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Updates

Two indicted for defrauding Florida workers comp fund

TAMPA, Fla.—A state grand jury has charged two men with defrauding a now-defunct Florida workers compensation self-insurance fund of $7.5 million in an investment scam.

The Florida Insurance Department and state prosecutors last week announced the indictment of Robert Colgin Wilson and Gary F. Long on racketeering and grand theft charges related to the 1995 collapse of U.S. Employer Consumer Self-Insurance Fund of Florida.

The indictment charges that Mr. Wilson and

See **Updates** *on next page*

THE BUSINESS OF DIVERSITY

African-American insurance execs say cultivating minority talent brings economic gains to industry

By SALLY ROBERTS

Ask veteran African-American insurance professionals to identify the biggest changes they've seen in the industry over the past 10 years, and

Insurance industry DIVERSIFICATION

their lists will state that more African-Americans hold significant positions within the insurance industry than ever before.

Ask them to list the biggest challenges facing the industry over the next 10 years and their lists will state the need to correct the woeful underrepresentation of African-Americans in the industry's top ranks.

The proverbial glass ceiling, while it may be higher, still exists. And to succeed in the industry, African-Americans say they still have to work twice as hard as the next person.

Therefore, African-Americans who have made it to senior positions say it is imperative to share their experience and mentor younger African-Americans. It is just as imperative, they say, for those young African-Americans to continually educate themselves to be well-positioned for advancement.

However, these efforts may be stymied if the companies that African-Americans work for do not fully embrace diversity as a culture and as a business strategy within the organization.

African-American professionals credit some insurers and brokers with making tremendous strides in recruiting, developing and promoting minorities and creating a culture of diversity. But the professionals also point out that the industry in general has yet to fully incorporate diversity as a business necessity.

"Diversity is an economic strategy not a social one, and the property/casualty industry has never embraced diversity as an economic strategy," contends Ezell Jones, co-founder and chief executive officer of Premier RiskTech Services, a Minneapolis-based national cluster organization. Premier provides leadership, marketing, management skills and administrative services for minority- and women-owned independent agencies that focus on the urban market (see story, page 33).

The U.S. population grows more diverse each year.

See **Diversity** *on page 32*

United HealthCare deal to make it largest HMO

By JUDY GREENWALD

MINNETONKA, Minn.—The proposed merger of United HealthCare Corp. and Humana Inc. will create the nation's largest single managed care organization, though it also means one fewer company for employers to choose from.

Some experts say that the size of the combined company will give it the leverage to negotiate more favorable arrangements with providers, a potential boon to employers. But others are concerned that the merged organization could have such market dominance as to erode employers' ability to bargain to get the best rates.

The proposed all-stock transaction, valued at about $5.5 billion, would create a managed care behemoth, with more than 19 million participants in all 50 states and Puerto Rico, including more than 10 million managed care members. This far surpasses Kaiser Permanente's 9 million members as of year-end 1997.

The combined membership of

See **Merger** *on page 34*

A new HMO heavyweight

	UNITEDhealthcare	HUMANA
1997 revenues:	$11.79 billion	$8.04 billion
1997 net income:	$460 million	$173 million
1997 total members*:	13.1 million	6.21 million
1997 medical loss ratio	[illegible]	[illegible]

Time is working against health reform legislation

By JERRY GEISEL

WASHINGTON—As Congress' calendar comes to a close, time may be running out on its efforts to develop and pass so-called health care patient protection legislation.

Months ago, momentum appeared to be running in favor of some type of legislation that would give patients more protection against perceived abuse by managed care organizations and other health care plans.

One bill alone, the Patient Access to Responsible Care Act introduced by Rep. Charles Norwood, R-Ga., enjoyed the support of about half of the members of the House of Representatives (BI, Nov. 17, 1997).

PHOTO: AFP

Mr. Gingrich

But amid growing controversy over what the bills would accomplish, none of the numerous congressional committees that share jurisdiction on health care legislation even has scheduled a vote on the patient protection measures.

In the latest setback, House Speaker Newt Gingrich, R-Ga., told a Republican health care task force headed by Rep. Dennis Hastert, R-Ill., to redraft a GOP alternative to patient bill-of-rights measures Democrats have introduced in the House and Senate.

Rep. Gingrich said he wanted the Hastert group to come up with a "bolder" plan for reform and to produce a more focused "vision" in health care. While not providing any details, Rep. Gingrich suggested that the legislation being assembled might give government too great a role in regulating employer-provided health care plans.

See **Health care** *on page 35*

New coverages for utilities

Deregulation to spark demand for liability transfer, insurers hope

By JOANNE WOJCIK

Insurance products may help electric power utilities remove costly environmental liabilities from their books so they can remain competitive in the newly deregulated environment.

Despite brokers' and insurers' promotional efforts, however, so far only a few utilities have opted to buy the insurance, which was developed specifically to cover cleanup cost overruns and transfer future legal liability connected to so-called brownfields sites, such as decommissioned nuclear and coal-fired power plants.

But industry experts expect utilities' interest in insurance risk transfer to surge as more states enact deregulation statutes.

"As they go through the deregulation game, their view of how they do business will change as will their view of environmental insurance products," predicts Joe Boren, president of AIG Environmental, a unit of American International Group Inc. in New York.

So far 17 states have enacted legislation or issued regulatory orders to implement electric utility industry re-

See **Utilities** *on page 10*

PHOTO: AP

Commonwealth Edison owns this Zion, Ill., nuclear plant, which no longer is in use. Insurers are targeting utilities in hopes of selling insurance to cover environmental liabilities at decommissioned power plants.

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NEWSPAPER

Updates

2 charged in Florida scam

Continued from previous page

Mr. Long bilked USEC of $3.5 million in cash and $4 million in receivables in an investment scam they ran through Debenture Guaranty Corp., an Atlanta-based company they controlled, according to state officials. While the two men were supposedly investing USEC funds in Treasury securities, they actually pocketed the money, state officials allege.

The Florida department leveled similar charges in a 1995 civil fraud lawsuit against Mr. Wilson, Mr. Long and several other companies and individuals involved in the investment deals (*BI*, Nov. 13, 1995).

Neither of the two men had been arraigned last week, and the indictment itself still was under seal.

Mr. Long, of Knoxville, Tenn., confirmed that he has agreed to surrender to Florida authorities.

"I'm the victim, and I intend to prove that in court," he said. "I'm a victim of the scam just like everybody else was."

Mr. Wilson already is serving a 57-month federal prison term after pleading guilty last year to conspiracy, fraud and tax evasion charges stemming from the USEC collapse and an unrelated loan fraud scheme.

Retaliation prohibitions revised

WASHINGTON—The Equal Employment Opportunity Commission's first installment of its new compliance manual includes revised "comprehensive guidance" on the federal prohibition against retaliation aimed at employees who file discrimination charges.

The comprehensive guidance discusses the impact of the Supreme Court's 1997 decision in *Robinson vs. Shell Oil*, a decision that said employers are forbidden from retaliating against employees who engage in activity protected under federal employment discrimination laws (*BI*, Feb. 24, 1997). The document also explains what constitutes acts that could be deemed to be retaliatory, what constitutes protected activities, and what evidence must be presented to prove that retaliatory action was caused by activity protected under law.

According to the EEOC, the number of complaints of illegal retaliation more than doubled in only six years, to 18,100 charges last year from 7,900 in 1991.

The guidance can be accessed at http://www.eeoc.gov. Copies also can be requested in writing from the Equal Employment Opportunity Commission; Office of Communications and Legal Affairs; 1801 L Street, N.W.; Washington, D.C. 20507.

Plan would curb comp contact

RALEIGH, N.C.—Insurers oppose a proposed North Carolina regulation that would limit employer-physician communication in workers compensation claims.

The proposal will be the subject of public hearings in Raleigh, N.C., June 23-25. It was issued by the North Carolina Industrial Commission late last month and stemmed from legislation passed last year. The legislation itself was prompted by a state appeals court decision that ruled a doctor's testimony in a workers comp case was inadmissible because he had talked with the employer's attorney.

If the proposal wins approval, employer/physician discussions of workers compensation claims will be severely circumscribed, and written contact subject to strict guidelines.

"It's going to delay the employer getting the employee back to work. Insurers will fight this, and I think the business community will be upset about this, too," said Raymond G. Farmer, assistant vp in the American Insurance Assn.'s Atlanta office.

Juice maker settles some suits

HALF MOON BAY, Calif.—Odwalla Inc. has insurance to cover a settlement with families of five children made sick by E. coli bacteria that contaminated some of the company's apple juice in 1996.

Most of the undisclosed settlement amount will go to families of three of the children most severely injured in the 1996 outbreak, confirmed Denis Stearns, the plaintiffs' attorney, with the Seattle firm of Kargianis, Watkins & Marler L.L.P.

Attorneys agreed not to disclose the settlement amount. The agreement ends lawsuits filed in federal and state courts by the five families.

Commercial general liability coverage written by American International Group Inc. will fund the settlement, Mr. Stearns confirmed. He said Odwalla's coverage is written to limits of $27 million.

In the outbreak, contaminated juice produced by the Half Moon Bay, Calif.-based company caused the death of a child in Colorado and sickened about 70 others across the country. The family of the child who died was not a party to the recent settlement.

Mr. Stearns said at least three other suits are pending against the juice maker.

A spokesman for Odwalla said the settlement was a "substantial sum."

"We are pleased to have reached a resolution which allows both the families and our company to move forward in a positive way," Greg Steltenpohl, the company's chairman, said in a statement.

Forbes Group revenues soar

JOHANNESBURG, South Africa—Forbes Group Ltd. revenues soared 70% for the year ended March 31, 1998, a jump largely attributable to its acquisition of Nelson Hurst P.L.C.

Brokerage and consulting revenue of 1.06 billion rand ($223.7 million) was substantially aided by eight months of contributions from London-based Nelson Hurst. Forbes bought the broker in August (*BI*, July 21, 1997).

Total corporate revenues, which include investment income, rose to

See **Updates** *on page 34*

Lloyd's names vow fight to save annual venture

By SARAH GODDARD

LONDON—Disgruntled names at Lloyd's of London are threatening to overturn any attempts made by its governing council to get rid of the annual venture.

In a surprising outburst last week, the Assn. of Lloyd's Members, which has sometimes been accused of being overly compliant with the wishes of the council, castigated Lloyd's Chief Executive Ron Sandler for remarks made in April that the annual venture is a liability for Lloyd's (*BI*, April 20).

Mr. Sandler

In a letter sent last week to 16,000 current and resigned names, ALM Chairman Sir David Berriman said Mr. Sandler's "attack" on the annual venture could signal the demise of traditional unlimited liability names and, in the short term, have "potential adverse impact on names' trading rights and syndicate values."

The annual joint venture mechanism means syndicates are recapitalized from scratch at the beginning of every year when Lloyd's members agree to commit

See **Venture** *on page 11*

APIW honoring Tocklin as Insurance Woman of Year

By GAVIN SOUTER

NEW YORK—In her first job in insurance in 1971, Adrian M. Tocklin was saving up the money to go to law school.

She finally graduated as a lawyer 23 years later in 1994, but in the meantime she had climbed the ladder to top management in the insurance business and in the same year became the first woman to be a president and chief operating officer of a major U.S. insurer.

Her creative thinking, high energy level and just being "as bright as hell," took her to the top in her industry, her admirers say.

Ms. Tocklin

And those qualities, they say, make her a worthy recipient of the Assn. of Professional Insurance Women Inc.'s 1998 Insurance Woman of Year award. Ms. Tocklin, 46, will accept the award at a June 3 reception in New York.

Making the presentation will be Ms. Tocklin's former boss, Dennis Chookaszian, chairman and chief executive officer of CNA Insurance Cos. Inc.

Mr. Chookaszian started working with Ms. Tocklin in 1995, after CNA acquired Continental Corp. where she was president and chief operating officer.

See **Tocklin** *on page 4*

Court gives cops more immunity in chase liability

By MARK A. HOFMANN

WASHINGTON—Police engaging in high-speed chases will enjoy broader immunity from civil liability if they accidentally kill or injure someone, in light of a Supreme Court ruling handed down last week.

The justices ruled unanimously in *County of Sacramento vs. Lewis* that the parents of a 16-year-old California youth killed in a 1990 high-speed chase could not pursue civil charges against the Sacramento County deputy sheriff whose car struck the young man.

Philip Lewis was a passenger on a motorcycle whose driver failed to stop when a deputy sheriff tried to flag him down. Another deputy, James E. Smith, chased him. The motorcyclist finally stopped, but Deputy Smith's car struck Mr. Lewis, who died of his injuries at the scene.

Mr. Lewis' parents sued, alleging that their son's 14th Amendment rights to due process had been violated. A lower court threw out the case, but the Lewises appealed to the 9th U.S. Circuit Court of Appeals, which upheld their right to sue if they could prove Deputy Smith had acted with "deliberate indifference or reckless disregard" for the safety of those in-

See **Court** *on page 34*

EBC Awards entries due by June 12

NEW YORK—The deadline for entries in *Business Insurance*'s 26th Annual Employee Benefits Communication Awards competition is approaching.

The EBC Awards acknowledge excellence in communicating employee benefit programs. All companies in the United States and Canada are eligible to enter their own benefit communications programs. There are no restrictions as to the size of company or cost involved in the preparation of the program.

Employee benefit consulting firms are also invited to submit programs on behalf of their clients. Winners will be announced in the Nov. 23 issue of *Business Insurance* and honored at a Nov. 23 luncheon at The Grand Hyatt in New York.

The deadline for completed entries is June 12.

To receive an entry form and rules for the competition, call Barbara O'Brien, Promotion Manager, at 212-210-0780.

Inside

• Risk managers should step up and pay any direct procurement taxes they owe rather than risk getting themselves in trouble and making the profession look bad, this week's editorial says. **PAGE 8**

• The Isle of Man decides against allowing protected cell companies. **PAGE 25**

• Insurers still are wary of writing property coverage in Montserrat, an island underwriters left last year after volcano activity for a long period. **PAGE 25**

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Quarter may be good as it gets

Pricing deterioration, increased claims may hit bottom lines

By JUDY GREENWALD

The U.S. reinsurance industry continues to post good combined ratios despite almost flat premium growth, but problems may lie ahead.

The industry's near-term outlook is negative "in light of pricing deterioration and the unsustainability of favorable claims trends," said Alan Murray, vp at Moody's Investors Service Inc. in New York.

"I think that the first quarter will have the best results of any of the quarters this year,' said Don Watson, director at rating agency Standard & Poor's Corp. in New York.

The combined ratio will deteriorate because price declines must be reflected in bottom-line results "at some point," said Mr. Watson.

"It's hard to be very optimistic given the soft market out there," said Kaj Ahlmann, chairman, president and chief executive officer of Overland Park, Kan.-based Employers Reinsurance Corp.

However, some still expect favorable results to continue.

Jim Miller, president and CEO of Kemper Reinsurance Cos. in Long Grove, Ill., said, "The best companies find a way to profitably grow no matter what kind of cycle they find themselves in."

Michael Smith, an analyst with Bear Stearns & Co. in New York, said, "I think we're still going to

See Results on page 31

Major global reinsurers*

Based on first-quarter net premiums written
RAA Global Underwriting Report

Reinsurer	Net premiums written
1.Employers Reinsurance Corp.	$1,169,000
2.General Reinsurance Corp.	1,086,700
3.Berkshire Hathaway Insurance Group	511,000
3.CNA Re	383,627
4.Transatlantic Holdings Inc.	332,528
5.Zurich Re North America Inc.	272,904
6.Everest Re Holdings Inc.	242,694
7.Odyssey Reinsurance Group	171,075
8.Kemper Reinsurance Co.	164,986
9.NAC Reinsurance Corp.	136,190

*SCOR and AXA Reassurance S.A. report only at six months and year-end
Source: Reinsurance Assn. of America and Business Insurance

EPL laws demanding for employers: Expert

By DOUGLAS McLEOD

FAJARDO, Puerto Rico—Laws governing the workplace are creating an increasingly complex maze for employers, who must understand not only how to deal with employee complaints and lawsuits but also how to set and enforce guidelines in employee handbooks, an expert says.

The expanding array of sexual harassment, discrimination and disability claims are not making life for employers easier: "They sometimes cause your hair to curl both as a defense lawyer and as an employee in the workplace," said Jane Andrews, a partner in the Newark, N.J., office of Wilson, Elser, Moskowitz, Edelman & Dicker.

Ms. Andrews offered some pointers in dealing with employment practices liability exposures at the 72nd annual meeting of the American Assn. of Managing General Agents in Puerto Rico last month.

State laws governing sexual harassment vary widely, ranging from states where one unwelcome sexual advance by itself

probably would not be considered actionable to states where "one negative comment" is enough to support a lawsuit, Ms. Andrews observed.

In all cases, though, employers are required to investigate complaints of harassment in the workplace. "If you do not undertake an investigation, you might as well go up to the courthouse with your checkbook in your hand," she warned.

Employers should hire outside consultants to do these investigations rather than letting their lawyers conduct them, as courts have ruled that attorney-client privilege does not protect the results of investigations from pretrial discovery by plaintiffs' lawyers, she added.

By having consultants handle investigations, employers at least do not run the risk of having to divulge communications with their lawyers, Ms. Andrews explained.

The huge consequences of seemingly idle communication can catch employers by surprise, she observed, pointing to the 1997 case in which a jury hit the Miller Brewing Co. with a $26.6 million award for wrongly firing an executive accused of harassment by a female co-worker who complained about his recounting a suggestive

See EPL on page 20

Bill would encourage mass transit benefits

By JERRY GEISEL

WASHINGTON—A provision tucked into a massive transportation bill on its way to President Clinton will make it more attractive for employers to offer employees tax-favored mass transit benefits.

Under current law, mass transit benefits have enjoyed only limited tax breaks. Employers can pay up to $65 of employees' monthly mass transit expenses, such as a monthly commuter train pass, without the value of that benefit being added to employees' taxable income.

But the legislation, passed by Congress last month and expected to be signed by President Clinton, would allow employees to make pretax salary contributions—initially $65 a month and rising to $100 a month in 2002—to pay for mass transit expenses. Salary reduction arrangements were barred under current law.

With employees funding the benefit through salary reduction, employers would have a new incentive to offer a mass transit benefit program. That is because employers would not be paying any of the costs—other than administrative overhead—while employees would have a tax-effective way of paying for the expense.

"This provision creates a new incentive for employers to offer the option of transit benefits to their employees, since the employer will see its monthly payroll costs go down for any employee who chooses the tax-free benefit over wages," Sen. Daniel Patrick Moynihan, D-N.Y., the author of the provision, said in a statement.

Others agree that the change in the law will significantly increase the popularity of mass transit benefits.

"I think this is something employers could provide at very little cost and have a very favorable reaction," said John Hoos, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill.

See Transit on page 30

Lost-time cases drop 20% in recent years

By MEG FLETCHER

WASHINGTON—U.S. businesses slashed the number of lost-time workplace injuries and illnesses nearly 20% over the four-year period 1992 to 1996, new federal statistics show.

Specifically, there were 1.88 million such injuries or illnesses in 1996, 19.3% fewer than in 1992. Comparable data reported 2.33 million lost-time injuries and illnesses in 1992; 2.25 million in 1993; 2.24 million in 1994; and 2.04 million in 1995.

"The statistics are consistent with the effects of workers compensation reform and the increased efforts by employers and insurers to promote workplace safety," said Eric J. Oxfeld, president of UWC Inc., a Washington-based business advocacy and research association. "Reforms eliminated phony claims based on specious connections to work. In addition, the dramatic increase in workers comp claim costs got the attention of upper management in business and in the insurance industry, which paid off with in-

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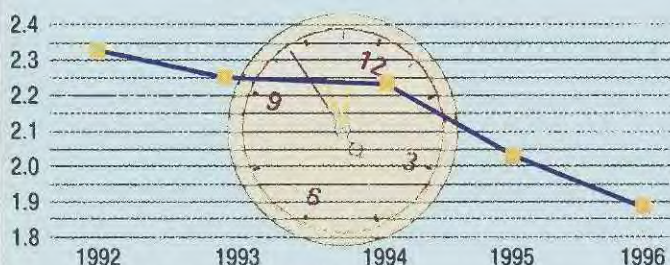
Lost-time injuries and illnesses

in millions of lost-time cases



Source: U.S. Department of Labor, April 1998

Smaller events push cat toll upward in second quarter

By ROBERTO CENICEROS

An estimated $200 million in insured losses from a hailstorm that pelted portions of Minneapolis/St. Paul last month is the latest entrant in a series of small catastrophes driving up second-quarter losses.

"It's nothing disastrous, but all these little things put together are making it, dollarwise, an active" year, said a spokesman for Rahway, N.J.-based Property Claims Services, a unit of Insurance Services Office Inc. in New York.

PCS last week announced that the golf-ball size hail that battered the Twin Cities area May 15 caused about $200 million in insured losses. Most damage, however, was to personal property, according to several area risk managers and insurers.

"In terms of our overall facilities there is really nothing to report. We consider ourselves to be pretty lucky," said Gary Nelson, insurance manager for Minneapolis-based Medtronic Inc.

The storm pounded cars during Friday evening rush hour. But its timing limited potential business interruption caused by downed telephone lines, risk managers said. Flat roofs damaged by the hail and 60 to 80 mph winds accounted for much of the commercial damage.

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PHOTOS: AP

Homes, including this one (above) in Shoreview, Minn., were severely damaged in a tornado in the state. Tornadoes also hit Tennessee, with Nashville (left) among cities that sustained damage in the storms last month.

Tocklin

Continued from page 2

There, working in difficult circumstances to save a troubled insurer, Ms. Tocklin's extensive knowledge of the insurance industry and her organizational abilities shined through, he said.

Before CNA purchased Continental, "She had to scale back the company, and that is not a fun thing to do. But she got expenses down and helped get the company back under control," Mr. Chookaszian said.

Based on what she had accomplished at Continental, Mr. Chookaszian made her president and chief operating officer of diversified operations at CNA. She was responsible for about one-third of CNA's operations, which was larger than what she had managed at Continental, he said.

In her new role at an expanding company, Ms. Tocklin's interpersonal skills were remarkable, Mr. Chookaszian said.

"One of her strengths is her mentoring and working with people. She has great relationships with the people she worked with over the years," he said.

'Adrian had the tenacity to compete in the nuts and bolts part of the business and she simply outshone the competition,' says Jake Mascotte.

Ms. Tocklin knows how to get the best out of the people she works with, agreed Jake Mascotte, president and chief executive officer of Blue Cross & Blue Shield of Kansas City and the former chairman and chief executive officer of Continental who had appointed Ms. Tocklin at Continental.

"She is very thoughtful. When people work for her and they are doing a good job they get a lot of credit for it," he said.

Along with being able to manage people well, Ms. Tocklin has the ability to manage numerous tasks at the same time, Mr. Mascotte said.

"That comes from her wonderful organizational skills," he said.

Those skills were highlighted when she graduated summa cum laude and valedictorian of Seton Hall University's School of Law in 1994, where she studied as a night student, Mr. Mascotte said.

The completion of the law degree came rather later than Ms. Tocklin had originally planned.

After she graduated with a degree in philosophy at George Washington University in January 1971, the then-20-year-old Ms. Tocklin decided to head for the warmer weather in Miami and took a job at Travelers Insurance Co. while she waited the eight months before her fellowship in philosophy to begin.

While at Travelers, she decided that she wanted to return to school to study law.

But in the meantime she had to save up the money for school, and after a year at Travelers she moved to Interstate National, an excess and surplus lines insurer in Tampa, Fla.

"I was going to go to law school in Tampa, but I decided I liked what I was doing and they didn't have a night program there," Ms. Tocklin said.

After spending two years as a claims adjuster working on risks like circuses and professional wrestling associations, she moved to Continental in Tampa. Then in 1977 she moved to New York to work in the training department for Continental.

After working in training for a year, Ms. Tocklin was made a branch manager in New Jersey. After several other managerial positions, Ms. Tocklin became senior vp of claims in 1988.

It was while she was head of claims and managing lawyers that Ms. Tocklin's interest in law school was revived.

"Whenever they got into an argument with me, they would always jump to procedural issues because they knew I didn't know about those issues. I said to myself, 'This can't be that difficult,' and I decided to go to law school," she recalls.

Ms. Tocklin was promoted to executive vp in 1992 and took on the additional responsibilities of national accounts and systems.

As a computer novice, she again faced a steep learning curve. After immersing herself in computer publications, she made a list of organizations that she thought had the best systems, which included Xerox Corp., MCI and even the Department of Defense. She then persuaded the information system managers at those organizations to show her how they worked.

In 1994 she became president and COO of Continental and was given the task of reducing the operations of the then-troubled insurer and finding outside financing.

After successfully turning the company around and arranging new financing, she and Continental were presented with an offer by CNA that was too good to turn down.

"At the time we were selling at $14, they offered $20, and at the end of the day you have to look after the interests of the shareholders," Ms. Tocklin said.

Ms. Tocklin's success at Continental was in part due to her willingness to take on line-management responsibilities that were rarely taken on or given to women, recounted Mr. Mascotte.

"So many women in insurance move into staff or advisory positions, and while they are important functions they are not, at the end of the day, the things that drive the business. Adrian had the tenacity to compete in the nuts and bolts part of the business and she simply outshone the competition," he said.

An aspect of that tenacity has been the refusal to tolerate any sexism in what is still at the senior levels a male-dominated business.

"I always advise zero tolerance for any type of sexist behavior, and when you do come across it you just bulldoze through it," she said.

After three years with CNA, Ms. Tocklin this spring decided to take the retirement option that she had negotiated with CNA when it bought Continental.

She continues as a director of CNA Surety, where she was chairman when it was spun off from CNA last year, and a director of CNA's First Insurance Co. of Hawaii.

Her next move likely will be to set up her own company, Ms. Tocklin said.

