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Update

Garamendi to order a decrease in California work comp rates

LOS ANGELES—California Insurance Commissioner John Garamendi next month will order a 7% to 10% decrease in the state's minimum workers' compensation insurance rate as the result of an estimated $1 billion decrease in covered injuries.

Data from the Workers' Compensation Insurance Rating Bureau indicates that losses from on-the-job injuries amounted to 76% of every workers comp premium dollar in 1992, down from 88% in 1991. Reports indicate that costs continue to fall in 1993,

Continued on next page

Health plans face litigation from fired providers

By JOANNE WOJCIK

LOS ANGELES—Managed health care plans that weed out low-quality or inefficient providers may be making themselves more vulnerable to lawsuits filed by the terminated physicians.

This type of litigation is likely to accelerate as the number of U.S. health plans dwindles in response to the economic pressures of managed competition, attorneys predict.

But without rigorous screening—a critical part of the provider credentialing process—the plans will become less attractive to employers seeking high-quality and cost-effective managed care alternatives for their employees.

Managed care plans' new liability is demonstrated in a $7.7 million jury award to an Irvine, Calif., physician. Dr. Rober French claimed he was fired by CIGNA Healthplans of California as part of a corporate policy to replace better-paid older doctors with younger, lower-salaried hires.

Dr. French, 51, claimed in his lawsuit that he was terminated without peer review after the company secretly compiled a file of patient and employee complaints against him.

After a six-week trial, an Orange County Superior Court jury on May 18 awarded Dr. French $1.2 million for economic losses and $1.5 million for emotional distress and damage to his reputation. Jurors also awarded punitive damages of $1 million from CIGNA Healthplans and $4 million from the parent CIGNA Corp. of Hartford, Conn.

"This shows the pitfalls of managed care," said Donald Hufstader, the Santa Ana attorney who represented Dr. French. "They treated him like a paper clip and not a doctor by failing to give him due process."

CIGNA declined to comment on the issue beyond a written statement in which President Bert B. Wagener said: "We care about every one of our employees. We are extremely disappointed by the verdict and we plan to appeal."

While the CIGNA case involved employment issues—Dr. French had been employed by the plan as the supervisor of its Laguna Hills, Calif., office—similar lawsuits can be filed by doctors under contract with managed care plans, liability experts warn.

And even though few doctors are employed directly by managed care plans today, "you're going to see more and more of it in the future," predicted Peter Whitman, a partner with Blase, Valentine & Klein in Palo Alto, Calif.

Continued on page 48

Health reform ultimatum

Business can accept Clinton plan or single-payer system: Rockefeller

By LOUISE KERTESZ

LOS ANGELES—Sen. John D. Rockefeller IV has a stern warning for business: Back the Clinton health reform plan—or else.

If the president's employer-based plan fails this year, "in three to five years, Congress will pass a single-payer British system" that will feature new taxes of $250 billion annually, Sen. Rockefeller told *Business Insurance*.

Faulting corporate America for a "knee-jerk" distrust of government, the West Virginia Democrat said that "business is not doing enough to support the health reform effort."

He called on trade associations to support the Clinton plan when it is unveiled.

But exactly when that unveiling will occur is unclear. Last week Clinton administration officials said the package would probably not be released until late July. Some congressional staffers think it could be delayed until September.

President Clinton last week said he does not want to present

Continued on page 50

Photo by David Hittle

Sen. John D. Rockefeller IV

Landowner liability grows

Case sets new responsibilities for protecting trespassers

By DAVE LENCKUS

CHICAGO—Landowners in Illinois—and possibly nationwide—may face a greater duty to anticipate trespassers and protect them from harm after the U.S. Supreme Court's refusal to review an Illinois high court decision.

By refusing to hear the case, the Supreme Court last month let stand a $1.5 million jury award to the widow of a drunken man who trespassed on Chicago Transit Authority property and was electrocuted by the current in a rail line.

The ruling creates an additional exception to the limited li-

Continued on page 51

Photo by Jeanne Bartels

The CTA must pay $1.5 million after a man was electrocuted.

Benefit ruling favors retirees

By NANCY P. JOHNSON

CHICAGO—Courts can look at other evidence besides a collective bargaining agreement to determine an employer's health care benefit obligations to union workers and retirees, a federal appeals court says.

Such evidence can include letters to employees or retirees, flyers, brochures—even promises made in exit interviews.

While the decision last month by the 7th U.S. Circuit Court of Appeals follows other federal appellate rulings, lawyers and benefit consultants say it underscores the need for employers to clearly reserve the right to modify benefits and tightly control oral and written statements that can be construed as lifetime benefit promises.

The May 18 decision in *Kenneth P. Bidlack et al vs. Wheelabrator Corp.* is a victory for retirees of Wheelabrator, a Shenandoah, Ga.-based sandblasting machinery manufacturer, and reverses a district court's summary judgment in favor of Wheelabrator.

The case was remanded to the district court, which now will look at evidence other than the collective bargaining agreement to determine whether retirees and dependents were promised unaltered health benefits for life.

The Bidlack decision differs from *Senn vs. United Dominion Industries*, a 1992 decision in which the 7th Circuit ruled that retiree benefits cannot be altered only if a collective bargaining agreement specifically says the benefits have vested (*BI*, Feb. 15).

At issue in *Bidlack*—a class-action suit by about 300 United Auto Workers retirees—was whether the 1988 expiration of a collective bargaining agreement released Wheelabrator from providing unaltered health benefits to retirees and their spouses for life. Retiree health care benefits were outlined in the agreement and in letters from managers to retirees.

Wheelabrator, which closed its Mishawaka, Ind., plant in 1988, said in every collective bargaining agreement made with its Mishawaka employees from 1965 to 1985 that "those employees who have retired since Sept. 22, 1959, will have the full cost of their Blue Cross/Blue Shield coverage paid by the company after they attain 65 years of age." The agreements also said that the company would pay for certain supplemental health benefits that "shall be continued for the spouse after the death of the retiree."

Continued on page 49

Spotlight on Property Loss Control Page 3

Directory of Property Loss Control Consultants Page 20

BERMUDA INSURANCE SYMPOSIUM

Coverage begins on Page 39

Disaster recovery

Continued from previous page

surfaces instead of desks, and use boxes instead of filing cabinets.

Companies should also prioritize which customers are most important to the company and will be serviced first.

Companies that contract for alternative sites should also prepare for the possibility that the alternate center won't be available in a widespread disaster, Mr. Musson said.

For example, some companies paralyzed by March's blizzard found their contingency facilities already occupied by refugees from the World Trade Center bombing.

"When you set plans up, we recommend you agree what is your primary and backup hot site," Mr. Musson cautioned.

Also, employers should take advantage of the trial time typically built into those contingency contracts and run a drill moving employees to the alternative office and conducting business from there at least once each year.

The second step to disaster planning is to set a recovery timetable for vital operations, according to Mr. Musson.

If a company can't determine when an operation must be functional, then it should consider eliminating it, he said.

Mr. Sachs believes the most important step in the recovery phase is determining the scope of the loss, no matter how long it takes or how late the hour.

After Hurricane Andrew, Rouse's losses were audited using a construction budget with line items such as: earthwork and debris removal; utilities; asphalt and paving; landscaping; and amenities like benches, awnings, loudspeakers, banners and signs.

Once disaster strikes, 'everyone is looking for the same resources,' says Stanley Couvillion.

That enabled Rouse to price damage in terms of how bids to replace or repair it will come in: by linear or square footage, for example.

"You can start changing it as more information comes in," Mr. Sachs said.

The initial loss estimate for Rouse's Town & Country Center —completed about 24 hours after the storm passed—was within 15% of the final $3.5 million tally, he said.

The loss estimate and priorities chart also ensures that everyone involved is speaking "a common language," Mr. Sachs said.

In addition to finding alternative computers or offices in case a disaster strikes, many companies are arranging with suppliers before a catastrophe to provide materials to protect their property and get business running again.

"Once something occurs, everyone is looking for the same resources," said Stanley Couvillion, vp of loss prevention at Industrial Risk Insurers in Hartford, Conn. "When a disaster strikes a wide area, everything is in short supply."

Companies should consider stocking up on building supplies —like plywood and nails—that they are likely to need and that could become scarce after a catastrophe, Mr. Couvillion observed.

The more unusual the item, the greater need for a prearrangement.

Items like warehouse space, large industrial cranes and backhoes can be difficult to obtain quickly if prior arrangements aren't made, said Stephen A. Watson III, environmental line of business manager for the risk engineering division of Zurich-American Insurance Group in Schaumburg, Ill.

If specialized services are needed, companies may discover that their competitors are the only ones that have what they need.

Neighboring utilities, for example, typically have prior agreements to assist one another in disasters, even lending workers to repair damaged lines, said Gary Meggs, risk manager of Southern Co. Services Inc. in Atlanta, an electric utility serving Georgia.

Companies within the publishing industry, too, often have arrangements to use competitors' presses in case of emergency, said J&H's Mr. Musson.

"A lot of time it's an informal agreement," he said. "We recommend a formal arrangement to know what is being provided."

That can be more of a problem in manufacturing, where competitors do not want each other to see their plants and proprietary information. However, some manufacturers will "prequalify" certain companies they will allow into certain areas of their plant.

The economy has made such agreements more difficult, Mr. Musson noted.

"Companies are getting down to lean and mean operations," he said. "There is little spare capacity."

However, companies that wait until after a disaster to plot a course for recovery "already missed the boat," said Zurich-American's Mr. Watson.

Good disaster planning can help companies avoid the "insurance paralysis" that struck some employers after Andrew, said Mr. Sachs.

"No one wants to do anything until they know if it is covered," Mr. Sachs explained. "It's not enough to just have a plan. You have to be able to execute it. Local managers tend to look at their own budgets and wait for a corporate decision on spending money."

By delaying, they miss the opportunity to purchase supplies like lumber and fuel that are sure to become scarce in an emergency.

"Once a plan is put together, (companies) have to be careful they don't put it on the shelf," IRI's Mr. Couvillion said. "Contractors and suppliers change. You have to routinely keep it up to date."

The plan should be tested at least once a year and change when operations change, Mr. Watson recommended.

"Disaster planning is not a three-inch-thick three-ring binder sitting on the shelf," Mr. Musson agreed. "It's a dynamic document that identifies prior to a disaster what's expected, who's responsible and what resources are available." BI

Opinions

Now, the hard work begins

A MONTH AGO, WE commented that the top leadership at Lloyd's of London was right to concentrate on producing a business plan for the market instead of focusing its energies on attempting to settle with the 17,000 members suing to have their losses paid.

The long-awaited business plan is on the street. Now, it's time to embark on a marketwide settlement of the members' lawsuits.

While Lloyd's still is an important, viable insurance market, there remains the possibility—some would go so far as to say likelihood—that Lloyd's could collapse under the weight of the litigation by members over past losses.

And, while corporate capital is hailed by some as Lloyd's salvation, those funds won't flow into Lloyd's until it puts its major problems—like the litigation—behind it.

Both sides must give a little for a market settlement to be achieved.

While some of the members who now refuse to pay losses may be able to prove in court that underwriters and agents were negligent, these members must come to grips that they will have to pay a considerable portion of the losses facing Lloyd's syndicates.

However, it's also no longer practical to maintain, as we have in the past, that the members should pay all the losses; that simply is not going to happen. Lloyd's leadership must be flexible and examine all alternatives to help members pay their debts, such as seeking a government-backed bond to help pay losses.

Errors and omissions reinsurers outside the market also must play a role in any settlement. While not Lloyd's members, they—like all of the world's insurers, reinsurers and brokers—have a huge stake in the continued operations of the market.

The two panels announced by Lloyd's last month to examine possible settlement plans are expected to report their findings in September. We hope they come up with a workable solution.

If they don't, what will happen? Will Lloyd's business plan attract corporate capital if litigation is still hanging over the market's head? Will there be enough money in the market's coffers to pay for past losses without contributions by corporate investors to Lloyd's Central Fund? Or will the liquidators be called in, as one Lloyd's member suggested at a meeting late last month?

Let's hope these questions never have to be answered.

Our debt to Sid Bernstein

THE NAME Sidney R. Bernstein may not be familiar to many readers of *Business Insurance.* That's a shame.

Sid Bernstein, who died late last month at age 86, was chairman of the executive committee of Crain Communications Inc., which publishes *BI,* and one of the people most responsible for *BI's* success.

While *BI* was the brainchild of the late G.D. Crain Jr., Mr. Bernstein was president of the company at the time *BI* was launched. And as former *BI* Publisher Al Malecki tells the story, it was Mr. Bernstein who insisted that *BI* continue to publish even after losing money in its early years.

Those of us who work at *BI* owe Sid Bernstein a lot more than merely our jobs. An editor for nearly all of the 71 years he spent with our parent company, Mr. Bernstein was a journalist without peer. He was never afraid to tackle big issues and big stories, and his example taught the rest of us the correct way to report the news—fairly and accurately with our readers foremost in our minds.

While Sid Bernstein may not have been a household name in the risk management, employee benefits and commercial insurance professions, it should have been. Sid Bernstein's commitment to excellence is a model for all professionals, no matter what industry.

At issue

What should be Congress' top employee benefits priority?

Steven Marom
Director-Benefits/Compensation
Kaye, Scholer, Fierman, Hays & Handler
New York

The top priority still needs to be health care. Congress should encourage innovative ways to improve coverage and restrain costs without breaking the bank by requiring high levels of benefits paid for with tax dollars or employer mandates.

Janet Jensen
Administrative Director-Human Resources
Downey Community Hospital
Downey, Calif.

Greater employee access to health insurance will be the No. 1 employee benefit agenda item for Congress this year. This issue will be resolved as Congress deals with the more global issue of a health care package to cover all Americans.

Connie Bush
Director.-Employee Benefits
Inter-Regional Financial Group
Minneapolis

The top employee benefit priority should be affordable health care. This will require dramatic change in the current delivery system.

Compiled by Cynthia Bloom

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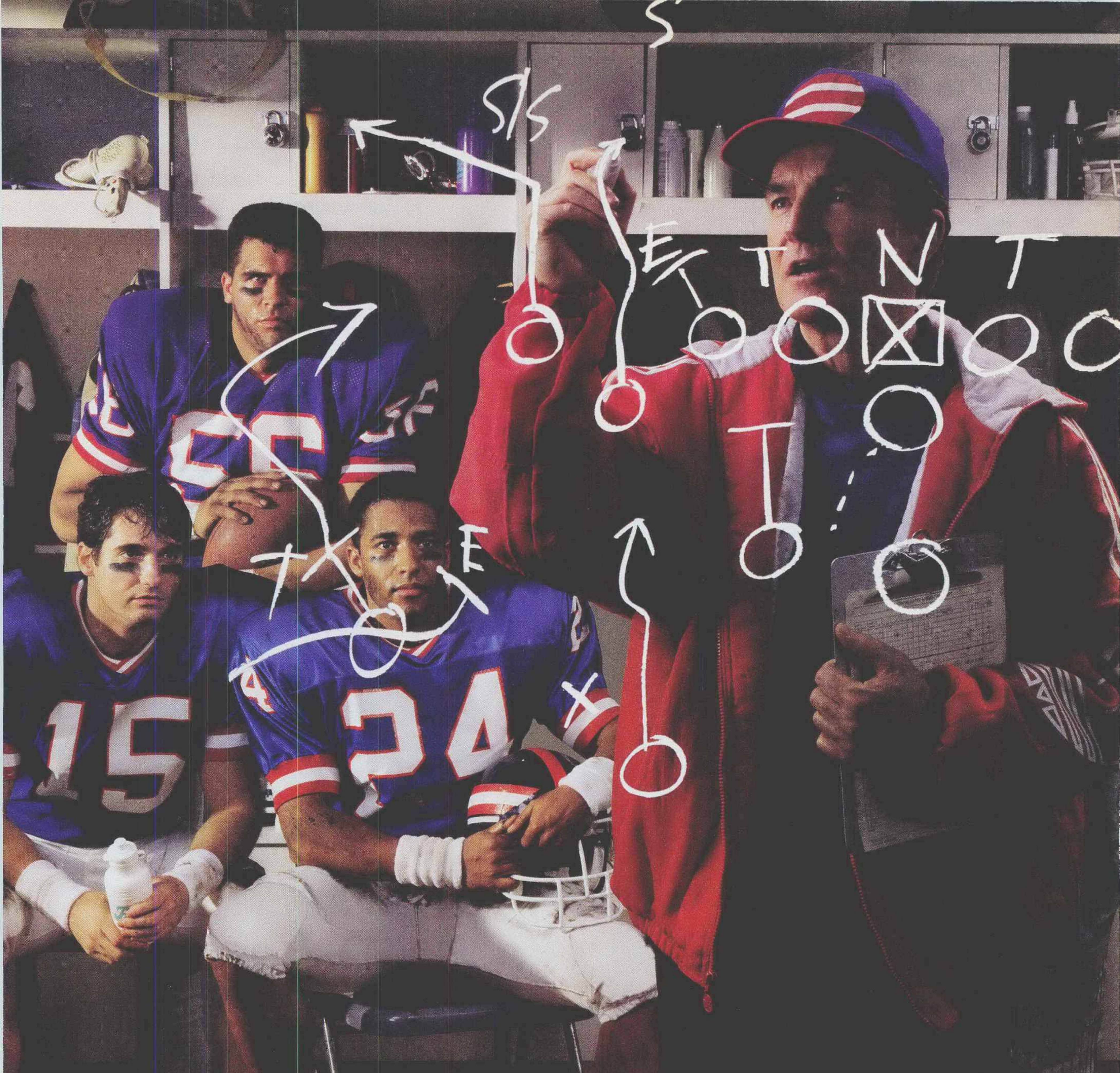

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World Trade Center

Continued from page 6

ness interruption claim it would be making with its insurer, The Home Insurance Co.

In addition to those four tasks, the company had other critical issues to address, Mr. Parrett said.

"We contacted the Securities and Exchange Commission to extend filing deadlines for SEC clients. Many of these reports were due on Monday and were in the process of being completed when the bomb struck," Mr. Parrett explained.

Also, the company had to prioritize and list the files it needed to retrieve from the building once company officials were allowed to re-enter.

One major problem Deloitte & Touche faced was providing employees who were working on time and data-sensitive operations the computers, faxes and telephones they would need, he said.

"Deadlines needed to be met, clients served, staff assigned and our people paid," Mr. Parrett said.

To achieve this, the company borrowed equipment from other Deloitte & Touche offices and rented additional equipment, he said.

By the end of the afternoon, the company had also called in emergency switchboard operators to handle the hundreds of calls that were pouring in from concerned family members, clients and the media, Mr. Parrett said.

Lastly, Deloitte & Touche contacted its advertising agency to arrange a series of public service announcements that would run on four New York radio stations that Saturday.

On Day Two—Saturday—a management team began contacting all Deloitte & Touche employees in the New York area to find out how they were, Mr. Parrett said.

Meanwhile, another group of managers was attempting to allocate work space and equipment so that employees would be able to return to work on Monday.

"All day Saturday our offices were buzzing with energy and a high level of activity. Everyone was giving 200%," Mr. Parrett said.

By Sunday, the company had established special hot line numbers to receive all client calls.

"In a profession based on serving clients such as ours, it was essential that we quickly communicated that we were up and running, that work would continue and that our clients' needs would continue to be met," Mr. Parrett said.

To help achieve this, the company invited reporters and camera crews to observe them enacting the contingency plan.

Late in the afternoon on Sunday, Deloitte & Touche personnel were allowed access to the World Trade Center for one hour.

A team of the company's employees, who had been on standby in a nearby hotel, entered the building to retrieve the critical materials identified two days earlier, Mr. Parrett explained.

"By Sunday night, our hard work was starting to pay off and we had reached a level of organization and preparedness, anticipating the return of our employees the next morning," Mr. Parrett said.

On Monday all but 100 of the company's more than 2,000 employees in New York reported to the company's midtown office, Mr. Parrett said.

Managers then contacted all of Deloitte & Touche clients to advise them of the company's new location and telephone numbers.

By Tuesday, March 2, all necessary backup administrative systems were in place, allowing all employees to receive their paychecks on time at the end of the week, he said.

"By this time, we had overcome the initial crisis and were moving toward recovering our normal operations at an alternative location," Mr. Parrett said.

The four main factors that allowed Deloitte & Touche to reestablish its operations so quickly, according to Mr. Parrett, were: a solid chain of command where everybody knew their responsibilities; having two locations in New York to back each other up; having compatible computer systems at the locations; and the ingenuity and resourcefulness of the employees involved.

But the recovery process wouldn't have gone as smoothly as it did had Deloitte & Touche's contingency plan not been continually updated, Mr. Parrett said.

"Business resumption planning is a process, not an event. A plan can't be written and allowed to sit on the shelf," he said.

"The plan should be tested regularly, employees should be trained how to act in an emergency, and management should be reminded that the risk of a disaster is real," Mr. Parrett said. BI

Insurer's disaster plan helped it survive Andrew

Preparedness paid big dividends

By MARK A. HOFMANN

MIAMI—As employees of American Bankers Insurance Group continue their move back to their hurricane-ravaged headquarters this month, they'll be carrying out the next-to-last act of a recovery program that went nearly without a hitch.

The final act won't occur until southern Florida is threatened by a hurricane again and the insurer initiates pre-storm meetings to review emergency plans. Then the process that was honed by last year's Hurricane Andrew will begin again.

The Dade County, Fla.-based insurer had a catastrophe plan in place for some time before Andrew struck last August, said Senior Vp Jason Israel. But as Ron Forte, the insurer's vp-corporate risk management, noted, the plan wasn't seriously tested until Andrew. Fortunately, the plan passed that ultimate of tests and helped assure corporate survival, he said.

The insurer's headquarters,

Continued on next page

Continued from previous page
about 20 miles south of downtown Miami, was devastated by the storm. Thus, one of the key tasks facing the company was to find a temporary location, said Mr. Israel. This was not as difficult as perhaps expected.

Within a week the insurer found office space in Miami that had been vacated by a failed saving and loan association. The temporary offices were even close to public transportation.

A far more daunting task was finding American Bankers' employees, many of whom lived in the area most damaged by Andrew, said Mr. Israel.

"Identifying people's needs and making sure they were met" was probably the most serious challenge to the insurer, he said. Although the original disaster plan did not include a formal employee-aid provision, the insurer set up a relief program that included dispensing goods like food, diapers and clothing donated by other employees.

Once employees were accounted for and their basic needs met, the company turned its attention to relocating.

Four days after the hurricane struck, company officials received permission to re-enter the building. Employees worked over the Labor Day weekend—less than two weeks after the hurricane—and transferred the company to its new location.

Mr. Israel noted that other, less tangible things such as claims calls had to be relocated as well. One day after the storm hit, calls to the insurer's toll-free claims telephone number were automatically rerouted under a previous agreement to claims offices in Atlanta and Dallas, he said.

Information, the lifeblood of any insurer, had to be reconstructed as well, a "logistically complex" undertaking, he said.

Andrew had virtually destroyed American Bankers' data processing center. Although critical data had been saved, damage to equipment made it appear as though resuming operations would take a very long time.

The catastrophe plan had initially called for a cold-site recovery, which would entail moving the necessary equipment to available working space; but because time was critical, a search was started for a suitable hot site with the needed computer equipment.

The insurer dispatched 50 employees and 26,000 tapes to International Business Machines Corp's outsourcing facility in Boulder, Colo. Employees removed disk drives from disk units and shipped them to the site for copying. The data processing system was back on line the day before Labor Day.

According to Mr. Israel, American Bankers' experience with Hurricane Andrew led to at least a dozen changes to the insurer's catastrophe plan and corporate policies.

For example, pre-hurricane planning meetings will be called 24 to 48 hours before any hurricane that poses even the least threat to southern Florida is expected to strike. These meetings will focus on review of emergency contact procedures and catastrophe responsibilities.

To better facilitate systems recovery, the insurer has already contracted for a predetermined hot site. In addition, recovery data will be maintained off site.

This data includes personal computer hard drive backups and copies of departmental disaster plans. Department-by-department plans spell out such things as special electrical requirements for computers.

A disaster telephone hot line has been set up for employees to call if a disaster looms. A new company policy also requires employees to take important documents from their desks and lock them in files or drawers every weekend and before any hurricane might strike.

And, the rebuilt, three-story corporate headquarters is built to withstand winds of up to 200 mph, and will house the systems department, the company's marketing center and other units that rely heavily on electronic systems. BI

University high and dry after flood recovery

Quick reflexes kept disruption minimal

By SARA MARLEY

CHICAGO—Officials at DePaul University didn't plan on 45 feet of Chicago River water pouring into the basement of one of its buildings.

But when that happened on April 13, 1992, the school launched into recovery mode, relocating thousands of students, faculty and staff in one week.

DePaul was one of the victims of what is now known as the Great Chicago Flood, when a tunnel beneath the Chicago River collapsed, sending millions of gallons of water into the tunnel system connected to the basements of many older buildings in the city's business district (*BI*, April 20, 1992).

At DePaul, the water filled up two basements of a building housing classrooms, faculty offices and a library and spilled into an adjacent building. Both were closed for six weeks.

The 400 classes normally held in those buildings involved nearly 8,000 students, faculty and staff. The final tab to the self-insured university was $6.8 million, which includes the cost to repair physical damage and to rent and equip an alternate building.

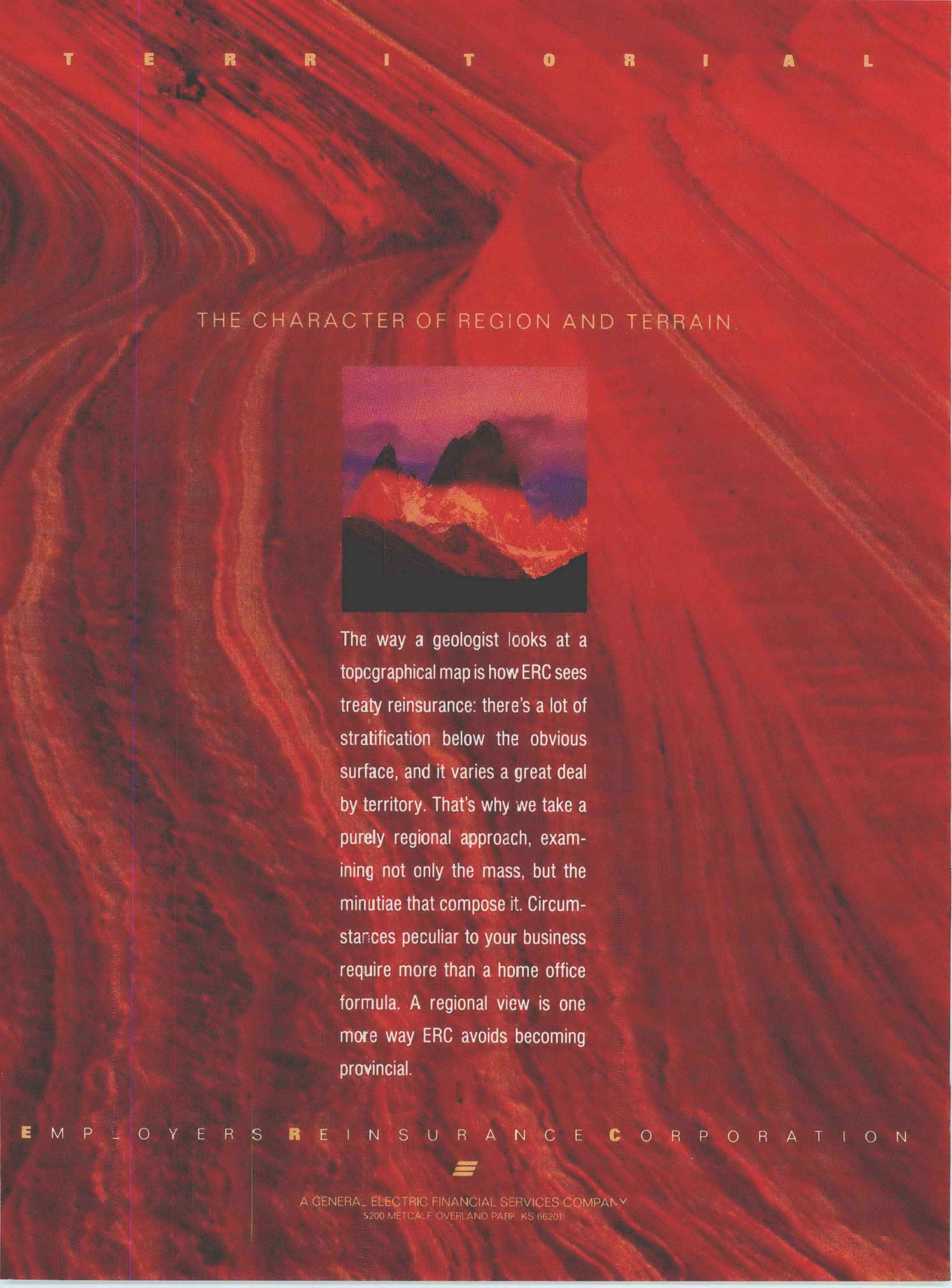
While DePaul had no formal disaster recovery plan in place, the university moved quickly to restore operations, said Elaine Watson, associate vp of administration. "It's not a plan in a nice book you can look at," she said. But the university had identified resources that could help get it up and running.

"We had knowledge of what our suppliers could supply us with and when," she added.

The school's actions were contingent on decisions the city made about electricity, access to buildings and plugging the hole itself.

The day after the disaster, it became clear that it was going to take weeks—not days—to recover from the flood, Ms. Watson

Continued on page 14



T E R R I T O R I A L
THE CHARACTER OF REGION AND TERRAIN.

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Catastrophe losses

Continued from page 3

750 NWS offices, but national and state weather summaries and special weather statements, and a review of wire service weather stories, he said. Mr. Kerney and James Welsh, PCS claim consultant, then correlate severe weather with population centers.

For example, Mr. Kerney explained that if there's a report that says softball-size hail—which can cause a lot of property damage to buildings and vehicles—has struck "30 miles northeast of a real small town in Nelson County, Kan., we don't become too concerned because it's probably mostly farm damage and crop damage."

However, softball-size hail recently fell in Lubbock, Texas, a city with nearly 190,000 people, said Mr. Kerney. About 50% of the city was hit, so there was "the potential for significant property loss," he said.

When PCS thinks it may declare a catastrophe, the group contacts local insurance agents, adjusters and claims people in local offices of insurance companies, said Mr. Kerney.

"We'll ask for their first-hand assessment, and in a lot of cases, these people have already driven the area" to survey damage, he said.

The information from the people on site helps determine whether a catastrophe will be declared, he said. For example, if observers "talk about blocks and blocks of roofs damaged by softball-size hail," the damage probably won't be limited to roofs. Hail can penetrate roof decks, and go right into the house, causing damage to its contents, said Mr. Kerney.

Hail can penetrate roof decks and go right into the house, causing damage to contents, says Gary R. Kerney.

The PCS also "pieces together" reports of severe weather that happens across a wide area, said Mr. Kerney. For example, the same storm could stretch from Texas to Kansas, but PCS personnel wouldn't necessarily know that until they'd seen reports from those two states plus Oklahoma.

Once PCS has determined that there's damage in excess of $5 million and that the event has affected a "significant number of insurers and insureds," the division assigns the catastrophe a serial number. The event is then defined "in terms of the dates of the occurrence, the states that were affected and the perils that caused the damage," said Mr. Kerney.

The serial number is a two-digit number from 11 to 99 that is assigned consecutively—not chronologically. When the 11 to 99 cycle is completed, the numbers repeat. The numbers from one to 10 are reserved for individual company use. For example, a company could use one of the numbers to track claims experience from an event that PCS has not assigned a catastrophe number.

PCS issues a "full text" bulletin on each catastrophe that details the event in a page or two, explaining what happened, such as reports of broken windows, roof coverings and interior water damage, said Mr. Kerney. The bulletin is designed to give subscribers "a first impression of what the varying degrees of damage might be in different areas," he said.

The PCS's technique for estimating the insured property damage wrought by a catastrophe depends on the nature of a the storm, said Mr. Kerney. For example, if a storm causes damage over a wide area, it's hard to do an on-the-ground survey, so the PCS depends on surveying insurance companies.

For example, "because hail distributes the damage rather equally, a survey of insurers

Continued on next page

Chicago flood

Continued from page 11

said.

Once the university made the decision to relocate the classes, officials met to decide what was necessary to resume those classes as soon as possible. A central command was created and staff members were put in charge of specific areas.

Obtaining alternate space that could accommodate 78 classrooms proved not to be so difficult, Ms. Watson said. A real estate agent had called DePaul at 9 a.m. Monday, before most of the city even knew what was happening, and told officials about a former training facility that was in a vacant building located a few blocks away.

However, the school still had to rent classroom furniture, telephones, computers and buses to shuttle students, as well as create faculty and support offices, a bookstore and a mini-library.

In three days, DePaul brought in 1,000 tables, 3,500 chairs and 40 podiums, as well as chalkboards, copiers and fax machines.

Because the law library was closed by the flood, DePaul got clearance for students to use a neighboring school's.

A career and placement office also had to be established so students could proceed with scheduled interviews with corporate recruiters.

Other staff members set out to schedule classes and inform students and staff members on where to report. The university mailed notices, set up a hot line and took out newspaper ads.

"We had to determine what had to be operational and what could function elsewhere," Ms. Watson said. Computers were not affected, so paychecks were issued three days after the flood, but the office used to distribute them was under water.

Some functions were switched to DePaul's Lincoln Park campus, a few miles north of the flooded buildings.

Repairing the damaged buildings and establishing the alternative site were handled independently, Ms. Watson said.

The effect of the flood will be felt for years to come, Ms. Watson said.

Among the items stored in the basement were spare parts, doors, hardware and locks that may be difficult to replace.

But the flood also gave the university a chance to upgrade heating, ventilation and air conditioning systems in the flooded building. BI

Continued from previous page
writing business in that area generally will turn up the information we'll need to compile that estimate," he said.

For a storm like Hurricane Andrew, PCS personnel conduct their own on-ground survey. They drive through and fly over the devastated area, Mr. Kerney said.

PCS staff members also talk to homeowners and agents and spend time "comparing notes with the Federal Emergency Management Agency," he said.

"With Andrew, we mobilized everybody—we even took the in-house claims counsel with us," said Mr. Kerney.

In addition to the PCS personnel, the division calls upon a group of retired claims adjusters to do ground surveys in the wake of major disasters.

PCS' estimates of insured property damage are of value not only to the group's 190-plus member companies and its non-member subscribers—which include consultants, stock brokers, insurers and reinsurers—but to state and local emergency response officials as well.

Mr. Kerney noted that with smaller tornadoes, the emergency managers of counties and states will try to assess the damage in their areas and pass the information on to the governor, who in turn may want to ask the president to declare the region a disaster area.

