9.6%; and FHP International, up 9.5%. Declining issues for the week followed Provident Life, down 10.6%; Tokio Marine & Fire, down 7.4%; and Chandler Insurance, down 6.7%. The most active issue was U.S. Healthcare, with 6.9 million shares traded. The *BI Index* was up 0.65%; the Standard & Poor's 500 climbed 0.8%; the Dow Jones 30 Industrials were up 0.8%; and the New York Stock Exchange Composite rose 0.6%.

British Issues

June 13 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comm Union	489	N/M	30.7	6.3	489	471
Genl Accident	530	N/M	35.7	6.7	530	519
Gdn Royal Exch	199	N/M	15.9	8.0	202	195
Royal	432	N/M	34.7	8.0	432	421
Sun Alliance	366	N/M	18.7	5.1	366	356

Brokers	Price	P/E	Div. %	Yield %	1 Week	
					High	Low
Bradstock	150	17.1	6.0	4.0	150	148
CE Heath	481	16.3	34.5	7.2	481	472
Hogg Group	204	12.4	10.7	5.2	204	203
Lloyd Thompson	365	24.3	10.0	2.7	365	343
PWS Holdings	86	10.5	4.7	5.5	86	86
Sedgwick Grp	269	25.8	16.0	5.9	269	260
Steel Bri Jones	275	14.6	16.3	5.9	275	275
Willis Coroon	302	16.0	17.6	5.8	302	291

Source: Philip Olsen, Insurance Industry Analyst London

BI Industry Stock Report

JUNE 10, 1991 THROUGH JUNE 14, 1991

BROKERS	Company	NYS	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
			Price	% change	% change	High	Low							
Alexander & Alexander	NYS	22.00	-4.35	-4.86	27.63	16.13	357	1.00	4.55	17	9.77	2.25		
Gallagher Arthur J. & Co.	NYS	22.38	-2.72	-3.76	28.38	19.75	110	0.64	2.86	16	5.88	3.81		
Frank B. Hall	NYS	3.50	0.00	-3.45	4.13	2.00	42	0.00	0.00	-7	-5.24	-0.67		
Hib. Rogal & Hamilton	OTC	16.25	-3.70	10.17	17.50	11.25	73	0.38	2.22	24	3.56	4.56		
Markel Corp.	OTC	18.50	1.37	57.45	21.00	10.25	86	0.00	0.00	10	3.56	5.20		
Marsh & McLennan	NYS	76.13	0.00	-2.40	87.25	59.75	795	2.60	3.42	18	14.77	5.15		
Poe & Associates	OTC	10.75	2.38	67.97	11.00	6.25	73	0.32	2.98	13	2.09	5.14		
BROKERS	AVERAGE		-1.0	17.3						2.3	13			

CONGLOMERATES & HOLDING COMPANIES	Company	OTC	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
			Price	% change	% change	High	Low							
Berkley W R Corp	OTC	30.50	3.39	-18.67	32.25	19.00	59	0.32	1.05	17	23.89	1.28		
Berkshire Hathaway Inc.	NYS	6475.00	0.30	26.97	8900.00	5675.00	1	0.00	0.00	-27	4612.00	1.84		
ITT (Hartford Group)	NYS	59.75	-2.65	24.48	63.00	40.25	873	1.72	2.88	8	64.01	0.93		
Sears (Allstate)	NYS	40.25	3.21	58.62	40.88	22.00	2252	2.00	4.97	14	37.38	1.08		
CONGLOMERATES	AVERAGE		1.0	22.8						2.2	3			