"I'm not sure what I want to do," she admits, but with a chuckle adds, "I know that I don't want to sit in some lovely office in some lovely building and have meetings all day with lots of lovely people."

Outside of her work at Continental and CNA, Ms. Tocklin is a member of the board of directors of Sonat Corp., an energy production, trading and marketing company.

While at Continental, she co-founded the Coalition Against Insurance Fraud in 1993 and co-chaired the organization from 1993 to 1995. BI

MEDICAL MIRACLES

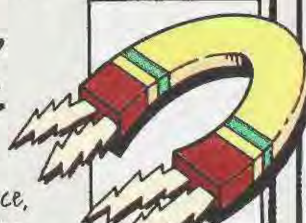
LASERS USED TO STOP SNORING.

Lasers: they're not just for disintegrating aliens anymore. Doctors at the Vanderbilt University Medical Center in Nashville, Tennessee have developed a new treatment that *zaps away chronic snoring problems*. Using a laser beam, doctors peel away layers of tissue from the throat. By reshaping the palate, and removing tissue that vibrates during sleep, the offensive sound can be eliminated. Now, if they could only invent a laser that eliminates annoying neighbors.

DOCTORS USE LEECHES TO HEAL PATIENTS.

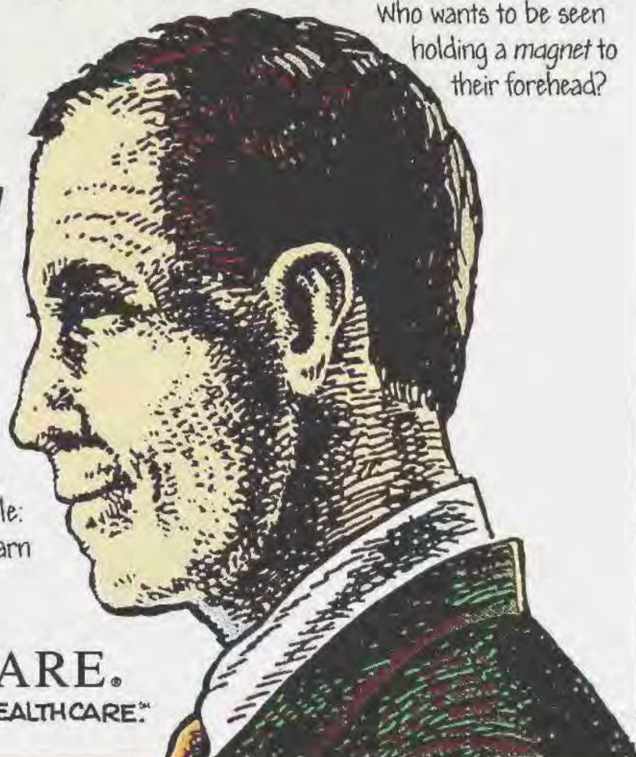
Medicinal leeches, an ancient cure-all for everything from headaches to gangrene, are making a comeback. Doctors are rediscovering the practice of *"leeching"* as a treatment for patients with skin grafts and reattached fingers and toes. Leeches assist in the healing process by restoring circulation and preventing the clogging of blood vessels. And, leech saliva contains a natural anesthetic. The only problem is: *It's leech saliva!*

NEW THERAPY FOR CHRONIC PAIN: MAGNETS.



According to Dr. Ronald Lawrence, M.D., Ph.D., magnets possess the power to do something other than hold shopping lists to the refrigerator. *Magnets*, he claims, *relieve the pain of headaches, backaches and even arthritis*. Proponents believe magnets create an electrical field that penetrates deep into body tissue to reduce pain. One drawback remains: Who wants to be seen holding a *magnet* to their forehead?

MAN MAKES APPOINTMENT WITH SPECIALIST OF HIS CHOICE ***WITHOUT A REFERRAL!***



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Tampa Bay hospital outcomes compared

By ROBERT KAZEL

Benefit Beat

TAMPA, Fla.—A Florida employer coalition, having completed a three-year study of the quality of Tampa Bay-area hospitals, is now turning its attention to surveying 20,000 area households to gauge the prevalence of chronic medical conditions.

The Employers Health Coalition, and its sister group, the Employers Purchasing Alliance, last month published a comparative data study for 10 Tampa Bay hospitals showing inpatient care outcomes. The report allows hospital outcomes to be compared directly against one another and against national standards.

Hospitals were given an opportunity to review their standings beginning two years ago and could try to make improvements, said Frank M. Brocato, president and chief executive officer of the coalition. The year 1993 was considered the benchmark against which improvements would be measured during the following two years.

The survey was intended to determine if hospitals "were as good as they said they were or weren't as good as they said they were," he said.

The thing that seems most notable about the study is what it consistently did not find: None of the hospitals, the report said, showed any significant weaknesses that would indicate substandard care. Hospitals were judged according to three criteria:

- Mortality ratio. Actual deaths as opposed to expected.
- Non-responder ratio. Patients who failed to respond to treatment within five days of admission.
- Average length of stay.

The study found that all 10 hospitals performed better than or near expected levels for mortality and length of stay and that most performed better than or near expected levels for non-respondence.

The coalition's next project involves surveying 20,000 households, the members of which are employed by eight major private and public employers in the region that are active in the coalition.

Last month, surveys were mailed to the homes of randomly selected employees and retirees. The project, named Healthy People/Productive Community, will pose questions on eight to 10 major, chronic diseases including hypertension, diabetes, depression, allergy and asthma. Data on diseases will be tabulated by the University of Iowa Social Science Institute and the replies of individuals will be confidential.

The coalition already has received 16% of its surveys back and expects a total response rate of up to 50%, Mr. Brocato said. The first questionnaire will be followed by a second, more detailed one concerning a respondent's specific medical condition, if any.

Area employers whose randomly chosen workers are participating are: Cargill Fertilizer Inc.; Florida Blood Services; GTE Corp.; Honeywell Space Systems; Pasco County government; Pasco County School Board; Pinellas County government; and TECO Energy Inc., the area utility.

Gaining information about employees' diseases will make it easier to improve their lives, said Frances Hereford, human resource manager of Cargill Fertilizer. Cargill has a sense of its employees' diseases from claims data, but not an accurate impression of how its trends compare with other Tampa employers, she said.

"We know where our costs are, but as a community project, we don't know," she said. "Do we have the same problems as the rest of the county? Are our issues unique? We're really focusing our attention on specific diseases."

About 3,800 of 6,100 employees of Pinellas County's government were sent surveys, said Sigrid Lund, employee benefits manager. The county includes the Florida cities of St. Petersburg and Clearwater.

"We'll get a snapshot picture" of health care in the area, she said.

Another participant, Pasco County School Board, is in a suburban community adjoining Tampa and St. Petersburg and employs 5,600 people, 80% of whom are enrolled in managed care, said Chuck Rushe, chief financial officer. Despite that enrollment level, officials are concerned that health care costs are headed up.

"They've been stable, but we're starting to see a little spiraling upward," Mr. Rushe said.

The school board wants to see the results of the survey to measure the prevalence of chronic, costly illnesses among its employees and "see if we fall in line with the Tampa Bay area," he said.

Mental health gets cut

Employers have cut behavioral health benefits much more drastically than benefits for other types of illnesses over the past 10 years, a study says.

According to the report, written by the Washington-based consulting firm The Hay Group, dollar value for average mental health benefits between 1988 and 1997 declined 54.1%, compared with a decline of only 7.4% in coverage for non-behavioral illness.

The study was sponsored by the National Assn. of Psychiatric Health Systems, a trade group for psychiatric hospitals and other mental health care facilities. Also sponsoring it was the National Alliance for the Mentally Ill, a patients/family grassroots group, and the Assn. of Behavioral Group Practices, a behavioral health care advocacy organization affiliated with NAPHS.

Although the sponsors of the study expected to find that mental health benefits declined over the past decade as plan sponsors searched for ways to cut costs, "what we didn't expect was the dramatic declines we saw in this report," said Mark Covall, executive director of NAPHS.

The report noted that as a percent of total health care benefit spending, mental health outlays have dropped about 50%, to 3.1% in 1997 from 6.1% in 1988.

Also, it said, the average length of stay on inpatient units dropped to 8.5 days in 1996 from 17 days in 1991, according to Mutual of Omaha Insurance Co. figures cited in the report. The average length of stay for all diagnoses dropped only about one day.

"We agree that costs needed to be controlled," said Mr. Covall, who said his group doesn't dispute the need for managed care. "But this shows cuts much, much deeper than were necessary. We think it's gone too far, too fast. It is penny wise, pound foolish."

The report was sent to all Fortune 500 companies with a short checklist intended to help employers evaluate their mental health benefits. Mr. Covall's group and the other sponsors also said they would start a grassroots campaign to bring the information to "media, employers, insurers, managed care organizations, legislators, families, and others."

"Health Care Plan Design and Cost Trends—1988 through 1997," may be obtained over the Internet at http://www.naphs.org, or by contacting NAPHS at 202-393-6700. BI

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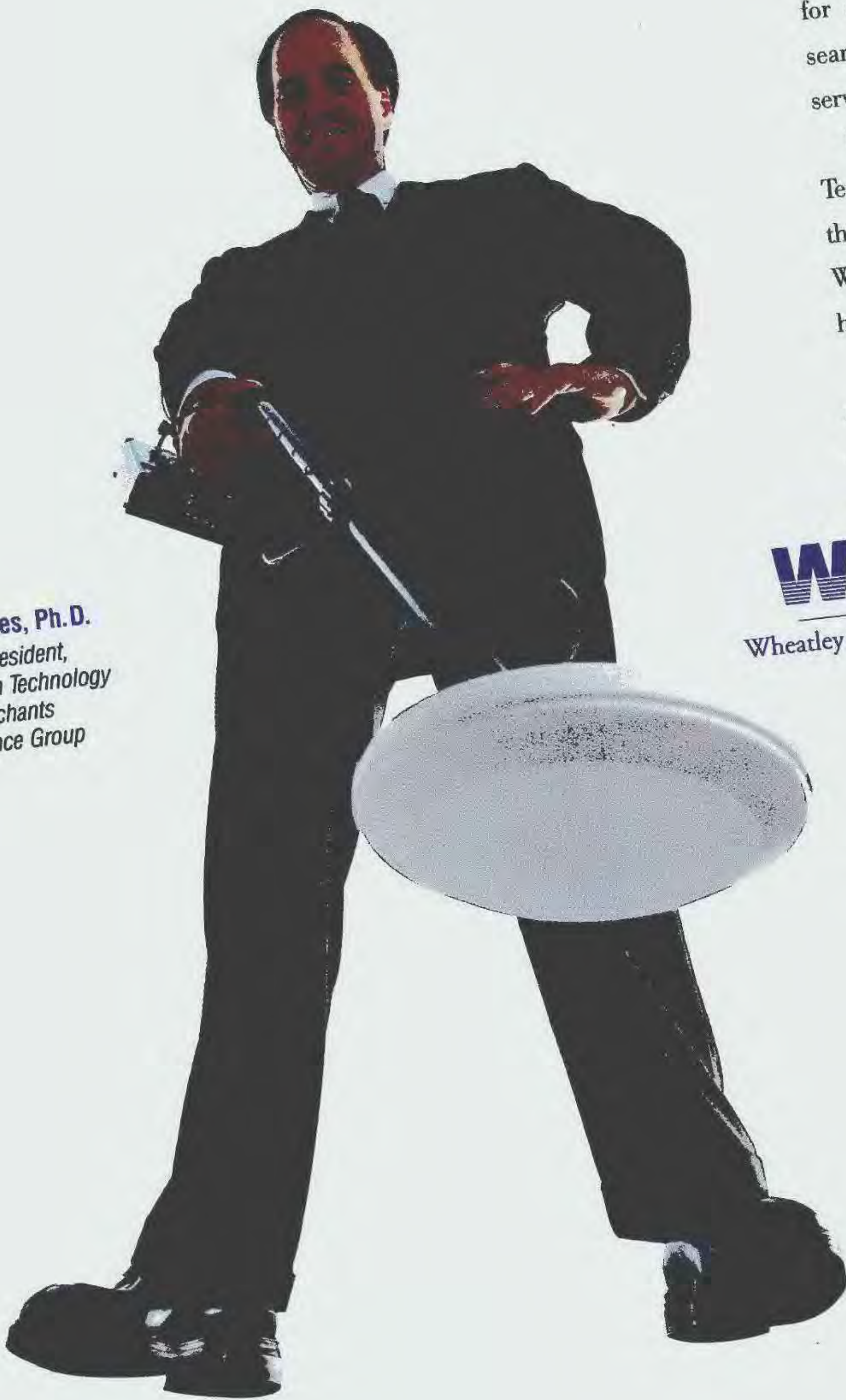

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Opinions

Don't duck procurement tax

RISK MANAGERS who are not paying direct procurement taxes on their insurance programs are only asking for trouble.

If more states begin to conduct audits looking for unpaid taxes, following the lead of Texas, then some risk managers could find themselves and their risk financing programs cast as cheats when it comes time to reckon with the tax authorities. Already, New York may be looking at the issue, and more states are likely to follow.

Willfully avoiding the direct procurement taxes, as some companies are doing, not only puts those risk managers in an unflattering light but it also gives the profession and alternative risk financing programs a black eye.

As we reported last week, Texas is alerting businesses that it intends to review their insurance transactions to determine if procurement taxes have been paid (*BI*, May 25). Direct procurement taxes, also called independent procurement taxes, are levied by about 30 states on buyers who independently procure insurance coverage outside the admitted and surplus lines markets. The taxes are paid directly by the policyholders.

Depending on a state's interpretation of its statutes, risk financing programs subject to the tax can include captive insurance programs, policies purchased from direct writers licensed in other states, and policies written by foreign insurers as part of global programs.

Many state regulators and tax collectors have had difficulties collecting the tax because it is not easily apparent when a company has directly procured coverage. States also have been unable to coordinate and apportion taxes that are owed on individual programs among what may be multiple states.

But risk managers burying their heads in the sand and claiming ignorance of the taxes—or hoping their programs don't get noticed—are just asking for trouble. Worse, they are inviting trouble for the tax treatment of alternative risk financing programs.

The Internal Revenue Service and some lawmakers perennially look at tax deductions for captive insurance programs—particularly offshore programs—and question whether they are truly valid risk financing programs or merely self-insurance funds for which no tax deduction is allowed. Risk managers and champions of the alternative market—including *Business Insurance*—vociferously defend the integrity of these programs against such efforts, touting their many benefits and downplaying the importance of their attendant tax benefits.

But those claims sound disingenuous when it turns out companies are knowingly not paying the direct procurement taxes owed in many states. And if some risk managers are gaming the tax system at the state level, why should federal tax authorities accept their claim that their captive insurance premiums really are insurance premiums for tax purposes? Dodging the direct procurement tax invites the argument that the payment to the captive is not really a premium and puts legitimate tax benefits for captives and other alternative risk financing programs at risk for all.

Not only is the tax treatment of alternative risk financing tarnished, but so too is the risk management profession. While not all risk managers are trying to give tax authorities the slip, the adage about a few bad apples comes to mind. Efforts to boost the professionalism and ethics of the profession suffer when some risk managers play fast and loose with the tax rules—and when other risk managers are aware of the situation but remain silent.

Several risk managers declined to speak to us on this issue for fear of drawing attention to their avoidance of the tax. Others sought to excuse their failure to pay the taxes by claiming states had not made much of an effort to collect the taxes; never mind that the risk managers were fully aware the taxes were due.

If, as is claimed, the direct procurement tax situation is unclear, then risk managers should get the issue out in the open and work with state regulators to develop clear and consistent rules on how they are to be applied and collected. If, on the other hand, risk managers are ignoring it as some kind of protest of a tax they think is unwarranted, then they are obligated to step up and work to have it repealed.

Keeping all aspects of risk financing programs aboveboard is the only way to assure that risk management and alternative risk financing remain respected and legitimate endeavors. It also is the best way to assure that valid tax advantages are not squandered and lost for all.

Letters

Corporate capital a key element for Lloyd's

To the editor: The temptation to reply to Patrick Agnew's letter to you of May 18 on the subject of Lloyd's is quite overwhelming.

While the minimum capital requirement of a corporate syndicate at Lloyd's is 50%, and, depending on the classes of business written, many have much higher deposit requirements, the deposit requirements for traditional unlimited names at Lloyd's is not 50%, as he asserts (other than for a small minority of names with tiny underwriting limits). It is currently only 32 $^{1}/_{2}$%, based on premium capacity. Additional wealth requirements must be shown but need not be deposited, where the minimum wealth requirement is not met by the deposited Funds at Lloyd's. For many thousands of names, history has shown that little else has actually been available to meet underwriting losses beyond their actual Funds at Lloyd's. From the policyholders' perspective, the massive depletion of the Central Guarantee Fund in the early 1990s reasonably led to significant disquiet about Lloyd's ability to fund its losses.

Those remaining names at Lloyd's, perhaps not so materially damaged as some of their fellows who either wouldn't or couldn't pay their losses, have indeed traded forward and contributed to the rescue operation that was Reconstruction and Renewal. But it is not a fair picture to paint that it was only names who brought Lloyd's through its dark hours. The arrival of corporates did not just give a new lease on life to Lloyd's public persona; they contributed very significantly to the rescue package itself and continue to provide essential capital to the marketplace.

Patrick Agnew's supposition that

See **Letters** *on page 35*

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Utilities

Continued from page 1

structuring, and the electric utility industry is expected to be completely deregulated nationwide by the end of the decade.

Some—but not all—states are permitting utilities to recover the cost of removing environmental liabilities and other "stranded assets" from their financial balance sheets on a one-time basis, usually through rate hikes.

But, over the long term, competition created by deregulation will force many utilities to sell off their non-performing assets—particularly contaminated real estate—predicts Lighthouse Energy Group, a consulting firm specializing in the electric power industry.

"Deregulation in many parts of the country is a trigger for addressing these environmental liability issues," explained Merribel Ayres, president of Lighthouse and a former chief executive officer of the National Independent Energy Producers Assn., both in Washington.

"The need for addressing the whole issue of contaminated site recovery is surfacing as the primary real estate issue for two reasons," she said.

First, "there will be an enormous amount of transactions, including selling off generation portfolios," as the industry shifts away from its traditional focus, according to Ms. Ayers. This shift will entail moving away from a concentration on the supply side—i.e., operation of large, centrally located power plants—to a focus on the demand side—or retail-oriented, sophisticated electronic energy management systems, she explained.

That's because the new money source in the deregulated electric power industry will be in the wires, not in the physical source of energy, she pointed out.

Second, "in many parts of the country utilities with contaminated sites can no longer assume they can pass those costs onto consumers," she added.

AIG's Mr. Boren agreed.

"This is all new to the power generating industry," he said. "When confronted with environmental cleanups in the past, they knew they could just pass on the costs to consumers. . .They also weren't buying and selling properties that may have environmental liabilities."

Because of this mind-set, it has been a hard sell for insurers to persuade utilities to consider insurance risk transfer for many of these liabilities, Mr. Boren said.

"I'd like to sell something when I make a presentation, but it hasn't been that easy," he said. "We've been talking to utilities for about nine months now, and we're just now making repeat visits."

But Mr. Boren believes it's not so much a question of their unwillingness to consider insurance remedies; "it's just a longer gestation period."

Julie Cully, marketing director for Zurich Environmental, a division of Zurich-American Specialties in Chicago, said she also has faced reluctance on the part of utilities to consider insurance as a risk-transfer option.

"We have put together some very creative coverage packages, but I haven't seen anyone buying yet," she said.

As an example, she described her experience last year while working on a quote for a utility with several fossil fuel plants.

"They wanted to put together a program that would protect them should the buyers come back to recover the cost of unknown and, in some cases, known contamination," she said.

A cost cap policy was recommended to cover the known contamination and an environmental liability policy was suggested to cover any future legal liabilities associated with the sites.

The pricing was competitive, according to Ms. Cully.

"Since we had all this information, we divided the properties by type and generated a general rate for what the prospective cover and the historical cover would cost," she recalled.

But, in the end, the utility opted not to buy the coverage.

"Perhaps it's because they think if the insurance company is willing to take the risk, the utility can," she said.

"There's a hope that deregulation will have an impact on the pollution insurance buying habits of utilities, but to date we haven't seen any impact," Ms. Cully said.

Indeed, some utilities have been able to transfer the liability without purchasing insurance.

For example, when Boston-based BEC Energy Co. sold all its non-nuclear plants to Sithe Energies Inc. of New York earlier this month, Sithe assumed all the related environmental liabilities, according to a source at BEC who asked not to be identified.

Still, BEC did give Sithe the option of an insurance risk transfer.

"We did the underwriting. We worked with Aon Risk Services to put together a competitive program, but the buyer opted not to take it," the source said.

Sithe did not return *Business Insurance*'s phone calls.

Other utilities may be able to transfer their environmental liabilities by selling contaminated properties to property investment funds, such as the New York-based Environmental Property Fund L.P.

The fund was formed earlier this year for the purpose of buying up contaminated properties, cleaning them up and then reselling them at a profit, according to Peter Hornick, president.

"We assume title to the property, negotiate a remediation plan with regulators, conduct the cleanup using our own financial resources, and then we provide insurance to protect both

Continued on next page

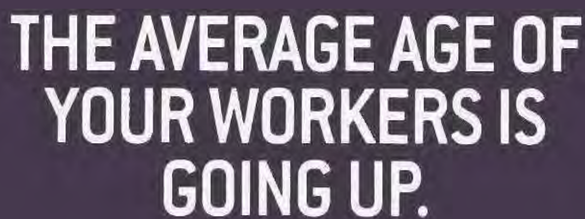
Liability transfer options

Several types of environmental insurance are available to help electric power utilities transfer their pollution risks. They include:

- **Cleanup cost cap** or **remediation excess** coverage, which indemnifies the policyholder for cleanup costs that exceed the environmental remediation budget. The attachment point is usually 10% above anticipated cleanup costs.
- **Pollution legal liability** insurance, which covers any past, present and future legal liabilities stemming from a remediated site or sites. Coverage is also provided for liabilities associated with transportation and disposal of contaminants. Coverage periods are usually for 10 years.
- **Finite risk** often is used as a financial tool to spread out the cost of remediation over a period of years. It often is used in conjunction with cost cap and legal liability coverage to extend the coverage period beyond 10 years after cleanup.

Finite risk insurance works like an annuity, with the policyholder paying a premium close to the projected cleanup cost. The insurer then takes over the cleanup, picking up the tab for any cost overruns and assuming all of the policyholder's environmental legal liabilities connected with the site or sites covered.

—By Joanne Wojcik



THEIR SALARIES ARE GOING UP.

THE COST TO RETIRE THEM IS GOING UP.

LET'S DISCUSS WORKFORCE MANAGEMENT.

There's a workforce structure crisis brewing in America. That's because Baby Boomers are becoming a less mobile, aging workforce. Combine this with a shortage of new talent, and suddenly even the "new" models of hiring, rewarding and retiring employees just don't work anymore. Everything is going to spin out of control. Fortunately, our people saw the problem coming. And devised a way for you to actually use this seemingly nightmarish scenario to your advantage. It's called Workforce Management.℠ Basically, i

Continued from previous page
the buyers and sellers from future liabilities," he explained.

While the fund has yet to purchase any properties from utilities, "we're in discussions with two utilities now on 12 properties," Mr. Hornick said.

Denver-based environmental engineering firm ARCADIS Geraghty & Miller also is providing a risk-transfer option to utilities selling contaminated real estate.

When a buyer takes title of a property before it has been fully remediated, it may be concerned that the seller may not fulfill its promise to finish the cleanup, said John Theiss, principal in charge of financial risk transfer.

Mr. Theiss recently left his position as vp and director of environmental risk management services at Sedgwick of California Inc. to join ARCADIS Geraghty & Miller's Guaranteed Property Remediation and Insurance Program.

"What Geraghty & Miller will do is provide a guaranteed price for the remediation," he said, adding that the firm's considerable experience in conducting environmental cleanups enables it to offer competitive pricing. ARCADIS Geraghty & Miller has conducted cleanups valued at a total of $575 million, he said.

"Geraghty & Miller also guarantees that the cleanup efforts will satisfy regulators," Mr. Theiss said.

Then Geraghty & Miller buys cost cap coverage and pollution legal liability insurance to protect itself, the buyer and seller, and any additional insureds, such as lenders and tenants.

"What we're in effect providing is a program that allows the utility to be comfortable with the fact that it has transferred the risk to the fullest extent possible," he said.

The price, which includes remediation and insurance, is often less than what a utility usually expects to pay for remediation alone, said Mr. Theiss.

In some cases, Geraghty & Miller also assumes the self-insured retention and even a portion of the primary layer of coverage, which can lower the cost of the program even more, he added.

Even though the electric utility industry so far has been slow to warm up to the concept of environmental insurance, industry experts believe interest will pick up as the utilities better understand the products and their application.

"First they asked us to tell them about it, but it took eight months for them to see the application," said AIG's Mr. Boren of his most recent experience involving a Northeast utility.

"We're seeing utilities starting to recognize the potential for this kind of insurance to help put them ahead of the curve," observed Ms. Ayres.

But while environmental liabilities historically have been the purview of risk management, "it's very often the CFO that recognizes that this is a critical balance sheet issue," she said. BI

Venture

Continued from page 2
capacity to individual syndicates.

Some managing agencies also have said the annual venture should be abolished in favor of more permanent capital, which Mr. Sandler's comments at the ALM's spring conference appear to underpin, according to Sir David.

Sir David has met with officials of HM Treasury, the government department responsible for regulating the insurance market, to voice his concern that the statements being made by managing agents may prejudice the prices that names may be able to command in the auction process later this year, when they can trade their capacity on syndicates.

In a written reply, the Treasury stated, "Anyone who may be believed to have privileged information needs always to think carefully about the effect that their statements may have on those markets. . . .Speculation about the future by someone in a specially knowledgeable or influential position can easily be misconstrued as implying that particular decisions have been, or are about to be, taken."