The PCS signed a "memorandum of understanding with FEMA" in 1974, under which the PCS agrees to cooperate with FEMA in presenting the agency with "the insurance industry response to disasters," he said. FEMA has advised state authorities to look to the PCS for help "in getting information about the insurance industry responses, about the different coverages that may be available and may pertain" to the damaged area. Local authorities share their assessments with the PCS.

For a major storm like Hurricane Andrew, PCS personnel conduct their own on-ground survey. 'With Andrew, we mobilized everybody—we even took the in-house claims counsel with us,' explains Gary R. Kerney.

"When a governor requests a declaration from the president for federal assistance to come in, the federal government puts the onus on the state to determine the total loss caused by the event and deduct from that total loss the insured loss, because if it's insured, there's no need for the federal government to respond," explained Mr. Kerney.

"We'll give them our estimate as soon as it's available," he said. He said PCS personnel will "walk them through what's in an insurance policy" so that state and local officials can separate the insured from the uninsured as they make their own assessments.

But the prime focus of the PCS is on the insurance industry, and PCS makes estimates for two key reasons, said Mr. Kerney. First, the estimates "give the companies an idea of how bad the insured loss is so they can assess their need for adjusters," he said.

This is a qualitative as well as a quantitative need, he pointed out. If a hailstorm just damages shingles, adjusters with only two or three years' experience can handle the situation, he said. But if the storm was so fierce that hail broke through roofs and damaged the interior of buildings, the situation calls for much more experienced people, he said.

The second reason for issuing estimates is to help insurers set reserves. The PCS estimate can be used to compare an individual insurer's idea with a larger pool, he said.

William F. Hauswirth, acting vp of PCS, pointed out that in addition to catastrophe services, the division offers educational services.

Bill Thornton, PCS's manager of training, said members are currently offered programs dealing with: business interruption basics, property loss subrogation, arson fraud investigation and effective statement-taking.

Statement-taking "is one of the few generic courses that cross the boundaries of property and casualty," Mr. Thornton said. The seminars are aimed "primarily at adjusters."

Mr. Hauswirth added that the division also puts together reference books for adjusters.

"We also monitor legislation that might affect the property claims function," he said. This includes such issues as unfair claims practice and adjusters' licensing.

He said the PCS also keeps track of insurance department regulations and changes in regulations that could modify coverage such as allowing some forms of pollution to be covered under a homeowners policy.

The PCS also deals with the news media, said Mr. Kerney. In addition to fielding questions about the impact of specific catastrophes, the division became involved in the launching of the Hurricane Insurance Information Center in suburban Miami after Andrew struck. The PCS continues to work closely with the HIIC, said Mr. Kerney.

While there is no definitive proof that weather is becoming more violent, several factors explain why hurricane-related losses have been mounting, said Mr. Kerney.

The number of structures in coastal areas have increased, he said: both rental and vacation homes as well as more year-round dwellings.

The population has grown in both relative and absolute numbers in such hurricane-prone areas as Florida, which is now the fourth most populous state. In addition, property values have increased, he said.

Mr. Kerney also noted that a tornado has not ripped into a major U.S. city for years.

Nevertheless, 40% of the total insured property damage—in constant dollars—recorded by PCS since 1949 has occurred since 1990, said Mr. Kerney.

"The number is skewed a bit by Andrew, but we're still getting hammered," he said.

In 1992, four hailstorms caused nearly $3 billion in insured property damage, he said. Historically, "you could wrap up 10 or 12 hailstorms in one good hurricane," he said.

Evaluating building code enforcement

Grading system will help insurers evaluate risk of loss from catastrophes

By LOUISE KERTESZ

To minimize the impact of natural catastrophes on property risks, the insurance industry is in the midst of a project that will link property insurance rates to how well a community enforces its local building codes.

The program, which is being spearheaded by the National Committee on Property Insurance, is largely driven by recent hurricanes that underscored the inadequacy of some communities' building codes.

The NCPI has completed a survey of enforcement practices in six communities. The six communities were targeted to test preliminary surveys of building code enforcement, which will form the basis of the grading system.

The identity of the six communities, which are "pretty much in the Eastern part" of the country, will not be divulged, as part of an agreement with those locales, said Eugene L. Lecomte, president and CEO of the NCPI in Boston.

"We're taking the responses we got from those surveys and analyzing them. We're going to make adjustments and changes (to the survey questions) where appropriate, and then we'll proceed with another series of tests" on different communities, Mr. Lecomte said. When the "kinks and bugs are worked out" of the preliminary surveys, the NCPI hopes to unveil one official survey form at year end, he said.

"By 1994, a portion of the country will already be graded," with the areas of greatest risk in terms of hurricanes and earthquakes taking priority, said a spokesman for the New York-based Insurance Information Institute.

By the end of 1995, the process of grading the country's approximately 44,000 communities will be completed, he said.

"That information will be available to all insurance companies, and an individual company can decide whether it wants to use that as a factor in its underwriting," the spokesman said.

The grading system will be "very beneficial to property owners, insurers and businesses and to the communities that will recognize what they will have to do to make their environments safe," Mr. Lecomte said.

The history of the industry's grading plan dates back to Hurricane Hugo in 1989, said the III spokesman.

"Hugo caused a fair amount of damage that many thought was avoidable and prompted various studies as to whether building codes were adequate," he explained. "Preliminary data indicated that the problem was not with the building codes but with their enforcement."

The NCPI then commissioned a survey of several coastal communities, which found that "only about half of them were enforcing the standards for wind resistance," the III spokesman said.

That survey was conducted by the Southern Building Code Congress International.

"That prompted the NCPI to start thinking about what the insurance industry could do to improve building code compliance, and they started to develop a program for grading how well local communities enforced their codes," he said.

"Then along came Hurricane Andrew, which very dramatically proved that compliance is a very expensive problem," the III spokesman said.

Industry experts have blamed at least 25% of the $15.5 billion in insured losses caused by Hurricane Andrew to faulty construction that did not meet local building codes.

The NCPI code enforcement grading plan is modeled after the Insurance Services Office Inc.'s Fire Protection Town Class Grading System, which is widely used by the insurance industry.

The ISO model is a checklist designed to fully evaluate the fire protection and suppression efforts of individual communities nationwide. After field representatives complete the checklist, results are tabulated and a numerical Town Class Grading is assigned.

Insurance companies use the fire protection grades as one factor in determining insurance rates for residential, commercial and industrial property.

Therefore, most communities make an effort to maintain or improve their fire grade, noted Dean C. Flesner, chairman of the NCPI's Natural Disaster Loss Reduction Committee.

"Currently, the details of local code enforcement are not considered in the property insurance underwriting process," according to Building Officials & Code Administrators International Inc. in Country Club Hills, Ill.

BOCA is one of several organi-

Continued on page 18

3 REASONS TO GET PROPERTY COVERAGE THROUGH A COMPANY FIRMLY ROOTED IN THE ENVIRONMENT.

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Building codes

Continued from page 16

zations that promulgate building codes and is assisting with developing the NCPI grading system.

Under the NCPI's grading system, "those communities with little or no code enforcement in place will be provided incentives to improve code enforcement. However, those communities which are committed to effective enforcement, in particular the enforcement of one of the model codes such as the BOCA National Code Series, could expect a favorable impact on insurance underwriting," BOCA said in an article in the March/April issue of its magazine.

"If we implement a grading system for building code enforcement, everyone wins," agreed Mr. Flesner, a vp of State Farm Fire & Casualty Co. in Bloomington, Ill.

Mr. Lecomte referred questions about the NCPI's preliminary checklist, which was used to survey the initial six communities, to BOCA's article.

The checklist is divided into general areas: background data, administration of codes, plan review activities, inspection and enforcement activities and existing buildings, according to BOCA.

For example, in the background data area, one section contains "questions designed to assess the level of administrative support for effective code enforcement," BOCA explains. The first question in this section asks for a list of the community's codes and their edition now in force.

"A more current code can be expected to be more responsive to present-day issues," BOCA points out.

'If we implement a grading system for building code enforcement, everyone wins,' says Mr. Flesner.

Another question "assesses the extent that the provisions of model codes have been replaced with local provisions. Such modifications may be counterproductive if they conflict with related code provisions or reduce the level of performance intended," BOCA explains.

Other questions in the survey are designed to assess the training and certification of a community's code enforcement staff. For example, the survey asks, "In the current operating budget, how much is dedicated to all training activities? To code enforcement training activities? Of all department personnel, how many hold state or model code certifications (in several categories)?"

BOCA explains that the checklist does not assume "that any single jurisdiction would, or could, include all of these attributes in their operations." The checklist covers "a broad range of departmental performance and does not define any particular set of expectations," the organization says.

Other questions ask for the number of staff examiners and seek to determine their expertise in various categories like building, electrical, mechanical and plumbing.

"There are no right answers" here as in other sections of the questionnaire, BOCA explains, since an enforcement department's structure will depend on the nature of the community. For example, many staff specialists may not be needed in "older land-locked communities with little new construction," BOCA notes.

Some questions seek to determine the extent that a community uses outside plan review services and model code evaluation reports.

Other questions try to gauge how effectively a community employs building inspectors and whether it requires permit applicants to provide continuous onsite inspections for critical structural elements. BI

Halon alternatives

Continued from page 3

moved up the halt of halon production to January 1994 from the year 2000.

As of April, 107 nations had signed the protocol.

The two forms of halon that have been used as effective fire suppressants are Halon 1211 and Halon 1301. Halon 1211, which is used in hand-held fire extinguishers, has an estimated ODP of 4. Halon 1301, used in "total flooding" applications of large areas and for explosion protection, has an estimated ODP of 16, according to the EPA.

Most Halon 1301 systems are used to protect electronic operations such as computer rooms and telecommunications facilities. Halon 1301 is also used to protect oil production facilities, records-storage facilities, aircraft cargo bays and public places like shopping malls.

In response to the Montreal Protocol update, the EPA has requested halon producers to voluntarily limit production during 1993 to 30% of 1986 levels.

On another front, National Fire Protection Assn. technical standards committee will meet this month to consider public comments on its proposed standard affecting halon substitutes and finalize revisions.

The standard will be presented for formal approval and adoption at the NFPA 1993 Fall Meeting in November. The NFPA 2001 standard includes information on the proper design, installation and maintenance of fire protection systems using halon substitutes.

Policyholders need not panic at the speedup of halon's demise, say officials at Industrial Risk Insurers in Hartford, Conn.

For one thing, halon is now being stockpiled and recycled, IRI and other insurers point out.

"Though it will no longer be manufactured, there's a lot of it out there," says a specialist in interior protection risks at a West Coast insurer who declined to be identified.

"Obviously, the price will go up," he cautioned.

And a hefty new tax on stockpiled virgin Halon will also be levied beginning in 1994.

Some loss control experts say people can live without halon and its substitutes, because sprinklers can be as effective as halon for some applications.

Since the Montreal Protocol was signed in 1987, the West Coast insurer has been advising the use of sprinklers rather than

Continued on next page

Continued from page 18

halon. "We prefer sprinklers," the spokesman said, "though we will accept tested and approved substances like halon and its substitutes."

A drawback to halon and substitutes is that a room has to be airtight for the gases to be effective fire suppressants, he said.

In addition, the substitutes being developed probably will be more expensive, because they are not as concentrated as halon. New dispensing equipment for the substitutes will likely add to the expense, sources say.

Some companies have found that sprinklers are enough protection for their computer rooms, said Sal Chines, IRI research consultant. IRI is advising customers that plan to take out halon systems to install sprinklers first. As computers become more compact, "companies can probably live without halon substitutes," he said.

Though some companies "have made some installations" of systems using halon substitutes on the assumption that the systems will meet standards, IRI's position is that it is "premature" for policyholders to switch to one of the EPA-accepted substitutes, said Ken Linder, assistant director of research.

IRI believes those needing fire protection should wait until the new products are fully tested by recognized laboratories and until the NFPA standards for delivery systems are developed, he said.

"It is unlikely that one single compound will be able to meet all of the safety and technical needs that all customers require" in a gaseous system for fire suppression, adds Donald Dunn, business manager-specialty markets at E.I. du Pont de Nemours & Co., which manufactures halon substitutes.

'Companies can probably live without halon substitutes,' says Sal Chines, IRI research consultant.

Mr. Dunn concedes that the "total reassessment" forced on customers by the demise of halon will probably result in "a much-diminished market base for halon substitutes."

The following companies are manufacturing or developing products composed of chemicals that are listed as acceptable halon substitutes in the EPA SNAP report:

• Du Pont produces FE-13 (HFC-23 on the EPA's list), which the agency calls an acceptable alternative to Halon 1301 for fire suppression and explosion protection "for high-value applications such as those involving the protection of public safety or national security. . .or life support functions."

Du Pont has also developed FE-25 (HFC-125 on the EPA's list), another Halon 1301 alternative restricted to non-occupied spaces. Du Pont continues to work on FE-241 (HFC-124 on the EPA's list), a substitute for Halon 1211. And it has developed FE-232 (HCFC-123) as a Halon 1211 substitute restricted to military applications.

• Great Lakes Chemical Corp. in West Lafayette, Ind., is developing FM-200 (HFC-227ea on the EAP list), which is acceptable as a substitute to Halon 1301 in unoccupied areas and with some restrictions, in occupied areas.

"HFC-227ea does not deplete stratospheric ozone. In addition, HFC-227ea is the most effective of the proposed (hydrofluorocarbon) substitutes for Halon 1301," the SNAP report says.

GLCC also produces FM-100 (HBFC on the EPA list), an interim halon substitute which—because of its relatively higher ODP level—will be phased out by the end of 1995, under the Montreal Protocol. It is intended for non-residential uses only.

• Minnesota Mining & Manufacturing Co. of Maplewood, Minn., has developed two halon substitutes—PFC-614 (FC-5-1-14 on the EAP list)—and PFC-410 (FC-3-110).

PFC-614 is a Halon 1211 replacement primarily for United States Air Force flight line applications and in military computer and telecommunication facilities, the EAP report says.

PFC-410, a substitute for Halon 1301, is "acceptable for applications involving the protection of public safety or national security. . .or life-support functions," the report says.

The PFCs are limited to those critical uses because of their long atmospheric lifetime and the possibility that they may contribute to global warming, the EAP says.

• North American Fire Guardian Technology Inc., in Vancouver, British Columbia, has developed NAF S III—HCFC Blend A on the EAP list—which can substitute for Halon 1301, with some restrictions.

"The blend has an ODP higher than other proposed HCFC substitutes, but appears somewhat more effective from a weight and storage volume equivalency basis," the EAP report says.

The manufacturer claims that with an ODP of 0.044 and a global warming potential of 0.1, NAF S III is "the environmentally safest alternative to Halon 1301 available in commercial quantities on the market today."

The company says the product is "virtually a drop-in replacement for Halon 1301, requiring only minor equipment changes."

• American Pacific Corp. in Las Vegas is producing Halotron I (a blend using HCFC-123 on the EAP list, as in Du Pont's FE-232). It is an acceptable substitute for Halon 1211 for commercial/industrial applications, the EAP says.

• Ansul Fire Protection in Marinette, Wis., has developed Inergen, which the EAP lists as "Inert Gas Blend." The Halon 1301 substitute—which is different from other commercial products because it is composed of naturally occurring gases—is a mixture of nitrogen, argon and carbon dioxide.

"This agent is a potential asphyxiant as it is designed to decrease the oxygen to a level at which combustion cannot be supported. This blend is designed to increase breathing rates, thus making the oxygen-deficient atmosphere breathable for short periods of time," the SNAP report says.

The EAP proposes approving the blend with specific design concentrations of oxygen and carbon dioxide and mandating evacuation within 30 seconds if oxygen in the atmosphere falls below 12%. BI

Business Insurance's seventh annual directory of property loss control consultants, engineers

A

AIG Consultants Inc.

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Parent: American International Group Inc.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, difference in conditions surveys, electronic data processing operations evaluations.
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Staff: 163; 28 professionals. Designations include five ARMs, 25 ASSEs, 18 CSPs, 10 PEs.
Specialties: All types of property, highly protected risk and difference in conditions work.
Region served: Worldwide.
Offices: Atlanta; Boston; Chicago; Cleveland; Dallas; Denver; Houston; Los Angeles; New York; Philadelphia; San Francisco; Washington; Montreal, Toronto and Vancouver, Canada; London.
1992 gross revenues: $20.2 million.
Officers: Arnold Goldberg, president; Jack Leonard, Charles Benda, Robert Blaunstein, Leon Busiello, vps.
Contact: Micheline Marcantonatos, 212-770-3652.

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5051 Westhiemer Road, Suite 2100, Houston, Texas 77056-5604; 713-960-8700; fax: 713-624-5980

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Officers: J. Ray Taylor, director-Corporate Specialty Office Central; Tom Ascherman, director-National Loss Control Division; John McNamee, regional manager-Corporate Specialty Office Central; John Piligno, regional manager-Global Network Office East; Bill Zersen, regional manager-Global Network Office West.
Contact: John McNamee.

American Risk Consultants Corp.

Corporate Plaza II, Suite 110, 6480 Rockside Woods Blvd. South, Cleveland, Ohio 44131; 216-447-1600; fax: 216-642-4381

Loss control services since: 1958.
Parent: American Risk Group Inc.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; plant security inspections; hazard identification; building plan reviews; publications; research; client training; chemical process safety reviews; hazardous chemicals safety reviews; infrared thermographic surveys; halon integrity testing; nondestructive testing of tanks, pressure vessels and piping; integrated electrical testing; property loss control program development.
Staff: 102; 54 professionals. Designations include two ARMs, two CSPs, 10 PEs, 40 SFPEs.
Clients: 168; 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 70% exceeding $1 billion.
Specialties: Chemical and petrochemical, food and grain, pulp and paper, wood products, nuclear power, mining and metals, pharmaceuticals, commercial real estate, diverse manufacturing industries.
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1992 gross revenues: $13 million; 58% from unbundled property loss control consulting/engineering, 42% from other services, including casualty loss prevention engineering, risk management consulting, claims administration and cost containment consulting.
Officers: William F. Nehls, chairman; Stephen C. Eldridge, president; William F. Ramonaf, executive vp; Edward P. Holleran, president (American Risk Administrators Corp.); J.S. Armstrong, senior vp; Robert L. Page, vp.
Contact: J.S. Armstrong.

American Risk Managers Inc.

P.O. Box 789, Hamilton, Ala. 35570; 800-548-0117; fax: 205-921-3146

Loss control services since: 1979.

Continued on next page

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Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training.

Occasional services: Building plan reviews, publications.

Staff: 13; two professionals. Designations include one ARM, one PE.

Clients: 50; 95% with gross revenues less than $200 million, 3% with $200 million to $499 million, 2% with $500 million to $999 million.

Region served: Nationwide.

Offices: Tupelo, Miss.

1992 gross revenues: 10% from unbundled property loss control consulting/engineering, 90% from other services, including general risk management consulting.

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

Contact: Walter D. Haney Sr.

Guide to listings of property loss control firms

The seventh annual *Business Insurance* directory of property loss control consultants and engineers lists companies that provide loss control services on an unbundled basis directly to organizations; firms that provide these services only in conjunction with other services, such as brokering insurance, are not listed.

Listings begin with the name, address, telephone and fax number of each company followed by the year **loss control services began** and **parent company** (if any).

Next, details on frequent and occasional loss control **services** are noted. Information on **staff** members at year-end 1992, including professionals assigned to property loss control consulting and engineering services and their select professional designations are provided. Acronyms for professional designations are further identified below.

If a company specializes in consulting to a particular type of business or industry, it is noted under the **specialty** heading. The geographic **region served** and cities and states of **branch offices** providing property loss control services are then noted.

When reported by the company, **1992 gross revenues** are provided; names and titles of **principal officers** follow. For readers wanting more information on the company, a **contact** person is provided.

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

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

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

Anti Fire, P.E. Phillips & Associates

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

Loss control services since: 1974.

Frequent services: Building plan reviews, expert witness, fire protection engineering legal services.

Occasional services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.

Staff: One, who holds ASSE, CSP, PE and SFPE designations.

Specialties: General fire protection engineering, automatic fire detection and fire suppression systems, service to government agencies.

Region served: Worldwide.

1992 gross revenues: $40,000; 100% from unbundled property loss control consulting/engineering.

Officers: Patrick E. Phillips, owner/senior fire protection engineer.

Aon Insurance Management of Texas Inc.

14135 Midway Road, Suite 300, Dallas, Texas 75244; 214-392-9430; fax: 214-386-8081

Loss control services since: 1992.

Parent: Aon Insurance Management.

Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training.

Occasional services: Publications, research.

Staff: Two. One professional, designations include ARM and ALCM.

Clients: 125; 100% with gross revenues less than $200 million.

Region served: Worldwide.

Officers: Ronald Pollard, CEO; Jim Gresham, COO; Wesley Brubaker, chief accounting officer; Kevin Mabus, vp-marketing; Denyee Inmon, assistant vp-underwriting.

Contact: Wesley Brubaker.

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Applied Risk Control Corp.

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

Loss control services since: 1985.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, flow test reviews, sprinkler coverage determination.
Staff: 13; three professionals. Designations include one ARM, one CSP, one PE, one SFPE.
Clients: 14; 50% with gross revenues less than $200 million, 40% with $200 million to $499 million, 10% with $500 million to $999 million.
Region served: Worldwide.
Offices: Atlanta, Chicago, Los Angeles, Milwaukee.
1992 gross revenues: 95% from unbundled property loss control consulting/engineering, 5% from other services, including training program reviews.
Officers: Harry P. Mirijanian, president.

Asset Protection Analysts Inc.

P.O. Box 2406, Birmingham, Mich. 48012; 313-681-3847; fax: 313-681-3847

Loss control services since: 1987.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.
Staff: Six. Designations include one ASSE, one SFPE.
Region served: Nationwide.
1992 gross revenues: 70% from unbundled property loss control consulting/engineering, 30% from other risk management services.
Officers: Thomas F. Raymond, president; H. John Bates, vp Mike Umpleby, consultant.
Contact: Thomas F. Raymond.

Atlantic Inspection Co. Inc.

12300 Twinbrook Parkway, Suite 530, Rockville, Md. 20852; 301-468-3658; fax: 301-984-3807

Loss control services since: 1990.
Parent: The Hudson Group.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, safety manual development, insurance replacement cost appraisals.
Occasional services: Building plan reviews, client training.
Staff: Eight; five professionals. Designations include one CSP.
Clients: 45; 80% with gross revenues less than $200 million, 15% with $200 million to $499 million, 5% with $500 million to $999 million.
Specialties: Insurance companies, associations, real estate development, property management, wholesalers, construction firms, high technology companies.
Region served: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia.
1992 gross revenues: $180,000; 85% from unbundled property loss control consulting/engineering, 15% from other services.
Officers: Peter M. Hudson, chairman; Tony A. Bennett, president; Robert T. Healy, Raymond Robinson Jr., Tomas Scales, loss control advisors.
Contact: Tony A. Bennett.

AXIA Services Inc.

151 Farmington Ave., W101, Hartford, Conn. 06156; 203-683-3624 or 203-683-3637; fax: 203-683-3746

Loss control services since: 1972.
Parent: Aetna Life & Casualty Co.
Services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, client training, sprinkler system testing and evaluation, water supply evaluation, property audit/program consultation, building appraisals (non-market price).
Staff: 350; 65 professionals. Designations include eight ARMs, 15 ALCMs, 18 ASCEs, one ASSE, 10 CSPs, five PEs, eight SFPEs.
Clients: 85; 70% with gross revenues less than $200 million, 20% with $200 million to $499 million, 10% with $500 million to $999 million.
Region served: Nationwide.
Offices: 45 locations in the United States.
1992 gross revenues: $6.3 million; 5% from unbundled property loss control consulting/engineering, 95% from other services.
Officers: Stephen M. Mulready, president; James D. Matthews, vp-loss control.
Contact: Joseph Labetti, sales or Anthony Maleski, customer services.

B

Biehl Engineering Inc.

N66W12659 Ravine Drive, Menomonee Falls, Wis. 53051; 414-251-8251

Loss control services since: 1960.
Frequent services: Hazard identification, building plan reviews, accident investigations/reconstruction/analysis/testimony, insurance casualty loss investigations and technical opinions, building reconstruction design and fire loss repair.
Occasional services: On-site plant loss prevention inspections, fire prevention inspections, research, client training.
Staff: Five; two professionals. Designations include one ASCE, one ASSE, one CSP, two PEs.
Clients: 50.
Region served: Worldwide.
Contact: Steven Biehl.

B. Gawain Bonner

Route 3, Box 458, Huntsville, Texas, 77340; 409-594-3804

Loss control services since: 1986.
Occasional services: On-site plant loss prevention inspections, hazard identification, building plan reviews.
Staff: One, who holds ASSE, CSP and PE designations.
Specialties: Manufacturing.
Region served: Nationwide.
Officers: B. Gawain Bonner, principal.

Joseph F. Boxmeyer Safety Consultant

P.O. Box 143, Laurelton, Pa. 17835; 717-922-4216

Loss control services since: 1982.
Frequent services: Hazard identification, client training, static electricity con-

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Home of Vulcan Matches
CORNER DELI
Vulcan

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trol.
Occasional services: On-site plant loss prevention inspections, fire prevention inspections.
Staff: One, a CSP and PE.
Clients: 10; 5% with gross revenues of $200 million to $499 million, 20% with $500 million to $999 million, 75% exceeding $1 billion.
Specialties: Chemical, pharmaceutical, tape manufacturing, printing, textile.
Region served: Nationwide and Canada.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Joseph F. Boxmeyer, safety consultant.

Gregory B. Bragg & Associates Inc.
1 Sierra Gate Plaza, Suite 230 A, Roseville, Calif. 95678; 916-783-0100 or 800-422-7244; fax: 916-783-0338

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.
Occasional services: Plant security inspections, building plan reviews.
Staff: 45; four professionals. Designations include four ARMs, one ALCM, one ASSE, two CSPs.
Clients: 72; 80% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million.
Specialties: Public agencies, construction, manufacturing.
Region served: Western United States.
Offices: Chico, Fairfield, Redding, Sacramento, Stockton and Walnut Creek, Calif.
1992 gross revenues: $2.4 million; 5% from unbundled property loss control consulting/engineering, 95% from other services, including risk management, risk control, claims management.
Officers: Gregory B. Bragg, president; Lee Collins, vp/secretary; Jeff Kimball, chief financial officer.
Contact: Jack Kastorff, 4811 Chippendale Drive, Suite 705, Sacramento, Calif. 95841; 916-344-7995 or 800-222-7995; fax: 916-783-0338.

Frank J. Breitsameter, P.E.
1005 E. Cardinal Lane, Mt. Prospect, Ill. 60056; 708-259-8304

Loss control services since: 1982.
Frequent services: Hazard identification.
Occasional services: Fire prevention inspections, plant security inspections, client training.
Staff: One, a PE.
Region served: Nationwide
Officers: Frank J. Breitsameter.

Morley Brickman & Associates Ltd.
9221 Drake Ave., Suite 410, Skokie, Ill. 60203-1626; 708-674-2664; fax: 708-674-0096

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training, forensic engineering.
Staff: Two; one professional, an ASSE and PE.
Specialties: Construction, general industry.
Officers: Morley Brickman, president; Betty Brickman, secretary/treasurer.

British Safety Council
62-64 Chancellors Road, Hammersmith, London, England W6 9RS; 081-741-2131; fax: 081-741-4555

Loss control services since: 1957.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, safety performance audits.
Staff: 120; 12 professionals. Designations include two ASSEs.
Region served: 27 countries.
1992 gross revenues: $9 million; 30% from unbundled property loss control consulting/engineering, 70% from other services.
Officers: James Tye, director general; J. Brett; A. Matthews; G. Crockford; J. Simms; G. Trainer; C. Hedge.
Contact: James Tye.

Ken Buhler Associates Inc.
11 Erita Lane, Smithtown, N.Y. 11787; 516-360-3770

Loss control services since: 1976.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; plant security inspections; hazard identification; building plan reviews; client training; sprinkler system analysis, review and design; loss investigations; expert witness; subrogration potential.
Occasional services: Publications, research.
Staff: Four; three professionals. Designations include one ASSE, two PEs, one SFPE.
Clients: 10% with gross revenues less than $200 million, 20% with $200 million to $499 million, 40% with $500 million to $999 million, 30% exceeding $1 billion.
Specialties: Warehouse and storage facilities.
Region served: Worldwide.
1992 gross revenues: 90% from unbundled property loss control consulting/engineering, 10% from other services.
Officers: Ken Buhler, president; Randy Buhler, Sandy Relkin, vps.

C

Chubb Services Corp.
25 Independence Blvd., Warren, N.J. 07059; 908-580-7176; fax: 908-580-7187

Loss control services since: 1991.
Parent: Chubb & Son Inc.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training.
Occasional services: Plant security inspections, building plan reviews.
Staff: 15; five professionals. Designations include CSPs, PEs, SFPEs.
Specialties: Manufacturing, electronics, printing, metal workers, warehousing, plastics.
Region served: Nationwide.
Offices: Westborough, Mass.
Officers: Robert Felch, president; Art Billington, vp-technical services; Robert Santoro, vp-marketing.
Contact: Art Billington.

CIGNA Worldwide Inc. -Loss Control Services
1601 Chestnut St., TLP50, Philadelphia, Pa. 19192; 215-761-1130; fax: 215-761-5486

Loss control services since: 1910.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, business interruption studies, fire loss potential estimates, pre-emergency planning training.
Occasional services: Plant security inspections, publications, research, client training.
Staff: 130; 97 professionals. Designations include three ARMs, seven ASSEs, two CSPs, eight PEs, 24 SFPEs.
Specialties: U.S based multinational businesses.
Region served: Worldwide.
Offices: 44 offices in: Australia, Canada, Continental Europe, Japan, Latin America, Southeast Asia, United Kingdom, United States.
1992 gross revenues: 15% from unbundled property loss control consulting/engineering, 85% from other services, including insurance related services.
Officers: Richard S. Wnek, vp-loss control services.

Cohen & Associates
4790 Mt. Helix Drive, La Mesa, Calif. 91941; 619-464-4427; fax: 619-670-4264

Loss control services since: 1977.
Frequent services: On-site plant loss prevention inspections, hazard identification, research, expert witness and forensic consulting, ergonomics consulting.
Occasional services: Building plan reviews, publications, client training.
Staff: Nine; six professionals. Designations include five ASSEs, three CSPs, two PEs.
Specialties: Retail, manufacturing, construction, transportation.
Region served: Nationwide.
1992 gross revenues: $650,000.
Officers: H. Harvey Cohen, principal.

CONFIRM Inc.
111 B Green St., Albany, N.Y. 12202; 518-426-9301; fax: 518-426-9298

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Loss control services since: 1990.
Frequent services: On-site plant loss prevention inspections, hazard identification, research.
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, client training.
Staff: Three; one professional an ARM, ALCM, and ASSE.
Clients: Four; 100% with gross revenues less than $200 million.
Region served: Northeast.
Officers: James P. Faughnan Jr., president; Charles H. Cornish, vp; Paul J. Czesak, director-engineering services
Contact: James P. Faughnan Jr.

Conniffe & Co.

P.O. Box 61020, Columbia, S.C. 29260; 803-790-0030

Loss control services since: 1991.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification.
Occasional services: Plant security inspections, building plan reviews, publications, research, client training, complete safety programs.
Staff: Nine; five professionals. Designations include one ARM, four ASSEs.
Clients: Nine; 60% with gross revenues of $200 million to $499 million, 40% with $500 million to $999 million.
Specialties: Commercial insurance companies.
Region served: North Carolina and South Carolina.
1992 gross revenues: $90,000; 100% from unbundled property loss control consulting/engineering.
Officers: George Conniffe, Randi Conniffe, owners.
Contact: George Conniffe.

Construction Technology Labs Inc.

5420 Old Orchard Road, Skokie, Ill. 60077-1030; 800-522-2285; fax: 708-965-6541

Loss control services since: 1987.
Parent: Portland Cement Assn.
Frequent services: On-site plant loss prevention inspections, building plan reviews, client training, determination of loss.
Occasional services: Fire prevention inspections, structural review.
Staff: 125; 76 professionals. Designations include 13 ASCEs, 38 PEs.
Clients: 865; 24% with gross revenues less than $200 million, 16% with $200 million to $499 million, 20% with $500 million to $999 million, 40% exceeding $1 billion.
Region served: Worldwide.
Offices: Seattle.
1992 gross revenues: $12.6 million; 36% from unbundled property loss control consulting/engineering, 64% from other services, including failure analysis and materials evaluation.
Officers: John Fraczek, president; W. Gene Corley, Henry G. Russell, vps.
Contact: W. Gene Corley.

Consulting Services

12 Jerrys Drive, Burlington, N.J. 08016; 609-386-3788; fax: 609-386-5639

Loss control services since: 1981.
Frequent services: On-site plant loss prevention inspections, plant security inspections, hazard identification, client training.
Occasional services: Fire prevention inspections, building plan reviews, publications, research, oil spill contingency planning and clean up.
Staff: Two; one professional, an ASSE.
Clients: 90% with gross revenues less than $200 million, 5% with $200 million to $499 million, 3% with $500 million to $999 million, 2% with $1 billion to $3.5 billion.
Specialties: Spill cleanup contractors, transporters, chemical/petrochemical industry.
Region served: Worldwide.
Offices: Massachusetts.
1992 gross revenues: $150,000; 25% from unbundled property loss control consulting/engineering, 75% from other services.
Officers: Thomas F. Dalton, chairman; Sally M. Dalton, administrative assistant.
Contact: Thomas F. Dalton.

Crawford & Co./ The FPE Group

5620 Glenridge Drive, N.E., Atlanta, Ga. 30342; 404-847-4128; fax: 404-847-4127

Loss control services since: 1967.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, fire alarm system design, fire supression system design, probable maximum loss/maximum foreseeable loss studies, loss control training, disaster recovery, technical loss analysis, safety management, industrial hygiene, ergonomics.
Occasional services: Plant security inspections, research.
Staff: 126; 93 professionals. Designations include six ARMs, nine ALCMs, two ASCEs, 41 ASSEs, 36 CSPs, 16 PEs, 17 SFPEs.
Clients: 350; 47% with gross revenues less than $200 million, 14% with $200 million to $499 million, 19% with $500 million to $999 million, 20% exceeding $1 billion.
Specialties: Petrochemical, mining, electrical utilities, chemicals, pharmaceuticals, gas/oil, food manufacturing, commercial properties.
Region served: Worldwide.
Offices: Boston; Cleveland; Clifton, N.J.; Dallas, Houston and San Antonio, Texas; Detroit; Fairfax, Va.; Hartford, Conn.; Lafayette and Long Beach, Calif.; Orlando, Fla.; Philadelphia; St. Louis; St. Paul, Minn.; Schaumburg, Ill.; Seattle; Winston-Salem, N.C.
1992 gross revenues: $632 million.
Officers: F.L. Minix, chairman/CEO; J.G. Sybert, senior vp; G.W. Hundley, R. Little, assistant vps.
Contact: Garry W. Hundley.