INSURERS/REINSURERS	Company	NYS	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
			Price	% change	% change	High	Low							
Aetna Life & Casualty	NYS	40.75	-1.81	4.49	53.88	29.00	1211	2.76	6.77	8	64.23	0.63		
American General	NYS	38.88	0.65	26.42	48.25	23.50	767	2.00	5.14	8	37.14	1.05		
American Heritage	NYS	31.88	0.79	51.79	32.25	19.63	5	1.04	3.26	14	19.25	1.66		
American Indemnity/Fin1	OTC	7.00	1.82	115.38	7.50	2.75	17	0.08	1.14	13	12.93	0.54		
American International	NYS	86.00	-2.27	11.87	102.00	57.00	1362	0.48	0.56	12	45.34	1.90		
Aon Corp.	NYS	38.63	-4.04	11.15	41.75	26.75	324	1.60	4.14	11	18.50	2.09		
Argonaut Group	OTC	28.50	-5.00	33.59	33.38	17.75	22	0.68	2.39	8	48.26	0.59		
AVEMCO Corp.	NYS	33.00	2.33	30.69	34.25	21.13	9	0.40	1.21	17	9.55	3.46		
Baldwin & Lyons Inc.	OTC	22.75	-3.19	21.33	25.25	17.00	2	0.32	1.41	8	24.29	0.94		
Belvedere Corp.	ASE	3.25	4.00	30.00	4.00	1.75	1	0.04	1.23	23	7.65	0.42		
Chandler Insurance	OTC	3.50	-6.67	-49.09	8.88	2.75	34	0.00	0.00	-3	5.95	0.59		
Chubb Corp.	NYS	70.63	-1.22	30.18	75.25	34.63	623	1.48	2.10	11	35.19	2.01		
CIGNA Corp.	NYS	47.38	-2.57	15.90	56.75	33.25	814	3.04	6.42	11	73.15	0.65		
CNA Financial Corp.	NYS	79.25	0.79	15.48	92.50	49.50	62	0.00	0.00	13	70.23	1.13		
Continental Corp.	NYS	28.75	0.00	15.58	30.63	15.75	303	2.60	9.04	11	37.83	0.76		
Durham Corp.	OTC	32.75	0.77	16.96	33.00	23.00	76	0.92	2.81	16	28.04	1.17		
Fund American Corp	NYS	63.50	0.00	22.41	65.25	32.50	229	0.68	1.07	14	36.11	1.76		
Fremont General Corp.	OTC	23.75	1.06	63.79	23.75	10.13	392	0.88	3.71	7	19.13	1.24		
Frontier Insurance Group	NYS	25.50	2.00	34.21	33.00	15.38	81	0.00	0.00	10	11.20	2.28		
General RE Corp	NYS	91.00	-1.62	-2.15	102.50	69.00	1082	1.68	1.85	13	37.50	2.43		
Hanover Insurance Co.	OTC	27.63	-2.21	4.25	30.75	21.00	38	0.44	1.59	9	37.44	0.74		
Harleysville Group	OTC	29.75	2.58	30.05	31.50	13.50	12	0.64	2.15	9	22.99	1.29		
Hartford Steam Boiler	NYS	60.88	-0.61	24.87	63.75	43.50	100	1.80	2.96	16	17.05	3.57		
Kansas City Life Ins	OTC	35.25	1.44	14.17	36.50	30.00	20	1.20	3.40	9	39.22	0.90		
Kemper Corp.	NYS	35.25	-3.09	48.42	42.63	17.13	602	0.92	2.61	64	34.20	1.30		
Lawrence Insurance Group	ASE	9.00	0.00	28.57	9.50	6.38	5	0.48	5.33	14	4.71	1.51		

HEALTH MAINTENANCE ORGANIZATIONS	Company	OTC	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
			Price	% change	% change	High	Low							
FHP International	OTC	23.00	9.52	50.82	29.75	8.88	707	0.00	0.00	20	5.44	4.23		
HMO America Inc.	OTC	13.75	0.92	111.54	17.13	4.25	299	0.00	0.00	17	0.61	22.54		
Pacificare Health Sys	OTC	34.50	8.66	112.31	36.50	12.00	238	0.00	0.00	20	6.55	5.27		
Safeguard Health Enter.	OTC	5.38	-2.27	13.16	7.63	4.00	41	0.00	0.00	19	3.53	1.52		
Sierra Health Services	ASE	22.00	5.39	60.00	29.50	5.50	434	0.00	0.00	38	1.78	12.36		
United Healthcare Corp.	OTC	47.50	7.95	104.30	50.00	13.13	1648	0.06	0.13	31	3.76	12.63		
United Medical Corp.	ASE	10.38	-1.19	29.69	11.38	6.63	4	0.20	1.93	13	8.79	1.18		
U.S. Healthcare	OTC	34.13	9.64	16.17	38.00	10.00	6943	0.32	0.94	25	3.38	10.10		
HMOs	AVERAGE		4.8	62.2						0.4	23			
ALL COMPANIES	AVERAGE		0.1	30.1						2.7	8			

We Care

About Long Term Care.

That's why Duncanson & Holt designed the long term care turnkey program.

Now small- to medium-sized companies can enter this profitable market and compete with major firms. We have a steadfast commitment to serving the long term care market by providing a wide range of comprehensive support services including actuarial work, policy issue on your company's forms, premium accounting and administration, claim service and ongoing regulatory support—all from our team of specialists. This translates into substantial R&D savings for you.

With long term care reinsurance from Duncanson & Holt, the best in long term care is yours to offer.

For more information, contact our long term care office:

Patrick Connolly
Vice President - Marketing
Duncanson & Holt
Group Management Services
3400 188th Street, SW Suite 218
Lynnwood, WA 98037-9915

Phone: (206) 771-8810

Fax: (206) 775-7640



Duncanson & Holt Group

Atlanta, Chicago, Dallas, Hartford, London,
New York, Philadelphia, Portland (Me),
San Francisco, Seattle, and Toronto