A switch from the annual venture could mean that agencies would become insurance companies, turning the Lloyd's market into a bourse of insurers with regular share capital, critics of the proposal say.

Sir David has called for an independent evaluation of the annual venture, particularly to assess allegations that the system is costly and compromises Lloyd's competitive position in the world market.

Although Sir David acknowledged the system is cumbersome, he said it has other advantages. For example, capacity can be pulled from a syndicate if an underwriter is not performing satisfactorily.

Last year's "Lloyd's Future Direction: Statement of Policy by the Council of Lloyd's" stated, "There will be no move to withdraw the rights of individual names to continue trading within the annual venture syndicate structure."

But Sir David said the principles guiding one year's council are not binding on any other council, implying that the current council is under no obligation to ensure the annual joint venture continues.

At a meeting earlier this month, Lloyd's Chairman Max Taylor said the council would not abolish the annual joint venture as long as names continued to want to use it to invest at Lloyd's.

Nevertheless, the ALM remains wary and warns it has a trump card up its sleeve it is prepared to play should the council try to eliminate the current system.

Under Lloyd's rules, members can overturn any decision made by the council through a vote at an extraordinary general meeting. And, EGMs operate on a one member, one vote basis rather than being weighted according to the amount of capacity provided by each member, giving the ALM a massive advantage over corporate capital providers. This year, Lloyd's has close to 7,000 unlimited liability members actively underwriting in the market. There are 435 corporate members.

The ALM doesn't like the prospect of having to resort to such tactics, Sir David said. The organization has had a close relationship with Lloyd's senior management over the years.

"We have always valued and respected those arrangements," said Sir David, "and we've tried to keep discord out of the public eye." But with the latest attacks on the future of traditional names, the ALM has no option but to respond to the concerns of its members, protecting them against "a breach of collective responsibility of the members of the council."

"We believe names should fight this corner," Sir David added. Other Lloyd's participants supported the names' position, he said, including a number of other managing agencies that are content to have unlimited liability capacity trading alongside corporate capital.

Said ALM Director Michael Deeny: "There has been a general presumption that names are going to vanish. . . .I don't believe that's true." Although both 1998 and 1999 are likely to be extremely poor trading years, names have tax advantages in retaining their individual membership of the market, because they can offset losses paid against profits. Mr. Deeny formerly was a member of the Council of Lloyd's and Chairman of the Gooda Walker Action Group, which was instrumental in pushing Lloyd's to come up with its reconstruction and renewal plan. BI

enables you to manage the structure of your workforce in ingenious new ways–allowing you to retain the invaluable intellectual capital Boomers possess, while simultaneously giving talented Xers room to flourish. And to do so while keeping benefit costs in line. For details, call your local Watson Wyatt office or 1-800-851-4346, or visit our web site at www.watsonwyatt.com. And keep your benefit costs down to earth where they belong.

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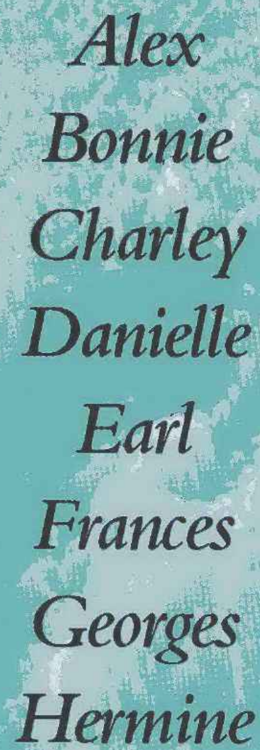

21 Names That Might Make You Feel Insecure This Hurricane Season.

Ivan
Jeanne
Karl
Lisa
Mitch
Nicole
Otto
Paula
Richard
Shary
Tomas
Virginie
Walter

As a courtesy, Guy Carpenter provides this listing of 1998 Atlantic storms published by NOAA. Photo Credit: NASA

One Name To Help You Feel Secure Year-Round.

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With global catastrophes, you can know their names but never where or when they'll strike. That's why you need the finest in reinsurance broking. As the leader in this area, we can help you...with services such as detailed financial studies and catastrophe modeling analysis, and innovative new products based on the Guy Carpenter Catastrophe Index. You already know the names of potential disasters...now you know the name of *the* broker to help cope with them.

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Gulf introduces insurance for tax opinions

Products & Services

NEW YORK—Companies that sustain financial losses due to an adverse tax ruling may find new protection from a policy written on a surplus lines basis by Gulf Insurance Co., a unit of Travelers Property/Casualty Insurance Co.

The coverage insures against the possible loss of anticipated tax benefits associated with corporate transactions, such as acquisitions, mergers, divestitures and stock offerings.

In such situations, a company may be hit with unanticipated taxes, interest and possible penalties if an Internal Revenue Service audit disagrees with a tax professional's recommendation. The policy also may be written to include coverage for related litigation costs, interest and penalties.

The tax opinion coverage may be especially applicable in cases when there is not enough time for a company to obtain an Internal Revenue Service private- letter ruling on a particular issue, Gulf said.

Tax opinions for most corporate transactions will be considered as long as the activity is not structured principally for the purpose of receiving tax benefits.

Coverage limits of up to $30 million are available, and additional limits can be arranged.

For more information, contact Mike St. Pierre, assistant vp of Gulf Insurance, 860-954-1350; or Kevin Smith, senior vp of Gulf Insurance, 860-277-2691.

IPO policy

WARREN, N.J.—Chubb Corp. has introduced an insurance policy to help protect companies and their directors and officers from liabilities associated with an initial public stock offering as well as subsequent securities offerings.

Chubb's Initial Public Offering Liability Insurance Policy responds on a worldwide basis to claims filed under both the Securities Act of 1933 and the Securities Exchange Act of 1934. The policy's coverage period is up to three years, with a reinstatement-of-limits feature for all insuring clauses after the first annual anniversary of the policy coverage.

The policy provides insurance for directors and officers and insurance for the entity for securities claims.

The coverage also can indemnify investment advisers and selling shareholders.

Up to $50 million in capacity is available, and the policy also will cover punitive damages, where allowed by law.

The IPO liability policy is fully severable, and defense costs are provided in advance, rather than after a case is settled or litigated. No deductible applies if a case is successfully defended.

For information, contact Jack Kuhn, a vp in the Chubb's executive protection practice, 908-903-2726.

Multiemployer book

BROOKFIELD, Wis.—The latest developments affecting multiemployer benefit plans are discussed in Employee Benefit Issues-The Multiemployer Perspective-Volume 39, recently published by the International Foundation of Employee Benefit Plans.

This volume contains material pertaining to multiemployer plans from 10 of the IFEBP's conferences held in 1997. Specific topics include evaluating managed care quality, prescription drug costs, home health care, hospice care, and durable medical equipment costs. Recent issues for public pension plans and retirement systems also are addressed.

Managing investments, educating plan participants, the annual audit process, IRS amnesty programs and prohibited transactions are also covered. Other chapters discuss the challenges of the Americans with Disabilities Act, domestic partner benefits, work/life benefits, practical implications of the Family & Medical Leave Act, retirement planning and communications.

For copies of the book, contact the publications department at the IFEBP, 888-334-3327, option 4.

Manufacturers plan

HARTFORD, Conn.—Hartford Financial Services Group Inc. has teamed up with broker Poe & Brown Inc. to offer manufacturers a comprehensive commercial insurance package policy.

The Manufacturers Protector Plan, or MPP, bundles together a broad range of commercial insurance coverages, including workers compensation, property, crime, general liability, commercial automobile, umbrella and bond.

MPP also offers optional coverages essential to the industrial manufacturing industry, including worldwide product liability, product recall expense, design errors and omissions, employment practices liability, and domestic and international ocean marine.

MPP is being introduced to most types of manufacturers, with planned target marketing for certain industry groups and niches.

Initial marketing efforts will target industrial machinery manufacturers, including manufacturers of metal-working machinery, textile machinery, printing trades machinery and food products machinery.

The program will be expanded to include other niche manufacturing industries.

The program is available through Poe & Brown Protector Network, comprised of independent agencies located throughout the country and including some Poe & Brown offices.

For information, contact Tom Williams of Poe & Brown, 800-282-0593.

Business practices

ENCINO, Calif.—NAS Insurance Services Inc. has introduced COMPLETE Business Practices Liability Insurance, which is designed for the needs of privately held business of all kinds.

COMPLETE Business Practices is a one-stop policy combining the features of employment practices, directors and officers and fiduciary liability insurance. It covers suits against the business entity itself, as well as the owners, directors and officers, and employees.

COMPLETE Business Practices provides the full range of employment practices coverages normally found in a broad EPL policy. Similarly, the insurance features all the protection usually found in D&O liability policies, for individuals and for the entity on a pay-on-behalf-of basis.

Limits for COMPLETE coverage are as high as $5 million. Minimum premiums are as low as $3,000.

COMPLETE Business Practices is underwritten by Lloyd's of London syndicates and is available through insurance brokers from NAS.

For information, contact Edward B. Robin, president of NAS, 818-382-2030. BI

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Blues report big 1997 operating loss

By KRISTEN HALLAM
Crain News Service

The nation's 55 Blue Cross and Blue Shield plans lost an aggregate $1 billion on operations last year, or $200 million more than they lost in 1996, according to figures obtained from the national Blue Cross and Blue Shield Assn. last week by Modern Healthcare, a sister publication of *Business Insurance*.

The Chicago-based Blues association doesn't release the figures publicly but makes them available upon request.

Investment income offset the Blues' losses, but the operating results put the nation's Blues plans in the same league as Kaiser Permanente, Oxford Health Plans and other national health insurers that hemorrhaged operating cash last year.

Systemwide revenues for the 55 Blues plans rose 5.2% to $87 billion last year from $82.8 billion in 1996, according to the association.

About 80% of the system's plans posted operating losses last year, with 10 plans accounting for two-thirds of the losses nationwide, association officials said. In 1996, the system lost $838 million on operations.

The association did not identify the financial results of individual plans.

Despite the operating losses, investment income pushed the plans' bottom line into the black.

Overall, the 55 plans reported $1.1 billion in aggregate profits last year, reflecting $2.2 billion in investment income. That's an increase of $117 million, or 11.5%, from the bottom line in 1996.

Blues officials said they expect operating results for 1998 to be considerably better.

Most of the Blues' chief financial officers predicted their organizations will post improved operating results this year, thanks largely to 1998 premium increases. The increases average between 5% and 6% but top 10% for some lines of business.

Patrick Hays, president and chief executive officer of the national association, got himself into hot water late last year by acknowledging that premiums charged by Blues plans could jump more than 10% this year. He subsequently retracted that statement and lowered his estimate. But results to date appear to offer some support for his initial contention.

So far, the premium increases have not caused enrollment to drop, according to Blues officials. Preliminary indications are that enrollment has increased about 1%, despite the steeper rates.

Last year, enrollment jumped 2.5% to 69 million throughout the system, the Blues' highest total enrollment since 1990. Only in the Northeast did the Blues lose enrollees last year.

Much of that growth, which was especially strong in the West, was fueled by significant increases in systemwide PPO, HMO and point-of-service plans. Blue Shield of California alone added more than 400,000 enrollees last year, including about 260,000 from its pending acquisition of CareAmerica HMO from UniHealth, said Bruce Bodaken, president of Blue Shield of California.

The system's member plans operate 84 HMOs, 72 PPOs and 66 point-of-service plans.

Systemwide, those forms of managed care now account for 63.4% of the system's enrollment, up from just 57.4% at the end of 1996.

"All plans are facing increased competition, but on a national basis the Blues certainly seem to be holding their own in terms of managed care," said an association spokesman. BI

IRS revises schedule

WASHINGTON—Employers with flexible benefit plans soon will have to fill out a revised federal report.

Ending years of uncertainty, the Internal Revenue Service is specifying the kind of cost information employers with flexible benefit plans must include when they file Schedule F, an attachment to Form 5500 or 5500-C/R, benefit plan financial reports that must be filed with the IRS.

Among other things, Schedule F requires an employer to report the total cost of a flexible benefit plan. Instructions to Schedule F say that total costs include administrative costs, amounts employees contributed to the plan through salary reduction and "other employer contributions."

Instructions to the 1997 Schedule F, which for many employers with flexible benefit plans are due in July, have clarified the meaning of "other employer contributions."

Other contributions, the IRS says, are:

- Employers' premium contributions or claims costs for benefits offered through the flexible benefit plan.
- Credits employers provide employees to purchase benefit plan options, such as a rich, expensive traditional indemnity plan or a lower-cost health maintenance organization.

For example, in the most common type of flexible benefit plans—premium conversion plans, in which employees pay a portion of the premium through salary reduction—the total cost of a plan would be the amounts contributed by employees through salary reduction, as well as employers' actual premium or claims costs.

While Schedule F clarifies information to be reported, some benefit experts worry that this clarification will unfairly inflate the cost of flexible benefit plans. They note that certain health plan costs, such as HMO premiums, would be incurred regardless of whether the plan is part of a flexible benefit program.

With much higher reported benefit plan costs—compared with the old Schedule F—the perceived revenue loss associated with flexible benefits could alarm legislators.

"My fear is that flexible benefit plans will be unfairly portrayed as a revenue loser of exaggerated proportions," said Andy Anderson, a consultant with Hewitt Associates L.L.C. of Lincolnshire, Ill.

"The irony here is that while the form is easier to fill out this year, it could lead to some long-term concerns about the revenue aspects" of flexible benefit plans, Mr. Anderson added.

—By Jerry Geisel

Should you ever need a life raft, we can help.

Oil depicting Odysseus entering Hades
Naples, Italy
ca 1600's

Since the days of ancient Greece, protecting one's business has been fiendishly difficult. Today, you can get all the protection you need from a new global reinsurance power, the Odyssey Re Group. With over $850 million of Gross Written Premium, and $1 billion of dedicated reinsurance capital, Odyssey Re is one of the largest reinsurance organizations in the world, providing you with more than enough resources to chart a course with confidence.

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ASK A BENEFIT ACTUARY

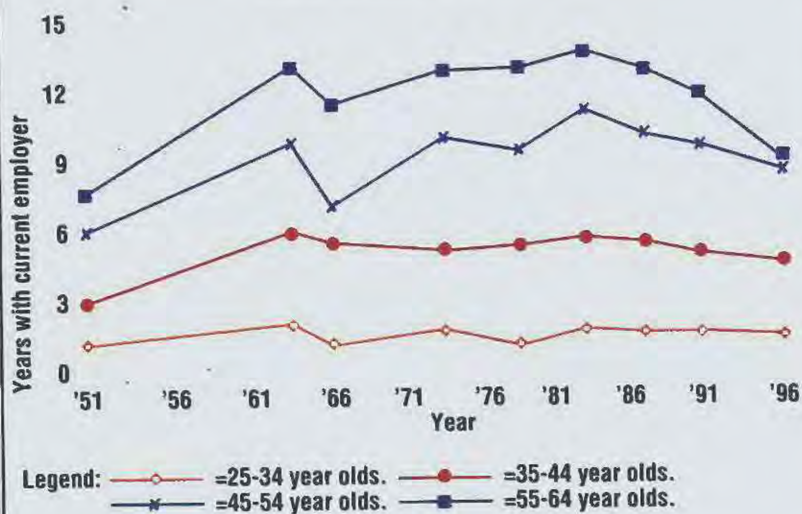
Q **Why should my company be concerned about workforce management?**

A This question comes from a benefits manager and supplements the question on workforce management discussed in my last column (*BI*, Feb. 23). In that column, workforce management issues were described.

Workforce management involves the analysis of demographic trends, both at a national level and at a company level. The purpose of the analysis is to help a company develop the type of human resources policy and practices, including employee benefit programs, that attract and retain the right demographic mix of employees to execute business strategy.

Companies should be concerned about workforce management because research by Watson Wyatt Worldwide indicates that a demographics disaster may be on the horizon for many companies. At many organizations, Watson Wyatt observed a multifaceted problem, which is being driven by demographics at both a national and corporate level. The catalyst for this disaster? The baby boomers—the generation born between 1946 and 1964.

Based on Watson Wyatt's research of U.S. population statistics, we expect that the baby boomers will want to settle in and remain at their existing employers until retirement.



The chart above summarizes a portion of this research, showing the median tenure of males in the workforce over time. Note that, over time, older workers consistently have greater longer tenure. We expect this pattern will continue as the baby boomers age.

This "nesting" of the baby boomers has created problems for a number of companies.

Many organizations are seeking to change to a high-performance culture, changing the "deal" with the employee from a promise of career employment to a promise of employability. This new understanding prescribes that the company must provide the employee with training, and the employee must, in turn, take advantage of the training and keep skills current.

But the length of the employment relationship may be long or short, depending on the needs of the company. In this context, the desire of the baby boomers to settle in—nest—at a company flies in the face of the company's changed employment deal and often causes the baby boomers to resist the change to a high-performance culture.

The settling in of the baby boomers also will increase employment costs significantly at some organizations. Watson Wyatt's research has shown that many employment costs are related to increasing age and service. Among the costs strongly related to increasing age or service are pay, including defined benefit pension costs, matches in 401(k) plans, health care, and vacations.

For example, the chart on average contribution rates shows Watson Wyatt's research regarding the way in which contributions to 401(k) plans increase with age.

The research shows that average contribution rates are nearly three times higher for older workers than for younger workers. If the employer is making matching contributions, the employer costs also are similarly three times higher for older workers than for younger workers.

For some organizations, the solution to these problems may seem simple: Replace baby boomers, as needed, with younger workers.

But that is easier said than done. Besides the potential age discrimination concerns with complications that could arise from such an approach, Watson Wyatt's research shows there will likely be significant competition for these younger workers in the 21st century.

In my last column, I discussed research that showed that the annual growth rate of the U.S. labor force has declined from about 2.5% in 1965 to less than 1% in 1995 and was projected to be about 0.65% by 2005. But the little scant growth that will occur in the labor force will be among older workers, not younger workers.

The chart below on retention shows, by age, the change in the number of U.S. workers for the decade of the 1970s and the projected number for the period 1996 to 2006. Note the dramatic growth as younger ages swelled the labor force in the 1970s at younger ages. This is the impact of the baby boom generation. That same impact can be anticipated at older ages for the period 1996 to 2006 as the baby boomers age.

Note also that the workforce between the ages 25 to 44 is projected to decrease from 1996 to 2006. We expect the competition for these younger workers to be intense. In an environment where the labor force is barely growing, it is likely that retention of workers will be a major human resource goal as we move into the 21st century.

The challenges created by the workforce demographics are great. My next column will focus on what employers can do to meet these workforce management challenges.

For a free copy of an executive summary of Watson Wyatt's workforce management research, call 800-388-9868. BI

Retention becomes the goal after the year 2000

Change in numbers of U.S. workers

Age of worker	1970-1980	1996-2006
15-19	30.6%	14.3%
20-24	50.0%	14.0%
25-34	72.4%	-8.8%
35-44	23.6%	-6.0%
45-54	0%	26.7%
55-64	5.3%	54.0%
65 +	-6.2%	9.2%

Sources: Watson Wyatt Worldwide and U.S. Department of Labor

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefits management issues and actuarial problems.

Mr. Miner

This month's column on actuarial issues in the benefits field is written by William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago. Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field. Christopher E. Mandel, director of risk management at TRICON Global Restaurants Inc. in Louisville, Ky., answers questions on risk management. Dennis J. Nirtaut, managing director of compensation and benefits for Andersen Worldwide S.C. in Chicago, answers questions on employee benefit plans.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Offices present workplace safety issues, too

By Paul Rose

ALL WORK ENVIRONMENTS involve a certain degree of risk, but most people associate dangerous work environments with construction workers, contractors and perhaps pilots. Few people think of the front desk of a corporate office as a high-risk area, but dangers abound in the white-collar workplace.

Consider the case of an accountant who hurt his back moving boxes of onsite archives in order to reach a file cabinet. He required thousands of dollars in medical care and missed weeks of work.

Or consider the case of a computer technology manager who became mysteriously ill within weeks of moving to a new office. She suffered from severe cough and respiratory problems, skin rashes and dizziness. Eventually she became so sick she could no longer work. She also sued her employer.

Another frightening story is that of a senior banking executive who was shot seven times by a disgruntled employee.

The white-collar workplace is plagued by issues such as ergonomically incorrect workstations, sick building syndrome and workplace violence. These problems impact the safety of workplaces, affect the health and well-being of workers and unnecessarily drive up business costs.

These problems are gaining more national attention as more people are working in white-collar jobs than ever before. The increased number of workers has led to a crowding effect in business. There are more office buildings, more employees per building, and more computers per employee—a spiraling amount of people and things in a limited space.

Other factors are contributing to the rash of safety problems affecting the white-collar workplace. For example, the energy crisis of the 1970s led to architectural changes in the workplace. Energy conservation concerns brought about a reduction in the standard amount of outdoor air provided to 5 cubic feet per minute—or cfm—per occupant from 15 cfm. Huge buildings were built to be airtight, with increased use of synthetics in building materials. Usually these buildings were planned to have only one centrally controlled thermostat.

In the 1990s, the introduction of personal computer systems changed the workplace again. Now, virtually every white-collar worker has a computer on his or her desk. Problems that traditionally plagued typists, such as carpal tunnel syndrome, now are more common. The "paperless office" means a whole new way of working—from the way we sit to the way we communicate at work.

And people are spending more time at work than ever before, which could be a factor contributing to the alarming increase in violent acts—both personal and work-related—that occur in the workplace.

However, just as these problems arise in the white-collar workplace, so do ways to identify and treat them.

Ergonomics

The Bureau of Labor Statistics reports that cumulative trauma disorders such as carpal tunnel syndrome are the fastest-growing workplace illness in the United States. In fact, they increased a dramatic 770% from a decade ago. These injuries cost employers more than $20 billion a year. Of course, for every $1 employers lose in direct costs, an additional $4 is estimated to be lost in indirect costs associated with decreased productivity, lost time and poor work performance.

It's very hard for employees to do good work when they're in pain. But how do you help an employee while keeping up with the demands of daily business?

There are solutions available. Ergonomics is the application of the physical and life sciences to human activity, with the goal of balancing human capabilities and job task demands. Many workers compensation insurers and workplace safety consultants offer an array of ergonomics services that help to position the body correctly for the task at hand and to alleviate symptoms of cumulative trauma disorders. By looking at workplace design, employee injury reports, company culture, job tasks and other factors, a workplace safety consultant can help you to identify where your high-risk areas are for injuries and help your company develop a comprehensive safety program.

Having a consultant visit your workplace does not necessarily mean a total overhaul. Some of the recommendations may actually be quite simple and yet effective.

Consider these computer safety and comfort tips:

- Lower your monitor and move it back. Most safety experts suggest that the top of your monitor your be at or below eye level, and that it be placed approximately 32 inches from your eyes. This makes focusing easier and is less demanding on your vision.
- Line up your workstation. The keyboard and monitor should be directly in front of the user. Neither the body nor the head should be angled diagonally, which places the body in an awkward position.
- Use a footrest. You want your feet to rest on something to keep aligned and to prevent the legs from bending back too far, which interferes with circulation.
- Don't pound the keys. Some computer users strike with four to five times the force actually needed to activate computer keys, leading to increased potential for development of finger and wrist problems.
- Remember to blink. Researchers determined that in a relaxed state, people blink about 22 times a minute; while reading, about 10 times a minute; and while using the computer, only about seven times a minute. Because blinking keeps eyes moistened and clear of debris, infrequent blinking can contribute to eye strain.
- Use a light grip on the mouse.
- Support your back. Sit all the way back in your chair; use a cushion to support your lower back.
- Keep your hands and arms warm. The risk of sustaining a repetitive motion injury is greater if muscles and tendons are cold.

Sick building syndrome

Perhaps the most frightening aspect of sick building syndrome is that there is no clear definition of the sickness. There is no set of symptoms that defines it, and there are no easily prescribed solutions. Sick building syndrome simply means a building's environment is causing its inhabitants discomfort or health problems that occur only while in the building and are not linked to specific illnesses.

Symptoms may include headaches, coughing, fatigue, dizziness, difficulty concentrating, rash, nausea, irritated eyes, and nose and throat problems. Symptoms may be limited to specific areas of the building, to specific times of day, or may occur throughout the day.

Sometimes the symptoms continue once the employee leaves the building. If symptoms can be diagnosed and linked directly to airborne building contaminants, it is referred to as building-related illness because there are diagnosable illnesses and causes.

In the case of building-related illness, sick employees may need a prolonged recovery time and extensive medical care after leaving the building.

While sick building syndrome cannot be traced to a single source, there are some common causes to look for, including poor ventilation; a contaminated heating, ventilation and air conditioning system; carbon monoxide; pesticides; fungus and mold; bacteria; viruses; cleaners; adhesives; formaldehyde; and latex. The most common problem, which can compound all other contamination issues, is a lack of fresh air and proper ventilation.

The American Society of Heating, Refrigeration and Air-Conditioning recommends that a minimum range of 15 cfm to 60 cfm is provided. Increasing airflow can significantly reduce indoor pollutants.

A workplace safety consultant can examine your building for hazards and help tackle any sick building syndrome problems you may be experiencing. But there are preventive measures you can put in place on your own, including:

- Meeting with your building maintenance to review floor plans and building design for hazard areas.
- Putting a preventative maintenance plan in place so that filters are changed and the HVAC system is checked on a regular basis.
- Making sure closed vents or other obstructions do not block airflow.
- Raising cubicle walls so that at least one foot of floor-level open space remains for airflow.

Workplace violence

Workplace homicides are the second-leading cause of job-related deaths, according to a study conducted by the National Council on Compensation Insurance Inc. Crime-related claims have the second-highest average cost behind vehicle claims. The study also found victims of workplace violence are more likely to be female and younger than other types of workers compensation claimants.

While many of the stories make dramatic headlines, such as "Employee Shot by Jealous Husband" and "Disgruntled Employee Guns Down Former Boss," workplace violence is not always fatal and runs the gamut of situations, including fighting and other physical assaults, harassment, verbal abuse and threatening behavior.