Creative Solutions

7865 Plains Road, No.2, Mentor, Ohio 44060; 216-257-3411; fax: 216-257-9666

Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; publications; research; client training; liability, crime, fleet, workers comp loss control and risk management reviews; OSHA and EPA compliance programs/report filing; hazardous waste training; employee right-to-know training; laboratory safety programs and training; industrial hygiene sampling analysis.
Occasional services: Plant security inspections, building plan reviews.
Staff: Three; two professionals. Designations include one ALCM, one ASSE.
Clients: 75; 90% with gross revenues less than $200 million, 9% with $200 million to $499 million, 1% with $500 million to $999 million.
Specialties: Boat dealers/marinas, urban public school systems, urban mass transit authority, country clubs, plastic manufacturers, gear manufacturers, electroplaters, universities.
Region served: Indiana, Kentucky, Maryland, Western New York, Ohio, Pennsylvania, West Virginia, District of Columbia.
1992 gross revenues: $200,000; 40% from unbundled property loss control consulting/engineering, 60% from other services.
Officers: Peter M. Dell, president; Nancy M. Dell, vp; Barbara A. Brown, executive assistant.
Contact: Peter M. Dell.

Cygan & Cygan

13423 DeMott Court, Warren, Mich. 48093; 313-757-2126; fax: 313-757-2126

Loss control services since: 1991.
Frequent services: On-site plant loss prevention inspections, safety alert newsletters.
Occasional services: Fire prevention inspections, hazard identification, publications, research, client training.
Staff: Two; one professional, a CSP, PE and SFPE.
Specialties: General industry, health care, municipalities.
Region served: Worldwide.
Officers: W. Cygan, president.

D

DNV International Loss Control Institute Inc.

P.O. Box 1898, 4546 Atlanta Highway, Loganville, Ga. 30249; 404-466-2208; fax: 404-466-4318

Parent: Det Norske Veritas, Oslo, Norway.
Frequent services: On-site plant loss prevention inspections, building plan reviews, publications, research, client train-

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ing, loss control management consulting services including loss control management systems program auditing and customized systems development.

Occasional services: Plant security inspections, hazard identification.

Staff: Designations include two ARMs, six ALCMs, 30 CSPs, six PEs, three SFPEs.

Clients: 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 70% exceeding $1 billion.

Specialties: Oil and gas, processing industry.

Region served: Worldwide.

Offices: Houston; San Francisco; Frankfurt, Germany; London; Oslo, Norway; Paris; Rotterdam, Netherlands; Singapore.

1992 gross revenues: $14 million, 100% from unbundled property loss control consulting/engineering.

Officers: Per Olaf Brett, president; David McCollough, controller; Bob Arnold, manager-consulting services; Mike Clyde, manager-public training services; Jeff Bohon, manager-Loss Control Management Center support services.

Contact: Susan Arnold, commercial director.

E

EQE International
44 Montgomery St., Suite 3200, San Francisco, Calif. 94104; 415-989-2000; fax: 415-397-5209

Loss control services since: 1981.

Frequent services: Hazard identification, building plan reviews, publications, research, client training, earthquake engineering, loss estimation software for natural hazards, HAZOP studies, crisis management.

Occasional services: On-site plant loss prevention inspections, fire prevention inspections.

Staff: 250. Designations include 150 PEs.

Clients: 50; 40% with gross revenues less than $200 million, 10% with $200 million to $499 million, 20% with $500 million to $999 million, 30% exceeding $1 billion.

Specialties: Insurers; reinsurers; Fortune 1000 corporations with facilities on the Pacific Rim, California and Midwest.

Region served: Worldwide.

Offices: Irvine and Sacramento, Calif.; St. Louis; Stratham, N.H.; Bulgaria; Warrington, U.K.

1992 gross revenues: $28 million; 50% from unbundled property loss control consulting/engineering, 50% from other services, including risk assessments and safety engineering.

Officers: Peter I. Yanev, chairman; Douglas O. Frazier, president; Stephen Hom, James J. Johnson, senior vps.

Contact: Raymond H. Kincaid, vp.

EnviroMed Services Inc.
25 Science Park, New Haven, Conn. 06511; 203-786-5580; fax: 203-786-5579

Loss control services since: 1988.

Frequent services: On-site plant loss prevention inspections, hazard identification, publications, client training.

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

Staff: 55; eight professionals. Designations include one CSP, one PE.

Clients: 75% with gross revenues less than $200 million, 15% with $200 million to $499 million, 5% with $500 million to $999 million, 5% with $1 billion to $3.5 billion.

Specialties: Industrial and manufacturing.

Region served: Connecticut, New York, Massachusetts.

1992 gross revenues: 15% from unbundled property loss control consulting/engineering, 85% from other services, including training and environmental consulting.

Officers: Lawrence J. Cannon, president; Ronald T. Suski, vp.

Contact: Donna Warrington, marketing coordinator.

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

Loss control services since: 1985.

Frequent services: On-site plant loss prevention inspections, hazard identification, client training, pollution liability insurance assessments, environmental audits and risk assessment surveys, property site assessments, hazardous waste management.

Occasional services: Publications, research.

Staff: 40; 32 professionals. Designations include four PEs.

Clients: 30% with gross revenues less than $200 million, 25% with $200 million to $499 million, 25% with $500 million to $999 million, 20% exceeding $1 billion.

Specialties: Environmental impairment liability insurance carriers, financial institutions, real estate developers, general manufacturing, chemical, petroleum, waste management companies.

Region served: Worldwide.

Offices: Clifton, N.J.; Brussels, Belgium.

1992 gross revenues: 50% from unbundled property loss control consulting/engineering, 50% from other services, including permit applications, air and water quality and hazardous waste studies, hydrogeologic/groundwater contamination studies, cogeneration facility li-

Continued on page 30

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Alphabet houses' ally here at home, NAIB looks abroad

By NANCY P. JOHNSON

WASHINGTON—The National Assn. of Insurance Brokers has a new goal: readying its members for participating in a global insurance marketplace.

It will take some doing, especially when added to the NAIB's current goals of representing insurance brokers' interests in state and federal issues, but the group is up to the task, says its outgoing chairman and chief executive officer, Alan G. Page.

Last year, the NAIB actively helped brokers become global exporters of services, said Mr. Page, who is senior vp and director of Johnson & Higgins.

The upcoming year will give the NAIB an opportunity to build on existing issues as well as new ones, said Philip F. Petronis, who is assuming the posts of chairman and CEO today.

Continued on page 26D

Now in the big leagues, NACSA makes its mark

By MARK A. HOFMANN

WASHINGTON—In the beginning was an annual meeting at The Greenbrier, where producers and underwriting leaders met at the West Virginia mountain resort to discuss the state of the property/casualty industry.

In fact, the Greenbrier meeting virtually was the National Assn. of Casualty & Surety Agents' sole activity for decades. But, even though the annual October gathering—held in conjunction with the National Assn. of Casualty & Surety Executives—remains the centerpiece of NACSA's activities, the producer trade group is getting a reputation for being a power on Capitol Hill as well.

"They're a first-rate organization," said Andrew Wright, vp-federal affairs for the American Insurance Assn. in Washington. "They're not bound by any particular ideology—they're problem-solving, practical people," he added.

Mr. Wright called Ken Crerar, NACSA's executive vp and top-ranking staffer since 1989, and Joel Wood, the group's vp-government affairs, "consummate lobbyists" who are known and

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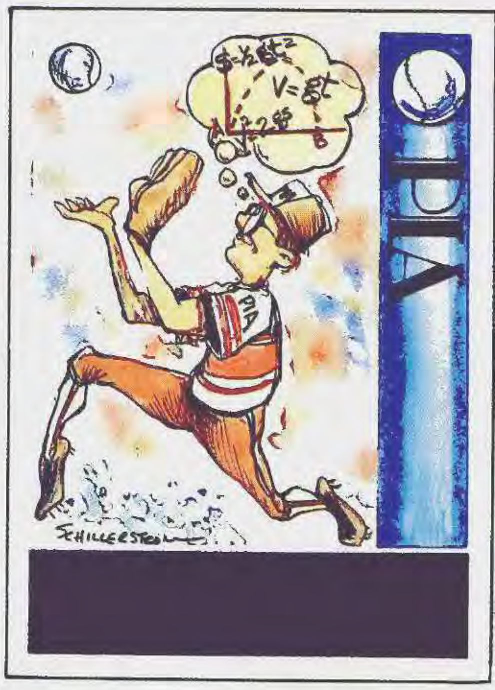

Have money, will lobby: 'Big I' is voice for small firms

By SALLY ROBERTS

ALEXANDRIA, Va.—For almost 100 years, the Independent Insurance Agents of America Inc. has attempted to focus on one goal—to assure the success of independent agents.

As the lobbying voice for independent agents on Capitol Hill and by providing members with advice, counseling and educational programs, the IIAA has built itself into the nation's largest independent insurance agents trade association.

It now represents a network of more than 280,000 agents and their employees. Of its member agents, 43% are from rural areas or small towns, and one-third of member agencies employ three or fewer employees.

The "Big I"—as it is often called—prides itself as "constantly working to respond to independent agents' needs," said Beth Call, assistant vp of communications for the IIAA in Alexandria, Va.

To ensure that it is responsive to its members, the IIAA is governed "from the bottom up," she said. The association is directly answerable to its 51 state associations, including the District of

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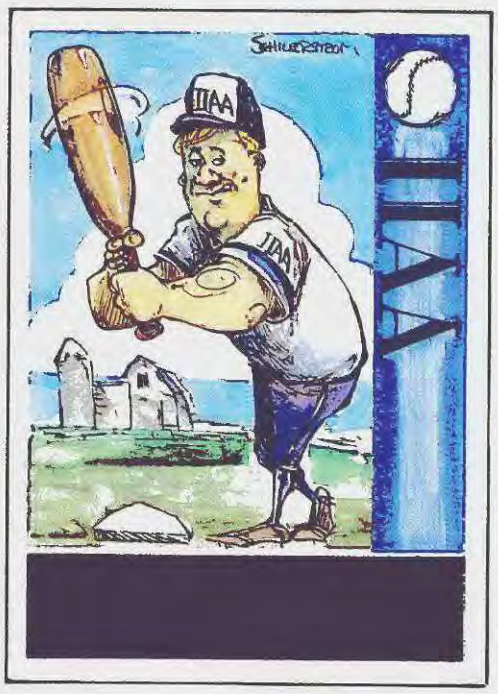

Its roots in mutuals, PIA today strives to lead in education

By SALLY ROBERTS

ALEXANDRIA, Va.—The National Assn. of Professional Insurance Agents has evolved from its beginning as a trade group for independent agents representing mutual insurers to a nationwide organization devoted to meeting the needs of all independent agents.

The National Assn. of Mutual Insurance Agents was formed in 1931 and, in 1935, mutual agents in North Carolina formed the first state NAMIA organization.

Since then, NAMIA has become the PIA and state groups have been established in all 50 states, the District of Columbia, Puerto Rico and the Caribbean.

The PIA's membership now includes 180,000 independent agents and their em-

Continued on page 26H

IIAA

Continued from page 26A

Columbia. Each state is responsible for electing one representative to the national board of directors, which "sets the policies and tone of the association."

Other associations are more "top-down," in which the national board of directors dictates to the individual state associations, she said.

The IIAA's "primary focus is its grass-roots lobbying efforts," said Jeffrey A. Myers, assistant director of public affairs for the IIAA in Washington.

In fact, Fortune magazine has cited the IIAA as one of the top 10 lobbying organizations on Capitol Hill.

In addition to distributing information out of Washington to agents and encouraging them to write and meet with members of Congress, the IIAA contributed $767,000 to its political action committee, InsurPac, in the 1991-1992 election cycle, Mr. Myers said.

Three current major issues on which the IIAA is lobbying Congress include the tax treatment of intangible assets, the separation of banking and insurance, and health care reform.

The IIAA helped create legislative clarification after the Internal Revenue Service issued a "coordinated issue paper" in 1990 that denied the amortization of intangible assets, including insurance expirations and customer lists.

Last month, the Supreme Court ruled in a 5-4 decision that intangible assets are distinguishable from goodwill and can therefore be depreciated if agents can prove they have a useful life and a dollar value (*A/BT*, May 3).

But because the IRS can still challenge the valuation and useful life of intangibles, the IIAA continues to be a strong lobbying voice on this issue to Congress. It supports omnibus tax legislation, H.R. 13, introduced by Rep. Dan Rostenkowski, D-Ill., that calls for a uniform, 14-year recovery for all intangible assets acquired after July 25, 1991.

Another major issue in which the IIAA is heavily involved is the fight to keep large banks with small-town branches from selling insurance nationwide.

The IIAA sued the U.S. Comptroller of the Currency after it issued a ruling permitting national banks operating in towns with fewer than 5,000 residents to sell insurance nationwide.

On April 19, lawyers for the banking and insurance industries argued before the Supreme Court and a decision is expected this summer (*A/BT*, May 3).

Health care reform is another issue at the forefront of the IIAA's lobbying efforts. The IIAA has met with key members of Congress to discuss the development of a new health care proposal and has consulted with the Clinton administration on its reform plans.

The IIAA "was the only insurance agent association that testified in front of the White House's health care task force," Mr. Myers said. IIAA President Eric G. Gustafson told Vice President Al Gore at the first public hearing that any health care reform plan must include a role for insurance agents.

In addition to being independent agents' voice on Capitol Hill, the IIAA is also devoted to enhancing its member agents' performance.

For example, last year, the IIAA created a "Presidential Commission" to investigate ways of enhancing agencies' value. Studies show that during the past five years, agencies have lost 30% of their value, according to Ms. Call.

The commission is studying the business practices of the most successful independent agencies. "We're going into the best agencies and finding out what makes them so good," she said.

With this data, a "best-practices study" will be created that identifies the elements that make agencies successful and increase their value.

Research and focus groups are also being conducted to evaluate the working environment of agencies and insurers, she said. Results will be revealed at the annual IIAA convention in San Francisco Sept. 11-15.

In addition to efforts to enhance agency value, the IIAA is very involved in finding markets for its members, Ms. Call said.

Agents are seeing market availability problems, especially for property insurance in coastal areas. The IIAA has responded to its members' needs by finding non-traditional ways of providing markets, Ms. Call said.

For example, the IIAA is working with the American Assn. of Managing General Agents to expand access to other insurance markets, she said.

There are many agent associations that independent agents can choose to join, including the National Assn. of Professional Insurance Agents, the National Assn. of Insurance Brokers and the National Assn. of Casualty & Surety Agents.

Many agents are members of more than one trade association. In fact, about 50% of the IIAA's membership also belong to the PIA, Ms. Call said. While the members of the NAIB and NACSA are mainly very large brokers, the IIAA and the PIA serve similar members, she said.

In 1982, merger talks began between the IIAA and the PIA, but came to a halt in September 1992 when the PIA backed out (*A/BT*, Oct. 5, 1992).

At its November convention, the PIA resolved not to engage in merger discussions in the foreseeable future, she said.

Even though the national associations are not merging, many state agent associations have merged. Organizations in nine states—Colorado, Illinois, Kansas, Massachusetts, Michigan, Minnesota, Missouri, Oklahoma and West Virginia—now represent both the IIAA and the PIA under one umbrella, she said, adding Texas is "on the brink" of merging its associations.

There is a compelling reason to consolidate the PIA and the IIAA, Ms. Call said.

Together, there would be truly one voice advocating issues for independent agents. If unified, the voice would be stronger and have an even greater impact on Capitol Hill. BI

PIA agenda

Continued from page 26A

ployees from both private and public insurance companies.

Under a new theme, "The PIA Advantage," the association's agenda for independent agents includes:

- Enhancing and developing new educational programs.
- Providing ways of finding new contracts, markets and profit centers.
- Strengthening state regulation by lobbying lawmakers.
- Helping to build a positive public image.
- Making new business technology available.

Although the PIA's membership resembles that of the Independent Insurance Agents of America—50% of its members also belong to the IIAA—the groups concentrate on different issues.

Longstanding talks on the subject of merging the two associations broke off last year, when the PIA withdrew from discussions (*A/ET*, Oct. 5, 1992).

Throughout the history of the associations, the PIA has been known for its "high concentration in the educational area," whereas the IIAA "spends more time on federal legislative issues," according to PIA National President Jerry Hargrove, who is also president of Northside Insurance Services in Roswell, Ga.

The PIA's "educational programs are superior" to any other agent association, contends Bob Davies, vp-marketing for Davies & Associates in Murray Hill, N.J. Mr. Davies is a board member of the Young Insurance Professionals, part of the PIA of New Jersey.

The PIA's education programs are designed to keep agents up-to-date on the changes in insurance and to provide continuing education and designation courses, Mr. Hargrove said.

Successful educational programs offered by the PIA include a professional designation program for customer service representatives, self-study courses for agents and its national school, Mr. Hargrove said.

Through the association, agency CSRs can receive their Certified Professional Service Representative designation.

"The PIA's CPSR program is the only designation program that has a three-part option," Mr. Hargrove said. CSRs can choose a career path in personal lines, commercial lines or both. Other associations that offer this designation do not offer a choice of focus.

The PIA also offers self-study programs, in the form of videos, for agents needing additional education.

For example, a video titled "Introduction to Insurance" is designed to "familiarize new hirees with the insurance business," Mr. Hargrove said.

For those agents who learn better in the classroom, the PIA is in the process of regionalizing its national school, he said.

Currently, Illinois State University in Bloomington co-sponsors a comprehensive program for agents with and without an insurance background. Agencies can send employees for one week of "basic" training or for two weeks of "advanced" training, he said.

PIA affiliates are working on finding the best location for two or three additional schools, "making it more accessible" to its members, Mr. Hargrove said. He estimates that by 1994, additional sites will be available.

In addition to better accessibility, regionalizing the school will also let the PIA's state affiliates "play a role" by co-sponsoring the venture with the national PIA, he said.

"One of the biggest values of the PIA" is its continuing education programs, Mr. Hargrove contends. Each state affiliate offers educational seminars, courses and classes to increase agent skill levels and keep them abreast of changes in state laws.

The national association also sends two attorneys across the country to conduct errors and omissions seminars for the state affiliates.

In addition to its educational commitment, the PIA has invested in a "sophisticated membership data base," Mr. Hargrove said.

One area that agents are concerned about is developing new markets. The PIA has responded by developing "Business Link." Through this program, which is free to PIA members, agents complete a profile form that is entered into a national computer database and matched with demographic profiles provided by participating insurance companies.

Business Link is "different from the usual meat market, where both agents and insurance companies show up at conventions and talk about getting together." Participating insurance companies can access information on all the agents and find a match for them, Mr. Hargrove explained.

Agents will have a chance to use the PIA Business Link at the trade associations upcoming national conference in Hawaii Oct. 24-27.

The PIA also is playing a role in Washington as a voice for independent agents' concerns, Mr. Hargrove said. Two areas the PIA is "always on the Hill working on and testifying for" include crop and flood insurance reform, Mr. Hargrove said.

The national PIA believes the best approach to flood insurance reform to protect farmers from catastrophic losses is a program in which the government works with agents and private insurers. It opposes efforts to place the sale of crop insurance with the Agricultural Stabilization & Conservation Service, a branch of the U.S. Department of Agriculture.

The PIA supports the federal government's National Flood Insurance Program, through which property owners can buy coverage for flood losses. For the federal flood program to continue, the PIA contends that strong land-use measures, including restrictions on new construction in flood-prone areas, need to be implemented.

In addition, PIA supports private insurers that write flood policies with government underwriting support. BI

NALU will help agents readjust after health reform

WASHINGTON—The National Assn. of Life Underwriters is ready to help its agent members deal with national health care reform, no matter what shape it may take.

"Our principal focus is the impending health care proposals. But at this point, it is a lot like shadow boxing—we don't know if we are for or against it," remarked Jack E. Bobo, executive vp and chief executive officer of the Washington-based group. "But, based on the trial balloons sent up, most are proposals we have a pretty dim view of."

NALU was founded in 1890 to establish proper business practices for life and health insurance agents. Today, NALU and its three affiliated groups—the Assn. for Advanced Life Underwriting, the Assn. of Health Insurance Agents, and the General Agents & Managers Assn.—form a federation of 1,000 state and local associations representing 142,000 members.

NALU promotes its goals through education programs for life and health insurance agents as well as lobbying efforts on a variety of issues that affect agents and policyholders.

NALU provides educational materials to state and local affiliates, which sponsor seminars in topics like estate and pension planning, managed care, long-term health care benefits, business continuation plans and executive compensation programs.

Membership surveys show that NALU members believe the group's No. 1 priority is to provide education, said Paul Meyer, assistant vp-marketing and membership services. The group hopes to hit the ground running with programs to teach agents how to adjust to business conditions under national health care reform, he added.

Health care reform and other issues are addressed by NALU's four full-time government affairs staffers. For example, NALU lobbies against efforts to: repeal the McCarran-Ferguson Act; allow banks to engage in insurance activities; impose federal regulation of insurance or insurer solvency. The group supports universal, affordable access to health insurance coverage and establishment of minimum standards for long-term health care policies.

Mr. Bobo will be retiring on Sept. 30. He 15-year tenure at NALU was preceded by a 20-year career at New York Life Insurance Co.

Mr. Bobo will be succeeded by William V. Regan III, who is currently executive vp.

—By Nancy P. Johnson

Agent/Broker Topics

Brokers not liable for claim unpaid by Beacon

'We were the only deep pockets left'

By MICHAEL SCHACHNER

CINCINNATI—In yet another chapter of a 12-year saga of deals gone bad, allegations of fraud and multiple bankruptcies, a U.S. bankruptcy judge has dismissed claims against several prominent insurance brokers.

After collecting only $300,000 from now-liquidated financial guarantee insurer Beacon Insurance Co. and settling with the now-bankrupt partnership that originally agreed to purchase $6 million of coal mining equipment, creditors of bankrupt Highway Equipment Co. have fallen short in their attempt to collect from a group of brokers that placed the financial guarantee coverage.

U.S. Bankruptcy Judge Burton Perlman in April dismissed allegations of fraud, breach of contract and negligence by Highway's creditors against Alexander Howden Ltd. and its parent, Alexander & Alexander Services Inc., as well as Crump E&S Group and one of its wholesale subsidiaries. Crump's successor company now is a unit of Sedgwick Group P.L.C.

The judge ruled that Highway's creditors failed to prove the brokers knew Beacon was either insolvent or headed toward insolvency when the coverage was placed.

The case is being appealed by Highway's creditors to the U.S. District Court in Cincinnati and may be appealed beyond that.

The complex case began in 1981 when a group of engineers obtained a contract to provide coal to General Motors Corp. The contractors needed heavy mining equipment and contacted a tax-sheltered leasing partnership called Knox Equipment Leasing.

Knox said it would lease the equipment to the consortium for the duration of the coal-drilling project.

Knox first contacted Syracuse Supply, a regional Caterpillar equipment dealer in Syracuse, N.Y. Syracuse Supply agreed to sell the equipment to Knox for $6 million, but determined on its own that the amount owed to it should be backed by financial guarantee insurance.

Syracuse contacted the Loveless Agency, a wholesale broker in Atlanta and an affiliate of Crump E&S. Loveless then contacted Alexander Howden in London to place the coverage. In response, Howden found Beacon, owned by Neill Portermain, to write a financial guarantee covering the sale of the equipment (*BI*, Dec. 15, 1986). Earlier this year, Mr. Portermain was convicted of defrauding a Bermuda-based insurer he owned (*BI*, March 15).

But just at the time the deal was to be finalized, Syracuse Supply's president backed out.

Not wanting to lose their cut of a $6 million sale, two Syracuse salespeople who had been negotiating with Knox contacted Highway Equipment. Knox and Highway ultimately agreed to essentially the same deal that Syracuse originally offered, including the requirement for financial guarantee insurance.

Problems immediately ensued. The Knox partnership made a $600,000 down payment to Highway, but never issued another check that didn't bounce. Four months later, Highway began repossessing the equipment from the drilling consortium.

After a year, Highway had repossessed and resold about $4 million of the equipment it had originally sold to Knox.

Still short $2 million on the deal, Highway filed a claim with Beacon, which the insurer denied. Beacon entered into rehabilitation shortly thereafter.

After several years, Highway settled with Beacon for $300,000 and eventually collected $1.6 million from the now-bankrupt Knox partnership. In between, Highway itself declared bankruptcy in 1985.

Last year, Highway's creditors filed suit in state court in Ohio against Loveless, Crump E&S and A&A. Due to Highway's bankrupt status, the case was moved to bankruptcy court for preliminary hearings.

On April 14, Judge Perlman tossed out the creditors' claims.

"With everyone else bankrupt, it explains why we were targeted. We were the only surviving deep pockets left in this whole crazy thing," said Joe Brunetto, an attorney with Vorys, Sater, Seymour & Pease in Columbus, Ohio, which represents A&A.

'With everyone else bankrupt, it explains why we were targeted,' says Joe Brunetto.

"They said Howden knew Beacon was belly-up at the time the coverage was placed, but we had defenses for that argument. Beacon still had an "A" rating from A.M. Best, it had significant net worth on audited statements and its entrance into rehabilitation wouldn't begin for two years after the coverage was placed," Mr. Brunetto said.

John Pinney of Graydon, Head & Ritchey in Cincinnati, which represented Highway's creditors, argued Highway's bankruptcy may have been avoided had Beacon been a solid insurer that paid Highway's claim when it was presented.

"Brokers have a duty to exercise reasonable care on behalf of the insured. We don't feel any of these brokers did that," he said. BI

Agent/Broker Topics

Miro surprised by 'lack of inquiry'

Convicted con man tells how agents and brokers aided him in insurance schemes

By DOUGLAS McLEOD

WASHINGTON—In a business of relationships, convicted insurance con man Carlos I. Miro counted heavily on his links with a wide array of agents, brokers, underwriters and lawyers, his testimony in Congress reveals.

Some of these were reputable firms that may unwittingly have helped Mr. Miro in his schemes, while some individuals have since become targets of law enforcement or congressional attention themselves and some are now in Mr. Miro's shoes: convicted of fraud.

House Oversight and Investigations Subcommittee members last month zeroed in on Mr. Miro's business connections with former employer Alexander & Alexander Inc. and with several London brokers, one of which helped him become an underwriting member at Lloyd's of London in 1983, he testified.

Mr. Miro was questioned, among other things, about how closely U.S. and London brokers had checked his background and reputation and how much they profited from their business with him.

"I was surprised at the lack of inquiry," Mr. Miro said of his dealings with Wigham Poland Ltd., a now-defunct Sedgwick Group P.L.C. unit that he said smoothed the way for him to become a Lloyd's name 10 years ago.

The firm mainly was concerned with making money on Mr. Miro's business and was happy to deal with him "because I was good pay. I always paid my reinsurance bills on time," he said.

Mr. Miro appeared before the subcommittee four years after ducking a subpoena to testify about his roles as a managing general agent for the insolvent Transit Casualty Co. and as the driving force behind the fraudulent Anglo-American Insurance Co. of Louisiana (*BI*, May 24).

Moving first to London and then to Spain, Mr. Miro sought to avoid civil litigation over the $4 billion Transit collapse and later to dodge criminal prosecution for siphoning millions of dollars of Anglo-American premiums into a network of offshore companies he controlled.

Arrested in Spain and extradited to New Orleans, Mr. Miro pleaded guilty last year to 16 wire fraud charges involving Anglo-American (*BI*, Nov. 30, 1992; June 24, 1991).

While awaiting sentencing, he has cooperated with prosecutors, who in recent months have obtained indictments and guilty pleas from several former Anglo-American officials and from former Louisiana Insurance Commissioner Sherman Bernard.

Mr. Bernard pleaded guilty in April to shaking down officials of Anglo-American and four other insurers for campaign contributions (*BI*, May 3).

Mr. Miro boasted last month of his early success as an insurance entrepreneur: He was worth more than $6 million by the time Transit collapsed in 1985 and later used Anglo-American to support a lavish existence, he told subcommittee members.

At various times, Mr. Miro owned several houses, including "your basic humble $2 million bungalow in North Dallas," a $2 million London house, an $800,000 house in Laguna Beach, Calif., and a house in Marbella, Spain, he said.

While plainly impressed with his own abilities, Mr. Miro also made it clear he didn't operate alone: He took pains to identify those who helped him, and he sought to spread the blame for the Transit and Anglo-American debacles among several former associates and partners.

After a brief stint as an underwriting trainee with Hartford Insurance Group, Mr. Miro went to work for A&A in Dallas in 1977 and rose to the level of vp and head of A&A's regional Risk Analysis & Management Group before leaving in 1980 at age 26, he testified.

Michael White, president and chief operating officer of Alexander & Alexander Services Inc., who was head of the Dallas office when Mr. Miro worked there, would not comment on Mr. Miro's testimony.

Mr. Miro moved on briefly to Insurance & Reinsurance Brokers Ltd. in Bermuda, which produced business for Phillips Petroleum Co.'s now-defunct captive, Walton Insurance Co. Ltd.

Photo by Tom Reed

Carlos I. Miro testified last month before a House subcommittee.

Deciding to strike out on his own, he formed Inter-Island Underwriters Ltd., a Turks & Caicos-based agency he acquired as a shelf company from the Bermuda law firm Appleby, Spurling & Kempe.

Inter-Island was capitalized with $120,000 contributed by several A&A officers and a former American International Group Inc. official, Mr. Miro said, adding he set up a short-lived deal in which Inter-Island produced business for an AIG reinsurance unit in Bermuda, 100% reinsured by Walton.

That deal never worked out, and Mr. Miro went on to form Miro & Associates Inc., which later became a subagent for Transit Casualty through New York-based managing general agent Donald F. Muldoon & Co.

Miro & Associates produced about $100 million in business for Transit between 1981 and 1984, about 60% of it coming from Mr. Miro's A&A contacts, he said. He estimated that A&A earned between $3 million and $6 million in commissions in the process.

Much of the Transit-fronted business was reinsured by offshore companies Mr. Miro operated, including Lafayette Reinsurance Co. Ltd. of Bermuda, an identically named company in the Isle of Man and Southern Oil Insurance Ltd. of the Cayman Islands.

He also arranged reinsurance covers with Lloyd's through Wigham Poland, a Lloyd's broker then controlled by Fred S. James & Co. Inc., now a unit of Sedgwick, he said.

Mr. Miro charged that Wigham Poland helped him achieve his reputation in the London market for "Mirospeak": It was part of the broker's strategy to "trot me out in front of underwriters. . .at renewal time, ranting and raving about trend and development factors, linear regressions, discounted cash flows, etc.," Mr. Miro testified.

The strategy "was to have me appear to have beamed in from the Spaceship Enterprise and distract them from asking substantive questions," Mr. Miro said.

Asked by Rep. Sherrod Brown, D-Ohio, if the intent was to con Lloyd's underwriters, Mr. Miro replied, "They would refer to it as clever broking, but yeah. In a word, yes."

Wigham Poland officials also invited Mr. Miro to become a Lloyd's name and "shepherded" him through the process, he testified.

Mr. Miro signed on for a 200,000 pound ($308,800) premium limit in 1983 with a Lloyd's syndicate led by underwriter John Franklin, which had led his Transit-fronted business for more than two years, he testified, adding that Wigham Poland officials told him it would be a sign of his confidence in the business.

Mr. Miro's offshore companies eventually left Transit with more than $60 million in unpaid claims. Transit filed a racketeering suit against Mr. Miro, but settled in 1988 for a $9 million payment from his companies' errors and omissions insurer (*BI*, July 11, 1988).

While Mr. Miro said Lloyd's made money on at least some of the business, Transit's receiver is still trying to collect more than $30 million of the losses directly from London underwriters.

After Transit collapsed in 1985, Mr. Miro formed Anglo-American in Louisiana and set up an Irish reinsurance affiliate that he later admitted using to divert premiums.

He also arranged Lloyd's reinsurance on the Anglo-American business through another Lloyd's broker, Blackwall Green Ltd.

Joseph Adams, Blackwall Green's corporate secretary, confirmed that the brokerage handled the Anglo-American account, initially with little reason to suspect Mr. Miro and later "with great reluctance" as it received warnings about him from U.S. contacts.

"We were extraordinarily uncomfortable—obviously we became more uncomfortable as time went on—having anything to do with the man," Mr. Adams said. "These rogue elephants turn up from time to time and people do not recognize them at first."

Anglo-American collapsed in December 1988, and Mr. Miro moved on to yet another scheme: This plan involved finding a U.S. insurer to front business for St. James Reinsurance Co. Ltd., one of three Irish shelf companies

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Mr. Miro had formed.

Mark Cooke—Mr. Miro's broker at Blackwall Green, who had left to form his own London firm, Stirling Cooke Insurance Brokers Ltd.—arranged to shift the Lloyd's reinsurance previously backing Anglo-American to protect St. James Re, Mr. Miro testified.

Mr. Cooke could not be reached for comment.

Mr. Miro then tried to acquire two U.S. insurers—Mid-American Insurance Co. of Bossier City, La., and Oxford Indemnity Insurance Co. of Wyoming—to complete the chain.

Neither effort succeeded, and the two insurers later collapsed.

In 1990, after the House subcommittee issued its scathing report on the Transit debacle and other regulatory matters, Mr. Miro's Lloyd's members agency urged him to resign as a Lloyd's name, and he did, Mr. Miro testified.

During his years as an underwriting member, Mr. Miro said he suffered a net loss of 35,000 to 40,000 pounds ($54,040 to $61,760).

Along with these contacts, Mr. Miro said he dealt with several other people who later became targets of law enforcement or congressional scrutiny.

These included:

- Dallas Bessant, a British citizen who also used the name Chief Wise Otter and claimed to be a member of the Sovereign Cherokee Nation Tejas, a purported Indian tribe founded in 1967 on a sandbar in the Rio Grande river.

Mr. Miro said he met Mr. Bessant in 1988 while trying to find new capital to stave off Anglo-American's insolvency, and Mr. Bessant had offered "outlandishly bogus treasury bonds" issued by the Cherokee Nation Tejas.

Mr. Miro later offered to sell Mr. Bessant one of his Irish shelf companies if Mr. Bessant could reimburse him for 5,000 pounds ($7,720) of incorporation costs.

"Bessant's reply was that he didn't have that kind of money, but he'd get it shortly if I gave him the company," Mr. Miro testified. "I told him to get lost."

Mr. Bessant later appropriated the company's name and began issuing policies on his own, Mr. Miro testified.

Mr. Bessant and Cherokee Nation Tejas were targets of a 1991 investigation by the Senate Permanent Subcommittee on Investigations (*BI*, July 1, 1991).

- William A. Schonacher Jr. and James R. Wining. Mr. Miro said he met Mr. Schonacher in 1981 when Mr. Schonacher was with Worldsurance Inc., a New Orleans-based MGA for Scottish & York Insurance Co., which Mr. Miro had planned to use as a fronting company.

He later had more extensive dealings with Mr. Schonacher and Mr. Wining when they operated World American Underwriters Inc. and Royal American Managers Inc., which were MGAs for Omaha Indemnity Co.

Omaha Indemnity won a $225 million arbitration award against RAM for negligence and fraud in 1989, and Mr. Schonacher and Mr. Wining last year pleaded guilty to criminal charges of diverting more than $20 million in premiums from the insurer (*BI*, March 23, 1992). BI

NAIC to examine national producer licensing proposal

By MARK HOFMANN

WASHINGTON—Multistate producer licensing looks like it will be on the agenda when the National Assn. of Insurance Commissioners convenes in Chicago June 20.

The NAIC's Producer Database Working Group is expected to present its recommendations on licensing to the Executive Subcommittee on Education, Research and Training.

The working group, which is chaired by Robert M. Willis, superintendent of insurance for the District of Columbia, has been meeting with agent and broker groups to solicit comments on such a system.

No draft of the licensing proposal had been prepared as of late last month, according to a spokesman for the NAIC.

Mr. Willis could not be reached for comment on the proposal, but agent groups indicated he had given out a few details in earlier meetings.

Mr. Willis has indicated the first step in a projected five-year process would be creating a producer data base for tracking agent and broker activities, said Coletta I. Kemper, director of industry and public affairs for the National Assn. of Casualty & Surety Agents in Washington.

According to Ms. Kemper, Mr. Willis, himself a former insurance agent, said the worst option would be to do nothing to reform the current system.

Ms. Kemper said that some of the components of a reformed system might be:

- A single national license.
- Uniform testing on a national basis.
- Uniform continuing education requirements.
- Uniform applications for agents.

In a new system, she added, states would have to be assured they would retain control of the licensing and enforcement process and that they would not lose revenue.

Under the Federal Insurance Solvency Act of 1993, which was drafted by Rep. John D. Dingell, D-Mich., a National Assn. of Registered Agents & Brokers would be created to provide a single license for producers that want to operate on an interstate basis.

Both NACSA and the National Assn. of Insurance Brokers have endorsed such an interstate licensing system.

Rep. Dingell's proposed system would "pre-empt state laws that are duplicative, redundant or excessive, while maintaining a very high standard for holders of that NARAB passport," according to Joel Wood, NACSA's vp-government affairs. BI

Agent/Broker Topics

State associations break from PIA

By DEBORAH SHALOWITZ

One state agent association is withdrawing from the National Assn. of Professional Insurance Agents and several others are poised to follow suit.

The board of directors of the Professional Independent Insurance Agents of Michigan voted May 13 to withdraw from the Alexandria, Va.-based PIA, after overwhelming approval of the proposal by the group's membership, said Fritz Lewis, the group's chief executive officer.

The decision, which is effective Sept. 1, was "based on factual information that was developed," Mr. Lewis said. "It was not based on politics."

"There will be no change in services whatsoever," he added.

The two agents associations in Michigan—groups previously affiliated with the PIA and the Alexandria. Va.-based Independent Insurance Agents of America—consolidated in January 1992.

At the time, 95% of the voting members of the two groups approved the consolidation.

For the first year, the Lansing-based consolidated group was affiliated with both the national PIA and the national IIAA. However, the board of directors decided it was not cost-effective to belong to both groups, Mr. Lewis explained.

The consolidated group's board of directors voted unanimously to disaffiliate from the PIA, Mr. Lewis said. Six of the 16 members of the consolidated group's board previously served on the state PIA board.

In response to the group's decision to disaffiliate from the PIA, the national association sent a letter to all members of the PIIAM, offering them direct membership in the national group.

"Michigan agents deserve affordable choices, not a one-party system," said PIA President Jerry Hargrove. In any state that disaffiliates with the PIA, "we will be in there with our direct affiliation campaign with the intention of creating a new affiliate," Mr. Hargrove added. "We're simply not going to desert any member who wants a choice."

However, "direct membership (will be available) only until such time as there's a rechartering" of a PIA-affiliated group, he added.

State agents associations in Texas and Oklahoma also are considering disaffiliating from the national PIA.

Ernie Stromberger, executive director of the Independent Insurance Agents of Texas, said the boards of directors of the state IIAA and the state PIA have already recommended consolidating the two groups and disaffiliating from the national PIA.

The members of the two groups were expected to approve the proposal in a vote June 5.

The members of both groups were asked which of the two national associations they preferred to affiliate with following consolidation on the state level, Mr. Stromberger related. About 80% chose the IIAA, he said.

"We're the first group to select one national group as a part of the merger" of the two state associations, he added.

The new name of the Texas agents association will be the Texas Assn. of Insurance Agents. It will be based in Austin.

The Professional Independent Insurance Agents of Oklahoma, based in Oklahoma City, is a consolidated group that will vote June 8 whether to disaffiliate from the PIA.

The proposal is expected to pass because the board of directors in January recommended such a move, said Charles Simone, executive vp and CEO of the association.

The disaffiliation would be effective July 1.

"The way it is, we just cannot pay dues to both associations," Mr. Simone said. And, "it would have been a big drop in revenue" if the group had chosen the PIA, he said.

Mr. Simone explained that both national associations have programs they sell to members, such as errors and omissions coverage for agents and health care coverage.

But the PIA keeps a portion of the revenue generated by sales of these programs to state agents, while the IIAA allows the state agents association to have all the revenue from the program, he said.

Under national affiliation with the IIAA, "we control those programs and do (them) ourselves," he stated.

Meanwhile, the PIA board voted May 23 to disaffiliate the Professional Insurance Agents of Kansas because the consolidated state group has not paid dues to the national association for members who previously did not belong to the PIA, Mr. Hargrove said. The disaffiliation will be effective June 22 if the matter is not resolved, he said. BI

Letters

A call for multicultural agency system

To the editor: The March 1 *Agent/Broker Topics* article on Crusader Insurance Co. and its commitment to the inner-city market and those agents serving inner-city communities was refreshing.

Crusader is just one company in one market. What is being done by other companies for inner-city markets throughout the United States? What this and many articles have failed to address is the insurance industry's apparent lack of commitment to diversity in its distribution system.

Today, we can hardly pick up a newspaper or magazine or listen to the electronic media without hearing about diversity and multiculturalism. Every major industry has expressed its commitment to diversity in meeting the challenge America's changing complexion poses. The insurance industry's response has been to increase its employment and promotion of men and women of color. This response, though welcomed, is clearly a unilateral one.

If the industry, which represents one of the last bastions of white maleness in America, is truly committed to diversity, it must demonstrate this by actions and not words. The industry must commit to building a diverse and multicultural agency system. This challenge is not just issued to insurance companies, but also to organizations that support the American agency system: the Independent Insurance Agents of America, Professional Insurance Agents, National Assn. of Insurance Brokers and others.

Two companies that come to mind stand out in their efforts to achieve inclusion: State Farm Group and Travelers Corp. State Farm has and is appointing agents of color in inner-city agencies where the retiring owner has no successor. The challenge for State Farm, however, is not to limit agents of color to inner-city agencies but to provide agency ownership opportunities in suburban communities as well.

Travelers, through its financial services emerging markets division, has appointed more than 400 agents of color across the United States to represent Travelers financial services products in communities of color. These appointments are not just limited to the emerging communities.

In both cases, these companies are leading the way in developing a diverse agency force and providing the resources necessary for their success.

It is time for the rest of the industry to follow State Farm and Travelers' lead.

Michael Glapion
Chief Operating Officer
Premier Network
Service Group, P.A.
Minneapolis

AB/T Briefs

New antifraud group is studying auto laws

WASHINGTON—A new group dedicated to fighting insurance fraud is studying the effectiveness of state laws against automobile insurance fraud this week.

The Washington-based Coalition Against Insurance Fraud currently has 16 members representing insurance, consumer and government, including the American Insurance Assn. and the Consumer Federation of America, according to Dennis Jay, the coalition's executive director.

Mr. Jay, former publisher of "Lodging" magazine and former vp-communications for the National Assn. of Professional Insurance Agents, said that the coalition will focus on consumer and insurer fraud.

He said the coalition is modeled after Advocates for Highway & Auto Safety, an insurer-consumer coalition that promotes safety-related issues.

The new antifraud coalition will act as both a source for public information and as an advocate for antifraud legislation at both the state and federal levels, according to Mr. Jay.

—By Mark Hofmann

Connecticut rejects bank annuity sales

HARTFORD, Conn.—The Connecticut House of Representatives last month rejected a bill that would have allowed state-chartered banks to sell annuities.

Legislators defeated the bill by an 80-65 vote, preserving the exclusive right of Connecticut insurance agents and stockbrokers to sell annuities.

Rep. Robert G. Gilligan, D-Wethersfield and co-chairman of the House Insurance Committee, noted that banks in other states are allowed to sell the products and that federally chartered banks may soon be allowed to join the market, freezing out state-chartered banks.

However, the measure was defeated amid heavy lobbying by insurance agents, who said banks did not have the expertise to sell annuities.

—By Douglas McLeod

Continued from page 26

censing.
Officers: Richard S. Atkins, David I. Brandwein, Gordon T. Brookman, Mitchell M. Wurmbrand, principals.
Contact: David I. Brandwein.

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

Loss control services since: 1952.
Parent: Equifax Inc.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification.
Occasional services: Plant security inspections, client training, commercial and high value residential property replacement cost valuations.
Staff: 351. Designations include 31 ALCMs, 16 ASSEs, 18 CSPs.
Clients: 1,860; 80% with gross revenues of $500 million to $999 million, 20% exceeding $1 billion.
Region served: Nationwide.
Offices: Albuquerque, N.M.; Atlanta; Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago; Columbia, S.C.; Columbus, Ohio; Dallas, Houston and San Antonio, Texas; Denver; Des Moines, Iowa; Great Falls, Mont.; Harrisburg, Pa.; Hartford, Conn.; Indianapolis; Jackson, Miss.; Lansing, Mich.; Long Island, New York and Syracuse, N.Y.; Los Angeles, Sacramento, San Diego and San Francisco, Calif.; Louisville, Ky.; Manchester, N.H.; Memphis, Tenn.; Miami and Orlando, Fla.; Milwaukee; Minneapolis; Nashville, Tenn.; New Orleans; Oklahoma City; Overland Park, Kan.; Philadelphia, Pa.; Phoenix; Pittsburgh; Portland, Ore.; Richmond, Va.; Salt Lake City; Seattle; St. Louis; Totowa, N.J.; Williston, N.D.
1992 gross revenues: $37 million; 48% from unbundled property loss control consulting/engineering, 52% from other services.
Officers: Tony O'Keefe, president; John Ruwart, Herb Schmack, Jim Zimmerman, Bill Thornton, regional vps.
Contact: Patrick Steele, loss control manager.

ESIS Inc.
1601 Chestnut St., 2 Liberty Place, Philadelphia, Pa. 19192-2105; 215-761-6779; fax: 215-761-5434

Loss control services since: 1953.
Parent: CIGNA Corp.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, highly protected risks, pre-emergency planning, hydraulics analysis, sprinkler plan review.
Occasional services: Plant security inspections, publications, research.
Staff: 450; 170 professionals. Designations include 30 ARMs, seven ALCMs, 12 ASCEs, 23 ASSEs, 74 CSPs, 28 PEs, 49 SFPEs.
Specialties: Petrochemical, public utilities, heavy construction, communication, high-rise residential, real estate holding, hotels, electronics, volume retailers.
Region served: Worldwide.
Offices: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, New York, San Francisco.
Officers: Raymond Hafner, president; Brian P. O'Hara, director-product line; Bruce Hemphill, manager-product line; Robert F. Bruce, manager-loss control.
Contact: W. Bruce Hemphill, 215-761-6784 or Robert F. Bruce, 215-761-6766.

Essential Services & Programs
159 Great Neck Road, P.O. Box 910, Great Neck, N.Y. 11022; 516-487-0432; fax: 516-487-0498

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training.
Occasional services: Plant security inspections, building plan reviews, publications, research.
Staff: 19. Designations include four ASSEs.
Clients: 100% with gross revenues less than $200 million.
Region served: Nationwide.
Officers: Gary Ricker, president; Michael J. Bednar, director-engineering services.
Contact: Michael J. Bednar.

F

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

Loss control services since: 1981.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, hazardous materials management.
Occasional services: Plant security inspections, building plan reviews, publications.
Staff: 12; eight professionals. Designations include one ARM, eight ASSEs, one CSP.
Region served: Arizona, California, Nevada.
Offices: Sacramento, Calif.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: John Farinacci, president; Marie Farinacci, vp.
Contact: John Farinacci.

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

Loss control services since: 1980.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, emergency planning.
Occasional services: Building plan reviews, publications, research.
Staff: One, a CSP.
Clients: 10% with gross revenues less than $200 million, 20% with $200 million to $499 million, 40% with $500 million to $999 million, 30% exceeding $1 billion.
Region served: Worldwide.
Officers: R. Craig Schroll, president.

FIREPRO Inc.
One Van de Graaff Drive, Burlington, Mass. 01803-5171; 617-270-5200; fax: 617-229-2922

Loss control services since: 1970.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, fire litigation support, fire scene documentation.
Staff: 11; seven professionals. Designations include three PEs, eight SFPEs.
Specialties: General business/industry, health care, property management, product manufacturers, insurance, law firms.
Region served: Nationwide.
Officers: Lee C. DeVito, president; M. Jacqueline Dupont, treasurer.
Contact: Lee C. DeVito.

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

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, building plan reviews, research, client training, design of retrofit fire sprinkler systems, fire protection system design, special hazards system design, fire alarm system design, exit analysis studies, computer fire modeling, code equivalency documentation.
Occasional services: Hazard identification, publications.
Staff: Seven; four professionals. Designations include one PE.
Clients: 33; 100% with gross revenues less than $200 million.
Specialties: Municipalities, architects, engineering firms, mid-size corporations.
Region served: Nationwide.
Contact: Mark Bromann, president.

Fulton Fire Engineering Inc.
1005 Baseldale, Whittier, Calif. 90601; 818-369-4343; fax: 818-330-2023

Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, building and fire code compliance review, property loss investigation, expert witness.
Occasional services: Plant security inspections, publications, research, client training.
Staff: One, an ARM, PE and SFPE.
Clients: 50; 50% with gross revenues less than $200 million, 15% with $200 million to $499 million, 15% with $500 million to $999 million, 20% exceeding $1 billion.
Specialties: Corporations, risk management, fire departments, lawyers, loss adjusters.
Region served: Alaska, Arizona, California, Hawaii, Nevada.
1992 gross revenues: $140,000; 100% from unbundled property loss control consulting/engineering.
Officers: John C. Fulton, president.

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

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, forensic investigations, codes and standards, product liability, personal injury, expert witness.
Occasional services: Building plan reviews, publications, research.
Staff: Five; three professionals. Designations include three ASSEs, two CSPs, two PEs, three SFPEs.
Clients: 100.
Region served: Worldwide.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: John M. Mertens, president.

G

Gage-Babcock & Associates Inc.
301 Maple Tower West, Suite 400A, Vienna, Va. 22180; 703-938-9132; fax: 703-938-2817

Loss control services since: 1952.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, fire modeling.
Occasional services: Gas dispersement modeling.
Staff: 58; 35 professionals. Designations include three ARMs, four ASSEs, four CSPs, 24 PEs, 27 SFPEs.
Clients: 50% with gross revenues less than $200 million, 20% with $200 million to $499 million, 20% with $500 million to $999 million, 10% exceeding $1 billion.
Region served: Worldwide.
Offices: Chicago; Los Angeles; Mt. Kisco, N.Y.; Norcross, Ga.; San Francisco; Vancouver, Canada.
1992 gross revenues: $5.6 million; 27% from unbundled property loss control consulting/engineering, 73% from other services.
Officers: Thomas W. Jaeger, president; Alfred J. Longhitano, vp/treasurer; Mario A. Antonetti, secretary.
Contact: Thomas W. Jaeger.

Gallagher Bassett Services Inc.
The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4005

Loss control services since: 1962.
Parent: Arthur J. Gallagher & Co.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, claims loss and statistical studies, ergonomics and industrial hygiene surveys.
Occasional services: Publications, research.
Staff: 1,115; 53 professionals. Designations include six ARMs, one ALCM, 20 ASSEs, 16 CSPs, one PE, three SFPEs.
Clients: 391.
Specialties: Institutional, municipal, religious, commercial manufacturing, food services, printing, hotels.
Region served: Worldwide.
Offices: Atlanta; Los Angeles; Miami; Middleburg, Va.; Schaumburg, Ill.; St. Louis.
1992 gross revenues: $9.2 million; 42% from unbundled property loss control consulting/engineering, 58% from other services, including package programs.
Officers: John G. Campbell, chairman; Peter J. Durkalski, president; Rick McKenna, Fred Potenza, Rick Rothman, executive vps.
Contact: Fred Potenza.

The Gardner Group Inc.
P.O. Box 208, 55 Perry Ave., Warsaw, N.Y. 14569; 800-333-0625; fax: 716-786-2141

Loss control services since: 1983.
Frequent services: Fire prevention inspections, property/casualty loss control inspections, premium audits on estimated based insurance policies.
Staff: 56; 29 professionals.
Specialties: Property and casualty insurance companies and managing general agents.
Region served: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.
Officers: Richard L. Gardner, president.
Contact: Robert L. Gardner or Cathy J. Syble.

General Health & Safety Services Corp.
P.O. Box 290, Oregon, Wis. 53575-0290; 608-835-9109 or 800-236-0063; fax: 608-835-8863

Loss control services since: 1978.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training, testing.
Occasional services: Fire prevention inspections, building plan reviews, publications, research.
Staff: 10; five professionals. Designations include three ASSEs, one CSP.
Clients: 100; 10% with gross revenues less than $200 million, 80% with $200 million to $499 million, 7% with $500 million to $999 million, 3% exceeding $1 billion.
Region served: Nationwide.
1992 gross revenues: $500,000; 100% from unbundled property loss control consulting/engineering.
Officers: Dan Hartwig, president; Diane Hartwig, vp; Dan Holcomb, technical service manager.
Contact: Dan Holcomb.

Gow Management Services Inc.
344 Delaware Ave., Buffalo, N.Y. 14202-1876; 716-856-6148; fax: 716-856-6179

Loss control services since: 1982.
Parent: S.H. Gow & Co. Inc.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training.
Occasional services: Building plan reviews, publications, appraisals to determine deductibles, programs and specialized coverages.
Staff: Seven; three professionals. Designations include one ARM, one ALCM, one ASCE, two ASSEs, one SFPE.
Clients: 75; 80% with gross revenues less than $200 million, 20% with $200 million to $499 million.
Specialties: Construction, municipalities, schools.
Region served: Nationwide.
Offices: Rochester and Syracuse, N.Y.
1992 gross revenues: $450,000; 40% from unbundled property loss control consulting/engineering, 60% from other services, including third party administration.
Officers: Jeffrey J. Gow, president; Michael S. Gow, executive vp; Richard K. Mason, senior vp.
Contact: Richard K. Mason, 716-856-1100.

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

Loss control services since: 1978.
Frequent services: Plant security inspections, hazard identification, building plan reviews, client training.
Occasional services: On-site plant loss prevention inspections, fire prevention inspections, research.
Staff: Three, all professionals.
Clients: 21; 100% with gross revenues less than $200 million.
Specialties: Educational Institutions.
Region served: Worldwide.
1992 gross revenues: $163,000; 100% from unbundled property loss control consulting/engineering.
Officers: Robert F. Jonaitis, president.

H

Harrington Group Inc.
385 Killian Hill Road N.W., Suite B, Lilburn, Ga. 30247; 404-564-3505; fax: 404-564-3509

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, halon 1301, sprinkler, fire alarm, special systems design, water supply testing and analysis, evaluation of insurance carrier recommendations and development of cost effective alternatives, supervision of system design, installation and testing, development of written property conservation programs, door fan room integrity testing of halon 1302 protected spaces.
Occasional services: Plant security inspections, publications, research, client training, property replacement cost valuations.
Staff: Eight; five professionals. Designations include four PEs, five SFPEs.
Clients: 39; 65% with gross revenues less than $200 million, 10% with $200 million to $499 million, 25% with $1 billion to $3.5 billion.
Region served: Worldwide.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Jeff L. Harrington, president; James M. Rucci, executive vp; Michael W. Banham, vp.
Contact: Jeff L. Harrington.

Hastings-Tapley Services Inc.
60 Gore St., Cambridge, Mass. 02141; 617-876-7510; fax: 617-494-1608

Loss control services since: 1987.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification.
Occasional services: Building plan reviews, research, client training.
Staff: 25; three professionals. Designations include two ARMs, one ALCM, two ASSEs, one CSP, two SFPEs.
Clients: 100% with gross revenues less than $200 million.
Specialties: Governmental entities, industry QLMP accounts.
Region served: Six New England states and New York state.
Offices: Nashua, N.H.
1992 gross revenues: $1.9 million; 14% from unbundled property loss control consulting/engineering, 86% from other services, including third party claims administration operations.
Officers: David J. Lane, chairman; Frederick J. England Jr., president; Marsha K. Burridge, E. Donald Lewis, executive vps; Ralph J. Gemelli, vp.
Contact: Ralph J. Gemelli.

Helmsman Management Services Inc.
175 Berkeley St., Boston, Mass. 02117; 617-574-5557; fax: 617-574-5552

Loss control services since: 1983.
Parent: Liberty Mutual Insurance Group.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, sprinkler protection analysis, boiler and machinery consulting services, life safety evaluations, emergency preparedness planning.
Occasional services: Plant security inspections.
Staff: 650; 60 professionals.
Clients: 200; 10% with gross revenues less than $200 million, 10% with $200 million to $499 million, 20% with $500 million to $999 million, 60% exceeding $1 billion.
Specialties: Retail industry, manufacturing, construction, transportation services.
Region served: Worldwide.
Offices: 125 locations in Canada, United Kingdom and United States.
1992 gross revenues: $24.8 million; 5% from unbundled property loss control consulting/engineering, 95% from other services, including safety consulting, claims administration, managed care, risk information services.
Officers: Gary L. Countryman, chairman/CEO; Edmund F. Kelly, president; Robert L. Barrese, Therese A. Maloney, senior vps; Amy J. Leddy, vp/manager.
Contact: James M. Rogers, director-sales/marketing.

Hewitt, Coleman & Associates Inc.
P.O. Box 3665, Greenville, S.C. 29608; 803-240-5808; fax: 803-232-8824

Loss control services since: 1923.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training.

Continued on next page

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

Staff: Seven; six professionals. Designations include four ASSEs, two CSPs, one PE.

Clients: 325.

Region served: Nationwide.

Offices: Atlanta; Birmingham, Ala.; Denver; Jackson, Miss.; Little Rock, Ark.; Orlando, Fla.; Raleigh, N.C.

Officers: Charles R. Warne, president; J. Jay Franks, senior vp-claims; Randy Chapman, vp-marketing; Ronald J. Graves, vp-loss control; Garry W. Coulter, vp-excess/reinsurance.

Contact: Ronald J. Graves.

High-Point

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

Loss control services since: 1970.

Frequent services: Hazard identification, building plan reviews, client training, forensic investigations, physical property audits.

Occasional services: On-site plant loss prevention inspections, fire prevention inspections, publications, research.

Staff: 1,200; 800 professionals. Designations include 50 PEs.

Specialties: Physical properties, heavy civil, mechanical/processing, prisons, residential, commercial.

Region served: Worldwide.

Offices: Alexandria and Williamsburg, Va.; Austin, Texas; Boston; Clearwater and Miami, Fla.; Hartford, Conn.; Irvine, Los Angeles, San Diego and San Francisco, Calif.; Laconia, N.H.; Phoenix; Roseland, N.J.; Seattle.

1992 gross revenues: $15 million.

Officers: M. Gene Bennett, president/CEO; Renwick Day, CFO.

Contact: L. Adam Winegard, manager-property loss.

J.P. Hinde Enterprises Inc.

1225 N.W. 21st. St., Suite 3207, Stuart, Fla. 34994; 407-692-9684

Loss control services since: 1980.

Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; building plan reviews; public liability safety evaluations and reviews; review and development of safety programs, policies and procedures; litigation assistance, investigation and expert opinion.

Occasional services: Publications, research, client training.

Staff: Eight, all professionals. Designations include one ASSE, two PEs.

Clients: 16; 60% with gross revenues less than $200 million, 40% with $1 billion to $3.5 billion.

Specialties: Amusement, entertainment, leisure and recreation industry.

Region served: Worldwide.

Offices: Chicago; Myrtle Beach, S.C.; Portland, Ore.; Seal Beach, Calif.

1992 gross revenues: 60% from unbundled property loss control consulting/engineering, 40% from other services, including equipment installation and evaluation, development of safety and maintenance programs.

Officers: John P. Hinde, president.

Hischar Technical Services Ltd.

P.O. Box 741, Woodbridge, N.J. 07095; 908-442-7221

Loss control services since: 1960.

Frequent services: On-site plant loss prevention inspections, plant security inspections, hazard identification, research, client training, pre-OSHA consulting, loss control software, product safety.

Occasional services: Fire prevention inspections, publications, computer disaster recovery.

Staff: 12; three professionals. Designations include one ASSE, two CSPs.

Clients: 21; 100% with gross revenues less than $200 million.

Specialties: OSHA consulting, including: process safety management, computer security, workers comp and municipal loss control.

Region served: Worldwide.

1992 gross revenues: 100% from unbundled property loss control consulting/engineering.

Officers: J. John Hischar, Deborah Higgins, Donald Sheppard.

Contact: John Hischar.

Hoffman & Associates Inc.

109B Concord Drive, Casselberry, Fla. 32707; 407-834-6006; fax: 407-834-6233

Loss control services since: 1990.

Services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training.

Staff: Three; two professionals. Designations include one CSP

Clients: 75; 100% with gross revenues less than $200 million.

Region served: Nationwide.

1992 gross revenues: 75% from unbundled property loss control consulting/engineering.

Officers: Thomas H. Hoffman, president.

Horton Insurance Agency Inc.

14400 John Humphrey Drive, Orland Park, Ill. 60462; 708-873-3000; fax: 708-873-3001

Loss control services since: 1991.

Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training.

Occasional services: Building plan reviews, publications.

Staff: 52; three professionals. Designations include one CSP.

Clients: 83; 100% with gross revenues less than $200 million.

Region served: Nationwide.

Officers: Glenn Horton, president; Charles Naso, Thomas Palmer, vps; Frank Poppie, secretary.

Contact: Gary Glader, 708-873-3325.

I

IRM Services Inc.

4401 Barclay Downs Drive, Charlotte, N.C. 28209-4604; 704-551-3000; fax: 704-551-3111

Loss control services since: 1921.

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Frequent services: On-site plant loss prevention inspections, fire prevention inspections, sprinkler plan review.
Occasional services: Plant security inspections, building plan reviews, publications, client training.
Staff: 206; 63 professionals. Designations include one ARM, two ASSEs, five PEs, 26 SFPEs.
Region served: Nationwide.
Offices: Atlanta; Chicago; Glendale, Calif.; Irving, Texas; Tarrytown, N.Y.
1992 gross revenues: $58.4 million.
Officers: R. Bruce Jamieson, president; C. David Nell, vp-regional operations; Robert E. Bebon, vp-engineering; Clyde G. Barber, secretary/treasurer.
Contact: Robert E. Bebon.

Information Security International Inc.

1700 Elton Road, Suite 100, Silver Spring, Md. 20903; 301-431-1200; fax: 301-431-0007

Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections; plant security inspections; publications; research; client training; prevention of unauthorized or prejudicial access to information and deliberate or accidental loss, distortion or manipulation of information.
Occasional services: Hazard identification, building plan reviews.
Staff: 17.
Clients: Seven.
Specialties: Financial institutions, law firms, telecommunications, insurance, accounting, computer, U.S. government and international (NATO) security and intelligence programs.
Region served: Worldwide.
Offices: Annapolis Junction, Md.; New York.
Officers: Michael J. Burke, president.

Inservco Insurance Services

3461 Market St., Suite 201, Camphill, Pa. 17011; 717-761-7735; fax: 717-763-5732

Loss control services since: 1980.
Parent: Penn National Insurance Co.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, loss prevention studies, safety management consultations, claims analysis/evaluation, employee incentive programs.
Occasional services: Plant security inspections, building plan reviews, publications.
Staff: 150; seven professionals. Designations include four ARMs, four ALCMs, four ASSEs, three CSPs, one PE, two SFPEs.
Specialties: Governmental, trade associations, educational, franchised automobile dealers, light manufacturing, food processing.
Region served: Delaware, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Virginia.
Offices: Greensboro, N.C.
Officers: James Taylor, president; Robert Conrad, executive vp; Chris Sears, treasurer/controller; Kenneth Shutts, secretary/general counsel; Michael Scheib, vp-operations.
Contact: Joseph M. Boslet, vp-safety management services, 800-356-0438 ext. 122.

Insurance Control Systems Inc.

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

Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, worker safety training/education, claims management, crisis response program development, workers comp risk protection.
Occasional services: Plant security inspections, building plan reviews.
Staff: 14; four professionals. Designations include one ARM, two ALCMs, three ASSEs, two CSPs.
Clients: 47; 100% with gross revenues less than $200 million.
Region served: Nationwide.
Offices: Atlanta; Dallas; Reno, Nev.
1992 gross revenues: $1.4 million; 95% from unbundled property loss control consulting/engineering, 5% from other services, including occasional legal witness fees.
Officers: Alfred Kirkpatrick, president; Valeta Paganelli, vp; Laura Patten, vp-operations; V. Heitkamp, controller; J. Vasquez, service manager.
Contact: Laura Patten, P.O. Box 4372, Inglewood, Calif. 90302.

Insurance & Risk Management

3811 Illinois Road, P.O. Box 1705, Fort Wayne, Ind. 46801; 219-436-1616; fax: 219-432-4083

Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training, safety programming, OSHA related compliance and training.
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, research.
Clients: 100; 85% with gross revenues less than $200 million, 13% with $200 million to $499 million, 2% with $1 billion to $3.5 billion.
Staff: Three, all professionals. Designations include two ASSEs, one CSP.
Region served: Nationwide.
Offices: Defiance and Sylvania, Ohio; Indianapolis and Muncie, Ind.
1992 gross revenues: $11 million; 2% from unbundled property loss control consulting/engineering, 98% from other services, including commissions and fees from insurance sales.
Officers: Bart Bircheff, COO; Len Koeller, Jim Van Dyck, Dewey Tagtmeyer, Jeff Johnson, account executives.
Contact: James Krouse.

Insurers Technical Services Inc.

8600 N.W. 36th St., 7th Floor, Miami, Fla. 33166; 305-599-7410; fax: 305-599-7422

Loss control services since: 1983.
Parent: Skandia Group.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, insurance underwriting surveys and services.
Occasional services: Building plan reviews, research, client training.
Staff: 14; 10 professionals. Designations include two CSPs.
Clients: 15; 20% with gross revenues less than $200 million, 50% with $200 million to $499 million, 30% with $500 million to $999 million.
Specialties: Property and casualty insurance companies.
Region served: Florida.
Offices: Maitland, Fla.
1992 gross revenues: $300,000; 50% from unbundled property loss control consulting/engineering, 50% from other services.
Officers: R.C. Chaffin, president; John Marshall, vp.
Contact: Martin R. Lerner.

Interlochen Consultants Ltd.

3742 Peninsular Shores Drive, Grawn, Mich. 49637; 616-276-6742; fax: 616-276-6742

Loss control services since: 1990.
Frequent services: Research, client training, ergonomic evaluation and training.
Occasional services: On-site plant loss prevention inspections, publications, expert witness and photography.
Staff: One, a CSP and PE.
Clients: Four; 100% with gross revenues less than $200 million.
Specialties: General industry.
Region served: Michigan and Canada.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Lowell Spence, president.

International Loss Control Institute Inc.

P.O. Box 1898, 4546 Atlanta Highway, Loganville, Ga. 30249; 404-466-2208; fax: 404-466-4318

Loss control services since: 1973.
Parent company: DNV.
Frequent services: Publications, research, client training, loss control management systems training, management systems auditing, educational product sales.
Occasional services: On-site plant loss prevention inspections, hazard identification.
Staff: 150; 120 professionals. Designations include three ARMs, 25 ALCMs, 40 ASSEs, eight CSPs, two PEs.
Clients: 10% with gross revenues less than $200 million, 20% with $200 million to $499 million, 20% with $500 million to $999 million, 50% exceeding $1 billion.
Specialties: General industry, multinational companies, petrochemical, pharmaceutical, food and beverage.
Region served: Worldwide.
Offices: Houston; San Francisco; Aberdeen, Scotland; Frankfurt, Germany; London; Oslo, Norway; Paris; Rotterdam, Netherlands; Singapore.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Per Olaf Brett, president.
Contact: Robert M. Arnold Jr. or Larry Walker.

International Risk Consultants Ltd.

31-33 Monument Hill, Weybridge, Surrey, England KT13 8RS; 44-932-854711; fax: 44-932-857368

Loss control services since: 1973.
Parent: European Risk Management Ltd.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; plant security inspections; hazard identification; building plan reviews; publications; client training; chemical process safety reviews; hazardous chemicals safety reviews; infrared thermographic surveys; halon integrity testing; nondestructive testing of tanks, pressure vessels and piping; property loss control program development.
Staff: 18; 13 professionals.
Clients: 60; 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 70% exceeding $1 billion.
Specialties: Chemical and petrochemical, food and grain, pulp and paper, mining and metals, pharmaceuticals, commercial real estate, diverse manufacturing industries.
Region served: Worldwide.
Offices: Bad Homburg, Germany; Luxembourg City; 18 locations in North America.
1992 gross revenues: $2.1 million; 100% from unbundled property loss control consulting/engineering.
Officers: G.G. Bradburn, managing director; M. Harvey, general manager; A. Milsom, engineering manager.
Contact: M. Harvey.

J

William L. Jacobs Enterprises Inc.

P.O. Box 7333, Fort Lauderdale, Fla. 33338; 305-766-9910 or 407-324-9245

Loss control services since: 1987.
Frequent services: On-site plant loss prevention inspections, hazard identification, research, client training, litigation support, expert witness service, evaluation of state safety code compliance, casualty loss control.
Occasional services: Fire prevention inspections, plant security inspections, publications.
Staff: Four. Designations include ASSEs, CSPs, PEs.
Clients: 100% with gross revenues less

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than $200 million.
Specialties: Retailers, supermarkets, malls, municipalities, construction, insurance, hotels.
Region served: Alabama, Florida, Georgia, Louisiana, Mississippi.
Offices: Osteen, Fla.
Officers: William L. Jacobs, president.