The level of violent crimes in the workplace has escalated to the point where the Centers for Disease Control has named workplace violence as a national disease epidemic. One of every six violent crimes committed in the United States occurs at work. The Workplace Violence Research Institute estimates this violence costs U.S. businesses at least $36 billion annually.

The most important thing a company can do to protect itself is to recognize that workplace violence is a problem and to take a proactive approach.

Many workers compensation insurers provide onsite confrontation training. A workplace safety consultant will visit your workplace, assess your corporate culture and policies and train top management and supervisory staff how to handle confrontations from minor disagreements to crisis situations.

Other preventive steps you can take to protect your workplace include:

- Following up on employee complaints.
- Developing security procedures for potential threats.
- Maintaining an open-door management policy.
- During sensitive situations, such as corporate downsizing, keeping employees informed of all activity and providing specific, monitored times of access to key senior personnel.
- Performing criminal background checks on all job candidates.
- Providing access to psychologists or an employee assistance program.
- Installing a building security system that provides limited access to the building.

Ergonomically incorrect workstations, sick building syndrome and workplace violence are very real threats to your employees' health and also to the financial well-being of your company. But, as with any potential health risk, an ounce of prevention is worth a pound of cure. In most cases, your workers compensation insurer or a workplace safety consultant can help you analyze your company's potential safety hazards and help you develop a comprehensive workplace safety plan. BI

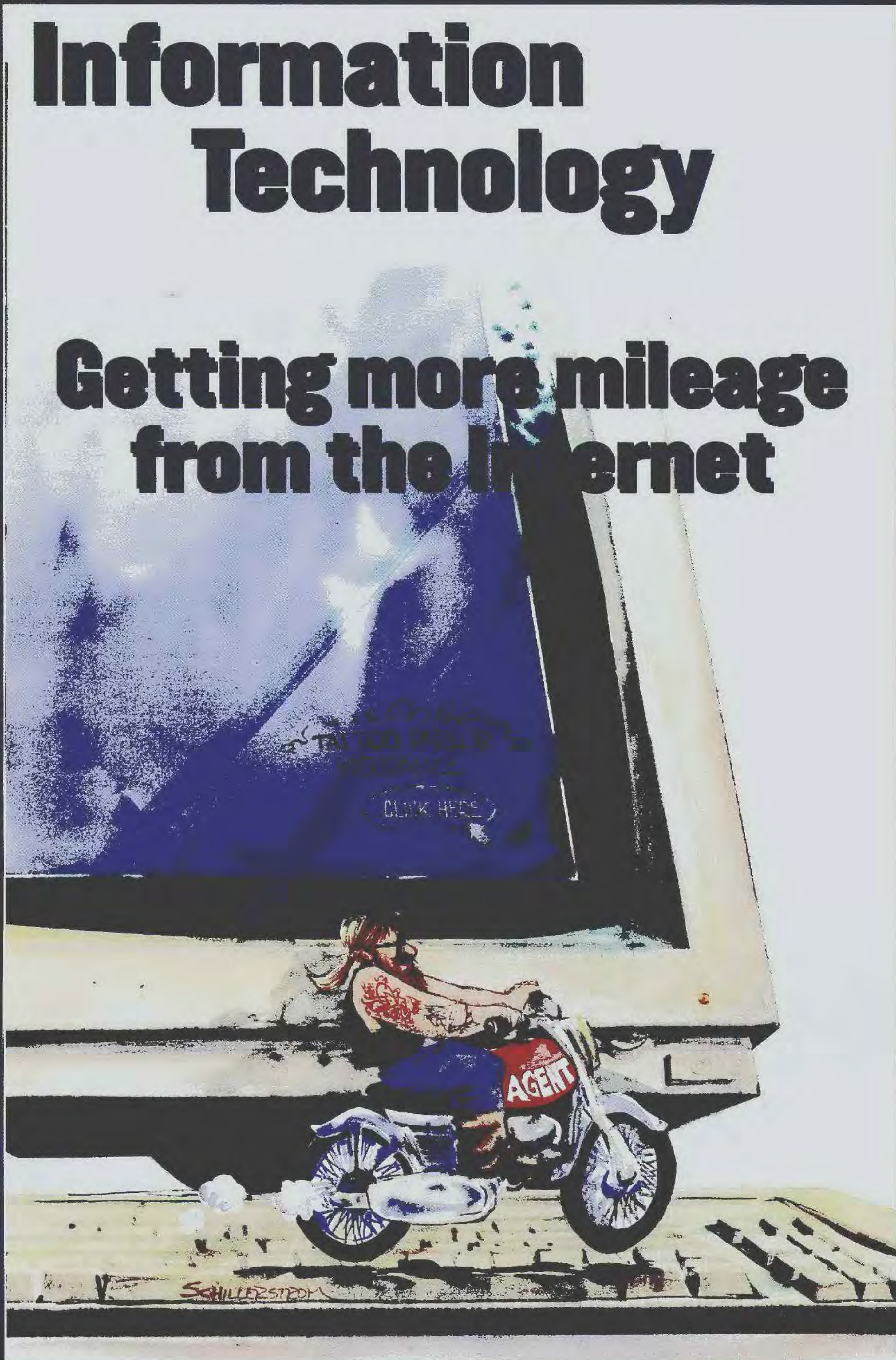
Paul Rose is the president and chief executive officer of Towson, Md.-based Injured Workers' Insurance Fund, which underwrites workers compensation insurance in Maryland.

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Information Technology

Getting more mileage from the Internet



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Niches seen as key to Internet success page 18B

Broker's system brings clients online page 18F

Savvy agents play key role in online sales page 18G

Search firms aid in finding top talent page 18L

Finding niches can lead to Net sales

Agents also advised to use online capability to make themselves consultants

By MICHAEL BRADFORD

Agents who take the time to carve out unique coverage niches and market those specialties on the Internet may uncover a receptive audience of cyber-buyers.

One creative agent has driven up sales by using his World Wide Web site to target others who share his passion for tattoos.

"The largest seller of insurance to tattoo parlors is a Harley Davidson-riding agent" in Ohio, said Benjamin M. Salzmann, president of Heritage Mutual Insurance Co. in Sheboygan, Wis.

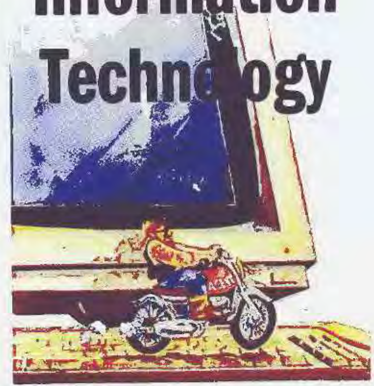
Speaking as a panelist at a session during the Agency Company Organization for Research & Development Technology Conference '98 in Lake Buena Vista, Fla., last month, Mr. Salzmann said the agent explained to him that while riding his bike to work, "it dawned on him: 'Hey, I love tattoos, I just got hooked up to the Internet. . . .I'm going to put something out there for tattoo parlors.' "

The response from the parlors was rewarding. "The hits were incredible," Mr. Salzmann said, and the result was that the agent "sells and sells and sells" coverage to those buyers.

The success of tattoo parlor coverage left an impression on another panelist.

"The Internet is going to allow you to greatly expand the interaction with your audience, and I think the example of the tattoo parlors is a great one," said George J. Rasher, president of Cabrillo East Media Corp. in Santa Barbara, Calif.

Web sites like the one used by the agent selling coverage to the parlors can be structured to obtain a lot of valuable information about "who is browsing,



what they're looking at, how long they're browsing," he said. That information can be used to send a marketing message to potential clients, Mr. Rasher noted.

In addition, "on the Web it is very easy to cross-sell as well," he said. Buyers lured to the site for tattoo parlor coverage, for example, might be enticed to buy another type of insurance.

He warned though, that agents should remember that "if you build it. . .they may not come" if a Web site isn't properly put together. "We believe it should include magnet information" beyond the basic announcement regarding an agent's products and services.

For example, an agent with a niche in providing specialized coverage to restaurants could offer on its site advice that "goes beyond selling the insurance policy. . . .Why not go out and partner with an editorial or publication source where suddenly you're not just an online source talking about selling insurance to the restaurant? Suddenly you're an online consultant trying to give them general information that goes beyond that insurance sale itself.

"That will bring people to your site," Mr. Rasher said. "That will help generate value-added to the particular service that you have."

Mr. Salzmann, who also moderated the discussion, emphasized that insurers should take note of successes such as the one scored by the agent who places coverage for tattoo parlors.

Instead of trying to gear up and handle niche coverages on their own by adding or training workers to write it directly, underwriters should find an agent with specialized knowledge who can do it better and faster, he advised.

"When you spin off the niche marketing, you come back to the true strength of the Internet," Mr. Salzmann suggested. "And that is individuality. That is, the person who has a different outlook on life and can capture a niche and sell with a low-cost creative mechanism that may not come out of corporate America."

Agents with Web sites have to make sure they respond quickly to requests for information or their Internet presence is all but useless, another panelist warned.

"The old adage about striking

See **Niches** on page 18D

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Niches

Continued from page 18B

while the fire is hot is so true," said Larry Neilson, president of National Marketing Services in Laguna Hills, Calif. The company provides callback services that immediately respond to a user's request for a telephone call from someone who can give details about a Web site's offerings.

Web sites have a poor record of responding to customer inquiries, Mr. Neilson told his audience. As a test, he recently asked for more information from three insurer sites. One responded in 36 hours, another in 2½ weeks and the third not at all.

> *'No matter what efficiencies of distribution the Internet represents, it does not replace nor will it ever replace hand-holding.'*
>
> —Charles Killian

Mr. Neilson said about 40% of Web site owners don't respond to inquiries, and many others don't even have systems for taking requests and responding with more information. "That's probably why this thing is just starting to grow right now, because of those numbers."

Charles Killian, president of Kettner & Killian Insurance Agencies in Mundelein, Ill., appeared by video as he recovers from surgery. He cautioned against listening to naysayers proclaiming doom to agencies as insurers market coverages directly to buyers over the Internet.

Mr. Killian, one of the first to begin marketing insurance products and services over the Internet, said "the independent agency is once again hearing its death knell" because of fears that insurers will bypass them and banks will jump into the marketplace via the Web.

"I'll cut you in on a little secret," Mr. Killian remarked. While insurers that market directly to customers over the Internet will take a few customers from agencies like his, they will never eliminate the need for the personal service agents provide, he said.

"They can't go to a fire and hold an insured's hand and let them know that everything will be OK," Mr. Killian stressed. "No matter what efficiencies of distribution the Internet represents, it does not replace nor will it ever replace hand-holding. That's what we do in our business, and you can't do that in cyberspace."

However, Mr. Killian added, "That being said, the Internet is still a heck of a place to find new clients, to service existing clients and to add value to what an agent provides to the consumer."

Mr. Rasher of Cabrillo East suggested agents use their Web sites to "foster a spirit of community, with bulletin boards, chats, e-mail; it's a great opportunity to have dialogue with your potential customers out there."

Mr. Salzmann of Heritage Insurance emphasized that an "Internet presence is vital for the independent agent."

As an additional tip, he said agents should not only create Web sites but also establish links on pages like those put up by local Chambers of Commerce so that residents moving to the area can find the agents and learn what coverages they provide.

Richard Burris, product development manager at CYBERTEK Corp. in Dallas, also was a panelist. BI

Agents using latest technology on desks but not laps: Survey

By MICHAEL BRADFORD

Insurance agencies increasingly are wired with the latest information technology in their offices, but they are slow to embrace portable computing equipment, a new survey finds.

Agents also are logging on to the Internet in far greater numbers than before, the survey shows.

The Automation and Interface Survey, conducted every two years by the Agency Company Organization for Research & Development, found that 67% of agency respondents were using CD-ROM information technology in 1997. That's way up from 29% of the agencies that reported using CD-ROMs in 1995.

"When we asked agents about the technologies they will be using in the future, almost 100%" indicated CD ROM will be a part of their systems, said Jo Conway Roberts, vp of marketing and membership at ACORD. The survey did not specify how agents use CD-ROMs.

She touched on some of the survey's findings during a general session at the association's annual technology conference in

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Lake Buena Vista, Fla., last month.

ACORD's 1998 survey was compiled late last year through telephone interviews of a random sampling of agencies.

Ms. Roberts pointed to findings that indicate agents are quickly becoming more Internet-savvy.

"In 1995, only 13% of agencies had access to the Internet," she pointed out. In the recent survey, that number had jumped to 50%.

Of the 50% that indicated they did not have access, 43% of those said they plan to establish an Internet connection by the end of this year.

And, there has been significant growth in the number of agencies with a presence on the Internet, the survey indicates. In 1995, only 4% had a presence on the Internet, which could range from a simple listing on another organization's World Wide Web site to a home page owned by the agency. By the end of last year, 20% of respondents had a presence.

ACORD

Agencies rated electronic mail and downloading software as the most valuable services provided by the Internet, the survey found.

In addition to growing Internet access, the survey showed that agents are increasingly taking advantage of developing technology for their office systems.

The growing use of CD-ROM technology, for example, is traced to several factors, according to the ACORD survey.

"First, most new PCs in the last two years have been sold with CD-ROMs included," the survey stated. "Secondly, more and more industry information and software is available in this format. Lastly, it is usually easier and faster to install software in this format than with floppy disks."

Other office automation technology identified by the survey included:

- Local area networks, in use by 45% of agencies in 1997, compared with 35% in 1995.
- Scanners, which while still not widely used, were employed by 18% of agencies, up from 7% two years earlier.
- Imaging systems, which were found in 12% of the agencies, up from 4% that reported using them in 1995.

Printer technology also remains important to agents, according to the survey.

"We're going to find laser printers in every office," Ms. Roberts said. The survey shows 82% of respondents using that equipment at the end of last year, up from 71% in 1995. Of agencies not using them, 39% rated laser printers "very valuable" or "valuable."

But while agencies beef up their computing power at the office, they don't appear nearly as interested in becoming technological road warriors, the survey shows.

Laptop or notebook computers were being used by 27% of the agencies surveyed, a rise from 23% two years earlier. A more telling survey result regarding the future of laptop computer use is one that found only 18% of agencies that don't use laptops consider them very valuable or valuable.

Likewise, agents aren't palming too many personal digital assistants.

The hand-held computing devices—some of which provide advanced portable capabilities such as e-mail and faxes in addition to more typical features like address books, scheduling and memos—were being used by only 3% of agencies responding to the current survey. That's up from 1% in 1995's sampling.

Of agencies not using PDAs, just 7% considered them very valuable or valuable.

The survey says the rejection of laptops and PDAs may be due partly to the reluctance by some producers to enter data at a customer's location, thus hindering personal interaction with the client.

"They may also have a problem uploading and downloading information from the laptop to an office system," the survey suggests. "In addition, many agencies have spent relatively little time until recently in preparing their producers for automation."

But, the report cautions: "In the present highly competitive environment, every second counts—and the efficient and effective use of automation in and out of the office is not a frill or fad but a necessity."

Agents indicated that the ability to provide better service to policyholders and handle more business with existing staff are the biggest benefits of automation.

Automation also ranked high as a tool to make agency staffers more productive and to improve marketing.

•

The survey is available from ACORD by calling 800-444-3341, ext. 506, or members can purchase it at the ACORDstore at www.acord.org. The cost is $15 for members and $25 for non-members.

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RELIASTAR

AonLine keeps brokerage clients on the cutting edge

By RODD ZOLKOS

As with their counterparts in other businesses, a key challenge for those in the insurance industry seeking to stake a place in the online world is creating online systems that offer users genuine value.

And, as with their counterparts elsewhere, a look at the results suggests many in the insurance industry are struggling with that challenge.

One company that is attempting to offer buyers and sellers a value-added online product is Aon Group Inc., which is marketing its AonLine extranet service.

Now out in a recently released Version 2.0, AonLine is designed to offer Aon's brokerage clients a broad range of services and Internet-based applications.

And, as a potential platform for electronic submissions to insurers, AonLine stands to benefit participating insurers, as well, by offering access to real-time information on any changes in their customers' reported financial data.

"I found AonLine quite by accident," said Judy Johnson, an insurance analyst with Meta Group Inc. in Princeton, N.J.

She became aware of AonLine while researching insurance companies' use of the World Wide Web in comparison to that of their financial institution competition. "If you've done that research you know from a business perspective how depressing that is," Ms. Johnson said.

"I happened to come upon AonLine and I thought, 'My God, here's somebody who may actually be doing something with risk management,'" she said.

Ms. Johnson noted that while everybody talks about risk management online, a lot of risk management-related Web sites offer what she calls "the cappuccino effect—lots of froth but not a lot of coffee."

"But when you look at AonLine there's a lot of coffee there," she said.

"Even the other brokers really aren't there yet," according to Ms. Johnson. "I haven't seen anything that's this complete."

According to one risk manager using AonLine, the system has simplified many of the tasks he faces and helps him perform them more efficiently.

"We brought it on a year ago," said Paul Sprague, senior director of risk management at Tarrytown, N.Y.-based Ciba Specialty Chemical Corp. "It's been a very practical way to de-bottleneck what we're trying to do with risk management."

Although the chemical company is a $5 billion business, when it was spun off following parent company mergers and acquisitions, "I could only bring over a staff of one and a shared secretary, and I had to find ways to do things quicker and more efficiently than we could with a staff of six people," Mr. Sprague said. AonLine has "been a real help as far as increasing speed and efficiency.

"I use all four major brokers—Aon, Marsh, Sedgwick and Willis Corroon," Mr. Sprague said. "From what I see, nobody has it up and running as efficiently as AonLine does."

AonLine's development has been evolutionary, with clients intimately involved, suggesting many of the additions that have made their way into Version 2.0 and likely will be included in future versions.

AonLine began as Access A&A, a network created by Alexander & Alexander Services Inc. that was first launched in 1996. That system had 35 clients when Aon acquired A&A early last year, and Aon introduced the retooled AonLine system at the Risk & Insurance Management Society Inc.'s 1997 conference in Atlanta.

By early this year, AonLine's client base had grown to more than 100 companies.

With its current number of users, AonLine is achieving a critical mass necessary to make it even more useful in the future, according to Mia Shernoff, managing director of AonLine Group.

"Our clients are coming to us for really interesting, practical solutions," Ms. Shernoff said.

And providing those solutions through AonLine can help the risk manager's position in his or her organization, Ms. Shernoff suggested.

"A lot of risk managers are not considered on the cutting edge of technology at their companies," she said. "With AonLine we're helping them with that."

Ms. Johnson noted that AonLine is structured in keeping with the way a risk manager functions rather than the way the company behind it does its

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business, making it a valuable tool rather than a glitzy gimmick.

"That is the kind of packaging you get in the financial services industry where it's been customer-focused for a number of years," the analyst said. "But you don't see it in the insurance industry."

The suite of services packaged in the secured extranet AonLine system provides users a wide range of tools from a single point of entry.

In addition to on-demand access to insurance portfolio data, risk managers using the system can access various research and resource tools, connect with various legal and regulatory resources and obtain early warnings on potential catastrophic events or political risks that could affect the client's operations.

The early warning feature is provided in connection with Aon's Catastrophe Modeling Group.

The hazard alert feature on AonLine warns clients when they might have property affected by a catastrophe, offering data and commentary on how the peril might affect the client.

"The computer will do a lot of the work and then we will provide commentary from the real people as well," Ms. Shernoff said.

AonLine also can provide the risk manager quick access to the Aon brokers working on his or her account, while other features can assist the risk manager with internal operations.

Ciba Chemical's Mr. Sprague said AonLine has been particularly helpful in obtaining and printing out certificates of insurance.

Also, with many of his risk management functions outsourced, "everybody has access to the system and it makes it a lot easier as far as communicating."

With improved technology allowing interactivity from remote sites, a risk manager at corporate headquarters can easily gather experience information from remote sites with someone there simply entering relevant information on a template.

AonLine also is Web-enabling clients' internal risk manuals so managers throughout a company's various sites and departments can use the system to access necessary risk management information.

"We went from chopping down a tree every year to update our insurance manual to putting out the equivalent of a 50-page manual online," Ciba Chemical's Mr. Sprague said.

Ms. Shernoff noted that with many companies now trying to assess risk on an enterprise-wide basis, future versions of AonLine probably will include features to facilitate that sort of risk management activity.

In terms of security of information, in addition to being password protected, AonLine transmissions use 128-bit encryption, the same level used by banks in making fund transfers.

> *AonLine 'is going to provide the kind of model for how the industry is going to operate in about two to five years.'*
>
> —Judy Johnson

Ms. Shernoff sees that security "as sort of a nice value-added that we bring to the companies as well" because client companies can use the encryption technology AonLine provides them for other online business activities as well.

At the client company, a "cascading security" system AonLine uses ensures that the risk manager can control access rights to the system with various employees using the system obtaining access only to the appropriate level of information.

Meanwhile, proprietary client data transmitted through AonLine is stored in Aon's secure private network behind a firewall. AonLine also has an Internet security specialist on staff to deal with potential security issues.

AonLine subscribers pay a $10,000 annual fee.

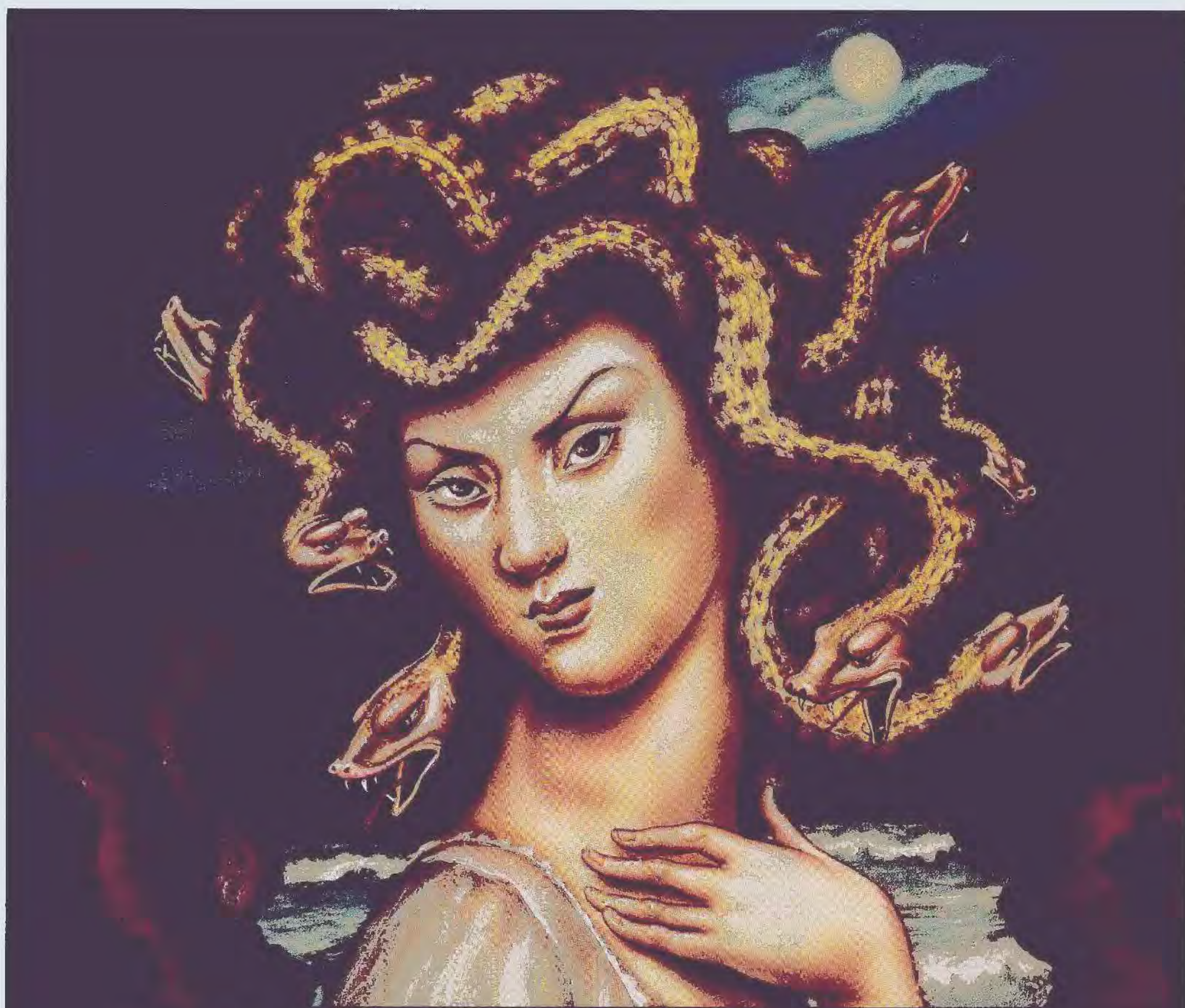
AonLine is currently working with insurers to promote using the service as a platform for online submissions.

From an insurer's perspective, "The beauty of using the Internet is that for all the financial data for that individual client we have links to that client's data on all financial sites," Ms. Shernoff said. Those links would enable the insurer to get real-time financial information on the customer company.

While conceding that the insurance industry has lagged behind financial services in its use of online technology, Ms. Shernoff says it now has a chance to 'leapfrog" the financial sphere, particularly if the industry can achieve greater standardization in insurance forms and regulatory requirements.

And AonLine, Ms. Johnson suggests, "is going to provide the kind of a model for how the industry is going to operate in about two to five years. Aon is just ahead of the pack."

"They're very focused," Ms. Johnson said. "They're very into, 'Let's stick to our knitting and get rid of anything that gets in the way.'" BI



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To thrive, agents must be Internet-adept

By MICHAEL PRINCE

Many insurance agents fear that insurers increasingly will turn to Internet technology to sell policies directly to the policyholders, leaving the traditional distribution system behind.