Jarry Associates
13 Riggs Court, Basking Ridge, N.J. 07920; 908-953-0567
Loss control services since: 1980.
Frequent services: On-site plant loss prevention inspections, hazard identification, research.
Occasional services: Building plan reviews, client training.
Staff: Three; two professionals, both ASSEs and PEs.
Clients: 70% with gross revenues less than $200 million, 15% with $200 million to $499 million, 10% with $500 million to $999 million, 5% exceeding $1 billion.
Specialties: Industrial manufacturing.
Region served: Nationwide.
Offices: Birmingham, Ala.; Center Conway, N.H.
1992 gross revenues: $110,000; 100% from unbundled property loss control consulting/engineering.
Officers: Harry J. Eiermann, principal consultant.

Phil Jaynes & Associates
7414 Sunpoint Lane, Sacramento, Calif. 95828-2619; 916-682-5209; fax: 916-682-5209
Loss control services since: 1972.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training, accident reconstruction, expert witness, accident investigation, burn accidents including prevention and protection.
Staff: One professional, a CSP.
Clients: 19; 100% with gross revenues less than $200 million.
Specialties: Attorneys, heavy industry.
Region served: Worldwide.
Officers: Phil Jaynes.

Rolf Jensen & Associates Inc.
1751 Lake Cook Road, Suite 400, Deerfield, Ill. 60015-5294; 708-948-0700; fax: 708-948-0866
Loss control services since: 1969.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, research, client training, fire investigations.
Occasional services: On-site plant loss prevention inspections, publications.
Staff: 130; 61 professionals. Designations include five CSPs, 42 PEs, 42 SFPEs.
Clients: 1,000.
Region served: Worldwide.
Offices: Atlanta; Concord and Yorba Linda, Calif.; Fairfax, Va.; Houston; Springfield, N.J.
1992 gross revenues: $12 million; 10% from unbundled property loss control consulting/engineering, 90% from other services, including code consulting, fire protection systems design, accessibility consulting.
Officers: Rolf Jensen, president; Ralph E. Transue, Randolph W. Tucker, James R. Quiter, senior vps; William A. Webb, senior vp/chief engineer.
Contact: George E. Toth, vp-marketing.

Jerico International Ltd.
203 Gibbons Building, 10 Queen St., Hamilton, Bermuda HM11; 809-295-0850; fax: 809-292-3704
Loss control services since: 1986.
Frequent services: Environmental protection and pollution liability.
Occasional services: On-site plant loss prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.
Staff: Six; four professionals.
Clients: 18.
Specialties: Insurance, law, accounting, financial services.
Region served: Worldwide.
Offices: Silver Spring, Md.
Officers: Gerard P. Burke, president; Andrew M. Sinclair, director/operations manager.
Contact: Gerard P. Burke.

K

Kleckner Associates
P.O. Box 357, Hibernia, N.J. 07842-0357; 201-586-2620; fax: 201-586-2620
Loss control services since: 1961.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, research.
Occasional services: Plant security inspections, building plan reviews, publications, client training.
Staff: Three; one professional.
Clients: 75% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million, 5% exceeding $1 billion.
Specialties: Manufacturing utilizing hazardous materials or byproducts.
Region served: Worldwide.
Offices: Inverness, Fla.; Whitehall, Pa.
Officers: Willard R. Kleckner, president/CEO.

L

Las Vegas Audit & Inspection Service
1621 E. Flamingo, Suite 15-B, Las Vegas, Nev. 89119; 702-369-7475; fax: 702-796-7475
Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections.
Staff: Three; two professionals.
Region served: Arizona, Nevada, Utah.
1992 gross revenues: 90% from unbundled property loss control consulting/engineering, 10% from other services, including premium audits.
Officers: Brenda A. Kawa.
Contact: K. Steven Kawa.

Collin A. Lewis, Fire Protection Consultant
P.O. Box 11792, Santa Rosa, Calif. 95406; 707-528-9617; fax: 707-528-1363
Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, building plan reviews.
Occasional services: Hazard identification, publications, research, client training.
Staff: One, an ARM and SFPE.
Specialties: Commercial, industrial, nuclear.
Region served: Nationwide.
Officers: Collin A. Lewis.

Loss Control Associates Inc.
172 Middletown Blvd., Suite 204B, Langhorne, Pa. 19047; 215-750-6841; fax: 215-750-6845
Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, hazard identification, publications, client training, process safety management, fire system design and specifications.
Occasional services: Fire prevention inspections, building plan reviews, research.
Staff: Eight; six professionals. Designations include three PEs, five SFPEs.
Clients: 45; 6% with gross revenues less than $200 million, 11% with $200 million to $499 million, 7% with $500 million to $999 million, 76% exceeding $1 billion.
Specialties: Petrochemical, petroleum, oil and gas, chemical, flammable and combustible liquid users.
Region served: Worldwide.
1992 gross revenues: $985 million; 100% unbundled from property loss control consulting/engineering.
Officers: Orville M. Slye Jr., president.

Loss Prevention Consultants Inc.
P.O. Box 54012, Jackson, Miss. 39288-4012; 601-878-2138; fax: 601-878-2394
Loss control services since: 1984.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, accident investigation and reconstruction.
Occasional services: Plant security inspections, building plan reviews, publications, research.
Staff: Three; two professionals. Designations include one ASSE.
Clients: 100% with gross revenues less than $200 million.
Specialties: Transportation of hazardous materials.
Region served: Nationwide.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: John R. Eubanks Jr., president.

M

Management Services Inc.
2 E. Main, Suite 208, Danville, Ill., 61832; 217-446-1089; fax: 217-443-0927
Loss control services since: 1978.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, program development and implementation, loss analysis, performance auditing, building valuation.
Staff: 19; nine professionals. Designations include four ASSEs, four CSPs.
Specialties: Government entities, industrial, construction.
Region served: Nationwide.
Offices: Des Moines, Iowa; Indianapolis; Kansas City and St. Louis, Mo.; Oak Brook, Ill.
Officers: Sam Cannon, CEO; Bob Cowgill, president; Jacque Cannon, vp; Gary Schirmner, director.
Contact: Michael Reed, Bonnie Gotham or Mary Norenberg.

Maritime Risk Management Consultants
P.O. Box 190553, Atlanta, Ga. 31119-0553; 404-457-1547
Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections, hazard identification.
Occasional services: Fire prevention inspections, building plan reviews, publications, research, client training.
Staff: Three; one professional.
Clients: 11.
Specialties: Maritime-port authorities and marine underwriters.
Region served: Nationwide.
Offices: Palm Beach Gardens, Fla.; Savannah, Ga.
Officers: Robert W. Smithers, owner; Joyce A. Herman.
Contact: Robert W. Smithers.

Donald Mayo-Fire Protection Consultant
2300 Contra Costa Blvd., Suite 330, Pleasant Hill, Calif. 94523; 510-685-3733; fax: 510-676-8780
Loss control services since: 1987.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; building plan reviews; fire protection and detection; fire suppression systems specification writing, construction administration and review.
Occasional services: Research, client training.
Staff: Four; three professionals. Designations include one ARM, three SFPEs.
Clients: Four; 1% with gross revenues less than $200 million, 99% exceeding $1 billion.
Region served: Worldwide.
1992 gross revenues: $380,000; 100% from unbundled property loss control consulting/engineering.
Officers: Linda Mayo, CEO/vp/secretary; Donald Mayo, president/treasurer.
Contact: Donald Mayo.

Mead Loss Control Consultants Inc.
Courthouse Plaza N.E., Dayton, Ohio 45463; 513-495-7201; fax: 513-495-6299
Loss control services since: 1972.
Parent: Mead Corp.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, underwriting evaluations, loss estimates.
Occasional services: Plant security inspections, research.
Staff: 18; 11 professionals. Designations include two ARMs, two PEs.
Clients: 14; 25% with gross revenues less than $200 million, 10% with $200 million to $499 million, 30% with $500 million to $999 million, 35% exceeding $1 billion.
Region served: Worldwide.
1992 gross revenues: $1.7 million; 100% from unbundled property loss control consulting/engineering.
Officers: Walter P. Luker, vp/general manager; Larry D. Jones, vp-engineering; Alan J. Rodeck, business development manager.

Michigan Hospital Association Service Corp.
6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913
Loss control services since: 1980.
Parent: Michigan Hospital Association.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.
Occasional services: Plant security inspections, building plan reviews.
Staff: Nine. Designations include one CSP, two PEs.
Clients: 120; 80% with gross revenues less than $200 million, 20% with $200 million to $499 million.
Specialties: Health care facilities, hospitals, nursing homes.
Region served: Indiana, Michigan, Wisconsin.
Offices: Southfield, Mich.
1992 gross revenues: $700,000; 50% from unbundled property loss control consulting/engineering, 50% from other services, including industrial hygiene monitoring, workers comp loss prevention.
Officers: Fritz Kellerman, COO; Kathy Dickenson, vp.
Contact: Pier-George Zanoni.

Mutual Risk Management Services Inc.
5840 Office Blvd., Albuquerque, N.M. 87109; 505-345-7260; fax: 505-345-0656
Loss control services since: 1993.
Parent: New Mexico Mutual Casualty Co.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification.
Occasional services: Client training.
Staff: Two. Designations include ARMs, ALCMs, CSPs.
Clients: 100% with gross revenues less than $200 million.
Region served: New Mexico, Southwest United States.
Officers: Warren Smalley, Beverly Jornigan-Armijo, Daniel Martin.
Contact: Bill Terborg.

N

National Safety Council
1121 Spring Lake Drive, Itasca, Ill. 60143-3201; 708-285-1121; fax: 708-285-1315
Loss control services since: 1980.
Frequent services: On-site plant loss prevention inspections, hazard identification, publications, research, client training.
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews.
Staff: 300; 40 professionals. Designations include five ARMs, 30 ASSEs, 25 CSPs, 20 PEs.
Clients: 15% with gross revenues less than $200 million, 20% with $200 million to $499 million, 30% with $500 million to $999 million, 35% exceeding $1 billion.
Region served: Worldwide.
Offices: Atlanta; Foster City, Calif.; Syracuse, N.Y.
Officers: Chuck Gilchrest, president; Irvin B. Etter, executive vp/COO; Michael Meersman, vp-finance; John Kuchta, vp-sales; Fred Rine, assistant vp-safety/health.
Contact: Don Ostrander, manager-safety/health management services, 708-775-2341.

O

Occupational Safety & Health Advisors Inc.
16167 Elmwood Station, Minneapolis, Minn. 55416; 612-444-4775; fax: 612-444-4775
Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections, hazard identification.
Occasional services: Client training.
Staff: One, a PE and SFPE.
Clients: Six; 67% with gross revenues less than $200 million, 33% with $200 million to $499 million.
Region served: Nationwide.
1992 gross revenues: $50,000; 33% from unbundled property loss control consulting/engineering, 67% from other services, including expert witness and forensic engineering.
Officers: Ivan Russell, president.

Occupational Safety & Health Consultants
5228 Magazine St., New Orleans, La. 70115-1846; 504-895-8966; fax: 504-734-4464
Loss control services since: 1984.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, industrial hygiene monitoring.
Occasional services: Building plan reviews, research.
Staff: Three; two professionals. Designations include ASSEs, CSPs.
Clients: 20% with gross revenues less than $200 million, 80% exceeding $1 billion.
Specialties: Drilling oil and gas related industries and support services, general maritime/construction.
Region served: Florida, Louisiana, Mississippi, Texas.
1992 gross revenues: $145,000; 60% from unbundled property loss control consulting/engineering, 40% from other services, including expert witness.
Officers: Donald G. Broussard Sr., president; Renee Darsey, secretary/treasurer; Joe McKillip, industrial hygienist/consultant.

Omni Tech International Ltd.
2715 Ashman St., Suite 100, Midland, Mich. 48640; 517-631-3377; fax: 517-631-7360
Loss control services since: 1986.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, process safety inspections, regulatory activities.
Staff: 150; 45 professionals. Designations include six ASCEs, 28 PEs.
Clients: 12; 24% with gross revenues less than $200 million, 16% with $200 million to $499 million, 24% with $500 million to $999 million, 36% exceeding $1 billion.
Specialties: Chemical companies.
Region served: Nationwide.
Offices: Houston and Lake Jackson, Texas.
Officers: Robert W. Belfit Jr., president; Richard L. Heiny, Winfred C. Zacharias, Richard K. Avtabile, James Hanes, executive vps.
Contact: Winfred C. Zacharias.

Organizational Safety Services Inc.
63 Sequoia Drive, Huntington, W.Va. 25705; 304-736-4920
Loss control services since: 1987.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training.
Occasional services: Fire prevention inspections, building plan reviews, research.
Staff: Four, all professionals. Designations include three ASSEs, two CSPs, two PEs.
Clients: 25% with gross revenues less than $200 million, 70% with $200 million to $499 million, 5% with $500 million to $999 million.
Specialties: Pulp and paper.
Region served: Nationwide.
1992 gross revenues: 40% from unbundled property loss control consulting/engineering, 60% from other services, including industrial safety (casualty) training.
Officers: Keith E. Barenklau, president; LeRoy V. Abbott, Linda C. Abbott, vps; Eric E. Barenklau, secretary.
Contact: Keith E. Barenklau.

P

Palmer & Cay/Carswell Inc.
P.O. Box 847, 25 Bull St., Savannah, Ga. 31402-0847; 912-234-6621; fax: 912-234-5427
Loss control services since: 1982.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification.
Occasional services: Plant security inspections, building plan reviews, publi-

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cations, client training.
Staff: Two, both professionals. Designations include one ARM, two ASSEs, one CSP.
Region served: Southeast.
Offices: Atlanta, Augusta, Brunswick, Columbus and Vidalia, Ga.; Charlotte, N.C.; Jacksonville and Tallahassee, Fla.
Officers: John E. Cay III, chairman/CEO; Lewis H. Oden III, executive vp/COO; F. Michael Crowley, president; G. David Reid, senior vp.
Contact: Robert E. Simmons, assistant vp.

The Parvus Co.
1700 Elton Road, Suite 100, Silver Spring, Md. 20903; 301-431-1200; fax: 301-431-0007

Loss control services since: 1984.
Frequent services: On-site plant loss prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, providing information on specific dangers.
Occasional services: Publications.
Staff: Eight; four professionals.
Clients: 25.
Specialties: Security and investigative consulting.
Region served: Worldwide.
Offices: New York.
Officers: Gerard P. Burke, chairman/CEO; Tatiana S. Gau, managing director; Michael J. Burke, CFO.
Contact: Tatiana S. Gau.

PENCO-Loss Control Division
26 Century Blvd., Nashville, Tenn. 37214; 615-872-3500; fax: 615-872-3522

Parent: Willis Corroon.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, client training.
Occasional services: Plant security inspections, research.
Staff: Four, all professionals.
Clients: 193; 100% with gross revenues less than $200 million.
Specialties: Public sector accounts.
Region served: Nationwide.
Offices: Worthington, Ohio.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Dan K. Lee, president; W.L. Laird, David Ritch, Robert Pitts, Anita Bourke, senior vps.
Contact: William L. Laird.

Penn General Service Corp.
400 Galleria Officenter, Suite 500, Southfield, Mich. 48086; 313-353-5800; fax: 313-353-1875

Loss control services since: 1972.
Parent: Hogg Group P.L.C.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training.
Staff: 245; eight professionals. Designations include one ASSE, three CSPs.
Clients: 12; 50% with gross revenues less than $200 million, 33% with $200 million to $499 million, 17% with $500 million to $999 million.
Region served: Worldwide.
Offices: Albuquerque, N.M.; Atlanta; Boca Raton, Fla.; Boston; Burlington, N.C.; Dallas and Lubbock, Texas; Los Angeles; Manchester, N.H.; New York; Philadelphia.
Officers: Donald Benyas, president; Larry Wheeler, Cindy Howard, Tom Wilkins, senior vps; Jack Welsh, vp/treasurer.

Professional Loss Control Inc.
P.O. Box 585, Kingston, Tenn. 37763; 615-376-1131; fax: 615-376-5013

Loss control services since: 1976.
Parent: Hartford Steam Boiler.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training.
Staff: 60; 45 professionals. Designations include three ARMs, 23 PEs, 30 SFPEs.
Specialties: Utility, chemical, manufacturing and commercial fields.
Region served: Nationwide.
Offices: Chicago; Houston; Los Angeles; San Francisco; Philadelphia; Fredericton and Toronto, Canada.
Contact: Byron L. Briese, manager-marketing.

Professional Safety Consultant Service Inc.
424 S.E. 30th Ave., Ocala, Fla. 34471; 904-694-4601
Loss control services since: 1975.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, litigation, support services, expert witness.
Occasional services: Plant security inspections, building plan reviews, publications, research.
Staff: Two; one professional an ASSE, CSP and PE.
Clients: 100; 100% with gross revenues less than $200 million.
Specialties: Litigation support to insurance companies, industrial/manufacturing, construction, agriculture, health care, retail businesses, ADA law-handicapped accommodations.
Region served: Worldwide.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Herbert T. Bogert, president; Nancy A. Bogert, corporate secretary.
Contact: Herbert T. Bogert.

R

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

Loss control services since: 1985.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, fire and emergency evacuation programs and training, hazardous material handling and training, warehouse fire planning and design.
Occasional services: Plant security inspections, building plan reviews.
Staff: Seven; five professionals. Designations include one ARM, three ASSEs, three CSPs, one SFPE.
Clients: 45; 60% with gross revenues less than $200 million, 20% with $200 million to $499 million, 20% with $500 million to $999 million.
Specialties: Printing, paper box manufacturers, warehousing, liquor distilling and storage, oil bulk storage, transportation facilities, municipalities, private schools, hospitals, retail stores, office and habitational buildings, construction sites and yards.
Region served: Nationwide.
1992 gross revenues: $240,000; 50% from unbundled property loss control consulting/engineering, 50% from other services, including OSHA compliance consulting, DOT compliance audits and consulting.
Officers: Robert P. Firmbach, president.

Frederick Rauh & Co.
3300 Central Parkway, Cincinnati, Ohio 45225-2384; 513-559-0500; fax: 513-559-7067

Loss control services since: 1900.
Parent: American Business Insurance.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, write fire protection/detection performance specifications, underwriting inspections for insurance companies, ISO rate analysis, safety consulting services.
Occasional services: Plant security inspections, publications, research, client training.
Staff: 90; three professionals. Designations include two ASSEs, one CSP, one SFPE.
Clients: 22; 50% with gross revenues less than $200 million, 27% with $200 million to $499 million, 5% with $500 million to $999 million, 18% exceeding $1 billion.
Specialties: Theme/amusement/water parks, habitational property owners/managers, contractors/developers, apparel manufacturers, retailers, laundries, dry cleaners.
Region served: United States and Canada.
Offices: Atlanta; Albuquerque, N.M.; Charleston and Morgantown, W.Va.; Chicago; Grass Valley, Los Angeles and San Francisco, Calif.; Lexington, Ky.; Minneapolis; Morristown, N.J.; Overland Park, Kan.; Tampa, Fla.
1992 gross revenues: 2% from unbundled property loss control consulting/

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engineering; 98% from other services, including property/casualty insurance, financial services: group and individual life, health, accident and related benefits and annuities.
Officers: David Eslick, president/CEO; Mark Erion, executive vp/CFO; Thomas Schafer, executive vp; Whitey Kollmeier, vp/financial services; Robert Stone, vp/technical services.
Contact: Robert J. Stone, 513-559-7055.

Risk Analysts Inc.
4828 Loop Central Drive, 9th Floor, Houston, Texas 77081; 713-661-9933; fax: 713-669-4724

Loss control services since: 1984.
Parent: Wisenberg Insurance & Risk Management.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; research; client training; assists in programs for loss prevention and property protection; self-inspection audit program development; advises on construction, fire protection and life safety procedures; property safety training programs.
Occasional services: Building plan reviews, publications, pre-construction blueprints analysis to lower insurance rates.
Staff: Four; all professionals. Designations include one ARM, two CSPs.
Clients: 79% with gross revenues less than $200 million, 11% with $200 million to $499 million, 7.3% with $500 million to $999 million, 2.7% exceeding $1 billion.
Specialties: Retail, wholesale, manufacturing, hotels/motels, hospitals, nursing homes, restaurants, real estate firms, auto racing.
Region served: Southwestern United States.
1992 gross revenues: 5% from unbundled property loss control consulting/engineering, 95% from other services, including consulting/engineering services for workers comp, non-subscriber, general liability, commercial fleet and customized safety training programs.
Officers: Irving Pozmantier, chairman; Joe L. Williams, president; Thomas C. Francis, vp; Nicholas P. Dalby, assistant vp.
Contact: Nicholas P. Dalby, 713-669-4792.

Risk Consultants Inc. of North America
6611 Watson St., Union City, Ga. 30291; 404-964-1226; fax: 404-969-7301

Loss control services since: 1979.
Parent: Risk Consultants Inc.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, research, insurance to value-replacement cost.
Occasional services: Plant security inspections, publications, client training.
Staff: 61; 37 professionals. Designations include 15 ARMs, 40 CSPs, one PE.
Clients: 252; 30% with gross revenues less than $200 million, 70% with $500 million to $999 million.
Specialties: Insurance, government, self-insured administrators, private industries.
Region served: Southeastern United States.
Offices: Jackson, Miss.; Orlando, Fla.
1992 gross revenues: $2 million; 50% from unbundled property loss control consulting/engineering, 50% from other services.
Officers: R. Michael Malone, CEO; Hugh Bagwell, executive vp.
Contact: Cathy Morris, Linda Irwin or Patricia Maddox.

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

Loss control services since: 1985.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; building plan reviews; underwriting risk analysis; evaluation of highly protected risks loss control programs; business interruption assessments; review of automatic extinguishing systems, water supply and testing/analysis.
Occasional services: Plant security inspections, publications, research, client training.
Staff: Eight; four professionals. Designations include one ASSE, one CSP, one PE, three SFPEs.
Clients: 25.
Specialties: Property loss prevention services to highly protected risks industrial facilities in the chemical, coatings, pharmaceutical, tire, manufacturing, warehousing, mining, hazardous waste processing and computer and electronic equipment manufacturing industries.
Region served: Worldwide.
1992 gross revenues: 85% from unbundled property loss control consulting/engineering, 15% from other services, including casualty loss control services.
Officers: Peter Rollinger, president.

Risk Engineering Ltd.
Surrey Lodge, Hop Gardens, Henley-on-Thames, Oxon, U.K. RG9 2EH; 44-491-573101; fax: 44-491-410526

Loss control services since: 1980.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, design and specification of fire protection systems, Risktrak data base for loss control information.
Occasional services: Plant security inspections, publications, research, client training.
Staff: Nine; six professionals. Designations include two PEs, three SFPEs.
Clients: 28; 48% with gross revenues less than $200 million, 5% with $200 million to $499 million, 10% with $500 million to $999 million, 37% exceeding $1 billion.
Specialties: Industrial property, paper, food and distribution industries.
Region served: Worldwide.
Offices: Dallas.
1992 gross revenues: $550,900; 100% from unbundled property loss control consulting/engineering.
Officers: John Rayner, managing director; Hal Bernson, manager-North American Operations; Ralph Kendrick, James Rayner, directors; Colin Schofield, senior design engineer.
Contact: John Rayner.

Roth Asbestos & Environmental Consultants
1900 W. 47th Place, Suite 100, Westwood, Kan. 66205; 913-831-4795; fax: 913-831-0138

Loss control services since: 1985.
Frequent services: Hazard identification, building plan reviews, client training, environmental assessments, hazardous materials inspection and training.
Staff: 35; eight professionals. Designations include one PE.
Clients: 75% with gross revenues less than $200 million, 10% with $200 million to $499 million, 5% with $500 million to $999 million, 10% exceeding $1 billion.
Specialties: Commercial industry, power plants, pulp and paper mills, printing plants, hospitals.
Region served: Nationwide.
Offices: Dallas, Denver, St. Louis.
1992 gross revenues: $2.3 million; 80% from unbundled property loss control consulting/engineering, 20% from other services.
Officers: E. Allen Roth, president; Tim Maupin, vp.
Contact: Allen Roth.

S

Safety Consulting Inc.
P.O. Box 2789, Topeka, Kan.; 66601-2789; 913-232-3887

Loss control services since: 1971.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training.
Occasional services: Fire prevention inspections, building plan reviews, publications, research, accident investigations, expert witness testimony.
Staff: Five; three professionals. Designations include three ASSEs.
Clients: 88% with gross revenues less than $200 million, 10% with $200 million to $499 million, 2% with $500 million to $999 million.
Specialties: Construction, petroleum and manufacturing industries.
Region served: Nationwide.
Offices: Wichita, Kan.
1992 gross revenues: $292,000.
Officers: Denzell B. Ekey, president; Philip Blake, vp; Mary Ekey, secretary/treasurer.

Safety & Fire Consultants
47 Lower Teddington Road, Kingston, Surrey, U.K. KT1 4HQ; 44-81-977-9892

Loss control services since: 1987.
Continued on next page

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Frequent services: On-site plant loss prevention inspections, hazard identification, client training, quantitative risk assessment, compliance advice for high hazard process plants.
Staff: One, a SFPE.
Clients: Six; 17% with gross revenues less than $200 million, 50% with $200 million to $499 million, 33% with $500 million to $999 million.
Specialties: Oil and gas, petrochemical, chemical, service companies, engineering contractor companies.
Region served: Worldwide.
Officers: Frederick Ashmore.

Safety & Loss Control Associates

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

Loss control services since: 1985.
Frequent services: On-site plant loss prevention inspections, hazard identification, research, expert witness testimony, training including OSHA 1926 and 1910.
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications.
Staff: Two; one professional, an ASSE.
Clients: 65% with gross revenues less than $200 million, 20% with $200 million to $499 million, 15% exceeding $3.5 billion.
Specialties: Architects/engineers, employer trade associations, general contractors, pharmaceutical manufacturing, refining, department of energy facilities.
Region served: Nationwide.
Officers: Donald A. Neslund, owner.

Safety Management Associates

P.O. Box 693, Springfield, Va. 22150-0693; 703-978-3000

Loss control services since: 1981.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, research, client training.
Staff: Three; two professionals, both CSPs.
Clients: 10; 100% with gross revenues less than $200 million.
1992 gross revenues: 30% from unbundled property loss control consulting/engineering, 70% from other services, including accident reconstruction.
Officers: Neil R. Temple, president.

Safety Management Services Inc.

P.O. Box 51927, Lafayette, La. 70505; 318-235-6524; fax: 318-232-8641

Loss control services since: 1981.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training.
Occasional services: Publications.
Staff: Two. Designations include two ASSEs, one CSP.
Officers: Jack R. Barnidge, president.

Safety Management Services of Texas

13647 Purple Sage Road, Dallas, Texas 75240; 214-661-1941

Loss control services since: 1985.
Frequent services: On-site plant loss prevention inspections, hazard identification, publications, client training, hazardous waste management and disposal, safety and health audits and reviews.
Occasional services: Fire prevention inspections, building plan reviews, research.
Staff: Six; five professionals. Designations include three ASSEs, four CSPs, five PEs, one SFPE.
Clients: 50; 100% with gross revenues less than $200 million.
Specialties: Semi-conductor manufacturing.
Region served: Nationwide.
1992 gross revenues: $600,000; 100% from unbundled property loss control consulting/engineering.
Officers: Roy H. Kinslow, president; Dennis Donegan, Del Holm, vps; Bill Turney, secretary.
Contact: Roy H. Kinslow.

Safety & Risk Control Services Inc.

395 Main St., Suite 4, Metuchen, N.J. 08840; 908-906-2244 or 800-466-4025; fax: 908-906-2045

Loss control services since: 1989.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, coordination of insurance carrier loss prevention services, negotiation of carrier services and development of service specifications.
Occasional services: Building plan reviews, research, client training.
Staff: 15; seven professionals. Designations include one ARM, seven ASSEs, four CSPs, one PE.
Specialties: Commercial, industrial and retail organizations.
Region served: Nationwide.
1992 gross revenues: 15% from unbundled property loss control consulting/engineering, 85% from other services, including safety consulting services like risk assessments, safety training, program development and safety audits.
Officers: Harvey S. Staple, president.

Schaible Associates

900 Center St., Mount Joy, Pa. 17552-9371; 717-684-6045; fax: 717-898-9302

Loss control services since: 1982.
Frequent services: On-site plant loss prevention inspections, hazard identification.
Occasional services: Building plan reviews, client training.
Staff: Five; four professionals. Designations include one ASSE, one CSP, one PE.
Clients: 130; 100% with gross revenues less than $200 million.
Region served: Worldwide.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: Ronald D. Schaible, president.

Schirmer Engineering Corp.

707 Lake Cook Road, Deerfield, Ill. 60015-4997; 708-272-8340; fax: 708-272-2639

Loss control services since: 1939.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, loss investigations.
Occasional services: Plant security inspections, publications, client training, boiler and machinery.
Staff: 90. Designations include one ARM, six ASSEs, six CSPs, 29 PEs, 32 SFPEs.
Clients: 250; 10% with gross revenues less than $200 million, 30% with $200 million to $499 million, 20% with $500 million to $999 million, 40% exceeding $1 billion.
Region served: Worldwide.
Offices: Dallas, Los Angeles, San Francisco, Washington.
1992 gross revenues: $9.8 million; 45% from unbundled property loss control consulting/engineering, 55% from other services, including fire protection engineering/architectural consultation, building and fire code consultation, litigation support, design services.
Officers: Richard R. Osman, president; Chester W. Schirmer, chairman; Carl F. Baldassarra, vp.
Contact: Carl F. Baldassarra.

Sedgwick James Inc.-Property Risk Control Services

211 House Ave., Camp Hill, Pa. 17011; 717-730-6561; fax: 717-763-8575 or 1285 Ave. of the Americas, New York, N.Y. 10019; 212-333-8900; fax: 212-977-9153

Loss control services since: 1858.
Parent: Sedgwick Group P.L.C.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, disaster recovery/contingency planning, loss estimates, rate analysis, code review and analysis, protection system design and specifications.
Staff: 113; 95 professionals. Designations include 22 ARMs, four ALCMs, 40 ASSEs, 34 CSPs, five PEs, 25 SFPEs.
Clients: 300.
Specialties: Public entities, health care, retail, warehouse/distribution, utilities, construction wrap-ups.
Region served: Worldwide.
Offices: Atlanta; Boston; Chicago; Columbia, S.C.; Dallas; Darien, Conn.; Detroit; Fort Lauderdale, Orlando and West Palm Beach, Fla.; Harrisburg, Philadelphia and Pittsburgh, Pa.; Irvine, Los Angeles and San Francisco, Calif.; Kansas City, Mo.; Little Rock, Ark.; Memphis
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and Nashville, Tenn.; Minneapolis; New York and Rochester, N.Y.; Omaha, Neb.; Phoenix; Portland, Ore.; St. Louis; Seattle; and Short Hills, N.J.
1992 gross revenues: 40% from unbundled property loss control consulting/engineering, 60% from other services, including casualty consultation, protection system design, loss investigation and analysis, specialty consultation.
Officers: Richard E. Botts, national director-property; J. Steven Hunt, national director-casualty.
Contact: Richard E. Botts, P.O. Box 1675, Harrisburg, Pa. 17105; 717-730-6561.

Sigma Associates Ltd.

105 Timber Ridge Blvd., Pass Christian, Miss. 39571; 601-452-4866; fax: 601-452-7202

Loss control services since: 1978.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, risk assessments, validations, risk analysis.
Occasional services: Plant security inspections, publications, research, client training.
Staff: Five; three professionals. Designations include one ASSE, one PE.
Clients: 15% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million, 65% with $1 billion to $3.5 billion.
Region served: Nationwide.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: A.J. Scardino Jr., president; Donald J. Godlewski, executive assistant.
Contact: A.J. Scardino Jr.

Stogniew & Associates

12225 28th St. N., St. Petersburg, Fla. 33716; 813-572-7400; fax: 813-572-7452

Loss control services since: 1980.
Frequent services: Plant security inspections, on-site risk surveys, computer facilities and service bureaus.
Occasional services: On-site plant loss prevention inspections, publications, research.
Staff: 15; eight professionals.
Clients: Five; 100% with less than $200 million.
Specialties: Financial institutions, hospitals, nursing homes, equipment distributors, jewelers, armored cars.
Region served: Nationwide.
Offices: Atlanta; Charlotte, N.C.; Dallas; Los Angeles; Miami; Portland, Ore.
Officers: G.F. Stogniew, president; Robert Niemann, William Falzone, Cheresse Smoot, directors; Kristen Stogniew, counsel.
Contact: Gerald F. Stogniew.

Strategic Safety Associates & Movesmart SHL

P.O. Box 165, Portland, Ore. 97207; 503-245-4296; fax: 503-243-3549

Loss control services since: 1984.
Parent: Fallsafe Inc.
Frequent services: On-site plant loss prevention inspections, client training, train the trainer program, management consultation on safety strategies.
Occasional services: Hazard identification, publications, research, audio visual training aids.
Staff: Four, all professionals. Designations include two ASSEs.
Clients: 59; 25% with gross revenues less than $200 million, 20% with $200 million to $499 million, 20% with $500 million to $999 million, 35% exceeding $1 billion.
Region served: Worldwide.
Officers: Robert Pater, Robert Button, directors.
Contact: Robert Pater.

System Engineering & Laboratories Corp.

12785 State Highway 64 E., Tyler, Texas 75707-8705; 903-566-1980; fax: 903-566-4504

Loss control services since: 1984.
Frequent services: Hazard identification, product liability, personal injury and accident reconstruction, building inspections, ergonomics, system safety, fire cause analysis, oil field, structural failure evaluations, electrical failure evaluations, storm damage evaluations.
Occasional services: On-site plant loss prevention inspections, fire prevention inspections, building plan reviews, publications, research, client training.
Staff: 19; seven professionals. Designations include three ASSEs, two CSPs, seven PEs.
Specialties: Insurance industry, manufacturing industry, railroad, oil drilling, engineering, legal.
Region served: Worldwide.
Offices: Amarillo and Dallas, Texas; New Orleans.
Officers: Frank Johnson, president/CEO.
Contact: Tracie Bolton, manager-business development.

F.J. Szymanski-Safety Services

5258 Forest Circle S., Stevens Point, Wis. 54481; 715-344-4127

Loss control services since: 1984.
Frequent services: On-site plant loss prevention inspections, hazard identification, client training, written safety programs, supervisory training, prequote insurance surveys, speaker/seminars.
Occasional services: Fire prevention inspections, research.
Staff: 1.5; 1.5 professionals.
Clients: 35.
Specialties: Manufacturing, concrete
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products, nursing homes.
Region served: Illinois, Minnesota, Wisconsin.
1992 gross revenues: $70,000; 90% from unbundled property loss control consulting/engineering, 10% from other services.
Officers: Frank J. Szymanski, principal.