This trend, however, does not necessarily sound the death knell for agents. Commercial agents who are Internet savvy and able to take advantage of the technology will thrive, while "technophobe" agents who ignore the potential of the Internet will risk losing clients, experts say.

Already some insurers—often in partnership with insurance agencies—are offering insurance policies via the World Wide Web. While most are personal lines products, at least one insurer is teaming up with agents to offer specialized commercial lines products online.

The trend "has serious negative implications to those agencies that are not involved (in using the Internet), and there are more that are not involved than are involved," said Nancy Carini, assistant vp with Conning & Co. in Hartford and the author of a study on distribution trends in property/casualty insurance.

Atlantic Mutual Insurance Co. launched the first Web site to directly offer commercial lines coverage in June 1997. New York-based Atlantic Mutual's site offers package insurance policies for small high-tech companies and start-ups.

The insurer, which works with local insurance agents to serve customers and market the online coverage program, to date has sold 50 policies from the site. Atlantic Mutual originally offered the program in California in conjunction with Bolton & Co., a South Pasadena, Calif., agency. Since then, the Web site has expanded and now offers the package policies in five states.

A company in the high-tech target market can purchase a property/casualty package policy, including errors and omissions coverage, via the Web site. The company first completes an online coverage application, and the information is then forwarded to Atlantic Mutual's electronic database. After the application is submitted, an underwriter evaluates it and returns a quote, generally within two days. The applicant can then accept the quote, completing the transaction.

In addition to being able to apply for coverage online, a buyer also can pay for the policy online using a credit card. The entire transaction is encrypted for security.

"Our system really improves the buying process for the customer," said Jeff Behm, electronic commerce manager in Atlantic Mutual's Madison, N.J., office.

By putting the application online and storing the information in a computer file accessible to those who need it, InsurePoint drastically reduces the time spent handling the application. That reduces the administrative costs of writing a policy. As a result, Atlantic Mutual can afford to write policies for smaller companies whose premiums may be too small to justify the cost of the usual application process, Mr. Behm said.

In addition to submitting an application online, policyholders can make changes to their policies, file claims and renew coverage. "It really offers everything from soup to nuts, online," Mr. Behm said.

Rather than target all commercial insurance buyers, InsurePoint is aimed at small, high-tech companies that are comfortable conducting business transactions over the Internet. These small companies typically generate too low a premium for other insurers to want their business, he said.

"This creates a small-time policy for a small-time guy, which was not available in the market," agreed Richard Maloy Jr., vp of Maloy Insurance in Princeton, N.J., which is the New Jersey agency for InsurePoint.

Atlantic Mutual and others predict sales of commercial insurance over the Internet will grow.

"There is more interest today than ever before in linking the broker, insurer and consumer," said Dan Carmichael, chairman and chief executive officer of IVANS Inc. in Greenwich, Conn. IVANS offers communication networks linking agencies, insurers and industry data providers.

Atlantic Mutual plans eventually to expand InsurePoint to all 50 states and possibly overseas, Mr. Behm said. In each state, as it currently does, Atlantic Mutual will team with a local agent that is also listed on the Web site. While applications and quotes are delivered online, the agent continues to provide its usual services, including delivering policies, helping with claims and answering policyholders' questions.

The agent also acts as the local marketing arm for the site, an area where Atlantic Mutual lacks expertise. "Just because we set up a site doesn't mean people will come,"

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Mr. Behm said. "Someone has to go out to the marketplace and let potential customers know that InsurePoint exists."

As online insurance sales grow more popular with customers, pressure will build on insurance agencies to either become involved or risk being left behind.

But not all agencies will be eligible partners on Internet ventures. Atlantic Mutual, for example, will team up only with agencies that are already knowledgeable about computer companies' risks and that possess books of business containing high-tech firms.

Mr. Maloy, the New Jersey InsurePoint agent, said insurance agencies should view the Internet as another tool to bring in and serve clients. The agencies that can adapt to the new technology will prosper with the growth of Internet sales, he said. On the other hand, those agencies that don't master the new technology will be left behind.

"It can't be used as a replacement for the agents," Mr. Maloy said. But Internet sales may be "a threat to agencies that are not computer savvy. I think they are in trouble," he added.

Mr. Carmichael of IVANS agreed that agents should view the Internet as a tool, not a competitor. "Technology makes it possible for the agent to be in better contact with the customer and to provide the professional advice the customer needs,' he said.

Mr. Carmichael added that the Internet has the potential to eliminate the role now played by many agencies as the intermediary between buyer and seller. Those that learn how to navigate within the new environment, however, will survive, he predicted.

"The agents that are to be disintermediated by the Internet deserve to be," Mr. Carmichael said, because becoming familiar with the Internet is so important and not that difficult. BI

ACORD launches insurance Web site

By MICHAEL BRADFORD

The Agency Company Organization for Research & Development is launching a new site on the World Wide Web to complement its existing online presence.

ACORD, which is an industry-sponsored organization focused on improving agency-insurer computer transactions, announced the launch of its new insurance industry Web site—www.acordfyi.com—at a press conference during the annual ACORD Technology Conference in Lake Buena Vista, Fla.

The new site, designed by Cabrillo East Media Corp. of Santa Barbara, Calif., features a daily electronic newspaper, a digest of resources regarding the Year 2000 computer issue, discussion forums, surveys on technology issues and other information for agents and insurers.

ACORD also announced the opening of the ACORDstore at its original Web site, www.acord.org.

"We're putting all our publications there," said Jo Conway Roberts, vp marketing and membership at Pearl River, N.Y.-based ACORD. "And our agents can come in and buy" the publications online using credit cards, she said.

InfoMation Publishing Corp. of Burlington, Mass., announced at the conference that its Echo product will be used to manage the flow of information that users will access at the new ACORDfyi Web site. InfoMation Publishing touted a 50% discount off the price of its Echo software licenses for use on intranets and other systems for ACORD members until Sept. 1.

Several other technology companies also introduced their newest products and services for agents and insurers at the press conference.

Cabrillo East Media also announced the development of a new software program that allows agents to quickly design a Web page by answering a handful of questions. The resulting page can then be added to a search engine that allows insurers and others to quickly find it and the agent on the Internet.

Among other announcements at the press conference were:

- Microsoft Corp. of Redmond, Wash., is extending its Windows Distributed interNet Applications architecture to the insurance industry. The technology allows financial services industry personal computer software applications to exchange information with each other and mainframe systems.
- Software Technologies Corp. of Monrovia, Calif., is promoting a new edition of its DataGate products. DataGate Enterprise Edition allows a variety of operating systems, software applications, database products and legacy systems to communicate with each other.
- E.H. Boeckh of New Berlin, Wis., announced the latest version of its Boeckh Claims System, described as the first property damage estimating program for property adjusters to operate with a single screen.

See ACORD on page 18J

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Search

Continued from page 26K

selves in senior search assignments. The search firm will draw on its experience to point out that different positions take different personalities and traits, thus helping to ensure a successful hire.

• **Give full disclosure.** Be honest about your company's position. Did the incumbent retire, decide to leave the brokerage on his or her own, or was he or she released? Whatever the case, why did it happen? The insurance brokerage industry is a small world, and ultimately, the recruiter will be asked to address these issues by prospective candidates. It is best to be up front; this will give the recruiter the information needed to make a full and logical presentation to qualified candidates. Top-level candidates will feel manipulated if they are not dealt with honestly, which will result in a lower success rate when presenting offers. Think of it this way: You, as the brokerage owner or manager, would not want a potential new producer to misrepresent his or her book of business; similarly, the producer will look for an honest overview of the structure and traits of your agency.

• **Have the search firm get to know you.** Invest the time to have the search firm understand your company culture. Does your agency view itself as a consulting firm or as a straight broker of business? Does your agency target small, mid- or large-size accounts? Does your agency focus mainly on p/c or group coverage? Have you developed niche programs that separate you from the competition? Can you compete on a national or international level? What makes you stand out against your competition?

This process of getting to know your company can be accomplished only by having the search firm meet with various department heads, such as your sales manager, marketing manager, group manager, and, most importantly, your human resource manager. I've seen a number of searches go bad due to poor working relationships at this level. The knowledge gained through this process will enable the search firm to create an attractive "sales plan" that can be presented to qualified candidates. Note that as search firms are moving quickly into specialization, you can also use these firms to learn about your marketplace. In other words, it's smart to keep the lines of communication open.

• **Create a partnership during the process.** In short, take joint responsibility for successful completion of the search. Move quickly to review each candidate, make time for potential meetings, and put your best foot forward during the initial interviews. Remember that the search firm contacted these candidates; they did not answer a classified ad, and they are most likely happy with their current situations. Thus, they need to be sold just like a new account. Give the search firm timely, in-depth feedback on each candidate, and don't let candidates dangle. When it is applicable, narrow the list of candidates and refocus on their core skills. . .this will take you to your most qualified prospect.

• **Close the deal.** Remember, the recruiter can interest the candidate, bring them to your door, and even sell your company along the way. But in the end, it's you, the employer, that must close the deal. Search firms will try to align themselves with agencies that have a clear vision of what they want to accomplish and the mettle to get it done. BI

Daniel Rogan is the owner of The Rogan Group Inc., a Costa Mesa, Calif.-based executive search firm specializing in risk and insurance management recruiting.

Broker groups merge

Keeping in step with the marketplace, The Council of Insurance Agents & Brokers and The National Assn. of Insurance Brokers will become one organization as of July 1.

The merger, announced May 26, has been approved by CIAB and NAIB members. The combined entity will operate using The Council of Insurance Agents & Brokers name and will collectively represent 80% of agents and brokers that place commercial property/casualty insurance premiums in the United States.

Ken Crerar, president of the 260-member CIAB, will continue as president.

The merger brings together two organizations with similar mission statements, said Jane Hill Fleming, chairman for the NAIB. Ms. Hill Fleming and CIAB Chairman John C. Adams Jr., will serve as co-chairmen until October 1999, when the organization will revert to having one chairman.

Because of these common goals and after decades of working together, the new Council will streamline its educational and federal and state advocacy efforts, Mr. Crerar said. "It eliminates redundancies of efforts."

The NAIB's fiscal year ends June 30. The 13 firms of the 26-member NAIB that are not members of the CIAB will be assessed one half of their NAIB dues for the remainder of the year. CIAB dues are assessed Jan. 1.

—*By Amanda Milligan*

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Deregulation pros and cons debated

Panel discusses NAIC proposal to exempt most commercial lines regulation

By DOUGLAS McLEOD

FAJARDO, Puerto Rico—Deregulation of commercial lines coverages may be popular with large policyholders, but it doesn't necessarily go over well with surplus lines insurers.

"I'm against any further deregulation of our business," Michael J. Snead, chairman of Admiral Insurance Co., said of a National Assn. of Insurance Commissioners proposal to exempt commercial lines from most regulation.

Some elements of the NAIC proposal "would be downright harmful," Mr. Snead told an audience at the 72nd annual meeting of the American Assn. of Managing General Agents.

Seth D. Freudberg, president and chief executive officer of United National Insurance Co., took a different tack, asserting that regulation is unnecessary in some areas, such as rate-setting, but needed in others, such as policy forms.

The two men took part in a panel discussion on commercial lines deregulation at the AAMGA conference in Puerto Rico earlier this month. The focus of the panel's interest was an NAIC white paper on "regulatory re-engineering" of commercial lines.

The latest version of the proposal, in the works for more than two years, recommends that large commercial insurance buyers be exempted from most regulations governing their policies, including rate and form requirements.

Large policyholders would be those meeting any two of seven criteria, including: a net worth of more than $50 million; net revenues of sales of more than $100

million; more than 500 employees for an individual company or 1,000 employees for a related group; use of a risk manager; aggregate annual premiums of more than $500,000 a year; an annual budget or assets of $45 million if the company is a non-profit; or a population of more than 50,000 if the buyer is a municipality (*BI*, March 23).

Mr. Snead, who heads Cherry Hill, N.J.-based Admiral, said he is not opposed to the proposal for business reasons. On the contrary, deregulation would allow surplus lines insurers to compete with admitted markets "with a powerful weapon they lack—experience," he asserted.

Instead, Mr. Snead said he opposes the NAIC proposal because "deregulation of commercial lines insurance is, I believe, the wrong public policy road to follow."

Deregulation is based on the assumption that large policyholders can take care of themselves without regulatory protection. That's an idea that is, "at least on the surface, appealing," he said.

But these policyholders haven't always handled themselves well in the past, he suggested. Many of the "sophisticated" policyholders in question bought coverage in the 1970s and 1980s from Transit Casualty Co., Mission Insurance Co. and London markets represented by H.S. Weavers (Underwriting) Agencies Ltd., Mr. Snead noted. All of these insurers collapsed, leaving their Fortune 500 policyholders with millions of dollars of unpaid claims.

"Can you imagine what would happen if these sophisticates had unfettered access to the admitted market?" he asked.

In addition, "if the business of insurance is substantially deregulated and a major insolvency occurs, or a market crisis, state regulation will be blamed," and a push for federal regulation of insurance could be revived, Mr. Snead warned.

Rather than deregulation, the NAIC should focus on ways of applying existing regulations more efficiently, he said. "It is efficiency the buyer demands from the regulatory process, not a specific form of regulation."

If states enact commercial lines deregulation for admitted markets, though, Mr. Snead called for large commercial risks to be placed automatically on surplus lines export lists, giving surplus lines insurers an equal chance to compete.

Mr. Freudberg of Bala Cynwyd, Pa.-based United National, meanwhile, said he sees no need for rate regulation. He pointed out that the roughly 2,000 insurers competing in the U.S. property/casualty market are writing at a net premium-to-surplus ratio of roughly 0.9-to-one.

"It's just staggering, the amount of capital in our business today," Mr. Freudberg said. "You don't need much rate regulation in a market like that. The market will do it for you."

Form regulation is another story, though. Mr. Freudberg observed that many policyholders, and even some retail agents and brokers, don't have a very thorough understanding of the insurance products they're selling.

"I might even be in favor of beefing up regulation of forms in our business," he said.

Mr. Freudberg also echoed Mr. Snead's call for placing large commercial business on state export lists if deregulation comes to pass. Competition in a deregulated market should be "wide open," and "brokers and agents should just go at it," he said.

'It's just staggering, the amount of capital in our business today,' says Seth D. Freudberg of United National Insurance.

If deregulation goes forward, Mr. Freudberg said, it should also include:

- Reciprocal insurer licensing laws, under which an insurer meeting financial and operating requirements in one state could obtain licenses in other states in a streamlined process.

"You do not need 50 different decisions to decide exactly the same subject," he said. "It's a ridiculously burdensome process."

- Abolition of outdated countersignature laws, which require policies to be signed by resident agents in each state in which coverage is in force.
- Tougher continuing education requirements for agents, possibly through the administration of tests as part of the license renewal process. Currently, agents get continuing education credit for attending seminars, "which is a boon for people who give seminars," Mr. Freudberg said.

While Mr. Snead and Mr. Freudberg expressed reservations about deregulation, NAIC President Glenn Pomeroy suggested that the white paper proposals are gaining steam. "There is a growing consensus that it probably makes some sense" to relax regulations that "are really designed for mom-and-pop operations," he said.

The NAIC's Special Committee on Regulatory Re-Engineering forwarded the white paper to the organization's Commercial Lines—Property & Casualty Committee earlier this year. The commercial lines committee is expected to discuss the proposal and potential further revisions at the NAIC's summer meeting in Boston next month.

Also speaking in the AAMGA panel discussion were William Marcoux, a partner with LeBoeuf, Lamb, Greene & MacRae and government affairs counselor for AAMGA; and Anne Flanagan, director of state affairs for the National Assn. of Insurance Brokers in Washington. The panel was moderated by Kurt Bingeman, president of Russell Bond & Co. Inc. in Buffalo, N.Y., and chairman of the AAMGA government affairs committee. BI

Roe named president-elect

Zone directors, vps elected

FAJARDO, Puerto Rico—The American Assn. of Managing General Agents named James A. Roe 1998-1999 president-elect during its 72nd annual meeting, held at the El Conquistador Resort in Puerto Rico last month.

Mr. Roe, president of Arlington/Roe & Co. Inc. of Indianapolis, will succeed Paul Davis, president of Texas Specialty Underwriters Inc. of Rockwall, Texas.

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Mr. Davis was AAMGA's previous president-elect and now becomes its 1998-1999 president.

James Ryan, the organization's 1997-1998 president, automatically becomes its immediate past president. Mr. Ryan is president of Market Finders Insurance Corp. of Louisville, Ky.

The group also elected three new zone directors:

- Baron Garcia, president of Oklahoma General Agency of Oklahoma City, was named director of Zone I, which includes New England, the Eastern Seaboard and the upper Midwest.

Leonard T. LoVullo, the previous Zone 1 director, becomes Zone 1 vp. Mr. LoVullo is president of LoVullo Associates Inc. of Buffalo, N.Y.

- Robert Schacher, president of Continental Special Risks of Roswell, Ga., was named director of Zone II., which includes 12 Southeastern states.

Donald L. Nicholson, previous Zone II director and president of Irvin B. Green & Associates Inc. of Orlando, Fla., becomes Zone II vp.

- Donald Penniall was named director of Zone III, which includes 14 Western states. Mr. Penniall is president of La Crescenta, Calif.-based Penniall & Associates. Penniall & Associates does business as Monarch E&S Insurance Services.

Horst L. Lechler, president of Los Angeles-based Anderson & Murison Inc., becomes Zone III vp. Mr. Lechler was the previous Zone III director.

This year's AAMGA conference, held May 9 through 14, attracted about 1,175 registrants to the Puerto Rican resort.

The 1999 conference will be held May 23 through 27 at The Broadmoor in Colorado Springs, Colo.

For more information about the 1999 conference, contact Jeanne Corlew-Knox, Director of Meetings, American Assn. of Managing General Agents, 9140 Ward Parkway, Kansas City, Mo. 64114; phone: 816-444-3500; fax: 816-444-0330. The AAMGA's World Wide Web site is http://www.iix.com/aamga.

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INTERNATIONAL

Global Briefs

London-based investment partnership **Dukes Place Holdings L.P.** has bought Unione Italiana (UK) from Istituto Nazionale delle Assicurazioni S.p.A. Unione Italiana will be managed by the Eastgate Group. This is Dukes Place's first acquisition, though others are expected in the next few months as the company takes over more insurers and reinsurers that have ceased underwriting . . . .London broker **Willis Corroon Group P.L.C.** has launched a new goods-in-transit policy to protect against war risks on land. The product was put together by Willis Corroon Cargo Ltd. and Willis Faber Marine and provides protection against war, civil war, revolution, seizure and damage by derelict weapons. . . .**Andreas Thiele** has been appointed executive director at Aon Group Ltd. in London. Mr. Thiele is now chairman of the broker's German/Austrian desk and is responsible for developing business from those countries. He previously was managing director of Jauch & Huebener Reinsurance Brokers Ltd. in London. . . .The U.K. government last week issued a **Fairness at Work white paper** outlining proposals for new employment legislation. The paper points towards a "new culture of partnership at work" among companies, employees and trade unions and includes proposals to increase maternity and paternity leave rights, reduce the qualifying period of time that an employee needs to have worked in order to bring an unfair dismissal case, and remove the cap on awards from industrial tribunals. . . .Dutch credit insurer **NCM Group** has posted a 30.2 million guilder ($14.9 million) profit for 1997, a record for the company, compared with 14.2 million guilder ($8.2 million) the previous year. But at the same time, the company warned that the unpredictability of its market means past experience is no guide to future risk. In a statement, NCM said "the risk kaleidoscope has been shaken so much that the very nature of risk has changed, and predicting and controlling the future has become very much more difficult. The combination of the Millennium Bug, the introduction of the Euro, the growing interdependencies of economies, the largely unknown affect of how scientific and technological developments will affect the food industry, are creating a veritable witch's brew of lethal risks which only credit insurers with the strongest possible financial backing will be able to guard against.". . . French reinsurer **SCOR Group** has teamed up with Canadian consultant Solareh Inc. to form Solareh S.A. The new company will focus on return-to-work programs for group plans in French companies and is based on Solareh's psychosocial support unit in Canada.

Isle of Man rejects proposal to allow formation of PCCs

By EDWIN UNSWORTH

DOUGLAS, Isle of Man—The Isle of Man Insurance and Pensions Authority has rejected a proposal to allow the formation of protected cell companies.

PCCs operate similarly to rent-a-captives but with a core cell around which any number of other cells operate as independent captives for different parents. The facilities have been allowed in rival captive insurance jurisdiction Guernsey for more than a year. The Cayman Islands also allows the formation of PCCs, while other captive insurance domiciles, including Vermont, are considering such proposals (*BI*, April 27).

The facilities have been especially popular with captive management companies, which see them as a new source of business.

However, Manx regulators expressed skepticism that the facilities will live up to their promise of keeping cell liabilities separate.

A statement from the IPA said it was not convinced that the inherent promise made or assumed by PCC legislation elsewhere—namely that individual cells would be isolated from the insolvency of other cells—can be met.

The IPA said it also was wary of making promises about the enforceability of those boundaries in the event a cell became insolvent.

"The existing rent-a-captive structures offer a better solution and are a tried and tested alternative to the PCC structure," the regulatory authority concluded.

Rent-a-captives "put the onus on each insured to make up their own mind about the legal standing of the structure and do not involve the authority giving any comfort—a role with which we are uneasy and believe would be irresponsible for us to adopt," the IPA stated.

Geoff Hunt, managing director of Aon Insurance Managers (Isle of Man) Ltd. and chairman of the Manx Insurance Managers Assn., said he shares the IPA's concerns that the legislation, as proposed, may not have offered sufficient protection to PCC members and to the regulatory authority against potential claims from PCC members in the event of a cell's insolvency.

However, Mr. Hunt, who along with other captive managers had previously welcomed the possibility of PCC legislation as another tool to attracting captive business, insists he does not see the latest rejection as an end to the matter.

He said other domiciles' PCC legislation contained caveats to protect the regulators, and so the IPA wants to be absolutely certain it has the legislation right before it is introduced. However, Mr. Hunt did not know when PCC legislation would next be considered by the Isle of Man Treasury. BI

Fraud a major risk

Worst in U.S., Africa, survey finds

By CAROLYN ALDRED

Fraud, especially employee fraud, is a big corporate risk, particularly for U.S. and African companies, according to a worldwide survey.

More than half of the 1,205 companies from 32 countries responding to the survey admitted having been defrauded in the year prior to October 1997.

Although at least 30% of respondents in every region suffered from fraud, this figure rose to 88% in the United States and Africa.

Thirty percent of respondents suffered more than five frauds in the past five years, with about 30% of respondents from Africa, the United States and Australia having experienced at least five frauds in the last year alone.

Employee fraud is a particularly high risk, with 84% of the worst frauds in the survey perpetrated by employees, and 60% of the 84% committed by members of the organization's management.

According to the survey, from the accounting firm Ernst & Young, fraud tends to be committed by long-serving employees rather than by recent recruits.

Nearly half the employees who had committed fraud had been with

See **Fraud** *on next page*

Canada's P/C market challenged: Reports

By MATTHEW MacDERMOTT

TORONTO—Canadian property and casualty insurers will continue to face increased competition and declining profitability, according to two new reports.

Losses from the January ice storms, which resulted in $1 billion Canadian ($689.5 million) in insured damage (*BI*, Jan. 19), are not expected to put a dent in overcapacity or increase rates in the soft market.

Canadian property/casualty insurers identified increased competition as their No. 1 concern in a survey by Tillinghast Towers-Perrin.

Tillinghast sent questionnaires to the chief executive officers of 150 Canadian insurance companies late last year; 56 companies responded, of which 45 are incorporated in Canada and 11 are the Canadian branches for foreign insurers.

Fifty-four percent of respondents cited increased competition as one of their top three concerns, making it the overall No. 1 issue after Tillinghast used weighted average scores for each issue.

Claudette Cantin, head of Tillinghast's property/casualty practice in Toronto, said the strong competition shows no signs of abating.

See **Canada** *on next page*

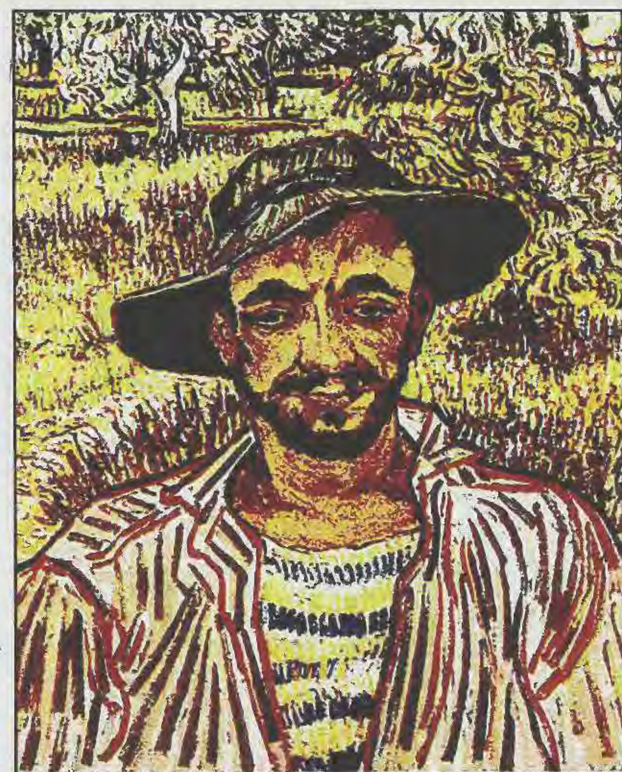

PHOTO: AP

Insurers might ask more about museum security in the wake of recent thefts, including "The Gardener" by Vincent Van Gogh from an Italian museum.

Thefts draw attention to security

By MATTHEW MacDERMOTT

ROME—Security at European museums is expected to receive closer scrutiny from fine art insurers after recent thefts in Rome and Paris.

Three paintings—two by Vincent Van Gogh and one by Paul Cezanne—were stolen from the National Gallery of Modern Art in central Rome last month. This follows the theft of a painting by French artist Camille Corot from the Musee Louvre in Paris in early May (*BI*, May 11).

These recent thefts will have no direct impact on the commercial insurance market, because artwork on permanent display in both museums is covered by government indemnities. Most state-run museums in Europe have government indemnities to cover their permanent art collections, though they purchase commercial insurance when the collections are lent to other museums for exhibitions. Other museums and art galleries purchase fine art coverage through the commercial market.

Art experts and underwriters agree that the fine art insurance market remains soft. However, the thefts at the two museums last month have heightened art insurers' security concerns, according to James Emson, managing director of the London-based Art Loss Register. "I think insurers may be asking more security questions" in the wake of the thefts, he said.

The three paintings stolen in Rome have been entered into the ALR, a database of stolen artworks used by international police forces and art dealers. In all, there are more than 100,000 stolen pieces listed in the database.

Mr. Emson said he thinks security is generally good at European museums. But he added that Italy is a possible exception because of the country's many museums and galleries.

"The problem with Italy is there is so much art, so they do have problems protecting and guarding it," Mr. Emson said. "Security has always been a problem."

Police investigations continue into the theft from Rome's National Gallery of Modern Art. The three paintings were stolen by three masked gunmen who entered and then hid in the museum just before its 10 p.m. closing time. The men then bound and gagged three guards, locked them in a room and stole the paintings. They also removed the videocassette from the museum's closed-circuit surveillance system.

The stolen works were "The Gardener" and "L'Arlesienne" by Van Gogh and "Cabanon de Jourdan" by Cezanne.

Mr. Emson said the three paintings are priceless and that it will be impossible for the thieves to sell them in the open art market. "These types of thefts usually end in a

See **Thefts** *on next page*

Insurers remain cool to Montserrat

Without U.K. government involvement, underwriters wary of property risks

By CAROLYN ALDRED

PLYMOUTH, Montserrat—Unless the British government agrees to assume some of the risk, private insurers remain reluctant to issue any new property insurance policies to residents of this volcano-damaged island.

Local and British government leaders are trying to bring back the three insurers that have ceased writing property insurance on Montserrat after volcanoes devastated the Caribbean island from July 1995 to June 1997. Montserrat is a part of the British Commonwealth.

Those insurers are London-based Royal & SunAlliance P.L.C.; Barbados-based United Insurance Co. Ltd.; and Trinidad and Tobago-based N.E.M. (West Indies) Insurance Ltd.

The British Foreign Office and the island's governor, Tony Abbott, are discussing with insurers and their reinsurers the possibility of insuring islanders' homes and businesses again.

"We have been in contact with the three insurers and their reinsurers to ensure that they are fully aware of the scientific evidence we have on the island, so that they can make a better assessment on future underwriting," said a spokesman for the British Foreign Office in London.

But any future underwriting likely will be on a pooled basis among the three insurers and will not include earthquake or volcano coverage, said Gerrard Lee-Inniss, chief executive officer of NEMWIL. Mr. Lee-Inniss added that the insurers are asking for government participation in any future arrangement.

David Alleyne, overseas manager for United, agreed that a pooled arrangement with government participation and exclusions for earthquake and volcano coverage likely would be the basis for any future underwriting on the island.

A spokesman for Royal & SunAlliance said the insurer has "been in discussions with the U.K. government since it ceased to renew covers," but no decision about insuring property on the island has been made.

The insurers claim the British government should participate as a risk-taker in any future insurance policies because many of the new properties under construction in the north of the island, which remains habitable, are government-owned.

But Britain Foreign Secretary Robin Cook has vetoed any possibility of the government taking part in an insurance pool. He told a House of Commons Parliamentary committee this month that there is no precedent for the government to act as a reinsurer for natural perils.

Montserrat has suffered economic losses of at least $500 million Eastern Caribbean ($185.2 million), and 19 people have been killed since the Soufriere Hills volcano began erupting in 1995. The island's capital of Plymouth was destroyed, together with its airport, industrial park, hospital and most of the island's infrastructure. Only 3,500 of the island's former 12,000 inhabitants remain on the island, relocated to the north, according to Bob Webb, head administrator of Montserrat's governor's office.

The British government has given more than £50 million ($81.5 million) in aid to the island and has been negotiating with insurers and reinsurers to help the island's recovery, said the spokesman for the British Foreign Office.

Mr. Lee-Inniss confirmed that discussions were continuing among government officials and insurers and reinsurers but said no decision had been made.

NEMWIL is insuring contractors building on the island but is not writing property insurance. The lack of available insurance on the island is making it hard for businesses to operate and has devalued properties, creating financial problems for the Montserrat Building Society, which finances home mortgages on the island.

"The whole economy on the island has slowed down, and we are not sure who is going to pay the premiums. We are not sure what rates the islanders can stand or what will happen during the windstorm period," said Mr. Lee-Inniss.

Claims from the volcano damage still are being paid. Processing has been slow because the insurers' access to insured properties has been limited and many of the former residents are now scattered throughout the world.

"We have been having problems with loss adjusting as we have only been allowed limited access from time to time to the damaged areas, now no-go zones," said Mr. Lee-Inniss. NEMWIL has estimated claims of $50 million Eastern Caribbean ($18.5 million), he said.

Royal & SunAlliance, which made a £25 million ($40.8 million) provision in its latest accounts for Montserrat claims, has conducted a full aerial survey of insured losses, said a spokesman.

"Claims settlement is progressing as quickly as possible in difficult circumstances," said United's Mr. Alleyne, adding that the insurer is "still having some difficulty getting into some of the unsafe areas and in receiving notification of claims from residents now overseas." He estimates United's claims will total $50 million to $60 million Eastern Caribbean ($22.2 million).

All three insurers also are in discussions with their reinsurers, which include Lloyd's of London syndicates and companies throughout Europe and the United States, about how many events the disaster comprises, particularly regarding damage caused by ash.

Under the standard 72-hour reinsurance clause, all damage sustained during a 72-hour period from the same incident comprises one event.

"There is some debate going on about the 72-hour clause and ash claims," said Mr. Lee-Inniss, pointing out that deterioration damage caused by the volcanic ash may be deemed to fall outside of the three-day period. BI

PHOTO: AFP

The eruption of the Soufriere Hills volcano on the Caribbean island of Montserrat destroyed buildings in Plymouth and drove away insurers.

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Capital

Continued from page 26

specializing in the non-marine market. SVB manages syndicates 1007 and 1212, the largest Lloyd's underwriters of financial institutions, directors and officers liability, errors and omissions and medical malpractice coverages. Their combined capacity for the 1998 year of account is £237 million ($391.2 million) and is planned to increase for the 1999 year of account with the launch of a new syndicate to £300 million ($490.9 million).

Corporate investment trusts, which only came into being five years ago, are the predominant source of backing for the Lloyd's market. For the 1998 year of account they provided 60% of the market's capacity.

The corporate trusts' mergers with agencies makes them Integrated Lloyd's Vehicles, a term coined in 1995 by David James, chairman of the Lloyd's Capital Structure Working Party. Defined as "a company which owns or controls a dedicated vehicle supporting one or more continuous syndicates and the managing agency," the ILV is seen to be more cost-effective and better suited—than a corporate investment trust on its own or a name through the annual venture—to provide the longer-term capital that equips syndicate business managers to develop new products. It gives management greater certainty as to the continued provision of the regulatory capital required to support the business.

Rafael Villareal, an analyst at Moody's Investors Service Inc., believes the trend toward ILVs is inevitable.

As large investors in Lloyd's, corporate investment trusts want to have some control over underwriting business where they place their money, he said. "If they control the underwriting agent, they have the capital and the talent together," he added.

Ron Sandler, Lloyd's chief executive, expressed his personal view that permanent capital would become an increasingly important source of Lloyd's funding in the future in a speech at the spring conference of the Assn. of Lloyd's Members (*BI*, April 20).

He outraged names by maintaining that the "annual venture," whereby names underwrite business a year at a time, is a hindrance to updating the market.

In a statement released before a news conference last week, the ALM cautioned: "Lloyd's should not succumb to the view that the only alternative to the annual venture is the Integrated Lloyd's Vehicle. The link is oblique, and little evidence has emerged to show that ILVs will answer many of Lloyd's business issues."

The ALM added that a Lloyd's exclusively comprised of "paid-up continuous capital is likely to lose many of its identified and agreed strengths, particularly the flexibility and efficient use of capital."

In their merger announcements, the corporate trusts cited the desire to expand, and greater ability to take advantage of opportunities as Lloyd's evolves, as factors behind their mergers and acquisitions.

Andrew Shone, Wren chief executive, said Wren's merger with FUIT was the first step in the development of "a high quality integrated Lloyd's vehicle." He said the intention is to expand Wren through a combination of acquisitions and selective internal development, "taking full advantage of the opportunities being presented by Lloyd's market that is evolving rapidly."

SCT and SVB said in their merger statement that "the combination of SCT's capital and SVB's proven underwriting skills and management strength will mean that the enlarged group is well placed to take advantage of future underwriting opportunities."

Rupert Villers, SVB managing director, said in creating an integrated vehicle, the merger will generate "sharper focus and operational advantages."

Peter Gray, ALIT chairman, said the merger with Chaucer "should enable our shareholders to benefit from the structural changes occurring at Lloyd's."

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Transit

Continued from page 3

Paul Shultz, of counsel to Sonnenschein, Nath & Rosenthal in New York, said: "Our speculation is that this is something that could be extremely popular in areas of high congestion.

This would be a service employers could provide to employees at no cost other than bookkeeping. It would be something hard to refuse."

However, mass transit benefits could not be part of a broader flexible benefit program in which employees can choose from an array of tax-favored benefits, such as health, life and dependent care. That is because flexible benefit plans are covered under a different section—Section 125 of the Internal Revenue Code—than mass transit benefits, authorized under Section 132.

But experts say mass transit benefits could be included as part of a program covering other Section 132 benefits, which include employer-provided van pooling and parking.

Under such a plan, assuming the Internal Revenue Service does not object, employers, similar to traditional flexible benefit plans, could provide credits employees could apply to a transportation benefit. Section 132 gives tax-favored treatment for up to $65 a month in van pooling costs and $175 a month for employer-provided parking.

According to Sen. Moynihan, about 7,000 employers now provide about $50 million in transit subsidies to 150,000 employees. BI

Injuries

Continued from page 3

creased attention to safety," he said.

Detailed data tracked accidents and injuries that entailed "lost work time," in which a worker was off work beyond the day of the incident, according to the recent report by the U.S. Department of Labor's Bureau of Labor Statistics.

The improvement was reported by both service-producing and goods-producing companies.

Service-producing companies had 1.18 million lost work time injuries and illnesses in 1996, down from 1.43 million in 1992, while goods-producing companies had 697,900 such injuries and illnesses, down from 903,300 in 1992.

A survey of the 10 occupations that accounted for nearly one-third of such injuries and illnesses showed that "truck drivers experienced the largest number of injuries and illnesses with time away from work in all five years," according to the report. The number of incidents among truck drivers steadily increased from 145,900 in 1992 to 152,800 in 1996.

During the same period, trends were mixed for most of the other categories of high-risk jobs, which include carpenters, cashiers and cooks, as well as laborers in construction and non-construction jobs.

However, there was a steady drop in the frequency of lost-time cases involving nursing aides and orderlies, as well as stock handlers and baggers, according to the report.

In addition to lost-time statistics, federal statisticians developed survey estimates of case characteristics. These included:

- Men accounted for two out of three of all cases, a proportion somewhat higher than their 55% proportion of private wage and salary workers.
- Workers aged 25 to 44 accounted for 57% of the cases and 54% of all workers. Meanwhile, workers aged 45 and over accounted for 24% of the cases and 29% of all workers.
- Operators, fabricators and laborers led all other occupational groups, accounting for 42% of the case total.
- Most workers had at least one year of service with their employer when they suffered their injuries or illnesses. More than one-fourth of them had more than five years of service, "suggesting that many experienced workers incur lost work time injuries," the bureau reports.

In addition, common injury characteristics included sprains and strains, especially to the trunk of a worker's body. Overexertion while maneuvering objects was a major source of injuries.

"The median number of lost work days for all cases was five days in 1996, with about one-fourth of the cases resulting in 21 days or more away from work," the bureau reports. In addition:

- Among major disabling conditions, median days away from work were highest for carpal tunnel syndrome, at 25 days; amputations, 20 days; and fractures, 17 days.
- Truck drivers reported the highest median number of days away from work—10 days. Their experience was seconded by construction laborers, sales supervisors and proprietors, as well as by waiters and waitresses, who were each off a median number of eight days.

•

Information from the U.S. Department of Labor's Bureau of Labor Statistics is available free through its World Wide Web site, at http://stats.bls.gov/oshhome.htm or by calling 202-606-5886.

Storms

Continued from page 3

Aircraft owned by St. Paul, Minn.-based Northwest Airlines Inc. sustained about $2 million in dents and avionic equipment damage, said Robert A. Malmgren, Northwest's risk manager. The company has a $1 million deductible for its hull policy.

St. Paul-based The St. Paul Cos. Inc. announced that pretax catastrophe losses from the storm would total $35 million to $40 million, most of which was incurred by commercial and personal lines policyholders in the Twin Cities.

Of $22 million in claims for Minnesota losses covered by CNA Insurance Cos., commercial claims account for $2.6 million, said Tom Jolley, national catastrophe claims manager for the insurer in Downers Grove, Ill.

"It cut a pretty wide swath," he said. "As best as we can tell about a 20-mile-wide by 40-mile-long swath. Many times hail storms are not quite that big. But this one seemed to be. It has done quite a bit of damage, although it's not the really destructive damage we saw in Bowling Green a few weeks ago."

Mr. Jolley was referring to the destruction resulting from storms and tornadoes that swept through five central states April 15-17, causing about $200 million in insured losses, including $60 million in commercial losses, according to PCS.

PCS has not yet released the amount of insured losses attributable to nationwide catastrophes this quarter. But other catastrophe watchers concur with the spokesman's assessment that losses have crept up.

So far, the second quarter is still an average one, though storm claims have increased compared with the first quarter and with last year's second-quarter, said Mr. Jolley of CNA.

PCS estimates that first-quarter insured losses reached $1 billion, 16.3% higher than the $860 million in insured losses for the first quarter of 1997. Insured losses for all of 1997 amounted to $2.6 billion.

Although hailstorms can come at any time, the season is ending, Mr. Jolley said. "The telling thing will be hurricane season," he added.

The Atlantic hurricane season starts today and runs through Nov. 30, with most activity concentrated between Aug. 20 and Oct. 10, according to a spokesman for the National Hurricane Center in Florida. The Pacific hurricane season, stretching from Mexico to South America, began May 15 and runs through the end of November but so far has not produced any hurricanes.

William Gray, professor of atmospheric science at Colorado State University in Fort Collins and a nationally recognized weather expert, predicts close-to-average activity this year (*BI*, April 13). BI

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Commercial Consumers

Category	Count
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Vice Presidents, General Managers and Other Administrative Personnel	5,122
Financial:	
Chief Financial Officers and Vice Presidents of Finance	5,429
Secretaries, Treasurers, controllers and other Financial Personnel	4,145
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	14,748
Sub-total	**32,154**
Associations	286
Government, Unions and Educational Institutions	1,019
Commercial Consumers Sub-total	**33,459**
Insurance Agents and Brokers	8,083
Insurance Companies	6,933
Accountants, Actuaries, Attorneys & Consultants	2,705
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,578
Others Allied to the Field	757
Total Qualified	**53,515**
Non-qualified/Paid Subscriptions	14
Single Copy Sales	27
TOTAL CIRCULATION	**53,556**

★ *Source Business/Occupational breakdown of qualified circulation, November 24, 1997 Issue, as submitted to BPA for December 1997 BPA Publisher's Statement*

Largest U.S. reinsurers' first-quarter 1998 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurers	Net reinsurance premiums written 1998	Net reinsurance premiums written 1997	Policyholders surplus (reinsurers only)	Net income 1998	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1998	Combined ratio 1997
1. American Re	679,893	838,117	2,385,830	91,363	394,135	66.8	218,355	32.1	98.9	97.9
2. General Re	672,475	795,323	6,645,972	180,594	431,008	66.6	212,945	31.7	98.3	98.5
3. Employers Re	652,128	401,417	4,859,657	124,349	364,073	69.2	210,418	32.3	101.4	105.2
4. Berkshire Hathaway	511,000	448,000	N/A	N/A	343,000	98.3	15,000	4.3	102.6	107.4
5. Transatlantic/Putnam	292,642	254,373	1,257,987	37,917	206,000	73.9	75,810	25.9	99.8	100.0
6. Zurich Reins. (N.A.)	272,904	262,413	858,081	37,827	138,260	68.5	79,493	29.1	97.6	106.5
7. Everest Re	243,523	232,822	964,304	36,571	179,556	73.6	71,324	29.3	102.9	101.5
8. Swiss Re America	185,297	169,915	1,740,530	186,677	115,272	64.6	72,352	39.0	103.7	104.3
9. SCOR U.S. Group	155,540	137,782	423,782	9,934	105,643	65.8	59,080	38.0	103.8	105.0
10. St. Paul Re	154,995	165,182	N/A	N/A	110,439	60.2	60,905	39.3	99.5	104.2
11. Hartford Re Co.	151,213	167,133	N/A	N/A	113,412	74.7	43,177	28.6	103.2	106.5
12. Kemper Re	129,791	123,444	538,081	14,510	88,404	73.7	43,342	33.4	107.1	109.5
13. NAC Re	121,298	122,293	716,685	23,265	79,479	66.0	44,744	36.9	102.9	102.1
14. F&G Re	119,233	117,735	N/A	N/A	70,833	63.9	36,255	30.4	94.3	93.3
15. TIG Re Co.	112,332	144,351	532,553	22,702	86,096	66.4	45,776	40.8	107.2	103.1
16. Constitution Re	101,937	108,160	381,796	8,071	73,830	72.2	34,271	33.6	105.8	103.9
17. Underwriters Re	99,551	98,191	691,473	5,495	58,370	70.6	31,436	31.6	102.2	102.2
18. Signet Star Re	80,490	68,469	272,849	3,070	51,407	70.1	25,885	32.2	102.3	103.6
19. PMA Re	70,934	59,490	272,041	3,821	32,814	71.0	22,623	31.9	102.9	103.9
20. Capital Re	60,458	41,783	436,895	13,830	9,988	27.0	24,496	40.5	67.5	54.5
Totals for Top 20	4,867,634	4,756,393	22,978,516	799,996	3,052,019	70.4	1,427,687	29.3	99.7	101.6
Total for all companies	5,063,864	4,998,607	27,633,582	916,906	3,175,485	67.8	1,632,521	32.2	100.1	100.9

Sources: Reinsurance Assn. of America and Business Insurance

Results

Continued from page 3

see better results in the reinsurance sector than we have in the primary market, largely because the underlying quality of earnings is still better among the reinsurers."

Meanwhile, some think the reinsurance industry could be on the verge of another wave of merger and acquisition activity.

There are market reports, for instance, that New York-based EXOR America Inc. is considering selling its Constitution Reinsurance Corp. unit and has retained investment banker Morgan Stanley & Co. as an adviser. Constitution Re Chairman and CEO Bard E. Bunaes had no comment.

"There could be a few more consolidations taking place this year," said William J. Adamson, CEO of CNA Reinsurance in Chicago. People continue to look for opportunities to "obtain broader scale and broader market penetration," he said.

In many cases, Mr. Adamson said, issues as to who will run the merged companies have prevented some organizations from merging in the past, but as the market gets more difficult, these issues may be overcome.

S&P's Mr. Watson said: "Clearly, bottom lines are going to be impacted with the rate declines, so I would not expect rates of return to be as rosy as they have been. That could make for some nice acquisition opportunities" for companies that face the difficulty of growing their business in a declining rate environment.

The 42 reinsurers surveyed by the Reinsurance Assn. of America reported a 100.1% combined ratio for the first quarter, compared with the 100.9% combined ratio reported by a similar group of reinsurers for the first quarter of 1997 (*BI*, June 2, 1997). Reinsurers reported a 102.3% combined ratio for the year-end 1997 (*BI*, March 30).

The 20 largest U.S. reinsurers, based on net premiums written, reported a 99.7% combined ratio vs. 101.6% for the same period in 1997. The Top 20 reinsurers include the Berkshire Hathaway Group, which does not participate in the RAA survey.

Premium volume for both groups, though, was relatively flat. The 42 reinsurers reported just a 1.3% premium volume increase to $5.06 billion for the first quarter, compared with same period a year ago. Reinsurers had reported a 5.2% increase for the full 1997.

The Top 20 reinsurers posted $4.87 billion in net reinsurance premiums for the first quarter, up 2.3%.

Business Insurance also is reporting, ranked in order of net premiums written, data from the largest reinsurers that participated in the RAA's global underwriting report. Neither SCOR nor AXA Reassurance S.A., which report results only for the first half and at year-end, are included.

Mr. Adamson said it is surprising the combined ratios are as good as they are "considering we've had yet another quarter—on top of how many years—of soft pricing." He added that some of the good results could reflect the release of prior-year reserves, though "most of it would be exhausted at this point."

Moody's Mr. Murray said there have been few major catastrophes the past two years, and while "there have been significant cumulative catastrophe losses consisting of numerous winter storms and other weather-related events. . .because of the fairly modest losses, most of these have been retained by the primary industry."

"On the liability side of the business, we've seen fewer reserve actions for environmental and asbestos claims than in prior years, such as 1995," and those two elements, combined with favorable claims trends in lines including workers compensation, have helped both reinsurer and primary insurer results, said Mr. Murray.

'On the liability side of the business, we've seen fewer reserve actions for environmental and asbestos claims than in prior years, such as 1995,' says Alan Murray.

But on the downside, said Mr. Murray, there has been continued price deterioration, which reflects the absence of major catastrophes as well as the re-emergence of an aggressive Lloyd's and modest business growth at the primary insurance level.

Gary Ransom, senior vp at Hartford, Conn.-based Conning & Co., said, "The first quarter demonstrates that premium volume is going down, and it's very difficult for a lot of reinsurers to produce any kind of top-line growth.

"That's partly because the primary companies themselves aren't growing as rapidly and, in some cases, they're keeping more of the risk, so that demand for reinsurance seems to be on a downward trend."

Reinsurer officials point to the intense price competition.

"Nothing has changed" said Employers Re's Mr. Ahlmann.

In property, "the market is pretty soft, as it has been for a long time." Casualty, although not as soft, is "definitely going in the wrong direction," Mr. Ahlmann said.

He noted that a leading Lloyd's broker recently complained to him that if he put slips on the rear end of a dog and had him run through Lloyd's, the slips would be filled by the time the dog emerged.

"If you are in pro rata, you share the fortunes of your clients," said Mr. Ahlmann. "In excess, you can try to price your way out of it if the market allows you, but normally, the reinsurance market is very competitive."

"We see a lot of softening in terms and conditions out there," said Steve Tirney, president and chief operating officer of Philadelphia-based PMA Reinsurance Corp. He described the 100.1% combined ratio as "pretty optimistic."

The outlook for the rest of the year is "more of the same," said Mr. Ransom. "I don't think there's anything in the near future that would alter" the current picture, he said.

"I think on balance it's going to be a challenging outlook," said John Ward, CEO of the Cincinnati-based Ward Financial Group. Pointing to the capital in the industry, Mr. Ward said, "I hope the segment will resist the temptation to misuse that available capital" by pricing the business below prudent levels, which "can be tempting," he said.

Said Constitution Re's Mr. Bunaes, "I think that the price levels in the industry are so poor today that it has to show up in results sooner or later," though a relatively catastrophe-free year "will still give us pretty decent results at the end of the year,"

"I'm not sure you can take the first quarter combined ratio and extrapolate it out for year-end," observed PMA's Mr. Tirney. "I've got to think they would be somewhere around 103%-104%," he said. "It just seems to me there's too much downward pressure on the prices to be able to show a break-even underwriting result for year end." BI

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Diversity

Continued from page 1

According to U.S. Census Bureau data, as of March 1, 74.2 million U.S. residents were ethnic minorities, accounting for 27.6% of the nation's population of 269.2 million.

According to Census projections, by the year 2050 minorities will comprise nearly 50% of a U.S. population of 393.9 million people.

In step with the growing percentage of minorities in the population, the number of minority-owned businesses in the country also is increasing (see story, page 33).

Diversity within the industry means more than insurers or brokers tapping the market of minority-owned companies or businesses making an effort to contract with minority-owned service providers in the insurance industry. Corporations that truly embrace diversity as a culture will be looking for the same philosophies from their service providers, African-American professionals say.

And as more African-Americans move into decision-making risk management positions within corporate America, they will be looking for other minorities on their service teams.

Hiring and promoting African-Americans should be part of a company's overall goal to be competitive in the 21st century. That will depend on developing the best, brightest and most talented insurance professionals, they emphasize.

"In my opinion, this is still a very good business for people of color," said Mack F. Rice Jr., managing director at J&H Marsh & McLennan Inc. in New York. As the financial and insurance services sectors continue to merge, even more opportunities are going to be presented to African-Americans, he said.

Yet, just as in other financial services sectors, "there is still an underrepresentation of minorities at all levels" in the insurance industry, he said. "I'm currently one of two black managing directors at J&H Marsh & McLennan, which is the largest insurance broker in the world."

However, "if I can be an example of what can happen, I'd love to do that. It can happen," he said.

Ms. Boone

"I think (African-Americans) have contributed a lot" to the industry in terms of developing and improving products and services, said Bonnita Boone, senior vp for the National Healthcare Practice Group at Willis Corroon Corp. in Chicago. "While I think we've made strides, do I think we've made giant leaps? No, I don't."

"In terms of getting to be on the board and having several profit centers report to us, we've stagnated to a certain level," she said.

Moving up the ladder

African-Americans say they continue to struggle with the shortage of minorities in senior-level and executive ranks within the industry. While there are more minorities in management positions than ever before, the proverbial glass ceiling does exist, they say.