T

Tampa Bay Risk Services
2451 McMullen Booth Road, Suite 200, Clearwater, Fla. 34619; 813-725-8609; fax: 813-725-0389

Loss control services since: 1991.
Parent: Teeling Enterprises Inc.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; loss control consultations, including workers comp and fleet.
Occasional services: Research, client training, crime loss consultation.
Staff: Six, all professionals. Designations include one ARM, one ALCM, two CSPs.
Region served: Florida.
1992 gross revenues: $100,000.
Officers: Harold Teeling, president/general manager.

Tiller Consulting Group Inc.
99 Trent Drive, St. Louis, Mo. 63124-1032; 314-567-7480

Loss control services since: 1985.
Frequent services: Actuarial forecasting of environmental losses.
Occasional services: On-site plant loss prevention inspections, hazard identification, building plan reviews, publications, research, client training.
Staff: Two; one professional. Designations include two ARMs, one ASCE.
Region served: Worldwide.
Officers: Margaret W. Tiller, president; Michael H. Tiller, principal.
Contact: Michael H. Tiller.

Tomes, Van Rickley & Associates
4901 Morena Blvd., Suite 126, San Diego, Calif. 92117; 619-274-2905; fax: 619-274-2580

Loss control services since: 1985.
Parent: Fire Design Group Inc.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building safety engineering, fire protection systems engineering.
Occasional services: Publications.
Staff: 20; 16 professionals. Designations include two ASSEs, two PEs, two SFPEs.
Clients: 10; 20% with gross revenues less than $200 million, 80% exceeding $1 billion.
Specialties: Warehousing and retail.
Region served: Worldwide.
Offices: Detroit.
1992 gross revenues: 40% from unbundled property loss control consulting/engineering, 60% from other services.
Officers: William J. Tomes, Charles Van Rickley, Russell B. Leavitt, William Holden, James W. Tomes.
Contact: Teresa D. Somogyi, director-marketing.

The Traverse Group Inc.
3772 Plaza Drive, Ann Arbor, Mich. 48108; 313-747-9300; fax: 313-747-9229

Loss control services since: 1975.
Frequent services: On-site plant loss prevention inspections, hazard identification, research, client training, environmental risk management advisory service.
Occasional services: Publications.
Staff: 70; 12 professionals. Designations include six PEs.
Clients: 300; 85% with gross revenues less than $200 million, 5% with $200 million to $499 million, 5% with $500 million to $999 million, 5% with $1 billion to $3.5 billion.
Specialties: Insurance companies, government agencies, real estate companies, banks.
Region served: Worldwide.
Offices: Grand Rapids and Traverse City, Mich.
1992 gross revenues: $6.26 million; 50% from unbundled property loss control consulting/engineering, 50% from other services, including remediation activities and consulting services.
Officers: John M. Armstrong, CEO; Mic Brenoel, president; Steve Koster, vp-Eastern operations; Laura Armstrong, vp-business development; Jeff Martin, vp-finance/administration.
Contact: Laura Armstrong.

W

Walker & Associates
Route 6, Box 591A, Springfield, Mo. 65803; 417-742-3303; fax: 417-742-3959

Loss control services since: 1991.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews.
Occasional services: Plant security inspections, client training, fire/security alarm trouble shooting.
Staff: 10; seven professionals. Designations include two ARMs, one ASSE, four PEs, four SFPEs.
Clients: Nine; 45% with gross revenues of $500 million to $999 million, 55% exceeding $1 billion.
Specialties: Grain, food processing, agri-chemicals, electrical generating plants, aerospace.
Region served: Worldwide.
Offices: Arden, N.C.; Cranbury, N.J.; Wichita, Kan.; Youngstown, Ohio.
1992 gross revenues: 100% from unbundled property loss control consulting/engineering.
Officers: B.J. Walker, president.

Webb, Murray & Associates Inc.
1730 Nasa Road One, Suite 202, Houston, Texas 77586; 713-335-1668; fax: 713-335-1682

Loss control services since: 1975.
Frequent services: On-site plant loss prevention inspections; fire prevention inspections; hazard identification; building plan reviews; publications; client training; alarm system code compliance analysis; process safety management; process hazard analysis; water flow testing; hydraulic calculations; fire system modeling; design, installation, testing and maintenance of fire detection and suppression systems; development and auditing of contingency and emergency services adequacy.
Occasional services: Plant security inspections, research.
Staff: 130; 32 professionals. Designations include one ARM, six CSPs, eight PEs, 12 SFPEs.
Clients: 10% with gross revenues less than $200 million, 15% with $200 million to $499 million, 15% with $500 million to $999 million, 60% exceeding $1 billion.
Specialties: Petrochemical, educational, medical, industrial, marine vessels, chemical, research and development operations.
Region served: Worldwide.
Offices: Corpus Christi, Freeport, La Porte and Nassau Bay, Texas.
1992 gross revenues: $9.1 million; 35% from unbundled property loss control consulting/engineering, 65% from other services.
Officers: Robert M. Webb, president/treasurer; Robert W. Murray, senior vp/secretary; Billy C. Magee, vp.
Contact: Kevin J. O'Neill or Bill Crittenden.

Scott Wetzel Services Inc.
500 Pacific Ave., Suite 700, Bremerton, Wash. 98310; 206-479-0200; fax: 206-479-8297

Loss control services since: 1972.
Frequent services: On-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training, safety program development, fleet safety, accident investigations, disaster recovery, statistical analysis, ergonomic evaluations.
Occasional services: Building plan reviews, publications, underwriting risk evaluations.
Staff: 350. Designations include one ARM, three CSPs, two PEs.
Clients: 100% with gross revenues less than $200 million.
Region served: Nationwide.
Offices: Atlanta; Chicago; Concord and Orange, Calif.; Dallas; Houston; Knoxville, Tenn.; Manchester, N.H.; Portland, Ore.; Salt Lake City; Seattle and Spokane, Wash.; Tampa, Fla.
Officers: John Harrold, president/CEO; Terry Neal, executive vp-finance; Ed Kocott, vp-operations; Peter Greenland, vp-marketing; Warren Zimmerman, vp-corporate services.
Contact: Valerie Williams, loss control administrator. BI

Sid Bernstein

Continued from page 2
Communications, said: "Sid Bernstein was the conscience of our company. He played many important roles in his 71 years with us, but none was more important than the editorial voice he continued to raise until the very end of his life. He always seemed to know the right thing to do, and he gave us all the courage to try to follow our best instincts. We will miss his advice and counsel, and his encouragement."

Keith Crain, vice chairman and brother of Rance Crain, said: "Sid Bernstein was a wonderful teacher and mentor to hundreds of people in and outside of our company. We were all lucky to have known him."

Mr. Bernstein joined what is now Crain Communications as a teenage office boy in 1922. By 1930, he was managing editor of what was then the company's key publication, *Hospital Management*. In 1932, he was named managing editor of *Advertising Age*, a then-fledgling publication founded by G.D. Crain.

He became editor of *Advertising Age* in 1940 and held that post for the next 20 years, during which the publication became known as "the bible of the advertising industry."

Mr. Bernstein held other positions with the company, including publisher of *Advertising Age,* executive vp/general manager and president. He was promoted to chairman of Crain Communications' executive committee in January 1973, a post in which he focused on corporate expansion through acquisitions and the establishment of new publications, as well as on the coordination of corporate subsidiaries. Crain Communications now publishes 25 periodicals and offers a number of related services, owns a radio station and operates a news service.

Mr. Bernstein was inducted into the American Advertising Federation's Advertising Hall of Fame in 1989.

Mr. Bernstein is survived by his wife, Adele; his son, Henry, who heads the Crain News Service; daughter-in-law Rhoda; son-in-law Chuck Wingis; and three grandchildren by Mr. Wingis and Mr. Bernstein's late daughter, Janet. BI

City seeks surplus pension funds

NEW YORK—The City of New York is seeking legislative approval to take about $20 million in surplus funds from an old subway workers pension plan and transfer the money to general operating funds.

The BMT/IRT Rapid Transit Employees Retirement System, which the city says has no active members, is about $20 million overfunded. The plan can meet all obligations to surviving retirees with funds held in the plan, and still have a surplus available to the city, said a budget official.

"We will make sure that all union members are protected," said David Smith, deputy budget director.

Meanwhile, the Transport Workers Union, which represents subway employees, wants the excess funds to be used to enhance monthly benefits of the few surviving beneficiaries of the plan, some of whom receive less than $100 per month.

—By Michael Schachner

INTERNATIONAL

Reinsurers fear flood risk from U.K. project

By ADRIAN LADBURY

LONDON—Reinsurers are warning against a "huge additional exposure to flood" in an area of land that the U.K government has chosen for a massive commercial and residential development program.

The affected area surrounds the final stretch of the 2.5 billion pound ($3.87 billion) Channel Tunnel Rail Link between London and Paris.

The government department responsible for the program acknowledges there is a potential flood risk, but does not believe that the threat is a "significant problem" and plans to proceed with the development.

The railway company masterminding the Channel Tunnel project, to which the new development would be linked, also sees no threat.

The stretch of land slated for development—spanning 217,360 acres—is called the East Thames Corridor and straddles the Thames River 30 miles east of London. The government hopes the massive development project would generate between 85,000 and 182,000 new jobs, and the construction of between 60,000 and 128,000 new houses and between 4.8 million and 12 million square yards of commercial space by 2015.

But reinsurers warn that the project could sink before it gets the chance to sail, because insurers may refuse to cover large tracts of the area that historically are prone to flooding and could become increasingly so as sea levels rise.

Richard Keeling, underwriter of Lloyd's of London syndicate 362, said last week that reports by scientists he had commissioned to study global warming prove that insurers' concerns about the increased frequency of flooding and windstorm are valid.

Michael Howard, formerly secretary of state for the environment and recently promoted to home secretary in Prime Minister John Major's recent cabinet reshuffle, gave the green light in late March to the development project. Mr. Howard responded enthusiastically

Continued on next page

AP/Wide World Photo

The land at the end of the Channel Tunnel in France may pose a flood risk.

Large state-owned insurers on France's privatization list

By ALINE SULLIVAN

The French government's plans to sell several leading state-run insurers to the public may encourage more competition in the insurance market and lower premium rates, insurers and analysts say.

As expected, the government on May 26 announced plans to sell its stakes in three leading multiline insurers as part of its program to privatize 21 state-owned companies (*BI,* April 19).

The privatization list includes: Assurance Generales de France, the nation's second-largest insurance company and last year the most profitable of the three state-owned insurers; Groupe des Assurances Nationales, the third-largest state-owned insurer; and Union des Assurances de Paris, France's largest insurer.

The government's wholly owned reinsurer, Caisse Centrale de Reassurance, and the government's 42% stake in life insurer Caisse Nationale de Prevoyance, also will be sold.

No date or price targets have been set for the sales. To complete the transactions, French law must be changed to allow the state's stake in each company to fall below 50% plus one share.

AGF is widely expected to be one of the first companies put up for sale. The insurer, 73% owned by the government, outperformed its rivals last year because of early rate increases and selective risk-taking, Tim Dawson, insurance analyst at stockbrokers Lehman Brothers Inc. in London, said in a recent report.

Next off the selling block could be UAP, analysts said. UAP is 54% owned by the government and is one of the largest components of the

Continued on next page

Lloyd's rebuts rumors of MP losses

LONDON—Speculation over the fate of Conservative members of Parliament who are also members of Lloyd's of London reached fever pitch last week when it was revealed that 47 of the 60 MPs who are Lloyd's members face big losses on the 1990 underwriting year of account.

Conservative Prime Minister John Major's government has a majority of only 18, and reports argued his government may topple if even 10 of the MPs with big debts are forced into bankruptcy.

Under British law, bankrupt MPs must resign their seats in Parliament. And if the government in power consistently loses votes in the House of Commons, it is expected to resign and hold an election.

No Labor or Liberal-Democrat MPs are Lloyd's members.

Both Lloyd's and the Conservative Party, however, were quick to quell fears that a political tornado would whip through Parliament and be blamed on Lloyd's.

The London Times started the ball rolling last Tuesday when it published figures it obtained from the internal Lloyd's "Blue Book," a publication normally not made public that details interests of individual members of Lloyd's. The paper claimed that 47 out of 60 MPs who are Lloyd's members face losses on the 1990 underwriting year. About 10 of these could come close to bankruptcy due to cash calls, the paper speculated.

The next day, Lloyd's issued a statement that described the forecasts of individual losses of members of Lloyd's (and Parliament) as "pure speculation."

Similarly, a Conservative Party spokeswoman told *Business Insurance* there is no crisis because it is only a "speculative" story.

The spokeswoman also said that as far as she was aware, no Conservative MP has gone bankrupt in "the last 10 years." She also denied allegations that to save the government, the Conservative Party would aid MPs who face financial difficulties because of Lloyd's losses.

Last week's furor was partially fueled by a question asked of Lloyd's executives at a meeting with thousands of members last month (*BI,* May 31). Tom Benyon, an ex-Tory MP and current director of the Society of Names, asked if any preferential treatment would be given to cash-strapped Lloyd's members who are also MPs. Lloyd's Chief Executive Peter Middleton emphatically responded, "No."

Mr. Benyon, however, said he does not believe any MPs will go bankrupt because of Lloyd's losses.

"Lloyd's has made sure that people do not go into bankruptcy because of the hardship fund. The question is whether a (cabinet) minister can live on 14,000 pounds ($21,567) a year," he told *BI.* Fifteen thousand pounds ($23,108) is the maximum income a member is allowed if he or she benefits from the hardship fund.

Lloyd's was also keen to quell the bankruptcy rumors.

A spokesman called the reports "completely misleading" and said Lloyd's "seeks to protect members and does not bankrupt members who admit their liabilities and agree to pay what they can afford over time."

—By Adrian Ladbury

Winning consensus on risk retention

BERMUDA INSURANCE SYMPOSIUM

Risk managers offer advice for sound financing strategies

By JAMES M. BURCKE

TUCKER'S TOWN, Bermuda—Companies can use any number of philosophies and methods to determine how much risk to retain, but all risk managers must be careful to make sure management is informed and approves of the company's risk retention philosophy.

Loss control is also a crucial element in any risk retention program, a panel of award-winning risk managers agrees.

"The risk retention decision has to be sold to management. It's certainly not a given," says Arnold L. Davenport, vp-risk management at Marriott Corp. in Bethesda, Md., and the 1991 *Business Insurance* Risk Manager of the Year.

Mr. Davenport was one of four Risk Managers of the Year who discussed "Financing the Working Layer" at the Bermuda Insurance Symposium last month.

While the four panelists' corporations varied greatly in size—both in revenues and in risk management department personnel—as well as in the amount of risk they retain, all agree that any risk retention decision must have management's stamp of approval.

At Belz Enterprises in Memphis, Tenn., management traditionally had been very reluctant to retain much risk, said Millicent W. Workman, director of corporate risk management for the real estate and hotel management company and the 1992 Risk Manager of the Year.

So, Ms. Workman plotted her retention strategy slowly, long before Belz was in a position to increase its retentions, "because we wanted management to become aware of the ranges within which our losses were falling so when the time came, they were already familiar with the data and familiar with the rationale."

A risk manager also must carefully explain the company's retention strategy to different operating units, which in reality are a risk manager's "customers," said William L. Mather, director of risk management for The Gillette Co. in Boston and the 1988 Risk

Continued on page 41

Big limits won't encourage big awards, risk manager says

By GAVIN SOUTER

TUCKER'S TOWN, Bermuda—Buying high limits of coverage will not, as some believe, increase the size of jury awards against a company, but it could save a company from going under due to a catastrophic amount of liability claims, a risk manager contends.

But finding adequate capacity for catastrophic exposures—particularly property risks in the current market—can be a serious problem, another risk manager said.

To overcome a capacity crunch, companies should seek new solutions including coinsuring their risks with commercial insurers and reinsurers, a third risk manager suggests.

The idea that high liability insurance limits lead to higher jury awards is a myth, says Richard Heydinger, director of risk management for Hallmark Cards Inc. in Kansas City, Mo., and the 1993 *Business Insurance* Risk Manager of the Year (*BI,* April 26).

Mr. Heydinger knows from experience: Two suspended walkways at the Hallmark-owned Hyatt Regency Hotel in Kansas collapsed in 1991, killing 114 people. Hallmark's liability insurers paid one-third of the $120 million in personal injury payments stemming from the disaster, with Hyatt's insurers paying the other two-thirds.

"Our experience would indicate that there is little connection between limits and settlement demands," Mr. Heydinger said at last month's Bermuda Insurance Symposium.

Although the coverage limits of Hallmark and other defendants were known by the plaintiffs, the eventual settlement was about half of the total limits available, he said.

Risk managers should be careful not to but too little liability insurance because jury awards keep rising, Mr. Heydinger said.

This trend is influenced by various factors, including more class-action litigation and massive punitive damage awards, he said. "Punitive damage awards are becoming bet-your-company-type scenarios for most of us."

And companies that have good relations

Continued on page 44

INTERNATIONAL

Flood risks

Continued from previous page

to a consultant's pilot study of the area's potential and ordered the creation of a task force to produce more specific proposals within a year.

The government already has allocated more than 5 billion pounds ($7.74 billion) toward transportation projects, excluding the channel tunnel, and other capital investment in the region's infrastructure over the next seven years alone.

But reinsurers warn the government and the private capital it hopes to attract to the region against rushing into any major development work without first checking with insurers.

"The government has recently signaled the development of the East London Corridor which will bring huge additional exposure to flood. Why should it be seen as normal for the insurer to carry the can in the event of a loss?" asked Jeremy Hindle, senior underwriter at Swiss Reinsurance Co. Ltd., during a speech he gave at a recent Greenpeace-sponsored conference on climatic change and the insurance industry in London (*BI*, May 31).

Stephen Riley, deputy general manager for non-life at Swiss Re, supports his colleague's warning note: "There is a general concern that the East Thames Corridor development will bring increased exposure in an area that is already heavily exposed to flood. How will the insurance industry cope with that?

"We are concerned already with the level of exposure in this area. Much of the land in North Kent and South Essex (where most of the development region is located) is already pretty low-lying, and this could simply exacerbate the problem."

Mr. Riley also said that it is crucial that contractors and perhaps more importantly insurers involved in the early stages of the development must ensure that the existing flood defenses in the area are adequate and could cope with any rise in sea levels. "There is also a general concern over the quality of some river defenses in the area."

These "defenses"—or flood barriers—range from concrete walls to earthen banks.

A spokesman for the Department of Environment task force could not comment on whether the group had looked into the flood potential of the area. "All we have done so far is to start work on a framework for the East Thames Corridor plan."

The consultants employed by the DOE to make the initial "capacity and potential" study of the region, however, pointed to the possible flood risks.

In its report, the combined team of Llewelyn Davies Consulting, Roger Tym & Partners, Technechon and Environmental Resources Ltd. told the DOE that "in addition to tidal surges, the defenses need to be able to contain the general sinking of the southeast of England and rising sea levels due to climatic change."

The report also noted that "large areas of land" within the proposed development site fall to a "dangerous" 16.5 feet below sea level.

Robert Scott, leader of the project at Llewelyn Davies, said a far greater problem is the inability of the three relevant local-government water authorities to agree on their definitions of safe and dangerous flood areas.

One of the regions believes that the minimum safety standards for flood defenses should be set to guard against an event the intensity of which may be seen only once in 1,000 years. Another believes the region needs standards adequate for a 1 in 200 year event. "Until a level playing field is established, I cannot see insurers being too happy," said Mr. Scott.

But the DOE believes the flood risk is manageable. "Flood risk is also a constraint requiring further study, but is unlikely to be a significant problem, with the possible exception of some North Kent sites," stated the DOE response to the consultants' report. BI

French insurers

Continued from previous page

CAC 40 index of French stocks. A UAP spokesman said the government is unlikely to announce any further decisions about the privatizations until autumn.

The sale of the government's 80% stake in GAN is unlikely to occur soon, said Michael Wheelhouse, insurance analyst at stockbroker Nomura International in London. The company is heavily burdened by real estate losses at its retail banking subsidiary, Credit Industriel et Commercial, he said. The structure of GAN and CIC will also have to be altered by legislation prior to privatization.

GAN controls 80% of CIC but, under a complicated system worked out in 1982 when the regional banks that make up CIC were nationalized, GAN has very limited rights to hire or fire the bank's management. Mr. Wheelhouse said GAN is unlikely to attract investors until it can exercise tighter management control over the banking subsidiary.

The prospective sale of reinsurer CCR makes unclear how the state-backed funds it administers to help cover risks deemed too volatile for the private sector will be affected. The most important of these funds is the "catastrophes naturelles" reinsurance facility. This fund enables French insurers to claim against CCR for losses incurred from natural disasters, like storms or floods, when the area affected has been declared an emergency zone by the government.

Analysts are confident that the government's plans will be approved by the French Parliament, but they caution that depressed insurer share prices in the French stock market after substantial cuts in profits may make some offerings difficult. However, higher premium rates and reduced exposure to the Paris real estate market should enable shares to rise between 15% and 20% this year.

The stock offerings will be open to foreign companies and individuals. Once the companies are privately owned, they will be vulnerable to takeovers and mergers in the same way that British and U.S. companies of comparable size are.

Corporate risk managers would benefit from the rate decreases that likely will result from post-privatization competition.

"The French insurers are already run on a competitive basis, but privatization will mean that they are answerable to more shareholders," said Mr. Wheelhouse.

The privatization plans follow the March 29 appointment of Prime Minister Edouard Balladur, which ended five years of Socialist rule in France. BI

ART market transforms to meet policyholder needs

By GAVIN SOUTER

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—The captive insurance industry has come a long way since its inception.

A variety of alternative risk transfer vehicles are flourishing and provide innovative and creative solutions to risk management problems, captive experts say.

Rent-a-captives, offshore mutual insurance companies and multi-owner captives all meet the changing risk financing needs of corporations, they say.

And captives could help individual members of Lloyd's of London join the market as part of a corporation, one member said.

"Our industry is highly innovative and creative," said David J. McManus, president of Arthur J. Gallagher & Co. (Bermuda) Ltd.

By establishing new risk transfer techniques, reinsurers and the ART market can continue to act as shock absorbers for industry, he said at the Bermuda Insurance Symposium held here May 25-28.

Although the single-parent captive is still the main ART vehicle used in Bermuda, variants are being used more often to meet changing needs, said Richard D. Spurling, partner and head of the corporate department at Appleby, Spurling & Kempe, a law firm in Bermuda.

For example, rent-a-captives are becoming more common and will soon be even more attractive in Bermuda, he said (see story, page 45).

Offshore mutual insurers also are becoming more popular, Mr. Spurling said. Mutual insurers are not limited by shareholder pressures and this can ease regulatory burdens, he suggested.

"Regulatory authorities look more kindly on them because the users are not trying get something out of them; they are using them for insurance," he said.

Multiple-owner insurance groups have also developed to meet the needs of policyholders, said William S. McIntyre, president of American Contractors Insurance Group Inc. in Dallas.

ACIC is the U.S. holding company for an eight-tier risk financing arrangement headed by American Risk Transfer Insurance Co. Ltd. in Bermuda. The ARTIC group is owned by 23 large U.S. contractors, generates premiums of $67 million and provides coverage for workers compensation, general liability and auto liability risks.

The group consists of holding companies, an insurer that can be used for fronting, a risk retention group, a services agency, a risk purchasing group, a facility that funds workers comp deductibles as well as a main insurance company unit, Mr. McIntyre said.

The companies that must be registered in the United States are based in Texas, he said. "We felt that if you can pass muster in Texas you will be accepted in any other place."

The ARTIC group has helped reduce costs and improve safety for all of its members, he said. "It is a wonderful management tool."

Mr. McIntyre is also a member of Lloyd's of London and is considering establishing a facility in Bermuda to use as an investment vehicle for Lloyd's membership.

Through a group captive, U.S. members might be able to enter Lloyd's as limited liability members hen corporate capital is admitted to Lloyd's next year, he said.

The increase in captive insurance generally is encouraging more reinsurers to work with captives, said Julian M. Griffiths, director of Griffiths & Wanklyn Management Ltd. in Bermuda. "Reinsurers who would not have reinsured captives in 1986 and 1987 are now aggressively seeking this business."

The session was moderated by Brian R. Hall, chairman of Johnson & Higgins (Bermuda) Ltd. BI

Risk retentions

Continued from page 39

Manager of the Year.

The reaction to a retention by the head of a subsidiary that produces $500 million in annual revenues is "considerably different than the reaction I get from the controller of a $10 million subsidiary in Kenya," he says.

Some companies use a very structured, mathematics-oriented process to determine their working-layer retentions, while others use much more subjective methods.

Marriott uses a four-step quantitative process to determine its retention levels, Mr. Davenport explained, using as an example the "wake-up call" Marriott received when the commercial insurance market suddenly hardened in 1985.

"The cost increases were astronomical, and we needed to raise our retentions to reduce those costs," he explained.

The four-step process that Marriott used in 1985—and still uses today—is made up of:

- Determining the corporation's risk retention capacity, or "the ability of a corporation to assume unexpected losses—losses in excess of your predictable, routine losses."

To start the process, Marriott adopted "textbook" formulas governing risk retention: 3% of pretax income and 3% of discretionary cash flow. By averaging those two formulas, Marriott determined that in 1985 it could retain a maximum of $9 million in risk.

- Determining the factor by which losses can vary.

Marriott over the years had increased its retention for general and auto liability risks to $1 million, "not through a scientific study but because we were comfortable at that level," Mr. Davenport said. But since the market was tightening drastically, Marriott needed "scientific backing if we were going to take greater steps into the unknown."

Marriott hired an actuarial firm to run "a series of programs to determine loss variability at different layers" between $1 million and $5 million in risk, he said. The actuary ran a 100-year computer scenario, focusing on the 95th loss percentile, which Mr. Davenport described as "the worst possible result occurring five years out of 100."

That scenario is "very conservative, especially when you take a look at how long you have to go until retirement," he said with a grin.

The study showed that maximum expected losses for general liability and workers compensation were just more than $8 million, less than Marriott's $9 million comfort-level retention.

- Determining risk transfer points.

Marriott obtained quotes for general and auto liability coverage excess of the $1 million retention the company maintained at the time, Mr. Davenport explained. The quotes issued by insurers during the hard market were higher than the loss costs Marriott could expect based on the actuarial projections if it increased its retention to $5 million, with the expected savings totaling nearly $1.4 million.

The process was repeated for workers comp coverage. However, because workers comp insurance costs were not rising nearly as quickly as liability insurance costs in 1985, Marriott opted for only a $1 million workers comp retention.

- Last, but not least, selling the program to management.

"You learn early on that you have to talk in their terms. You have to learn what their hot buttons are because they are not insurance hot buttons at all," Mr. Davenport said.

Management is more concerned with "how bad could we get hurt if things go wrong?" he said. "How could it impact earnings per share? How are we going to pay for it?"

In other words, "You have to know the accountant's mind when you are selling" your retention program, Mr. Davenport warned, explaining that variability of losses—common in risk management—is an accountant's worst nightmare.

Risk managers also must analyze retention decisions in new light, said Stephen M. Wilder, assistant treasurer-risk management for The Walt Disney Co. in Burbank, Calif., and the 1990 Risk Manager of the Year.

"I had always been taught that a company should retain those losses that have a high frequency, low severity and are easily predictable. But the more I thought about it, that doesn't necessarily make a lot of sense. Maybe a company ought to look at the working layers as the amount of risk a company can afford to assume without tremendously adverse financial results," Mr. Wilder said.

Traditional formulas used to compute retentions based on sales, assets, earnings or earnings per share produced for Disney "very different results" ranging from $7 million to $325 million, he explained. But, based on discussions with his chief financial officer, Mr. Wilder has concluded that Disney can retain a maximum of $41 million annually, which today equals 5% of earnings per share.

While some companies might be comfortable using a quantitative method, like Marriott's or Disney's, in setting retentions, other factors—like corporate culture, credibility of loss data and loss control—entered into Belz's retention determination, Ms. Workman said.

While Belz's corporate culture is that of an aggressive player in the high-risk real estate development game, Belz is "a very conservative company from a risk management standpoint," she said. The company's "comfort-level deductible is $100," she joked.

The company also shied away from larger retentions because of a lack of credible loss data, Ms. Workman explained. "That's pretty important in determining what the working layer should be and how to finance it."

After joining Belz in 1987, Ms. Workman worked for several years to obtain meaningful loss data from insurers and management at Belz properties and to centralize this data into an efficient risk management information system.

Ms. Workman also said that loss control is an integral component in the decision whether to retain more risk. "If you don't have your losses under control, it is pretty difficult to assume a great deal of risk," she said, explaining that Belz had done little in the past to control general liability and workers comp losses. The introduction of simple workers comp loss control measures in the late 1980s at Belz's Peabody hotel in Orlando reduced claims costs by about 15% in one year, she noted.

Mr. Wilder agreed: "It's really hard to talk about risk financing without thinking a little bit about loss control because loss control is probably the most important technique to stabilize our costs over the long run."

While not assuming great levels of risk is part of Belz's corporate culture, Disney's culture teaches all employees that safety is an integral part of the job, he said. In fact, Mr. Wilder said a Disney employee is likely to say that safety is the No. 1 concern of the company.

Gillette does not rely on a complex, quantitative method when setting its retentions, said Mr. Mather, who explained that risk managers must realize "there's a great difference between theory and reality."

"I can't say we did a lot of highly technical analysis in determining our layer of retention," he said, explaining that if an insurer says it is "concerned about claims under $500,000, we say, 'Why don't we retain a million?' "

In short, Gillette's retentions are "driven by the marketplace," with a deciding factor in choosing to raise a retention being the amount of premium credit granted by the insurer for the higher retention, Mr. Mather said.

Mr. Wilder noted that Disney does not retain all the risk that it possibly could because "the insurance market dictates how much risk we can retain. The insurance market says, 'We would like you to retain only $25,000 for your (motion picture) production losses, and we are going to price it so you do.' "

However, Disney retains all of its California earthquake risk because "the insurance market says to us, 'Retain an unlimited amount of California earthquake risk.' "

Unlike Marriott and Disney, Gillette's retention policy does not take into account any of the textbook formulas.

While Gillette has tested these formulas from time to time, "they always produce a number which is in the multimillion-dollar level, and there is nothing to suggest that we are going to have claims activity in that area," Mr. Mather said.

The session was moderated by Kathryn J. McIntyre, vp, publisher and editorial director of *Business Insurance* in Chicago. BI

Hardy sends a message—by fax

TUCKER'S TOWN, Bermuda—Mark Hardy, the embattled former chairman of insolvent Focus Insurance Ltd., put his fax machine into high gear for the benefit of speakers and others attending the Bermuda Insurance Symposium.

Mr. Hardy, who headed what once was the Forum Re Group, fired off no fewer than three faxed messages to selected attendees, savagely attacking some of the speakers and conference organizers and severely criticizing Bermuda, its legal system and its insurance industry.

The verbal attacks were the latest salvo in Mr. Hardy's nine-month, one-man campaign against the Bermuda insurance industry after he failed to block legal action against him by Focus' liquidators. The legal action, which accused Mr. Hardy of willful negligence in Focus' collapse, sought $19.7 million in damages.

Mr. Hardy, who now lives in Suffolk, England, faces an arrest warrant issued in December in Bermuda for violating court orders freezing his assets worldwide (*BI*, Jan. 4). The Bermuda Supreme Court in January issued a judgment-in-default order for the $19.7 million sought by the liquidators.

INTERNATIONAL

Alternative market reacts to change

Catastrophes, pollution require new funding methods

By GAVIN SOUTER

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—The changing world requires innovative risk financing methods, top insurer and reinsurer executives say.

Rising catastrophe losses throughout the world, a tighter environmental liability system in Europe and insurance regulatory changes in Japan are among the changes that offer opportunities to the alternative risk transfer market, they contend.

But with opportunities come problems, and the insurance industry should be wary that the problems in the U.S. legal system may be spreading abroad, one of the executives said.

In the six years since 1987, the insurance industry has faced more catastrophic losses than during the previous 20 years, remarked Colin Murray, chairman of Lloyd's of London underwriting agency R.J. Kiln & Co. Ltd.

Insurance and reinsurance markets have failed to deal adequately with the huge losses they have faced, Mr. Murray said.

"The biggest man-made catastrophe that I know is the reinsurance and retrocessional market of today," Mr. Murray, a former deputy chairman of Lloyd's, said at last month's Bermuda Insurance Symposium.

Potential catastrophic losses, like earthquakes striking Los Angeles and San Francisco, may well be too large for the current insurance and reinsurance industry to finance, he said.

"If we had a $30 billion loss, the general economy would be able to fund it, but I doubt whether the insurance industry will be able to and I'm certain that the reinsurance industry won't," Mr. Murray said.

To solve the insurance and reinsurance capacity crisis, insurers and reinsurers must become more specialized and legislators will have to allow insurers and reinsurers to build larger reserves, he said.

"We must get better treatment from tax authorities; otherwise we will not be able to provide our service," Mr. Murray said.

But insurers and reinsurers also will have to make changes to build reserves and concentrate less on profits and the amount returned to shareholders, he said.

In addition to providing a market with a solid capital base, insurers will have to work more with large clients to smooth premium costs over many years, Mr. Murray said.

Meanwhile, alternative risk transfer mechanisms will continue to grow in Europe, said Patrick Peugeot, chairman and CEO of SCOR S.A. in Paris and another member of the panel.

"By the 21st century the ART market should be flourishing in the European Community because we will have full freedom of services and facilities such as those in Dublin will encourage captives and other alternative vehicles," he said.

In particular, the E.C. directive on liability for waste will encourage companies to use ART techniques to finance their pollution risks, Mr. Peugeot said.

The directive establishes laws similar to the Superfund act in the United States, he noted. However, the E.C. legislation will apply only to prospective pollution rather than retrospective incidents as does the Superfund law, he said.

Even though European companies will not be held liable for past pollution incidents under the directive, the European pollution liability insurance market still faces a capacity crunch, Mr. Peugeot said.

In response to the dearth of traditional insurance coverage, many European countries have formed pools to provide EIL coverage and some specialist EIL insurers also offer coverage, he said.

Prospective legislative changes in the Japanese insurance market also will provide opportunities to the ART market, said Shuya Kojima, manager-international section in the reinsurance and international department of Dai-Tokyo Fire & Marine Insurance Co. Ltd. in Tokyo.

New legislation currently being drafted will make the Japanese insurance market more open, including allowing greater freedom for brokers to operate in Japan, he said.

Additionally, Japanese risk managers are becoming more global in their outlook and are already interested in the ART market, he said. "The concept of captives is now widely recognized in my country."

Over the next 10 years, brokers and risk managers will be able to produce better insurance products for Japanese companies, Mr. Kojima concluded.

However, risk managers and insurers also will face growing problems during the next decade, said Brian O'Hara, president and CEO of X.L. Insurance Co. Ltd. in Bermuda.