"I came to Alexander & Alexander in 1975. I was the first African-American in a sales position there and became one of the top salespeople in the country," said Mr. Jones, who left the former A&A in 1990 as a senior vp in the broker's construction wrap-up division to start up Premier RiskTech Services.

Mr. Jones

There came a point where "all I could do was work hard," he said of his decision to leave A&A. "I was given no groups to manage or practice groups to lead. And in this business, what connotes success is being a leader or running a division, being able to contribute to the bottom line," he said.

"The percolation upward is not happening," said Michael Hollingsworth, claims account manager-specialty division at Reliance Insurance Co. in Glendale, Calif.

"There are a lot of qualified candidates out there, but the opportunities are not being presented to them," Mr. Hollingsworth said. If a company needs to fill a vice president or executive position, that position is not usually found in a newspaper ad. "You need to be in the inner circle to find out about it," he said.

Often, however, African-Americans are not in that inner circle, said Mr. Hollingsworth, who also is president of the local African-American Insurance Professionals Assn. The association provides, among other things, educational and networking assistance for African-Americans looking to advance in their careers.

"I believe there is still a glass ceiling, but it's higher than what it was in the past," noted Robert Allen, underwriting manager-health care for American International Underwriters, a unit of American International Group Inc. in New York. "We're starting to find more and more blacks and Hispanics in middle-management roles. . .a lot more than we did a few years ago." While the step from middle-management to senior management is much more attainable today, the move from senior management to an executive position is where the ceiling hits.

"The proverbial glass ceiling still exists," agreed Mr. Hollingsworth. However, "we do have some shining examples of those who have made it through the glass ceiling."

A shining example

If there were a role model for the successful African-American insurance professional, Aaron Richardson might fit the bill.

Mr. Richardson is the founder, president and chief executive officer of San Francisco-based Sable Insurance Co., an African-American-owned property/casualty insurance company that began writing business last September. Sable is a partnership between Mr. Richardson, who owns 51% of the equity and voting control, and New York-based Reliance National Insurance Co., which owns the remaining 49% and provides reinsurance on a quota-share basis.

Mr. Richardson, former president and CEO of his own brokerage firm, Aaron Richardson Insurance Services Corp., said that the idea to form Sable came from a lunch discussion with a risk manager who expressed frustration in finding insurance companies to fulfill her goal to place more business with minority-owned service providers.

Mr. Richardson

With that impetus in mind and $6 million in capital from Reliance in the bank, Sable is now up and selling a broad range of commercial insurance products not only to companies seeking to do business with a minority-owned insurer, but also to various public utilities, public entities and Fortune 1000 companies.

Carl Sullo, executive vp of operations for Reliance, said the decision to partner with Sable was easy. Not only did Mr. Richardson present a solid business plan, but partnering with Sable "was the best way we know" of addressing the issue of affirmative action, whether it be self-motivated or legislated, Mr. Sullo said.

"Aaron came to us with this idea, and we kept telling him, 'That's great, we'll help you,' " Mr. Sullo said.

"The business is out there," Mr. Sullo said of Sable's unique focus. "If you just make an effort, the profit is there."

For Reliance, "it was a business decision," which is "what I really appreciated about it," Mr. Richardson said.

He is quick to point out, however, that while race might have gotten him the meeting with Reliance, "what got me the money was that I could do the job."

How successful African-Americans are in the insurance industry depends on the individual, Mr. Richardson contends.

"Responsibility has to fall on African-Americans themselves to take the opportunity," he said. "I was very fortunate; it was not a plan of mine 30 years ago to start an insurance company. I did, however, work hard, so when the opportunity presented itself, I took it."

Success for Mr. Richardson will lie in the legacy he hopes to leave.

"If in 10 years there are 10 to 15 other minority-owned property/casualty businesses in the industry, I would know Sable was successful," he said.

For his part toward that legacy, Mr. Richardson is setting up a mentorship between Howard University in Washington, D.C., his alma mater, and Sable, where the insurer is taking one to two students from Howard's insurance program and bringing them to California to work for the summer, he said.

Not only is it an opportunity for students to learn more about the insurance industry, but also "it's an opportunity for students to see a black person running a business," Mr. Richardson said. "That's a valuable lesson that we don't get to see in our community."

Hopefully, he said, these students will look and say, "Maybe I will have my own business in 20 years."

Reaching out

For the most part, African-Americans say, the industry is neglecting to make efforts like Mr. Richardson's to reach out to high school and college students to tell them about opportunities within the insurance field and to recruit talented minorities.

Various other issues, including consolidation, downsizing, competition and the soft property/casualty market have drawn the attention of companies away from such recruitment efforts, African-Americans say.

Mr. Rice

But to find the talent required to remain competitive in the 21st century, it will be necessary to recruit from non-traditional sources and to make the workplace attractive to African-Americans by creating a culture that embraces diversity from the top down.

While insurers and brokers are attempting to make themselves more attractive as career options to younger people, "I don't think they have made the connection that attracting the best (African-American) talent is a good business decision," noted Mr. Rice of J&H Marsh & McLennan. Mr. Rice said many insurers and brokers haven't recognized the surge of minority professionals in all industries who are now part of the client base for insurers and brokers. These clients "have an interest in seeing people that look like them sitting across the table servicing them," he said.

Anthony K. Greene, a senior vp in West Orange, N.J., with Herbert L. Jamison & Co. L.L.C., an insurance broker and professional liability underwriting manager, said that in the era of consolidation and downsizing, the number of new hires being made is diminishing.

And when human resource executives get the green light to hire people for entry-level positions, "they are not prone to look outside of the network to find quality entry-level African-American folks," he said. They are not going to the historical black colleges and universities, such as Howard University, and recruiting. Because of that, "there is a large pool of folks out there that are going to other industries, which is a loss to our industry," Mr. Greene said.

Ellen Thrower, president of The College of Insurance in New York, said she is concerned about the industry's efforts in recruiting and retaining minorities.

While "some companies are investing resources into identifying, attracting and developing minorities, there are still a lot a companies that appear to be doing either little to nothing or nothing," she said.

To be successful in recruiting minorities, Ms. Thrower said there must be "top-down support and recognition of the value of diversity" within the company. Companies also need to cultivate a culture throughout the company that values diversity, and companies need to invest the time and financial resources to attract and develop minorities to their companies, she said.

The College of Insurance and American International Group, for example, are teaming up in an effort to identify talented and hard-working high school students in the New York area, Ms. Thrower said. As part of the program, various high school students will be given an "attractive scholarship" to the College of Insurance, and AIG is providing summer internships for the students, many of whom are minorities, Ms. Thrower said.

Lindsey Humphrey, manager of the western zone-account services center for Chubb Corp. in Concord, Calif., noted that "hiring people regardless of their race, creed, color or life style is a business issue."

In sports, if a player plays well and makes a contribution toward the championship, it doesn't matter what race or color that person is. That same thought process should be applied within the insurance industry, he said.

As a corporation, Chubb is trying to do just that.

"We want Chubb to be a place where all employees feel they have an equal opportunity to be, as the Army says, all they can be," said Wilma Davis, chief diversity officer of Chubb in Warren, N.J.

"Are we totally there yet? I would have to say no," she said. However, "if the management processes are not geared toward creating an environment that gives equal opportunity for success, the company will never succeed in creating a diverse workforce," Ms. Davis said.

Looking for assistance

One of the ways African-American insurance professionals are attempting to gain professional development and networking assistance to succeed in the industry is through local chapters of various associations that target minorities.

The National Insurance Industry Assn., for example, was formed in 1973 to address the need to exchange ideas and experiences among minorities working in the property/casualty side of the insurance industry.

Today, the association's four major chapters look to serve as an information resource and to extend professional support and encouragement for minorities to enhance their knowledge and skills. It also funds scholarships for minority students at The College of Insurance.

Mr. Allen

Due to the diverse needs of minority insurance professionals, NIIA is seeking partnerships with various not-for-profit organizations and corporations, said AIU's Mr. Allen, who also is president of the New York chapter of NIIA.

NIIA is "going through growing pains in that we've reached a critical mass," he said.

There is too much that needs attention, Mr. Allen noted. For example, the needs of minorities with 10-plus years of experience in the industry are different from those of a young person who has been in the insurance industry only a couple years, or from those of a senior in college who is thinking about joining the industry.

"NIIA can't do it alone," he said. "We don't have the resources to dedicate 100% of our time and energy to one effort or the other," Mr. Allen said. "With 150 active members, it's real hard to build a program from the ground up."

"We either have to increase dues, which is tough, or find partners," he said.

With the latter in mind, one of NIIA's goals "will be looking at partnering with other organizations to address youth programs, to get younger folks interested in the insurance industry," Mr. Allen said. And on the middle-management front, NIIA would like to "identify insurance recruiters in major metropolitan areas and see if we can't set up a relationship there," he noted.

Mr. Allen said NIIA also is looking for input from the industry.

"I think it's helpful to have someone like a CEO of an insurance company take an active role" in NIIA, he said. "It's something we're looking for, which we usually don't get. We get the check, but no input with the check."

See **Diversity** *on next page*

Commentary

No bull: We've got plenty of dangers

With all that's going on in the world today, it's hard to imagine anyone would need to go out of their way to find a way to risk his or her personal safety.

Taking stock of some major threats around the globe to our equilibrium and well-being last week turned up:

- The Atlantic hurricane season is starting today.
- El Nino is increasing the severity of allergies for sufferers nationwide.
- Indian and Pakistan are thumbing their noses at each other and the world and exploding underground nuclear devices in a game of one-upmanship.
- Kids are shooting each other in our schools.
- Bears are taking a swipe at the bulls running the stock market.
- The wiring in some passenger jets may be corroded and at risk of a flare-up.
- Russia's economy is on the verge of a meltdown.
- Reports are trickling in that some takers of the wildly popular new drug Viagra have died or been hospitalized.
- And don't forget that an asteroid may still be hurtling our way (*BI*, March 23).

Yet, as if all that weren't enough to contend with, a town in Nevada has announced plans to invite people to copy Pamplona, Spain's infamous macho rite, the "Running of the Bulls."

Paul D. Winston

The town of Mesquite predicts it could attract up to 1,000 people willing to shell out $50 for the thrill of trying to get out of the way of a herd of angry bulls without tripping or being the slowest person in the pack.

What a public service this will be for the legions of people who have long wanted to risk being gored by a stampeding bull but were unable to afford the long trip to Spain for this event.

However, not everyone is so pleased with the scheme.

According to a report from United Press International, "Animal rights groups are against the idea, saying the event could expose the city to liability, risk people's lives and damage Mesquite's reputation."

I presume the animal rights camp is involved first and foremost because it thinks it would be cruel to the beasts to tempt them in such a manner. I really don't see why; they might get lucky and actually connect with the backsides of a few stumbling humans. Isn't that what all bulls secretly desire?

The critics also say Mesquite's "Running of the Bulls" could give the town a bad name. Are they serious? I say it will put Mesquite squarely on the map of America's most fun towns. Frankly, I had never heard of Mesquite before it came up with this stunt (Is that the place where they make wood chips for my barbecue?). Now, I'd have to think twice on my next trip to Nevada whether to stop in Las Vegas or head straight to Mesquite and put myself in the way of angry livestock for fun.

And finally, there is the objectors' claim that Mesquite's plan will expose it to liability from participants who might be harmed in the event. I suppose some people could claim they never thought running in front of sharp-horned, thousand-pound beasts could lead to bodily harm, but claiming it and getting a jury to buy it are two separate things. And, of course, I'm sure the town's liability insurers defending such suits could successfully argue that stupidity on the part of the plaintiff(s) should be equated with 100% contributory negligence.

As P.T. Barnum said, "There's a sucker born every minute." If the town of Mesquite can make a buck off giving people the chance to put their personal safety at risk, have at it.

As for me, I think I've got all the risk I can handle with a daughter in a U.S. elementary school, several plane tickets for upcoming trips, this darn sniffle I can't shake due to abnormal quantities of pollen, all my retirement savings in the stock market, a trip to the Caribbean planned for later this year and occupying the same planet as India and Pakistan. Oh yes, and being in the path of that humongous asteroid I know is out there.

Editor Paul D. Winston and Publisher and Editorial Director Kathryn J. McIntyre publish columns on alternate weeks.

Diversity

Continued from previous page

Not only is it beneficial to hear where the insurance industry thinks minority efforts should be focused but other roles can include providing meeting space, sponsoring the printing of brochures or providing speakers at chapter meetings, Mr. Allen said.

Mr. Greene of Herbert L. Jamison & Co. who also is the past president of the New York chapter of NIIA, said that "from a national standpoint, my sense is these kinds of initiatives are locally driven and not corporate-driven, and the industry looses something by (the efforts) not being corporate-driven."

Mr. Green

"It would be very beneficial at a corporate level in the brokerage and insurance community to have some sort of, at a minimum, information exchange with the NIIA and other organizations that focus on what African-Americans are doing in the industry," he said.

"A lot of corporate offices are preoccupied by the changes in the industry," Mr. Greene said. "I don't know if new initiatives within the organization are making it high on their radar screens." Many African-American professionals say they will keep striving to see that those initiatives get noticed.

Mr. Jones of Premier RiskTech summed up the attitude of many: "There are people like me who want more than just a job. . .I want to create a legacy," a legacy that leaves more companies in the industry owned by minorities serving markets that are deriving commerce from them. "Until that happens, I will not be at peace," he said. ■

Tapping urban insurance market

Big companies often can't 'sustain focus that works': Exec

By SALLY ROBERTS

Seeing the premium potential from an underserved market, two veteran insurance professionals are seeking to tap urban businesses.

One of these professionals is assisting minority-owned insurance agencies. The other is establishing minority-owned insurance companies across the country.

The urban market, which comprises most minority-owned businesses, is quickly becoming a formidable force in the U.S. economy. According to a 1997 study conducted by Hartford, Conn.-based Conning & Co., the number of minority-owned enterprises rose, on average, 10% annually, or twice as rapidly as all American businesses, from 1992 to 1996.

From a commercial insurance perspective, the 1.6 million minority-owned U.S. enterprises made up 8%, or $9.5 billion, of the total $117.5 billion commercial insurance premium market in 1996. However, considering the number of uninsured companies in that market, the premium potential is an estimated $12.4 billion, according to Conning & Co.

One of the challenges facing the industry today involves effectively capturing and properly serving the urban minority market, said Hank Hubbard, chief operating officer of the Robert Plan Corp., a Long Island, N.Y.-based underwriting and services company that targets urban businesses.

"It's hard for larger companies to do the right product development specific to certain markets," he said. And large insurers seem to always have some mitigating force stopping them from effectively serving the urban market, whether it be that the market doesn't fit their pricing model or their underwriting criteria, Mr. Hubbard said.

While it is not so much an issue of whether only a minority-owned insurer can serve the urban market, it is a "question of focus," he said. When serving the urban market, it is "important to control the entire process of underwriting, product development and utilization of capacity," he said. Most times, "large companies are not able to sustain a focus that works."

According to Ezell Jones, cofounder and chief executive officer of Premier RiskTech Services in Minneapolis, the urban market is "unassembled, underserved and not part of the business plan of financial institutions and the property/casualty industry."

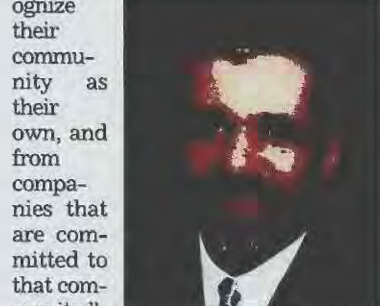
When "you're talking about an $8 billion to $9 billion market, that's a quantifiable opportunity," Mr. Jones said.

Premier is a national cluster organization that provides leadership, markets, management skills and administrative services to minority- and women-owned independent insurance agencies serving the urban community. Agency affiliates are located

in Minneapolis; Chicago; San Francisco; Baltimore; Washington, D.C.; Atlanta; and New Orleans.

Because Premier is minority-owned, it can access that market more effectively, Mr. Jones said. But being minority-owned "is not a substitute for quality and excellence," he noted.

"In general, people of color want to consume from those that understand and recognize their community as their own, and from companies that are committed to that community," Mr. Jones said.


Mr. Hubbard

But because minority-owned agencies tend to be small, they face the same difficulties as do most smaller independent agencies today.

"The corporate customer is saying we want more service, we want one-stop-shopping, we want integrated financial risks," Mr. Jones said. In order to compete in this industry, "we need the technology, expertise, people and the capital to make that all happen."

"I think it is a very challenging time," he said.

The industry needs to recognize that in order for agencies owned by African-Americans to be successful in the future, insurers and other large brokers must make capital investments to provide the training, systems, consulting and services necessary to empower agencies to survive in an evolving market, Mr. Jones said.

He said Premier is in the midst of working with one major concern to establish a strategic partnership to provide the necessary capital. Premier currently has a brokerage relationship with J&H Marsh & McLennan Co. Inc.

"If we're successful in gaining that capital, the goal is to be located in the top 25 cities with multiple agencies in each city, Mr. Jones said.

While Mr. Jones works to increase the number of thriving minority-owned agencies, Mr. Hubbard strives to create minority-owned insurance companies. And if Mr. Hubbard's plans succeed, his minority-owned insurance companies will be looking for minority-owned independent agencies, such as those affiliated with Premier, to distribute their products.

Instead of starting a minority-owned insurance company from scratch and seeking capital investments from the marketplace, which can be difficult, Mr. Hubbard joined the Robert Plan last year after 2? years at Aetna Inc., most recently serving as senior vp-agency management and marketing.

But Mr. Hubbard's goal to build a minority-owned company still exists. He and Robert Willis, the former Washington, D.C., insurance commissioner; and Jasper Jackson, the former deputy commissioner of New Jersey's Insurance Department who also joined the Robert Plan last year, are setting out to do just that.

"Upon coming to the organization we agreed that we would form some companies together and eventually build a minority-owned holding company" for the Robert Plan, Mr. Hubbard said.

The three men are in the process of filing for an application to form a minority-owned insurance company in Florida. Messrs. Hubbard, Willis and Jackson, together with people from a Florida-based minority-owned managing general agency, will be the common stock owners of the property/casualty company, Mr. Hubbard said.

"We're raising capital by using preferred stock of the Robert Plan and equity contributions from the minority-owned insurance operations in Florida," he said.

Mr. Hubbard said the goal of the new insurer is to first take homeowner policies out of the Florida Joint Underwriting Authority and then expand the insurer's product offerings into urban businesses in Florida. Eventually, he said, "we'd take the Florida model and replicate it across the country."

Mr. Hubbard noted that wrapped around the concept of forming minority-owned companies is a "community approach." This means the insurer will use local minority-owned service vendors and minority-owned independent agencies. "We're going to create minority-owned companies and create a mechanism by which other companies can do business through us," he said.

Mr. Hubbard said he welcomes other insurers that are interested in tapping the urban market to form strategic partnerships with the Robert Plan.

In order to effectively serve the urban market, insurers need to create dedicated resources within their own companies, or they can "come to companies like ours, where we are full time focused on those markets," and they can form strategic relationships, he said. ■

Merger

Continued from page 1

Louisville, Ky.-based Humana and Minneapolis-based United Health-Care would include 6.6 million commercial health plan members, 5.5 million national multistate members and another 1.3 million who participate in self-funded plans.

The merged company would be known as United HealthCare and be based in Minneapolis. On a pro forma basis, the company had $13.04 billion in assets as of Dec. 31, 1997.

The proposed merger, which requires shareholder and regulatory approvals, would be accounted for on a pooling of interest basis, with one United HealthCare share exchanged for every two Humana shares. The deal is expected to close in the third quarter.

United HealthCare offers a wide range of managed care and indemnity products. Its Strategic Services Group specializes in managed care plans for national, multisite employers.

The company has emphasized its open access plans, which permit members to see network doctors and specialists without referrals. These plans are expected to be available to close to 4 million health plan members in 38 markets by year-end.

United HealthCare also operates a Specialized Care Services Group that includes OPTUM, a telephone- and Internet-based health information and diversified care management company; United Behavioral Health, a behavioral health services company; and United Resource Networks, a critical disease management company.

Humana offers health maintenance organizations, preferred provider organizations, point-of-service plans and administrative products to employer groups, government-sponsored plans and individuals.

Both companies have a strong presence in the Southeast and Midwest, which will account for more than three-quarters of their commercial health care plan members.

In a statement, Dr. William B. McGuire, United HealthCare's chairman, president and chief executive officer, said: "Consumers want flexibility in choice of doctors and hospitals, broader access to services, a wide spectrum of products and services tailored to specific consumer market segments and needs, and greater affordability.

"To achieve these objectives and create a powerful platform for growth, it is critical to create an enterprise that, in an increasingly competitive marketplace, possesses the size, scale and operating efficiencies needed to accelerate investments in high quality and well-being services."

Greg Wolf, Humana's CEO, said in a statement that the merged company will "realize tremendous economies of scale, unmatched administrative efficiencies and an industry-leading service platform. The result will be more affordable products for more people, delivered more efficiently."

The combined company "will be powerful in many states," said Arun N. Kumar, director at Standard & Poor's Corp. in New York. A combined enrollment of more than 19 million "makes them a contender in most markets," he said. "They're so big now most companies would come up against them in almost any of the key markets in the U.S."

Linda Ruth, a health care consultant with Lincolnshire, Ill.-based Hewitt Associates L.L.C., said, "We see this as a coming together of two savvy managed care companies."

"They're both profitable, they're both growing, they're both ranking above the industry in terms of financial performance. Both have really strong medical loss ratios, and they are also some of the few to put in some pricing disciplines in the past few years," Ms. Ruth said.

"They each have certain strengths, and what we're hoping is it turns out to be a strong managed care organization that produces a quality product," said John Sforza, president of Miami-based Falcon Consultants Inc., a managing consultant to the South Florida Health Coalition, an employer group comprising 750,000 employees.

Humana "knows how to keep costs lower and control them probably as well as any managed care organization in the country," said Mr. Sforza.

"The United folks have a higher sense of quality care" as well as a well-developed open access program, according to Mr. Sforza. "They are also more inclined to experiment and try new philosophies," he said.

The merger will probably enable the combined company "to negotiate maybe more favorable financial arrangements, as well as implementing the kinds of medical cost containment initiatives that they feel necessary," said Richard Sinni, group and health care practice leader for Watson Wyatt Worldwide in New York.

But in each of the areas where the two companies overlap, it also means one fewer provider with whom employers can negotiate and use as leverage with other plans, said Mr. Sinni.

Mr. Sforza noted that Humana recently acquired Miami-based Physicians Corporation of America, another large managed care organization, so that three competitors in the area will shrink to one."It does diminish the ability to go out in a competitive situation," he said.

Employers are looking at a situation where they have a diminishing number of choices, agreed Mike McDermott, regional director for Sedgwick Noble Lowndes in Atlanta.

"What does that do to the pricing structure of the services that are delivered, and then ultimately what choices might be available to employers if, in fact, market share dominance becomes such that it's almost a monopoly?" he questioned.

"That sounds a little over the top, but you can get into a situation where there's only two or three people to choose from," Mr. McDermott noted.

"It's unsettling from the employers' perspective, certainly here in Florida, where Humana is such a force," said John Erb, area vp for Gallagher Benefit Services in Boca Raton, Fla.

"We're seeing our choices shrink. Maybe that's a good thing economically—we'll see—but part of the managed care backlash is lack of choice, and this further erodes the number of companies that you have to choose from," he said.

Furthermore, according to Mr. Erb, Humana is "probably the most aggressive insurer in Florida and has been very successful in attracting enrollees and keeping their premiums down. Now they're getting out of the business. Do they know something we don't know?"

Diane Howard, director of employee benefits and risk management for the School District of Palm Beach Counties in West Palm Beach, said there are still two other big players in the market, CIGNA Corp.; and Health Options, the local Blue Cross & Blue Shield plan.

"I don't know if I'm being naive, but it seems to me there's two good companies" in addition to United Health-Care, "so I don't think United can go crazy with their rates."

S&P's Mr. Kumar concurred that the merger would not reduce employers' choices "in any serious way."

Integration of the two companies was seen as a challenge by some.

"Employers are going to have to be concerned with the integration and what the results of the integration are, and how fast the integration is going to occur, because there's enormous implications for an employer with mergers of this type," said Mr. Sinni of Watson Wyatt.

Others, however, downplayed the integration factor.

"I don't see there being a significant cultural issue here. Both have very professional managers, both organizations are focused on managed care" and both recognize the importance of information systems, said Doug Sherlock, a health care analyst with Sherlock & Co. in Gwynedd, Pa.

In the past, United HealthCare has absorbed its acquisitions at a "reasonable pace," said Ken Jacobsen, national director, health care practice for The Segal Co. in Atlanta. "They don't try to jam a square peg into a round hole and force a cultural change," he said. "I would expect this to go smoothly." BI

Court

Continued from page 2

volved in the incident.

The high court put aside the appeals court's decision last week, setting a higher legal standard for liability in such chases.

Writing for the court, Justice David Souter compared police on high speed chases to "prison officials facing a riot." Both have "obligations that tend to tug against each other" when they must make quick decisions, he wrote.

"A police officer deciding whether to give chase must balance, on one hand, the need to stop a suspect and show that flight from the law is no way to freedom and, on the other, the high-speed threat to everyone within stopping range, be they suspects, their passengers, other drivers or bystanders."

The justice concluded that "only a purpose to cause harm unrelated to the legitimate object of arrest will satisfy the element of arbitrary conduct shocking to the conscience, necessary for a due-process violation."

Another case of interest to risk managers vanished from the docket late last month when the parents of a young woman killed in a boating accident settled with the boat's manufacturer after the case had been argued before the high court.

The case, *Lewis vs. Brunswick Corp.*, had raised the question of whether the fact that the U.S. Coast Guard does not require boat manufacturers to install propeller guards on their vessels to prevent injuries actually constitutes a federal rule that protects manufacturers from product liability suits in state court.

Kathryn Lewis died in 1993, when she was struck by a motor boat propeller. Her parents sued Brunswick Corp., the boat's manufacturer, in Georgia state court. Brunswick argued that it had no financial responsibility for the accident because the lack of a Coast Guard propeller guard requirement constituted a federal rule. Although a series of lower courts agreed with Brunswick, the Supreme Court agreed to hear the case.

By accepting an undisclosed settlement from Brunswick, the elder Lewises rendered the high court's hearing moot, thus leaving the question open. Such settlements after the high court has heard or agreed to hear a case have been extremely rare until this Supreme Court term.

In fact, *Lewis* is the third such action since November, when civil rights groups made a settlement offer to a Caucasian teacher who claimed she was the victim of reverse discrimination. The teacher accepted the money and thus headed off a full court review of affirmative action.

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County of Sacramento vs. Lewis, U.S. Supreme Court, No. 96-1337, decided May 26, 1998.

Updates

Forbes Group revenues soar

Continued from page 2

1.07 billion rand ($225.8 million), also up 70% from the previous year. Net income rose 57% to 128.2 million rand ($27.1 million).

When converted to U.S. dollars using applicable exchange rates, Forbes' revenues grew about 61%.

Forbes Deputy Chairman Paul Heinamann said that even without the Nelson Hurst contribution, overall revenues would have increased 34%. In particular, employee benefits consulting subsidiary Alexander Forbes saw revenues increase 69%, said Mr. Heinamann. Employee benefits, including the international business brought into the group by the Nelson Hurst acquisition, represented 43% of group revenues for the year.

Without Nelson Hurst's contribution, brokering revenues still increased 13% in a highly competitive market, said Mr. Heinamann.

During the year the broker bought businesses in Malawi and Zimbabwe; Forbes now has operations in 12 African countries, as well as joint ventures in Angola and Mozambique. Forbes restructured its brokerage operations in March, bringing its risk management consulting and property/casualty and reinsurance brokering operations under the Nelson Hurst Ltd. umbrella.

The broker is extending its horizons across Europe through strategic alliances with a network of continental European brokers, said Nelson Hurst Chairman and Chief Executive Officer John Percy-Davis. He wants to expand operations by acquisitions in Asia and Latin America.

Underwriters promote code

LONDON—Hull underwriters in London have come out in support of the International Safety Management Code, a United Nations measure to promote improved merchant ship management.

The Joint Hull Committee of underwriters from Lloyd's of London and companies belonging to the Institute of London Underwriters has published guidelines under which members will require claims to be supported by evidence of compliance with the code.

Starting July 1, when the code goes into effect, a claimant under a hull policy will have to show a Document of Compliance certifying that the claimant's shore-based management system complies with the code, and a Safety Management Certificate showing that the claimant's shipboard management system meets the standard. The claimant also must produce a statement from the person within the company designated to deal with code compliance that the shipowner or operator has complied with all relevant ISM Code procedures.

Roger Taylor, permanent secretary to the JHC, said the guidelines were established to show hull underwriters' support for the ISM Code and to allay fears that London underwriters "might unreasonably use the code to delay or to decline to pay valid claims."

The ISM Code was drafted by the International Maritime Organization, the U.N.'s London-based maritime unit. Compliance will be mandatory initially for passenger vessels and most bulk cargo ships of 500 gross tons or more.

Beginning July 1, 2002, the code will apply to all other cargo-carrying vessels. Operators or owners of such vessels who meet certain standards for the safe management and operation of their vessels will be granted the certificates.

Earlier in May, the Joint Cargo Committee became the first body representing London market insurers to demonstrate support for the code by saying it will amend its policies, starting July 1, to deny coverage to shipowners who knowingly put their cargo on vessels that have not complied with the code (*BI*, May 18).

Med mal writer told to cease

AUSTIN, Texas—A Caribbean insurer selling medical malpractice coverage to Texas doctors has been ordered to stop operating in the state.

Western Guarantee & Assurance Co. Ltd. of the island of St. Vincent and two of its officers, Ronald W. Laird and Albert S. Pitts, received a cease-and-desist order late last month after it was learned the company was not licensed to operate in Texas.

The order, issued by Texas Insurance Commissioner Elton Bomer, also names Risk Management Assn. Inc., a Marietta, Ga.-based company that acted as the insurer's agent. Richard H. Boyer and Douglas S. Crucet, whom the Texas Department of Insurance identified as officers of Risk Management Assn., also were named in the order.

The fact that the insurer was unlicensed in Texas was learned after two hospitals in the state inquired about policies written by Western Guarantee. At least six doctors in the state bought coverage from the insurer, according to the department.

The order indicated Western Guarantee was selling medical malpractice coverage at prices well below those charged by licensed companies.

Briefly noted

Wayward satellite HGS-1 has been put into a second lunar flyby in an attempt to push it into an "even better" orbit around the Earth, said Hughes Global Services Inc. President Ronald V. Swanson. Last month, an experimental "slingshot" maneuver was used to get the satellite into a usable orbit after a failed deployment last year (*BI*, May 18). Insurers covering the launch of AsiaSat 3, as HGS-1 was originally named, will receive a proportion of any proceeds from the redeployment of the satellite. The insurers already have paid $200 million to the satellite owners. . . . The U.S. Department of Labor is expected to release later this month an employee guide to fees that can be charged by **401(k) plans**. . . . **John C. Erb** has left William M. Mercer Inc. to join the Boca Raton, Fla., office of Gallagher Benefit Services, a unit of broker Arthur J. Gallagher & Co., as an area vp and Eastern Region health care practice leader. Mr. Erb was the chief author of the nation's largest annual survey of group health care plan costs, first produced by A. Foster Higgins & Co. Inc. and now conducted by Mercer since Mercer's absorption of Foster Higgins last year.

Health care

Continued from page 1

"I believe in empowering citizens, not empowering bureaucrats," Rep. Gingrich said.

Business lobbyists say Rep. Gingrich was disappointed that the task force was developing a proposal that amounted to a wish list of what each member wanted.

The Speaker "wanted a more comprehensive approach," said Bruce Josten, executive vp-government affairs with The U.S. Chamber of Commerce in Washington.

It isn't known when the Hastert task force will produce a new proposal in response to Rep. Gingrich's fiat, though it could be as soon as this week.

With a long summer break looming and an expected early adjournment due to the November elections, Congress would have roughly only a month to consider and act on the proposal.

That, Washington observers say, may not be enough time for Congress to act.

"I think time has just about run out," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

"Time was short even before the speaker's involvement. Now the process is even more behind," said Paul Dennett, vp-health policy with the Assn. of Private Pension & Welfare Plans in Washington.

Indeed, compared with the most recent broad health care package Congress passed—the 1996 health care portability law that curbed the ability of employers and insurers to deny coverage to employees with pre-existing conditions—the health care quality reform drive is way behind.

At the comparable point in the legislative session in 1996, both the House and Senate had passed somewhat similar versions of the health care portability measure. That left only a congressional committee to work out the differences, which were minor.

Employer groups clearly are ambivalent that the shortness of time may not permit Congress to consider comprehensive health care quality legislation.

On the one hand, employers have been leading the charge against so-called patient protection or health care quality bills, which they worry would drive up health care costs and interfere with their ability to design health care plans.

"So far we have achieved our objective of not to have a vote on very bad health care legislation," Mr. Josten said.

For example, the Norwood bill would open up employers to punitive damage awards in situations where employees were injured by providers in managed care networks selected by employers. Such lawsuits now are barred by the Employee Retirement Income Security Act.

The measure also would mandate that employers offer a point-of-service option if they are providing only traditional health maintenance organizations. Other provisions would mandate that employers evaluate at least annually all health care professionals that apply to be in their managed care networks, even if the networks are full, as well as require employers to provide coverage for services delivered by any health care professional, such as a massage therapist, licensed under state law.

If time runs out on congressional consideration of proposals like Rep. Norwood's, employers would not be unhappy.

Many of these measures "do nothing but add to costs," said the Chamber's Mr. Josten.

On the other hand, Mr. Josten and others worry that with time running short, legislators might try to tack on patient protection measures to broader, unrelated bills, such as appropriations measures that Congress must pass.

"There always is the possibility of an add-on. That is the most dangerous way to legislate" because of the lack of careful consideration amendments to unrelated bills often fail to receive, Mr. Josten said.

Exactly what the Hastert task force now will propose is unclear. But lobbyists say provisions that could be in the measure include:

- Mandating that health care plans pay for emergency room treatment a "prudent person" deemed necessary.
- Giving employees the right to an external review process when they believe their care was improperly denied or delayed.
- Making it easier for employers to band together and form pools to buy health insurance on a group basis. BI

Letters

Continued from page 8

Lloyd's could and would have survived on the remaining capital of traditional names is just not true. Indeed, how can Lloyd's today, writing £7 billion ($11.4 billion) of premium, be supported by names' capital, which now underpins a maximum premium of only £4 billion ($6.5 billion)? Additionally, names continue to leave the marketplace today. New names with unlimited liability are not joining Lloyd's, nor have they been for several years; perhaps they, to put it politely, are a little less sanguine about accepting the inherent risks of unlimited liability.

Today's policyholders are generally keener to see a fully paid-up, well-capitalized Lloyd's with high solvency margins than a promise to pay that historically has not been met by so many. As to the comparison of Lloyd's to the various exchanges set up in America and their consequent demise, Lloyd's remains a market of underwriters with exceptional knowledge and ability, probably the two attributes the lack of which was the overriding reason for the American exchanges' dismal results.

The evolution at Lloyd's over the past five years both has been necessary and should be welcomed. Both traditional continuing names and new corporate capital have brought Lloyd's forward to a position where we have re-established our international credentials. Both sources of capital play an important role at Lloyd's. The further evolution of the market will take place against a background of discussion and choice, and there will be a logical consequence that those decisions lead to in terms of how and in what form our future capital base will be structured.

Ian Agnew
Wellington Underwriting P.L.C.
London

Chapter happy to help students

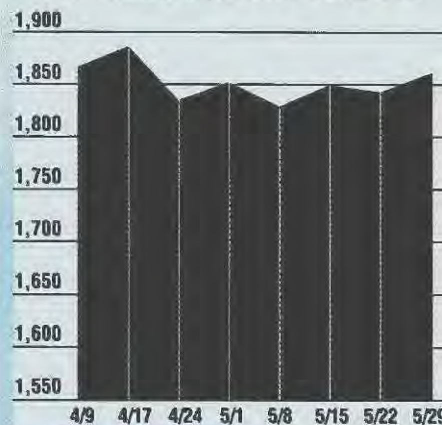
To the editor: Thank you for mentioning our chapter of the Risk & Insurance Management Society Inc. as a recipient of this year's Spencer Educational Foundation Inc. grant for high school outreach programs (*BI*, May 11).

I would like to clarify that the grant is not for Project InVest, but for a 10-part insurance and risk management-related course for Delaware Valley area high school educators. Last year, we also received a Spencer grant and used it for a two-day workshop promoting Project InVest to this area's high schools. The three years before that, we used a Spencer grant to expand Project InVest at Philadelphia's Germantown High School.

We are very appreciative of Spencer's continued support and are proud of the growth of our outreach program.

Hsuan-Shiang Wu
Vp, Delaware Valley Chapter
Risk & Insurance Management Society Inc.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

PCS catastrophe options

As of May 29

Call spread	Price bid/ask
National Annual 1998	
40/60	5.0/8.0
60/80	3.0/6.5
100/120	1.0/5.0
Southeastern September 1998	
40/60	2.6/3.3
Northeastern September 1998	
100/150	0.9/1.4
Florida September 1998	
40/60	1.2/2.4

Call spread	Price bid/ask
California Annual 1998	
80/100	1.4
150C	1.2/1.9
Western Annual 1998	
40/60	2.2
80/100	1.9
150C	1.4/1.9
Eastern September 1998	
20/40	3.0/5.5
40/60	2.7/3.2

Total volume: 10 Total open interest: 21,257

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Comml Union	1113	22.2	32.5	3.0	1300-630
Genl Accident	1407	11.7	37.5	3.5	1626-851
Gdn Royal Exch	386	5.7	12.1	3.1	495-257
Legal & Gen	677	17.4	12.7	2.3	785-400
Royal & Sun	650	17.6	22.8	3.5	825-440
Brokers					
Lmbrt Fenchurch	117	8.2	8.4	9.0	138-101
Lloyd Thmpson	193	12.9	10.0	6.5	196-151
Sedgwick Grp	148	13.6	7.0	4.6	171-115
Willis Corroon	157	13.2	6.8	5.4	174-116

Note: Prices are May 29 closings; other numbers from May 28.

Source: *Nordby International Inc.*(nordby.com) Boulder, Colo.

BI Industry Stock Report MAY 26, 1998, THROUGH MAY 29, 1998

		Price	Weekly % change	Year to date % change	52-week High	52-week Low	Vol.(000)
BROKERS							
iiAon Corp.	NYS	64.06	-1.54	9.28	68.19	46.75	693
E.W. Blanch Holdings Inc.	NYS	37.63	0.33	9.26	38.75	24.25	40
Gallagher Arthur J. & Co.	NYS	43.13	2.22	25.23	46.56	31.25	133
Hilb, Rogal & Hamilton	NYS	17.50	-2.78	-9.39	19.63	14.38	109
Kaye Group Inc.	NDQ	6.88	0.92	3.77	9.00	4.88	21
Marsh & McLennan	NYS	87.56	-0.85	17.44	94.88	64.25	1081
Poe & Brown	NYS	37.38	3.82	25.63	39.38	19.56	30
Sedgwick Group PLC	NYS	12.50	1.52	1.52	14.44	9.38	15
Willis Corroon Corp.	NYS	12.94	1.47	5.08	15.19	9.75	279
BROKERS	AVERAGE		0.83	9.82			
INSURERS/REINSURERS							
ACE Ltd.	NYS	35.63	-2.40	10.75	42.50	20.50	777
Acceptance Insurance Cos.	NYS	23.00	0.00	-4.91	28.63	20.38	120
AEGON N.V.	NYS	79.31	5.49	76.99	79.31	34.00	215
Aetna Life & Casualty	NYS	78.19	-3.02	10.81	118.13	66.31	2028
AFLAC Inc.	NYS	63.88	-2.85	24.94	69.00	44.25	1284
Allied Group Inc.	NYS	42.13	1.81	47.16	43.88	24.88	998
Allstate Corp.	NYS	94.13	-2.84	4.01	100.25	69.00	3491
AMBAC Indemnity Corp.	NYS	54.69	-1.35	18.89	61.00	37.13	1724
American Bankers Ins.	NDQ	60.00	-0.41	30.61	66.06	28.13	913
American Financial Group	NYS	45.19	1.54	12.09	49.25	34.56	488
American General	NYS	67.13	-2.81	24.16	69.88	43.38	1672
American Heritage Life Ins.	NYS	21.00	-2.04	16.67	25.00	13.63	77
American Indemnity/Fin'l	NDQ	12.25	2.08	-11.71	15.50	9.50	8
American International	NYS	123.81	-2.65	13.85	140.31	88.00	3262
Argonaut Group	NDQ	32.13	-2.28	-5.17	38.13	27.50	127
AXA-UAP Group	NYS	57.38	-3.87	47.12	62.63	29.25	152
Baldwin & Lyons Inc.	NDQ	24.00	6.96	-0.52	28.75	17.50	1
Berkley W.R. Corp.	NDQ	46.75	-3.23	6.55	49.88	34.13	322
Berkshire Hathaway Inc.	NYS	70700.00	-0.70	53.70	74600.00	30000.00	1
Capital RE Corporation	NYS	74.50	-0.67	20.04	77.44	43.25	139
Capitol Transamerica Corp.	NAS	20.63	-0.30	-3.23	28.13	19.00	108
Centris Group Inc.	NYS	13.13	-3.67	17.65	14.81	9.25	64
Chartwell Re	NYS	29.56	0.21	-12.41	36.25	26.38	74
Chubb Corp.	NYS	79.56	3.41	5.21	83.44	59.13	2462
CIGNA Corp.	NYS	68.50	-2.14	19.22	71.75	45.63	1830
CNA Financial Corp.	NYS	151.25	-1.26	18.40	159.94	101.38	128
CNA Surety	NYS	16.19	0.78	4.86	16.75	12.88	32
EMC Insurance Group Inc.	NDQ	15.06	-1.23	13.68	15.88	11.88	33
ESG Re Limited	NDQ	21.00	1.51	-10.64	28.88	19.88	743
Enhance Financial Services	NYS	65.13	-4.40	9.45	75.19	41.00	160
Everest Reinsurance	NYS	38.88	-2.35	-5.76	45.25	33.00	733
Executive Risk Inc.	NYS	62.94	-5.00	-9.85	75.75	49.31	149
EXEL Ltd.	NYS	75.25	-1.23	18.74	81.13	42.50	529
Fremont General Corp.	NYS	57.38	1.10	4.79	62.13	34.75	208
Frontier Insurance Group	NYS	24.50	-3.69	7.10	39.25	20.00	633
Gainsco Inc.	NYS	7.31	-8.59	-13.97	10.19	7.31	217
General RE Corp.	NYS	219.88	-0.73	3.71	228.88	172.25	624
Gryphon Holdings	NDQ	18.00	2.13	7.46	19.38	14.63	47
Harleysville Group	NDQ	24.25	1.04	1.04	28.50	17.81	151
Hartford Steam Boiler	NYS	44.00	-0.94	19.59	46.63	33.25	260
HCC Insurance Holdings	NYS	21.38	3.01	0.59	32.69	15.63	382
ING Groep N.V.	NYS	68.25	-1.27	61.30	71.06	38.88	418
IPC Holdings Ltd.	NDQ	29.94	-3.04	-6.99	33.25	25.31	706
Hartford Financial Services	NYS	110.06	-1.45	17.64	116.88	75.13	1091
LaSalle Re Holdings Ltd.	NYS	36.31	-1.69	2.65	42.94	27.25	73
Life Re Corp.	NYS	73.63	-0.17	12.94	77.44	42.13	190
Lincoln National	NYS	89.88	-0.14	15.04	94.13	58.38	734
MAIC Holdings Inc.	NYS	27.63	0.45	3.13	30.38	17.88	49
Markel Corp.	NYS	172.81	3.33	10.69	177.50	116.75	30
MBIA Insurance Group	NYS	74.56	0.76	11.60	80.94	51.81	1107
Meadowbrook Insur. Group	NYS	30.81	-0.20	18.23	35.00	21.88	14
Mid Ocean Ltd.	NYS	76.13	-1.54	40.32	81.63	44.63	275
MMI Cos. Inc.	NYS	22.13	2.02	-11.94	27.88	20.75	65
Mutual Risk Mgmt. Ltd.	NYS	35.06	0.90	17.12	36.75	19.94	336
NAC Re Corp.	NYS	46.69	-0.66	-4.35	53.81	39.50	250
Navigators Group	NDQ	18.00	0.00	-4.16	22.50	16.75	4
Nobel Insurance Ltd.	NDQ	13.19	0.00	0.48	15.38	12.13	13
NYMagic Inc.	NYS	29.25	-2.30	6.12	34.25	19.13	15
Ohio Casualty Corp.	NDQ	48.75	-0.51	9.24	51.75	39.69	341
Old Republic Int'l	NYS	28.50	-2.36	14.96	32.25	19.06	965
Orion Capital Corp.	NYS	56.31	1.58	21.27	57.75	33.13	366
Partner Re Ltd.	NYS	48.75	-6.25	5.12	52.50	31.38	246
Penn-America Group Inc.	NDQ	17.13	-6.16	-16.46	23.00	14.00	66
Pennsylvania Manufacturer's Co	NDQ	19.94	0.32	19.03	19.94	16.25	38
Philadelphia Cons. Holding	NDQ	23.34	-0.66	31.51	24.38	15.50	97
PXRE Corp.	NYS	31.50	1.41	-5.08	35.25	26.88	67
Reliance Group Holdings	NYS	18.06	2.85	27.88	19.13	11.50	1308
Reliastar Financial Corp.	NYS	43.25	-0.57	5.01	49.94	31.19	1139
RenaissanceRe Holdings Ltd.	NYS	46.75	1.49	5.95	50.75	37.13	103
Risk Capital Holdings	NDQ	24.88	3.65	11.80	25.50	18.25	86
RLI Corp.	NYS	52.13	-0.36	4.64	56.81	30.50	31
St. Paul Companies	NYS	44.38	2.60	8.15	47.19	34.88	2481
SCOR	NYS	63.63	2.62	33.25	66.00	38.88	30
SAFECO Corp.	NDQ	46.50	-2.75	-4.62	56.00	42.00	1666
SCPIE Holdings Inc.	NYS	36.25	-5.54	25.27	38.38	21.75	NA
Seibels Bruce Group	NDQ	7.25	-1.69	-3.33	8.94	6.63	46
Selective Ins. Group	NDQ	26.38	0.48	-2.31	29.25	21.94	213
Terra Nova Insurance Co. Ltd.	NYS	29.50	-2.88	12.38	33.13	20.00	194
TIG Holdings	NYS	24.75	5.60	-25.42	36.56	22.63	718
Tokio Marine & Fire	NDQ	48.13	-6.55	-16.67	66.00	41.25	107
Torchmark Corp.	NYS	42.88	-4.85	1.63	49.81	31.88	1012
Transatlantic Holdings	NYS	74.81	-0.99	4.63	78.44	58.75	130
Travelers Property Casualty	NYS	41.56	2.31	-5.54	46.06	34.88	1449
Travelers Corp.	NYS	61.25	-2.97	13.69	73.50	35.50	10394
Trenwick Group Inc.	NDQ	38.00	0.83	1.00	41.75	33.00	39
Unico American Corp.	NDQ	15.50	-2.36	26.53	18.13	9.88	105
United Fire & Casualty	NDQ	38.50	-1.28	-12.99	47.00	36.00	15
Unitrin	NDQ	69.75	1.09	7.93	74.13	52.38	504
UNUM Corp.	NYS	55.56	-2.41	2.18	59.63	38.75	742
Vesta Insurance Cc.	NYS	52.69	-2.77	-11.26	64.75	43.25	316
Zenith National Ins.	NYS	28.69	-0.22	11.41	30.50	24.50	45
INSURERS/REINSURERS	AVERAGE		-0.74	10.33			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	30.44	0.00	36.80	33.94	22.06	869
Humana Inc.	NYS	31.06	19.18	49.70	31.06	18.44	21279
Oxford Health Plans	NDQ	17.25	0.73	10.84	89.00	13.75	3394
Pacificare Health Sys.	NDQ	80.63	5.91	60.45	83.88	46.75	64
Safeguard Health Enter.	NDQ	7.50	5.26	-44.44	14.88	7.13	9
Sierra Health Services	NYS	37.13	2.59	10.41	41.63	30.25	212
United Healthcare Corp.	NYS	64.00	-3.49	28.81	73.94	42.44	12838
Wellpoint Health Networks	NYS	65.00	-0.38	53.85	73.50	38.63	1319
HMOs	AVERAGE		3.73	25.80			
ALL COMPANIES	AVERAGE		1.27	15.32			

Top advancing issues: Humana Inc., Baldwin & Lyons Inc., Pacificare Health Sys. Leading decliners: Gainsco Inc., Tokio Marine & Fire, Partner Re Ltd. Most active issue: Humana Inc. The *BI* Index rose 0.8%; the Dow Jones 30 Industrials fell 2.4%; the S&P 500 decreased 1.8% and the NYSE Composite declined 1.7%. Average P/E: Brokers, 18.4; insurers/reinsurers, 19.3; HMOs, 23.5.

Source: *Nordby International Inc.* (nordby.com), Boulder, Colo.

WITH OUR POLICYHOLDERS WE ARE ENGAGED IN A GREAT MUTUAL ENTERPRISE. IT IS GREAT BECAUSE IT SEEKS TO PREVENT CRIPPLING INJURIES AND DEATH BY REMOVING THE CAUSES OF HOME, HIGHWAY AND WORK ACCIDENTS. IT IS GREAT BECAUSE IT DEALS IN THE RELIEF OF PAIN AND SORROW AND FEAR AND LOSS. IT IS GREAT BECAUSE IT WORKS TO PRESERVE AND PROTECT THE THINGS PEOPLE EARN AND BUILD AND OWN AND CHERISH. ITS TRUE GREATNESS WILL BE MEASURED BY OUR POWER TO HELP PEOPLE LIVE SAFER, MORE SECURE LIVES.

Since Tony Golding chose Liberty Mutual for his global program, managing risk for 30 factories in 12 countries is a much less challenging task. [Which means that things are looking a lot better in his world.]

Tony Golding can't be in 30 factories at once, especially in 12 countries. But since he has Liberty Mutual as a partner, he knows that his global risk is under control. Through our carefully selected worldwide network, we can assess his factories' risk, develop crisis management plans, and respond to local needs. All the while, our central claims management program gives Tony the information he needs. All of this guarantees that everyone he works with (even on the other side of the globe) enjoys safer, more secure lives.

➢ *There's more information we'd like to share. So please call John Ryan at (617) 574-5842.*

The freedom of Liberty

WITH OUR POLICYHOLDERS WE ARE ENGAGED IN A GREAT MUTUAL ENTERPRISE. IT IS GREAT BECAUSE IT SEEKS TO PREVENT CRIPPLING INJURIES AND DEATH BY REMOVING THE CAUSES OF HOME, HIGHWAY AND WORK ACCIDENTS. IT IS GREAT BECAUSE IT DEALS IN THE RELIEF OF PAIN AND SORROW AND FEAR AND LOSS. IT IS GREAT BECAUSE IT WORKS TO PRESERVE AND PROTECT THE THINGS PEOPLE EARN AND BUILD AND OWN AND CHERISH. ITS TRUE GREATNESS WILL BE MEASURED BY OUR POWER TO HELP PEOPLE LIVE SAFER, MORE SECURE LIVES.