In particular, companies should be wary that the legal systems in other countries may be becoming similar to the U.S. legal system, he said.

"Clearly, U.S. procedural law is out of control. It is dominated by the plaintiff side of the legal system," Mr. O'Hara said. The legal systems in most European countries are not so biased toward the plaintiff, he added.

For example, judges—not juries—award damages in most countries, while punitive damages are not awarded. As a result, damage awards are not so high, he said.

But there are some worrying signs that damage awards in Europe could inflate, Mr. O'Hara said. In Scotland, for example, a limited contingency fee system has been established, and a similar system currently is being considered in England and Wales, he said.

Cases of "forum shopping" also are increasing in Europe, he said.

As a result of these changes, underwriters must become more cautious when underwriting European liability insurance policies, he said.

The session was moderated by Walter A. Scott, chairman of ACE Ltd. in Bermuda. BI

Innovation is music to ART market

By JAMES M. BURCKE

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—Just as Richard Wagner tore up the classical structures of music, practitioners of alternative risk transfer are challenging the tenets of the traditional insurance marketplace.

Worldwide, traditional insurers have lost 25% of commercial premiums to alternative risk transfer, says Jonathan J. Crawley, president of Sphere Drake Underwriting Management (Bermuda) Ltd., which writes reinsurance for captives and other ART programs.

And, the future holds even more promise for the so-called ART market, Mr. Crawley said in a slightly "offbeat" speech closing the Bermuda Insurance Symposium that mixed music with Mr. Crawley's trademark booming voice.

Mr. Crawley, an unabashed opera lover, compared the pioneering musical efforts of Wagner with the innovations composed by the ART market. He proclaimed Wagner "as the official composer to the ART market" and an adaptation of "The Ride of the Valkyries" from "Die Walkure" as the official ART market hymn, "The Ride of the ART Marketeers."

"We, like Wagner, invented new structures and found them to be good. We have found that there is a new and ready audience for them. And we know, as did Wagner, that they are structures which are here to stay. . . ," Mr. Crawley explained on behalf of the "ART marketeers."

In fact, the ART market "in a very short period of recent history has changed the face of the commercial insurance marketplace forever," he said.

Mr. Crawley also selected theme music for the "conventional insurance market." Compared with the "overpowering glory of (the) revolutionary and self-assured melodic line" of the ART market's hymn, the conventional market's hymn—a theme from Haydn's Symphony No. 94—paled. It has a "simple, nay simplistic, melodic line" followed by a "loud stamp of the foot—or a banging of a fist upon the table—a definite 'no' denoting an inherent conviction of rightness, a blind refusal to recognize any need for change," he said.

To Mr. Crawley, risk managers who choose ART are heroes.

"Businesses that go the self-insurance route are to my mind the most courageous of all the alternative entities," he said. "Perhaps they are less sophisticated than entities who have created captive insurers or risk retention groups, but there is something raw, something robust about the bare self-insured retention—something defiant and, of course, self-confident."

But, that doesn't mean that the captive is not also a noble form of ART. Captive managers and owners are "the founders of the ART market movement," he said.

In keeping with the musical tone of the speech, Mr. Crawley chose Wagnerian themes for self-insurers and captives, as well as for other ART components, including:

- Rent-a-captives, which he described as being managed by people "driven by incredible energy—diggers and burrowers"—who have joined "their full-blooded captive brethren in looking back in disdain at the conventional market."
- Financial reinsurers, who have the ability "to throw lifelines. . .to help their conventional customers out of the mire into which their own folly has so often put them."
- High-layer casualty insurers, "who sit on top of either conventional or ART market contracts or both. They sing from on high.

"But these stellar companies also hold in contempt the conventional market, for their advent was necessitated by the collapse of high-level casualty protection in 1984," he said.

The ART market will continue to flourish, Mr. Crawley believes.

"What I do know is that the state of the ART will remain healthy, will remain innovative and prosperous, and that Bermuda will have increased its right to humbly refer to itself as 'the ART capital of the world,' " he said, shortly before he led his audience in a final chorus of the ART market hymn:

We've pledged our assurance,
whether insurance
or reinsurance,
we're state of the ART.

We challenged convention,
built our retention,
proudly we mention
we're state of the ART.

We broke with tradition,
some call it sedition.
We have a mission:
We're state of the ART.

Our assets keep growing.
Our profits are glowing.
Our anthem bestowing,
We're state of the ART.

BI

Capacity crunch

Continued from page 39

with the public should not rest on their laurels and think that their reputation will protect them from large liability awards, he pointed out.

"The higher the standards you set for yourself, the more juries expect from you and they will expect you to have higher standards of care," Mr. Heydinger said.

Risk managers should review how they set their insurance coverage limits, he said.

In particular, risk managers need to do a better job in convincing their boards of directors that their companies could face large liability exposures if a disaster strikes, Mr. Heydinger said.

But when companies decide on the limits of coverage they want to buy, they may find capacity problems in the conventional market, said Patricia S. Kellogg, risk manager for Ameritech Corp. in Chicago.

In particular, property catastrophe coverage has been blown away for companies located in coastal areas, she said. Ameritech's Midwestern location has spared it such problems, she added.

While the increased price and reduction in capacity for property insurance has created problems for everyone involved in the insurance buying process, she said, brokers, underwriters and risk managers have all contributed to the problem.

"Insurance is being treated as a commodity and we are all to blame," Ms. Kellogg said.

To combat the current problems in the property market, policyholders will have to retain more of their risks through higher deductibles, she said. Also captive insurers will be increasingly used to cover property risks, she said.

And other property catastrophe markets must be developed, Ms. Kellogg said. "Maybe the market needs property counterparts to ACE and X.L. . . .There seems to be a need for a new outlook on catastrophe risks."

Alternative risk transfer mechanisms will be used more often to cover catastrophe risks, agreed Mr. Heydinger.

"In the 1980s we made the breakthrough. . . .Now more organizations are willing to get involved in insurance in ways which they were not prepared to prior to the mid-'80s crisis," Mr. Heydinger said.

Guinness P.L.C. has already altered its property and business interruption insurance program to take account of the changing market, said Anthony Benson, head of group risk management for the London brewer.

Guinness has a scale of operation equal to that of leading insurers and reinsurers; therefore, it can afford to participate in its own insurance program, he said.

Under the Guinness program, 25% of the risk is insured by a lead underwriter, and the remaining 75% is coinsured by Guinness' captive, Mr. Benson said.

Sixty percent of the captive's reinsurance is placed directly by Guinness, while the remaining 40% of the reinsurance is placed by its broker.

"The lead insurer sets the rates, terms and conditions and that sets the terms for the coreinsurance market," he said.

Therefore, policy wordings are the same throughout the program, Mr. Benson said.

The program also allows Guinness to obtain additional facultative reinsurance from its treaty reinsurers, Mr. Benson said.

"Because facultative (capacity) is kept separate from treaty, I can use another tranche of capacity. So I get a lot of mileage out of my major reinsurers," he said.

By reducing the role of the broker and participating as a coinsurer, Mr. Benson said, Guinness also reduces its frictional costs—broker's fees and commissions.

"I want my dollars in premium to work for me so I have to see massive added value if I am to use a broker," Mr. Benson said.

Coinsurance also reduces a policyholder's exposure to cyclical insurance markets, he said.

"There's mutuality of interests between the user and supplier so you can get very close to your insurer," Mr. Benson said.

Coinsurance also allows a company to offer all of its exposures, including property, casualty and marine, to the same global insurance market, he said.

This enables insurers to share in all of the fortunes of the company and smooth out loss experience, Mr. Benson said.

The session was moderated by Edith Lichota, vp-administration of Bankers Insurance Co. Ltd. in Bermuda and a former Risk Manager of the Year. BI

NAIC fronting measure still flawed: Panel

By JUDY GREENWALD

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—The National Assn. of Insurance Commissioner's proposed model fronting law—revised at least a dozen times—still requires major changes, proponents of captives say.

The latest draft of the fronting bill was the outcome of a long and difficult negotiating process to satisfy varying views of different states, contends NAIC President Steven T. Foster.

However, the draft still unreasonably fails to exempt Bermuda captives, which are already well-regulated, says Malcolm Butterfield, Bermuda's registrar of companies.

It also should exclude association captives, says Neil R. Pearson, an attorney with Carter, Ledyard & Milburn in New York, who has followed the progress of the model fronting law.

The three discussed the model fronting law during a session at the Bermuda Insurance Symposium last month.

Under the latest proposed model fronting law approved by the NAIC's Reinsurance Task Force in March, captives domiciled outside the United States and in states not accredited by the NAIC, as well as all association captives, would be subject to the model law's disclosure and reporting requirements (*BI*, March 15).

Risk managers and others have said the proposal will make captive operations more expensive.

Proponents of the proposal, however, maintain rules are needed to protect policyholders and ceding companies participating in fronted programs from unauthorized reinsurers that may lack adequate finances.

Mr. Butterfield said Bermuda captives are required to file annual reports that are part of an early warning system to detect solvency or liquidity problems.

A look at the past several years reveals that captives that reinsure fronted programs seldom cause problems, he added.

Mr. Pearson also criticized the fronting proposal's current form.

In the case of commercial fronting arrangements, in which the company assuming the risk has no affiliation or relationship with the policyholder, delegation of underwriting or claims settlement authority is a "potentially problematic practice," Mr. Pearson said.

But in the captive context, "this practice is consonant with sound risk management and to the advantage of both the insured and the fronting company," he said.

"In underwriting its own risks and settling its own claims, the insured, through its captive, can be counted on to be the most vigilant and the most expert and the proof lies in the consistently positive track record of captive fronting," he said.

Mr. Pearson also agreed with Mr. Butterfield that the captive exemption in the bill is too narrow. Noting the bill now only exempts captive reinsurers domiciled in an accredited state, he said this restriction "certainly looks protectionist to our trading partners and dismisses a long history of sound non-U.S. regulation, particularly in Bermuda."

Furthermore, states can lose their accreditation, which happened recently to New York.

The other "substantive flaw" with the captive exemption is it is restricted to single-parent captives, which are defined as captives whose owners are all affiliated, said Mr. Pearson.

But the same justification applies to group captives, he argued. "It is the owners' risks being ceded, the owners' expertise being relied upon and, in the end, the owners' assets at risk."

Mr. Foster, who is also Virginia's insurance commissioner, noted that the current draft is the 13th version of the proposed model, and represents an attempt to bridge the differing views of 11 different states.

The purpose of the model fronting law, he stressed, is to ensure proper disclosure and regulation of reinsurance transactions. "It does not attempt to regulate fronting or captives," he said.

Mr. Foster explained that captives in offshore domiciles could not exempted from the proposal's requirements because these jurisdictions often have privacy laws that stymie regulators' attempts to learn more about the captives that reinsure fronting insurers.

Mr. Butterfield said that for Bermuda to consider any changes in its privacy law, the country's service providers and others involved would first have to be questioned as to whether "they consider confidentiality as important today as it was decades ago."

Also speaking at the session was John G. Gantz Jr., president of AIG Risk Management Inc. in New York. The session was moderated by Edmond F. Rondepierre, senior vp and general counsel at General Re Corp. in Stamford, Conn. BI

Resolving disagreements

Alternative market finds ADR works to its advantage

By JUDY GREENWALD

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—Using alternative dispute resolution to settle coverage disputes in the alternative risk financing market offers some significant advantages over the traditional legal system, an attorney says.

"The eyes glaze over" when a jury hears technical matters in an insurance case, said Eugene Wollan, an attorney with Mound, Cotton & Wollan in New York.

"You are infinitely better off presenting your case and having the decision made by business people who understand what you're talking about" in an alternative dispute resolution approach, like arbitration or mediation. This gives you a "business solution to a business problem," he said.

Ronald A. Jacks, an attorney with Mayer, Brown & Platt in Chicago and an experienced arbitrator of reinsurance disputes, agreed. Given a situation where there are honest opinions that are strongly held, "we would rather resolve that kind of a dispute" in an arbitration than through litigation, he said.

Messrs. Wollan and Jacks, along with a panel of other lawyers and reinsurance executives, participated in a role-playing discussion of how alternative dispute resolution techniques work in a reinsurance dispute during the Bermuda Insurance Symposium last month.

Mr. Wollan observed that there is a common misperception that reinsurers have a significant disadvantage over ceding companies when they are subject to arbitration in the United States.

However, there is a "hard core" group of experienced arbitrators and umpires available "who don't start out with any predisposition," he said. Reinsurers do not receive less of a "fair shake" than insurers, said Mr. Wollan. Being admitted, non-admitted or offshore are not factors either, he added.

Each case is decided on its merits, with the arbitrators and umpires putting their knowledge within the context of that case, he said.

However, Harvey G. Simons, director of CNA International Reinsurance Co. Ltd. in London, complained that too many U.S. arbitrators are retired reinsurance executives, rather than active participants in the market. This is because the length of these arbitrations—which are "not sufficiently focused"—deters many active executives from committing the time needed to decide the case, he said.

Mr. Simons said he hopes that U.S. arbitrators will be better trained with the establishment of a U.S. branch of ARIAS, a professional arbitration society also known as the AIDA Reinsurance & Insurance Arbitration Society. The group is supported by the law society Assn. Internationale de Droit des Assurances, among others (*BI*, Oct. 26, 1992).

Theron J. Strenk, the retired president of INA Reinsurance Co. of Philadelphia and who has participated in several arbitrations, noted that U.S. arbitrators typically have learned by doing. "I firmly believe that training is going to be necessary," he said, pointing to greater demand for arbitrators and the increase in reinsurance disputes.

The panel also discussed how an arbitration proceeding works through the presentation of a hypothetical situation.

Discussing what he looks for in an arbitrator, Mr. Wollan said that when a dispute arises, he pulls out a file. "I will try to select somebody who will see the case my way," he said, playing the role of a U.S. ceding insurer executive in the hypothetical dispute.

Mr. Wollan said he would then contact possible candidates to find out about their availability, interest and potential conflicts of interest. He said he also tries to learn whether a candidate's "initial predisposition" in the particular case is "inclined toward my point of view."

Taking the role of the London reinsurer in the dispute was John Powell, a partner with the law firm Lovell White Durran in London.

Mr. Powell said he would be looking for essentially the same qualities as Mr. Wollan, but must go about his search differently.

Under English rules, he noted, he cannot discuss the case at all—neither its specific facts nor in generalities—with potential arbitrators.

Because of this, Mr. Powell said he must "choose someone whose knowledge and predisposition is already known." The arbitrator cannot be partisan, and any signs during the procedures that he or she is could prompt a disqualification.

Discussing how the umpire is selected, Mr. Powell said in theory in England the umpire is selected by the two arbitrators. In practice, however, the attorneys for the parties often discuss the selection, and if they cannot agree, they then turn to the arbitrators, he said. A court can also appoint an umpire.

Mr. Strenk said once the umpire is selected, the next step is to contact the attorneys and hold an organizational meeting, where the panel is introduced to the issues, potential conflicts of interest are disclosed and the panel starts solidifying the procedures necessary to lead up to a hearing.

Also speaking at the session was John Milligan-Whyte, an attorney with Milligan-Whyte & Smith in Bermuda. Mr. Jacks moderated the session. BI

When renting makes sense

Rent-a-captives allow firms to retain risk with less outlay of capital

By ROGER SCOTTON

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—Rent-a-captive facilities will play an increasingly important role in financing corporate risk, a panel of rent-a captive proponents and users agrees.

"I believe that the remainder of this decade will see the virtual extinction of the traditional guaranteed-cost insurance contract for medium-sized and larger commercial accounts," predicted Robert A. Mulderig, chairman and chief executive officer of Bermuda-based Mutual Risk Management Ltd., which operates one of the world's largest rent-a-captive facilities.

Because of high transaction costs and cyclical pricing, the traditional guaranteed-cost contract is "a product that doesn't work," he said.

"I believe it will be replaced by sizable retentions combined with the purchase of excess insurance."

Mr. Mulderig, whose company has 300 rent-a-captive clients, said rent-a-captives "will increasingly be viewed with favor" as an ideal way to retain risk without the capital outlay and management commitment required by a stand-alone captive insurer.

Mr. Mulderig moderated a panel discussion on rent-a-captives during last month's Bermuda Insurance Symposium.

Panelists Gene Marsh, president and CEO of California Hospitals Affiliated Insurance Services Inc. in Sacramento; and Nicholas Dove, president of Skandia International Risk Management Ltd. in Bermuda, agreed that while demand for rent-a-captive services will increase, this growth will generate a much higher level of competition among rent-a-captive facilities.

"I expect the commercial market to move into this business but with a bigger appetite than the consumers can provide," said Mr. Marsh, who heads an organization of 110 unrelated policyholders that have used a rent-a-captive program since 1986.

Nikolaj Boysen, managing director of Skandia's Danish captive management subsidiary SINSER, predicted strong rent-a-captive growth in Europe.

David Ezekiel, president of captive manager International Advisory Services Ltd. of Bermuda, said much of the growth will come from the smaller end of the policyholder spectrum, with rent-a-captive facilities often used to insure "deductible buy-back programs."

However, Mr. Ezekiel also pointed out the drawbacks inherent in rent-a-captives, which he said were "not the solution for those with a horrendous loss experience."

Spelling out the essential differences between a captive and a rent-a-captive, the panelists noted the purpose of the latter was to return the profit—both from underwriting and investments—from each client's insurance program to that client with a minimum commitment of the client's capital and management effort. Whereas a captive is controlled by its shareholders, a rent-a-captive is controlled by a "sponsor" company that operates the facility, deriving income not from the assumption of underwriting risk but from the fees paid by insured clients, the panelists noted.

Regardless of the business being underwritten, sponsors retain no underwriting risk, with insurance programs structured to leave no residual risk in the rent-a-captive facility. The risk, the panelists explained, was "absorbed" by clients' payments of premiums, reinsurance, capital, collateral and often a contractual indemnification of the sponsor.

Mr. Ezekiel said policyholders' lack of control over the rent-a-captive facility is a potential problem area. "Lack of control by the clients is seldom a big issue in the first year when everyone's excited about their new facility. But eventually, there will come a point when a sponsor will tell a client that he can't do something he wants to do, and that may prove a bit frustrating to a client who sees a pot of his money sitting in the rent-a-captive," he said.

The client "may not even be able to offer investment advice" to the rent-a-captive's sponsor, though Mr. Ezekiel and other panelists agreed that some programs allowed clients to control many investment decisions.

MRM's Mr. Mulderig said the client's lack of control or ownership of the rent-a-captive "is somewhat of a tax advantage, but just how big an advantage is open to question." Lower capital requirements, easy startup, the lack of long-term management commitment by clients and greater cost-effectiveness were among the main advantages of using a rent-a-captive instead of a traditional captive, he said.

In addition, because rent-a-captive programs can be structured so a policyholder is assured that bad loss experience by other programs written by the facility will not drain the funds available to pay the policyholder's claims, "you tend to know with more certainty than with a traditional reinsurer that you have access to these funds." BI

Fighting to 'junk' dubious claims

TUCKER'S TOWN, Bermuda—So-called "scientific experts" who make outrageous, unsupported claims that lead to millions in jury awards in product liability cases must be stopped, says an expert on "junk science."

BERMUDA INSURANCE SYMPOSIUM

"Clearly, there has to be a limit on how people can drape themselves in the mantle of scientific authority," says Peter Huber, senior fellow with the Manhattan Institute for Policy Research in Washington, and author of "Galileo's Revenge: Junk Science in the Courtroom."

"There has to be some limit," said Mr. Huber, who delivered a luncheon address at the Bermuda Insurance Symposium last month. Currently, scientific knowledge can simply be defined as whatever someone with a doctorate or a medical degree says it is, said Mr. Huber. He suggested that those testifying in court as experts have their findings first subjected to peer review.

While there is no precise definition of junk science, it can be described as "through-the-looking glass science. It's astrology, not astronomy," he said. "Virtually every serious scientific discipline has a counterpart with similar jargon" that is junk science, he said.

Science itself "has good tools for dealing with bad science"—peer review and publicity, said Mr. Huber.

But this process takes time, and there is opportunity in the interim for people to exploit the legal system and plumb "the financial depths of the insurance industry," he said.

He pointed to a case now before the U.S. Supreme Court, *Daubert vs. Merrell Dow Pharmaceuticals*, which involves claims by Dr. Shanna Swan that Bendectin, an anti-nausea drug taken in pregnancy, causes birth defects. There is no scientific evidence to support this assertion, however, and Dr. Swan has never written down her arguments, Mr. Huber said.

While Merrell Dow has overwhelmingly won cases brought against it, it has also been forced to spend an estimated $75 million to $100 million in litigation costs, said Mr. Huber.

—By Judy Greenwald

INTERNATIONAL

First Bermuda symposium explores ART

TUCKER'S TOWN, Bermuda—More than 460 insurance industry executives, risk managers and other guests gathered in Bermuda May 25-28 for the first Bermuda Insurance Symposium.

BERMUDA INSURANCE SYMPOSIUM

The symposium, titled "Bermuda, the ART Capital of the World" and held at the Marriott Castle Harbour resort, explored all phases of alternative risk transfer, from financing corporations' working layers of risk to financial reinsurance to proposed restrictions on fronting arrangements.

Besides the official registrants, the symposium attracted 130 exhibitors, who represented 14 companies at the exhibit area.

The conference was kicked off by welcoming remarks from Bermuda Premier John Swan and Finance Minister David J. Saul.

The conference also marked the premiere of the "official" ART market hymn, "The Ride of the ART Marketeers," written by Jonathan J. Crawley, president of Sphere Drake Underwriting Management (Bermuda) Ltd., to the tune of Richard Wagner's "The Ride of the Valkyries" (see story, page 43).

That wasn't the only musical surprise in store for symposium registrants. At Thursday night's gala dinner, registrants were treated to the first—and possibly last—public performance of Rock 'n Roll Re, a rock band made up of executives in the Bermuda insurance and reinsurance industry.

The band, which played hits from the late '50s and '60s, featured Graham Pewter of Commercial Risk Reinsurance Co. Ltd. on drums and vocals; Tony Hay of Johnson & Higgins (Bermuda) Ltd. on lead guitar; Carl Daly of Jardine Pinehurst Management Co. on saxophone; Reid Kempe of X.L. Insurance Co. Ltd. on rhythm guitar; Mark Berry of Mid Ocean Reinsurance Co. Ltd. on keyboards; and Robin Spencer-Arscott of Rollins Hudig Hall (Bermuda) Ltd. on rhythm guitar and vocals.

Luncheon speakers were veterans of two "contact sports": law and football. Peter Huber, senior fellow at the Manhattan Institute for Policy Research in Washington, discussed the need to remove "junk science" from courtrooms (see story, page 45), while former Washington Redskins quarterback Joe Theismann delivered a well-received speech on the need for teamwork in business as well as sports.

The next Bermuda Insurance Symposium is scheduled for 1995. For more information, contact Suzie McKeegan, Bermuda Insurance Symposium, 73 Front St., P.O. Box HM 1366, Hamilton HM FX, Bermuda; 809-292-6386.

Balance is key factor in risk transfer: Palm

Financial reinsurance rules must be stable

By JUDY GREENWALD

BERMUDA INSURANCE SYMPOSIUM

TUCKER'S TOWN, Bermuda—Financial reinsurers can live with new accounting rules affecting their business as long as they are consistent, says the president of Bermuda's largest financial reinsurer.

Michael Palm, president and chief executive officer of Centre Reinsurance Holdings Ltd., said while there has been a "lot of hullabaloo" about accounting changes, he can "live with" any set of accounting rules "as long as I know what they are," they are consistently interpreted and they "don't change every six months."

The financial reinsurance industry is "not driven by accounting guidelines," he said. People seek out Centre Re to meet needs "and these needs are not going to go away."

Mr. Palm was a member of a panel that discussed financial reinsurance at the Bermuda Insurance Symposium last month. The topics included the impact of Financial Accounting Statement 113, which governs the reporting of reinsurance transactions by publicly held companies (*BI*, Jan. 11).

Among other factors, the new rules state a contract will be considered reinsurance only if it transfers "significant insurance risk" to the reinsurer, and if it is "reasonably possible" the reinsurer will suffer a "significant loss" under the contract."

Mr. Palm said some have tried to define "significant loss" as a function of premium levels, considering for instance, 5% to 10% of premium volume significant. "I think, if I

Continued on next page

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LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

1985: NO. 228

IN THE MATTER OF SECTIONS 33 AND 35 OF THE INSURANCE ACT 1978 AND IN THE MATTER OF THE COMPANIES ACT 1981 AND IN THE MATTER OF MENTOR INSURANCE LIMITED (IN LIQUIDATION)

NOTICE

NOTICE IS HEREBY given that the Scheme of Arrangement ("the Scheme") approved by the creditors of Mentor Insurance Limited ("Mentor") at a meeting held on 23rd February, 1993 has been sanctioned by an order of the Supreme Court of Bermuda and that the order of the Court has been filed with the Registrar of Companies. Accordingly the Scheme became effective on 23rd March, 1993.

Pursuant to the terms of the Scheme, a Final Filing Deadline is established as 30th June, 1993, and any person wishing to submit a claim against Mentor (or wishing to revise or provide further material in support of a claim previously notified to the Joint Liquidators) **MUST** on or before 30th June, 1993 submit a claim in writing to the Joint Liquidators in the form of the Notice of Claim included in the Scheme as Appendix A. Any person who has not previously filed a Claim Form in the liquidation and who fails to file a Notice of Claim on or before 30th June, 1993 shall not be entitled to rank for any dividend payable under the Scheme and shall have no further rights under the Scheme or in the liquidation of Mentor.

Copies of the form of notice of Claim are available to Scheme Creditors, as defined in the Scheme, at the office of Mentor Insurance Limited, 129 Front Street, Hamilton, Bermuda.

Notices of claim received by the Joint Liquidators after 30th June, 1993 will not be entertained.

DATED this 23rd day of March, 1993.

Charles W. Kemp, Jr.
and Nigel J. Hamilton
Joint Liquidators

ERISA ruling

Continued from page 2

ERISA, Congress stripped ERISA trust beneficiaries of a remedy against trustees and third parties that they had enjoyed. . .under common law," wrote Justice White, who was joined by Chief Justice William Rehnquist and Justices Sandra Day O'Connor and John Paul Stevens in the dissent.

The decision is "part of a continuing pattern by the court of eroding ERISA protection" for plan participants, claimed the plaintiffs' attorney, Jeffrey Lewis of Sigman & Lewis in Oakland, Calif.

Mr. Lewis added, however, that the decision could expose ERISA plan fiduciaries to jury trials because of the comments Justice Scalia made about fiduciaries' responsibilities.

"It seems that ERISA is being used almost defensively against pensioners and retirees," said Mary Ellen Signorille, legal project coordinator for the Pension Equity Project of the American Assn. of Retired Persons in Washington. "The protections are narrowing."

The case stems from actuarial services provided by Lincolnshire, Ill.-based Hewitt Associates for Kaiser Steel Corp.'s retirement plan (*BI*, Oct. 12, 1992).

In 1980, Kaiser began cutting back its steel-making operations, which led many plan participants to take early retirement.

The plan participants charged that Hewitt—the plan's actuary at the time—did not change the plan's actuarial assumptions to reflect the changes.

"As a result, Kaiser did not adequately fund the plan, and eventually the plan's assets became insufficient to satisfy its benefit obligations," wrote Justice Scalia, summarizing the participants' complaint.

Eventually, the Pension Benefit Guaranty Corp. terminated the plan.

As a result, "petitioners now receive only the benefits guaranteed by ERISA, which are in general substantially lower than the fully vested pensions due them under the plan."

The plaintiffs sued the plan's fiduciaries, accusing them of breaching their duties, as well as Hewitt, alleging "that *it* had caused the losses by allowing Kaiser to select the plan's actuarial assumptions, by failing to disclose that Kaiser was one of its clients and by failing to disclose the plan's funding shortfall."

The plan participants alleged that Hewitt violated ERISA by breaching its professional duties to the pension plan.

The 9th U.S. Circuit Court of Appeals in San Francisco found in 1991 that ERISA doesn't provide a cause for action for monetary damages against a non-fiduciary and dismissed the case.

In upholding the appellate ruling, Justice Scalia noted that ERISA spells out "a number of detailed duties and responsibilities" for ERISA fiduciaries, but does not apply them to non-fiduciaries. He added that the plaintiffs never argued that Hewitt was acting as a fiduciary.

"Exposure to that sort of liability would impose high insurance costs upon persons who regularly deal with and offer advice to ERISA plans and, hence, upon ERISA plans themselves," creating a "tension" between ERISA's goals of protecting employees and holding down pension costs, the majority opinion says.

"We will not attempt to adjust the balance between those competing goals that the text adopted by Congress has struck," according to the opinion.

"The court's opinion can be read to extend to other persons and entities," like accountants, who render services to pension plans, said Hewitt attorney Steve Frankel, a partner with Sonnenshein, Nath & Rosenthal in Chicago.

"Needless to say, we're very pleased with the decision. It represents a good balancing act by the Supreme Court of the relative responsibilities and liabilities of the parties that serve pension plans. This will help keep our members from being assessed unfair liability that's disproportionate to their responsibilities when they provide advice to pension plans," said Lauren Bloom, general counsel of the American Academy of Actuaries in Washington.

"There's a deep pocket that's not available" as a result of this ruling, said Seth Tievsky, a principal with Ernst & Young in Washington.

But in terms of the decision "gutting ERISA," as some have charged, the law was never clear whether non-fiduciaries could be sued under ERISA, he noted.

The decision is "very favorable to benefits professionals," Mr. Tievsky added.

However, Mr. Lewis, the plaintiffs' attorney, said that the decision "did not completely sound a death knell" for pensioners' rights.

Mr. Lewis said that because Justice Scalia characterized the remedies available to those bringing cases against ERISA fiduciaries as "legal" as opposed to "equitable," the decision "may have opened the door to jury trials in ERISA fiduciary breach cases."

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Mertens et al vs. Hewitt Associates, U.S. Supreme Court, No. 91-1671. June 1, 1993.

Lenders' liability

Continued from page 2

about $1 million, according to an EPA official—has not decided whether to appeal.

In his 45-page decision, Judge Bowen found that Fleet was not entitled to a secured lender exemption from Superfund liability because of the way it managed the property after it was deemed to have foreclosed. Specifically, Fleet hired an auction company and a salvage company that aggravated environmental problems at the plant by rupturing drums of chemicals and scattering asbestos debris.

Focusing on the facts of the Fleet case, Judge Bowen found:

- When hazardous substances are readily identifiable and are in such a condition that they pose an apparent threat to the environment, the handling of those substances indicates an "impermissible participation in management" of the site.
- When a secured creditor or its agent takes actions that it knows or reasonably should know will aggravate a site's environmental problems, those actions also constitute management.
- Secured creditors should exercise no more control over foreclosed property than is necessary to dispose of the foreclosed assets.
- The site should be vacated in a "reasonable expeditious" manner, which must be decided on a case-by-case basis.

In the Fleet case, he wrote, the salvagers' presence for more than 18 months after the auction "unquestionably was not a reasonably expeditious departure."

Wilda Cobb, assistant general counsel for the EPA in Atlanta, said this sort of ruling serves as a guide for the 2% of all lenders that may be inclined, like Fleet, to destroy collateral and do other things that are not "commercially reasonable."

Bank lawyers, though, counter that the decision is muddled. "The court's distinction between permissible 'incidental' handling of hazardous substances and impermissible handling (following a foreclosure) is unclear," argued Patricia Thrower Barmeyer of King & Spalding in Atlanta, who represented Fleet. "In essence, if a lender forecloses and takes possession of a facility with environmental problems, the lender can be sure to avoid the liability associated with the problems only if the lender takes an absolute 'hands off' approach and stays completely away from the hazardous substances.

"While intentional or careless aggravation of environmental problems should not be condoned, the absolute 'hands off' approach will often be unrealistic and leave lenders with no choice but to walk away from secured assets."

Lawyers who represent lenders also complain about the court's treatment of "arranged for" liability. Superfund liability can be based on arranging for pollution disposal as well as for things like owning disposal sites or accepting waste.

In *Fleet*, the court did not actually find the lender liable for arranging for disposal but indicated that it would have if Fleet were not held liable as an owner/operator.

That may be "a Catch-22" for lenders, said Margaret V. Hathaway of Thacher Proffitt & Wood in Washington, who advises lenders.

It puts lenders in a "precarious position," said Ms. Barmeyer. "If a lender or its agents handle hazardous substances in more than an incidental manner but without conducting a (full cleanup), the lender may be liable either for having impermissibly participated in management or for having 'arranged for' the disposal of hazardous substances."

Other aspects of the ruling were favorable to lenders.

"The judge noted that a secured creditor after foreclosure may act to prevent future releases, such as removal of drummed waste, provided such activities are consistent with CERCLA," the EPA spokeswoman said. CERCLA requires such activities to be done in accordance with national guidelines or under direct EPA supervision.

The court also recognized the need for significant involvement by a lender in winding down operations at a defunct facility, said Ms. Barmeyer.

That broad approach "is one of the good aspects of the decision," said Thomas Greco, associate general counsel with the American Bankers Assn. in Washington.

"Even though banks have achieved some clarity from EPA rules, this case is another indication why banks need to undertake extreme caution in similar situations," he said.

Fleet was defended in the case by Employers Insurance of Wausau under a reservation of rights.

"We have not decided what approach—if any—to make to the insurer" for payment, said Bill Browner, Fleet's senior counsel in Providence, R.I.

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United States vs. Fleet Factors Corp., U.S. District Court for the Southern District of Georgia, Statesboro Division, CV687-070.

Financial reinsurance

Continued from previous page

were forced to make a statement on that standard, I would certainly say it's not less than 10%" of premium, he said.

But, "what risk ought to be measured against isn't the potential premium flow of the contract, it's the potential upside," he said. "You measure risk against reward, not risk against revenue size.

"What you want to make sure of is that you've got valid upside and downside and the two of these things are inherently logical in relation to what's being insured or reinsured in the transaction."

For instance, Mr. Palm said the risk of losing $10 million on a multiyear workers compensation contract with $100 million in premium is substantial if he only expects to make $3 million to $4 million on the transaction.

On the other hand, there probably isn't significant risk transfer in a catastrophe reinsurance contract with $110 million in limits and $100 million in premium if the reinsurer can keep the entire $100 million if there are no losses.

Mr. Palm said one development he expects to see in the future is the hedging of risk in ways other than reinsurance or retrocessions. Earlier this year, Centre Re announced an association with Richard L. Sandor, the former Kidder Peabody & Co. executive managing director credited with developing financial futures.

Mr. Sandor's company, Centre Financial Products, is expected to develop products that will increase access to capital markets as a means of hedging risk (*BI*, April 26).

Mr. Palm said "to me it's very, very clear" the industry must look through the constraints of its capital base "which is too small and too disaggregated among players" toward the "deeper, larger, more liquid" capital base of the capital markets.

Mr. Palm predicted ways will be found to place insurance risk in the capital markets and therefore increase the industry's capacity compared with balance sheet capital.

Also speaking at the session was Graham Pewter, president of financial reinsurer Commercial Risk Reinsurance Ltd., the Bermuda-based operating unit of Commercial Risk Partners Ltd., who discussed the history and development of financial reinsurance.

In addition, John C. Narvell, senior consulting actuary at Ernst & Young, discussed accounting and regulatory concerns, including FAS 113.

The session was moderated by Albert J. Beer, senior vp for American Re-Insurance Co. in New York. BI

Doctor's award

Continued from page 1

For example, providers already have begun banding together to form outpatient clinics and practice groups by which they are employed, he explained.

"As managed care plans grow, the actions they take to terminate physicians will become more significant," predicts Kevin Roche, general counsel for United Healthcare Corp., a health maintenance organization based in Minneapolis.

For example, under managed competition, individual "providers will derive more income from a smaller number of plans," making them financially vulnerable when one of those plans terminates a contract, he said.

"The more business the physician gets from a single plan, the more likely he is to sue," Mr. Roche said. "You're going to see lawsuits based on the common law theory that it's against public policy to terminate without due process in situations where a doctor's ability to earn a living is threatened."

Physicians also could claim they are being blacklisted due to improved reporting of so-called "adverse actions," which is required under the 1986 Health Care Quality Improvement Act.

For example, during the re-credentialing process one plan may inquire whether a physician had been terminated by other plans, and that information is becoming readily available from the National Practitioner Data Bank, Mr. Roche explained (*BI,* Nov. 4, 1991).

The re-credentialing process could be especially problematic for managed care plans that expanded quickly in the 1980s so they could claim they had far-reaching networks, said Dr. Thomas Mayer, president and chief executive officer of Strategic Health Care Alliance Inc., a consulting firm in Brea, Calif.

Initial credentialing was not very rigorous for many managed care plans "because the focus was on building networks as soon as possible," he explained. "That's why you're much better off putting in the effort up-front."

Another potential liability area for plans is what Dr. Mayer dubbed "bait and switch." Physicians whose patients eventually switched plans because of their primary care doctor's affiliation with its provider network may allege the plan usurped their customer base and then terminated them, he explained.

An increase in antitrust suits also is likely to occur if physicians come to believe a managed care plan that excludes them from their network is taking over a particular market, said Richard Antognini, a partner with Baker & McKenzie in Los Angeles.

Indeed, antitrust problems could emerge under the Clinton administration proposal to establish large health insurance purchasing groups, particularly in rural areas, he suggested.

Numerous antitrust suits already have been filed by physicians who assert they are denied the ability to compete for patients when the only hospital in town denies them staff privileges.

But even though managed care plans face many impediments to terminating suspected substandard providers, they must reduce the size of their networks if they are to remain competitive, experts say.

"When I was a consultant evaluating health plans for employers, one of the first questions we asked was how many provider terminations were conducted in the last year," recalled Dr. Mayer, who formerly worked for William M. Mercer Inc. in Los Angeles.

"It was a way to test the quality of the plan," he explained.

Dr. Stephen Ober, vp and corporate medical director for Private Healthcare Systems Inc. in Lexington, Mass., agreed.

After the preferred provider network began re-credentialing its

'ERISA is being used almost defensively against pensioners and retirees,' says Mary Ellen Signorille.

85,000 physician members in 1992, "we found some true outliers," such as those whose practice patterns involved overutilization of expensive or outmoded procedures and tests. As a result, PHS terminated contracts with about 50 physicians, according to Dr. Ober.

While no lawsuits have been filed in response to the contract cancellations, "one disgruntled physician set up a deposition that never occurred," he recalled.

One reason for PHS' seeming immunity from litigation is the care with which the PPO constructs its contract language, Dr. Ober said.

Indeed, careful managed care plans should include in their provider contracts such provisions as immediate termination for particular infractions, like malpractice incidents, according to Blase, Valentine's Mr. Whitman.

But even with the most strictly worded contract, there is still the possibility of litigation, attorneys warn. And few, if any, comprehensive general liability insurance policies provide defense costs or indemnification for wrongful termination claims, they point out.

Giving physicians even more ammunition are statutes—like California's Business and Professions Code—which provide professionals due process rights in the event of termination, said Mr. Antognini.

Under wrongful termination cases, fired employees usually are only permitted to recoup lost wages and expenses, he said. But the jury was permitted to award punitive damages in the CIGNA case because the company's termination without peer review was considered to be in violation of public policy.

Physicians in the process of being terminated should be given due process because "peer review, fairly conducted, is essential to preserving the highest standards of medical practice," California's law states. BI

Retiree benefits

Continued from page 1

Wheelabrator's final collective bargaining agreement, which expired in 1988, explicitly provided for the "vesting" of certain health benefits for employees who retire after Jan. 1, 1986.

However, from 1968 until 1988, Wheelabrator benefit forms sent to new retirees stated without qualification that for medical insurance, "both you and your spouse will be covered for the remainder of your lives" at no cost.

After the 1988 agreement expired, though, Wheelabrator introduced copayments and deductibles for active and retired employees, which prompted the retirees' lawsuit.

A district judge dismissed the case in 1991, ruling that Wheelabrator's plan documents and the bargaining agreement "reveals no intention" to provide the same level of benefits for life.

On appeal, Wheelabrator argued that when the contract expired, the retirees had no more rights under the agreement.

The appeal was heard by a three-judge panel last year, but before a decision was issued, the full 7th Circuit decided to hear the case to re-examine its decision in *Senn*.

Judge Richard A. Posner concluded that the Wheelabrator collective bargaining agreement was ambiguous. But, distinguishing this case from *Senn*, he wrote: "The issue is not what the contract in fact means, but whether the plaintiffs are entitled to trial on what it means."

"The retirees are entitled to a declaration of their rights," Judge Posner said. "If they had no contractual guarantee of benefits, they had better start shopping around for other medical insurance."

Three judges concurred with Judge Posner, but four judges dissented, saying that obligations that extend past a contract's expiration must be explicitly stated.

Bidlack puts the 7th Circuit in line with several other federal appeals courts.

This case "follows a trend of courts saying that the document language speaks for itself," said Richard Ostuw, a vp at Towers Perrin in Cleveland. "If the employer has retained the right to make changes to benefits, the court will side with the employer. But if not, the court will side with the employees."

"This case is a retreat from what the 7th Circuit saw as the extreme position taken in the Senn case," said Mark Weisberg, an employee benefits attorney with Hopkins & Sutter in Chicago, which filed an amicus brief on behalf of the Motor Vehicle Manufacturers Assn. in the Bidlack case. Although there is no uniform position, other appellate courts are taking the position that "once you have shown an ambiguity, you can bring in extrinsic evidence."

But the Bidlack case may not be the last word on the issue.

"I expect there will continue to be a lot of litigation. Courts need to develop standards for interpreting and applying contracts and plan documents," predicted Charles B. Wolf, a labor and employee benefits lawyer at Vedder, Price, Kaufman & Kammholz in Chicago.

On the other hand, courts do agree on some things, he said. "Retiree medical benefits do not vest as a matter of law, but they do vest as a matter of contract."

The case demonstrates the importance of clearly worded contracts and benefit documents, benefit consultants agree.

"Many existing collective bargaining agreements are vague on what happens after expiration of the agreement," observed Henry Saveth, a consultant with A. Foster Higgins & Co. Inc. in New York.

"This illustrates the importance of careful drafting and having appropriate review of all documents and employee communications relating to employee benefits for retirees," said Brad Shaps, senior consultant-human resource advisory group at Coopers & Lybrand in Chicago.

The difference between *Senn* and *Bidlack* is that documents in the Senn case were silent as to duration of benefits, which led to the presumption that the promise terminated when the collective bargaining agreement expired, said Mr. Shaps.

But in the Bidlack case, the court found the document language was ambiguous—not silent—so the court decided that it needed to look to extrinsic evidence. "I think the court was looking for a way to find an ambiguity," he added.

Attorneys for Wheelabrator declined to comment.

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Kenneth P. Bidlack et al. vs. Wheelabrator Corp.; No. 91-2378, 7th U.S. Circuit Court of Appeals, May 18, 1993.

Coregis pays $15.5 million in personal injury settlement

By DEBORAH SHALOWITZ

PALATINE, Ill.—Coregis, formerly Crum & Forster Insurance Co., will pay $15.5 million to settle a personal injury case that the village of Palatine urged it to settle for less than $9 million four years ago.

Michael McDermott, now 26, was paralyzed when he rode his bicycle into a ditch overgrown by weeds in 1984. At the time, the Metropolitan Water Reclamation District of Chicago owned the property and was in the process of selling it to a local park district.

Palatine had negotiated an easement from the water district to run its storm water through the ditch, said Michael Cassady, assistant village manager. "The only relationship we had to that property was to allow our storm water to run through it."

A trial court, though, found the village liable for the accident. "Essentially, what the trial court ruled was that if (the village) had an easement (it) had an implied responsibility to maintain the ditches," Mr. Cassady explained.

Palatine had several layers of coverage. It was and is still a member of the Intergovernmental Risk Management Agency, a general liability and workers compensation insurance pool of 58 suburban Chicago municipalities based in Oak Brook Terrace, Ill. The pool provides $1 million of coverage with a $1,000 deductible.

Coregis provided the next layer of coverage—$9 million excess of $1 million. Another $15 million layer excess of $10 million came from now-defunct Mission Insurance Co.

Palatine in 1989 directed Coregis to settle for an amount less than $9 million, which would have been within the policy limits, said Mr. Cassady.

Instead the insurer appealed. It lost and then petitioned the Illinois Supreme Court to hear the case. Before the high court decided whether or not to review the case, Coregis agreed to pay the $15.5 million.

The water district is paying Mr. McDermott another $500,000 and the local park district that bought the land is paying $1.65 million. BI

Policyholder victory

Pennsylvania adopts triple-trigger coverage theory for asbestos

By SARA MARLEY

PHILADELPHIA—Policyholders are entitled to full coverage from any general liability insurer that issued a policy during a claimant's exposure to asbestos or the development or manifestation of asbestos-related disease, the Pennsylvania Supreme Court says.

"This decision is likely to be influential throughout the country because of the clarity of its reasoning and because only a few other state supreme courts have addressed the issues," said Thomas Reiter, a policyholder attorney with Kirkpatrick & Lockhart in Pittsburgh.

In addition to adopting the so-called triple-trigger coverage theory for asbestos claims, the Pennsylvania high court ruled that defense and indemnity costs should not be prorated among all insurers. Rather, the policyholder can assign a claim to any of the insurers on the risk.

The court unanimously voted on May 27 to reverse an appellate court ruling that the policyholder must share in the cost of asbestos claims as a self-insurer during periods it was uninsured and that costs must be prorated among the insurers.

"We conclude that each insurer which was on the risk during the development of an asbestosis-related disease is a primary insurer," the five justices wrote. "Once the liability of a given insurer is triggered, it is irrelevant that additional exposure or injury occurred at times other than when the insurer was on the risk."

The decision effectively allows policyholders to select the policy with the lowest deductible or highest aggregate limit.

Insurers should decide among themselves which of the companies will provide a defense, the court ruled. If they cannot reach a consensus, the policyholder also can designate an insurer to cover these costs.

J.H. France Refractories Co. and subsidiary Van Brunt Co. purchased comprehensive general liability insurance policies covering from 1967 to 1984 from: Allstate Insurance Co.; Pennsylvania Manufacturers Assn. Insurance Co.; Rockwood Insurance Co., which is now insolvent; St. Paul Insurance Co.; U.S. Fire Insurance Co.; and Employers Insurance of Wausau.

The Pennsylvania court adopted the same standard used by the 3rd U.S. Circuit Court of Appeals, which ends legal "paralysis" in the state, said Mark D. Turetsky, an attorney with Miller, Turetsky, Rule & McLennan in Norristown, Pa., who represented J.H. France.

"The intermediate (state) court was at odds with the federal court," even though federal courts are charged with interpreting the law of the states which they encompass, he explained.

The case was argued in state court because both J.H. France and one of its insurers—Pennsylvania Manufacturers Assn. Insurance Co.—had headquarters in Pennsylvania, so the case lacked the diversity necessary to be in federal court.

Other attorneys for asbestos manufacturers underscored the ruling's significance.

"It's one of the most important asbestos coverage decisions to come down in years," said Scott Gilbert, a policyholders' attorney with Covington & Burling in Washington. "It's more than a nail—it's the final large spike in the coffin. There's no good reason for insurers to litigate the trigger or scope of asbestos coverage. The law is extremely well developed and the France case reaffirms it."

Mr. Gilbert is one of the drafters of a class-action settlement that would provide more than $1 billion over the next decade to people injured by asbestos (*BI*, Jan. 18).

"It will have impact because Pennsylvania is a well respected judiciary," agreed Eugene Anderson, a policyholder attorney with Anderson Kill Olick & Oshinsky in New York. "It's a relatively conservative court. It's not known for outlandish decisions."

Attorneys for insurers, though, said the impact of the decision would be limited.

"The trigger decisions for asbestos continues to be all over the map," said Thomas Brunner, an attorney with Wiley, Rein & Fielding in Washington. "From a practical standpoint, the trigger of asbestos personal injury (coverage) is overwhelmed by the sheer number of claims. Insurers find themselves facing a large number of claims no matter what the trigger."

"I don't think there are many issues you could characterize as being entirely settled," said Barry Ostrager, an attorney with Simpson, Thatcher & Barlett in New York who represents insurers. "This will not cause anybody to alter his position except within the state of Pennsylvania."

It was the second hearing before the Pennsylvania Supreme Court in the case's 10-year history. The first concerned jurisdiction.

The high court initially declined to hear the case a second time, but accepted it on J.H. France's petition for reconsideration, which was accompanied by a flurry of friend-of-the-court briefs from businesses, insurance companies and the state attorney general's office.

The state argued that the case could have impact on non-asbestos hazardous waste cleanup disputes. That is unlikely, however, because the justices tied the continuous trigger specifically to progression of asbestosis itself, Mr. Brunner said.

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J.H. France Refractories Co. and the Van Brunt Co. vs. Allstate Insurance Co. et al., Eastern District of Pennsylvania, No. 91 Appeal Docket 1991.

For the Record

Workers comp reform imminent in Missouri

JEFFERSON CITY, Mo.—Missouri Gov. Mel Carnahan is expected to sign a bill that aims to increase cost-effectiveness and competition in the state's workers comp system.

The measure, S.B. 251, would allow competitive pricing of workers comp insurance to replace the prior-approval system. The bill calls for the implementation by Jan. 1 of a use-and-file system based on loss costs. A competitive state fund would be formed to write voluntary market risks by March 1995.

The bill would reorganize the state's residual market by Jan. 1 to primarily serve employers with less than $250,000 in annual premium. Policyholders with larger premiums would be required to individually negotiate retrospectively rated programs.

In addition, by Sept. 24, legislators will flesh out a controversial provision that would require commercial insurers to cover any employer with a good safety record that requests coverage.

Garamendi reforms offer savings: Study

LOS ANGELES—As much as $3.1 trillion would be shaved from the nation's health care bill over the next 10 years if health care reforms proposed by California Insurance Commissioner John Garamendi are adopted, a study by the Kaiser Family Foundation says.

Mr. Garamendi recommends integrating the medical coverages of all types of insurance into a single, 24-hour system guaranteeing comprehensive benefits. Individuals could choose from among competing health maintenance organizations and other private health plans. He also proposes a global budget.

Ten-year savings from the plan could be $2.7 trillion to $3.1 trillion, the report said.

BC/BS of New Jersey trims hospital network

NEWARK, N.J.—Trying to shift all of its 2 million customers into managed care, Blue Cross & Blue Shield of New Jersey is cutting by one-third the number of hospitals in its provider network.

The new program—"HMO Blue"—includes 56 of the state's 85 acute-care hospitals. HMO Blue rates will rise at only single-digit levels in the next few years; outside the network, rate hikes could hit 25% to 35%.

BC/BS of New Jersey now operates both an HMO and a PPO that will be merged into the new network.

Information in brief

Consolidated Freightways Inc. of Menlo Park, Calif., agreed to pay $13.5 million to settle an age discrimination, securities fraud and ERISA violation class-action suit brought by about 3,700 current and former employees of its Emery Worldwide unit, a plaintiff attorney confirms. . . .**Wind, hail and flooding** caused an estimated $15 million in insured property damage to portions of South Dakota on May 22. . . .GAF Corp. has agreed to settle about **8,700 asbestos personal injury claims** that had been consolidated in Maryland state court. Plaintiffs may opt out of the settlement; no other details were released. . . .**Texas Workers Compensation Insurance Fund** filed a rate decrease plan last week with the state Board of Insurance, the third decrease since the fund began operating last year. . . .The National Gallery has bought primary coverage of $300 million for the **Barnes Foundation art exhibit**, insured by The St. Paul Cos. Inc. and reinsured by London market. Excess coverage of $750 million is also placed in London. . . .A federal jury in Portland, Ore., found **Kemper Securities Inc.** 30% liable in a class-action negligent misrepresentation suit and ordered it to pay between $38 million to $53 million. Kemper will appeal. BI

Health reform

Continued from page 1

a health care package until Congress is free to "focus on it," alluding to a sweeping tax bill that will preoccupy the Senate for the next several weeks. The tax bill cleared the House last month (*BI*, May 31).

Meanwhile, Hillary Rodham Clinton, echoing remarks made by other administration officials, told a union group in Washington last week that the administration plans to propose taxing health benefits beyond those in a basic package.

In another reform development, the administration is considering letting states determine the amount of premium contribution—equal to a percentage of payroll—that employers would pay to health care purchasing alliances.

Sen. Rockefeller warned that if reform does not pass this year, "it will be very hard to have it happen next year," because many players now willing to make compromises will likely revert to their original positions for political reasons.

Asked what advice he had for business, Sen. Rockefeller, long a leading figure in Congress on health issues, said:

"Don't assume the worst. Understand that we're doing this for the right reasons, particularly to be helpful to small businesses. No other part of the American economy is receiving the attention they are" from those designing the plan.

Sen. Rockefeller was in Los Angeles last week to speak at a forum sponsored by the Alliance for Health Reform, an educational group he founded in 1991, and the National Health Foundation.

In his address to the forum, the senator painted what he called a "terrifying" picture of the health care system if President Clinton's reform fails: gradually less generous health insurance and higher deductibles for all Americans, increased administrative inefficiencies hobbling providers, eroding quality of care and "cruel rationing" for those who "fall through the cracks."

"What will all this cost? An extra $100 billion in the first year, even more in the future. . . .The bulk of these new costs will fall squarely on business. The biggest can expect their costs to go up 12% to 15% a year; smaller businesses, more like 20% to 30%—if they're lucky.

"Some deal, right? Well, I promise you, that is what we'll get if the president's plan fails," said Sen. Rockefeller.

If reform fails, a crippled health care system will result in "a ball and chain on your competitiveness, an unproductive and unhappy workforce, a drain on your earnings and investments," he told the audience.

'Understand that we're doing this for the right reasons,' Sen. Rockefeller says of health care reform.

Because health reform will require "the most monumental piece of social legislation and social change in more than half a century," the proposal will be "inelegant and complex," he said.

"It is rooted in an idea that is itself a grand compromise," the senator said. "It proposes a marriage of free market dynamics and regulatory discipline that gives total rein to neither, but rather seeks to balance each with the other—a very American approach."

But it will be "fair," he asserted.

All this will mean "new costs" at first, he said. "Changing to a new system will mean shifting many health care jobs around—fewer paper pushers and more health educators, for example. That will take years."

Business can help prevent the gridlock that could doom reform, Sen. Rockefeller said. "To the degree you and your companies are successful, you have mastered the art and science of anticipating the changes over the horizon and engineering changes within your own companies to stay ahead of the curve."

Sen. Rockefeller asked a panel of representatives of hospitals, drug companies, industry and doctors what they would be willing to give to make reform work.

Drug companies are willing to hold price increases to the levels of inflation, but not to curtail research, said Gordon M. Binder, chief executive officer of Thousand Oaks, Calif.-based Amgen Inc.

Hospitals would go along with changes like capitation, but would oppose taxes on hospitals to pay for coverage for the uninsured, said C. Duane Dauner, president and CEO of the Sacramento-based California Assn. of Hospitals & Health Systems.

"Large self-insured employers have to give up the short-term focus on keeping our costs down," conceded Margaret H. Jordan, vp of health care and employee services at Southern California Edison Co. in Rosemead.

Doctors would not rule out changes like capitation, but want to preserve patient choice and physician autonomy, said Dr. Marie G. Kuffner, president of the Los Angeles County Medical Assn. and an associate professor of anesthesiology at the University of California at Los Angeles.

They would contribute to any system designed to contain costs, providing it ensured universal access and "real tort reform," she said.

Insurers would be willing to give up some underwriting discretion, said Leonard D. Schaeffer, CEO of Blue Cross of California in Woodland Hills. But to contribute to reform, insurers "should shift from trying to avoid risk to managing health care," he said. BI

Family leave regulations

Continued from page 2

Information Center in Washington.

Under the rules, employers can require employees on leave to make health care and other premium contributions at the same time they would be due under a payroll deduction plan or according to the same schedule employers use to collect COBRA premiums from former employees or their dependents.

Alternatively, employers could set up a premium payment system in which employees would prepay premiums—such as through increased payroll deductions—before they go on leave. But employees first would have to agree to the prepayment option.

Employers can cut off coverage if employees do not make the required payments within 30 days after they are due.

The regulations go into considerable detail in explaining what is a "serious health condition" for which an employee can take unpaid leave.

For example, any period of incapacity requiring absence from work, school or other regular daily activities of more than three calendar days and requiring the continuing treatment or supervision of a health care provider would qualify.

In addition, a serious health condition would be one in which an employee is being supervised, although not actively treated, by a health care provider for a serious long-term incurable condition. Examples would include persons with Alzheimer's disease, those who have suffered a severe stroke or persons in the terminal stages of a disease not receiving active medical treatment.

On the other hand, voluntary or cosmetic treatments that are not medically necessary, like treatment for orthodontia or acne, would not be considered serious medical conditions unless inpatient hospital care is required.

The definition of who is considered a health care provider or who is capable of providing health care services is very broad and includes physicians, podiatrists, dentists, psychologists, certain chiropractors, nurse practitioners and nurse midwives.

Christian Science practitioners also would be considered health care providers.

However, an employer could require an employee or family member being treated by a Christian Science practitioner to have an illness or injury certified as bona fide from a health care provider who is not a Christian Science practitioner, even if the individual objects.

Under the law, employers have to offer unpaid leave to eligible employees who have been employed at least one year and who have worked at least 1,250 hours during the year preceding the start of the leave.

Certain key employees—the highest-paid 10% of all employees within a 75-mile radius—also are eligible for unpaid leave. But, under the regulations, the employer does not have to give key employees their old positions back if an employee's return would cause "substantial and grievous economic injury" to the employer's operations. Such injuries include anything that threatens the economic viability of a company or may cause "substantial long-term" harm.

The regulations make clear that the federal law does not pre-empt state medical and family laws that are more generous.

If a state law, for example, allows a maximum of 16 weeks of family and medical leave over a two-year period, an employee could take 16 weeks of unpaid leave under the state law one year and 12 weeks leave the next year under the federal law.

Federal and state leave entitlements, though, run concurrently. In the above example, an employee could not take 28 weeks of family and medical leave in one year.

Complying with the new law should be relatively easy for many employers because most companies already have some type of unpaid leave programs.

The most significant benefit change for many employers will be altering health care premium payment requirements so that employees on leave pay the same share of the total premium as if they still were working, said Marie Lipari, a Hewitt consultant in Lincolnshire, Ill. BI

Update

Late notice voids PCB cover

PHILADELPHIA—In one of the largest environmental insurance cases yet decided, the 3rd U.S. Circuit Court of Appeals has ruled that insurers don't have to contribute to a $750 million PCB cleanup because the policyholder did not file its claim on time.

The insurers successfully argued that Texas Eastern Transmission Corp. of Houston did not notify them of PCB contamination along a 9,500-mile pipeline until more than a decade after it was aware of its release and not until months after it began negotiating a cleanup deal with the Environmental Protection Agency. Texas Eastern is a unit of Panhandle Eastern Corp.

"It's a significant victory for insurers," said John Rivkin, a partner with Rivkin, Radler & Kremer of Uniondale, N.Y., who served as liaison counsel for the 23 insurers involved.

The decision "is a reaffirmation of the industry policy requiring policyholders to provide timely notice" of a claim, he said.

But other attorneys say the May 28 decision will have little impact on other pollution disputes because of the unique facts in the case and because of the court's decision not to publish it.

A federal district court had denied coverage based on the pollution exclusion in many of Texas Eastern's commercial general liability policies (*BI*, July 20, 1992).

U.K. to hike Pool Re rates

LONDON—The U.K. government is requiring Pool Re, the new government-backed terrorism reinsurance pool, to raise its rates for the July renewal season by as much as 300%.

Eric Coward, managing director of Pool Re, said the Department of Trade and Industry instructed him to increase the rates on the basis of a report by consulting actuaries Bacon & Woodrow.

The report recommends that Pool Re establish four rating zones. They range on a sliding scale from Zone A, the highest-risk area which covers central London, to Zone D, which covers rural Devon, Cornwall, Scotland and Wales. The report recommends rate reductions in rates in Zone D but increases of up to 300% in Zone A.

Briefly noted

Allstate Insurance Co. launched the biggest initial public offering ever Thursday, which generated $2.4 billion for the insurer. The stock closed at $28.75 Friday, up from the initial offering price of $27 a share. . . .A federal court will decide next month whether to approve a proposed settlement of a securities law suit under which former executives of **Ames Department Stores Inc. and Drexel Lambert Group Inc.** will pay about $46.7 million plus 200,000 Ames stock warrants. Plaintiffs' attorney Melvyn Weiss said that some of that amount would be paid by D&O insurers including National Union Fire Insurance Co. of Pittsburgh, Pa., and Aetna Casualty & Surety Co. . . .The California Supreme Court has granted appeals to review a Superior Court ruling that Insurance Commissioner John Garamendi's regulations implementing **Proposition 103** were unconstitutional (*BI*, March 8). . . .G. Wayne Crawford will retire as president of **Industrial Risk Insurers** on July 1. Gail P. Norstrom, IRI's senior vp-operations and strategic planning, will serve as head of the company until a permanent successor is named. . . .Brian Duperreault, president of **American International Underwriters Inc.**, has been name executive vp-foreign general insurance at AIG. . . .Shivan S. Subramaniam, president of **Allendale Mutual Insurance Co.**, elected CEO of the Johnston, R.I.-based insurer and its subsidiaries. He succeeds John J. Carey, who retired as CEO on June 1, though he retains his position as chairman. . . .Insurers, consumer groups and government agencies have joined in a new **Coalition Against Insurance Fraud.** The Washington-based group advocates new initiatives against insurance fraud regardless of whether it is perpetrated by consumers or underwriters. . . .A proposal received June 2 from member Claude Gurney requires **Lloyd's of London** to hold an extraordinary general meeting by July 13. Among the demands in the proposal, which carries 600 signatures, is that Lloyd's win a two-thirds membership vote before introducing corporate capital and explain how the members will be compensated if the capital is introduced. . . .Rep. Mel Reynolds, D-Ill., plans to introduce a bill that would provide a **$75 million tax credit** for companies that clean up industrial waste sites and transform them into industrial or commercial facilities. . . .**New York City** is self-insured for $104 million in damages that a jury awarded last week to a woman and her son who were injured when they were struck by a city police car in pursuit of a motorcycle. The city plans to file motions for reduction of the award and for a new trial. . . .**Blue Cross & Blue Shield of Illinois and Blue Cross & Blue Shield of Iowa** plan to combine operations. Together, the two plans will have 3.6 million members, $4.1 billion in annual revenues and $740 million in reserves. . . .First-quarter losses at **TIG Holdings Inc.**, the spun-off property/casualty division of Transamerica Corp., soared to $44.8 million from $2.6 million in 1992. . . .Compensation for personal injury and physical damage resulting from last week's **collision of a tanker and a bulk carrier** in fog off the coast of Belgium may be limited to about $15 million by an international liability convention. The collision left seven dead, two missing and 27 injured. Both ships' liability coverage is placed with The Britannia Steam Ship Insurance Assn. Ltd. . . .Aluminum Co. of America and Reynolds Metals Co. have reached a **tentative agreement with unions** that, among other things, eliminates first-dollar health care coverage for nearly 17,000 unionized steel and aluminum workers. . . .The **Coalition of Alternative Risk Funding Mechanisms** is being launched to give captive sponsors a new voice on issues affecting the industry. Members include the Captive Insurance Cos. Assn., the Colorado Assn. of Captive Entities, the National Risk Retention Assn., the Risk & Insurance Management Society Inc. and the Vermont Captive Insurance Assn.

Landowners' liability

Continued from page 1

ability landowners have for injury to trespassers under Illinois law, because the court said the CTA should have anticipated the incident.

And, relying on an Arizona case, the Illinois court expanded the interpretation of landowners' liability under a federal treatise on case tort law, defense attorneys say. Other courts nationwide, therefore, will likely look to the Illinois ruling for guidance, they say.

"If I were a landowner or a risk manager, I would be greatly concerned about this view of the Illinois Supreme Court spreading to other states," said Mitchell A. Orpett of Tribler & Orpett in Chicago, a defense attorney not involved in the CTA case.

Plaintiffs' attorney Todd A. Smith of Corboy & Demetrio in Chicago, who filed an amicus curiae brief in the case for the Illinois plaintiffs' bar, agrees.

The litigation concerns the death of a drunken 46-year-old Korean immigrant in October 1977. Sang Yeul Lee entered a CTA right-of-way that runs alongside a section of commuter train tracks that cross a major street at grade level. An electrified third rail—which provides power to trains—runs parallel with the tracks but stops short of the street crossing.

Mr. Lee entered the area at the street crossing, bypassing impediments and warning signs. For 6½ feet between the third rail and a sidewalk that runs parallel with the street, sharp triangular pieces of wood—known as cattle boards—jut from the ground to impede anyone who enters the area. In addition, the CTA had posted a "Keep Out, Danger—Electric Current" sign and used a sawhorse to barricade the entrance to the area. But, Mr. Lee did not read English.

Buildings abut the right-of-way property line near the crossing.

Mr. Lee—whose blood alcohol level was 0.341, or more than three times the legal limit for driving—entered the right-of-way on foot apparently to urinate, according to court papers. He was electrocuted when he touched the third rail.

A trial jury determined that the third rail was an "activity" on the property. Therefore, under Illinois law, the CTA could be held negligent in its efforts to safeguard the area.

The jury awarded Mr. Lee's widow $3 million, which was reduced by half to account for his degree of responsibility. Illinois' comparative negligence statute precludes recoveries for plaintiffs found more than 50% at fault.

An appellate court reversed the verdict, ruling the third rail was a "condition" in the right-of-way. An "activity" would require action on the property by a CTA employee or contractor.

Under Illinois law, to recover damages from a landowner, a trespasser injured by a "condition" on a piece of property has to prove the landowner willfully and wantonly injured him or her. The trial jury ruled the CTA had not acted in that manner.

But, the Illinois Supreme Court in October 1992 ruled 4-2 that the jury had reached the correct verdict, though it relied on the wrong principle of law because of the trial judge's instructions. A seventh justice did not participate in the ruling.

The state high court relied on Section 337 of the Restatement (Second) of Torts, a treatise—based on case law nationwide—that states the principles of law. Under that section, an injured trespasser can recover damages from a landowner that maintains dangerous artificial conditions and fails to exercise reasonable care if the landowner:

- Knew or had reason to believe a trespasser was on its property.
- Had reason to believe the trespasser would not discover the dangerous condition.

The high court interpreted this section to hold that a landowner can be held negligent for a trespasser's injuries caused by a condition if the landowner could have reasonably anticipated the trespasser's presence.

Two factors greatly influenced the majority, which drew two searing dissents.

The CTA had prior notice of 10 accidents involving people touching the third rail along the right-of-way between 1948 and 1975.

But, the CTA argued it could not have reasonably anticipated Mr. Lee's accident based on those prior accidents because none of them involved a pedestrian walking into the area from the crossing. And, the last accident involved a youth who fell from a fence bordering the right-of-way farther down the track.

The CTA also argued that Section 337 is applicable only when the landowner knows that a particular trespasser is about to come in contact with a dangerous condition.

But, the Illinois high court rejected this argument and three rulings by various courts in other states that reached the same conclusion. Instead, it relied on an Arizona Supreme Court ruling that adopted the reasonable anticipation interpretation.

Second, the court ruled the CTA had reason to believe that a trespasser could not determine the third rail is dangerous because no markings warned of the rail's hazards.

The court said it realized it was creating an additional exception to landowners' limited liability to trespassers under Illinois law. The ruling, though, "is properly reflective of the prevailing social policies," the majority said.

"I really don't know what more the CTA could do to further warn trespassers," said CTA attorney Ruth E. VanDemark of Wildman, Harrold, Allen & Dixon in Chicago.

The ruling leaves little protection for landowners from trespassers' liability suits, according to Mr. Orpett. No matter what protective measures a landowner takes, sympathetic juries will find the landowner could have anticipated the incident, he said.

Ms. VanDemark said landowners will face several tough questions: "How do you warn? Whom do you warn? In how many languages?"

The case raises questions of how far society wants landowners to go to protect people from themselves and how much society is willing to pay for that protection, Mr. Orpett said.

"Deep pockets are made up of millions of little pockets. Every consumer is going to pay for what we expect from landowners and insurance companies," he said.

But plaintiffs' attorney Mr. Smith said Illinois' high court correctly applied the reasonable anticipation standard. "The standard. . .has withstood the test of time."

Mr. Smith said the ruling "recognizes the realities of 1990s living." Indeed, he said: "I think a landowner's responsibility to its neighbors ought to be greater than now exists."

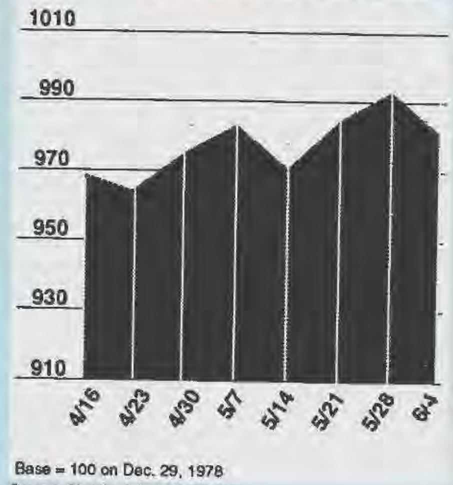
The CTA, though, is working with a Washington law firm to determine how much support from industry and lawmakers it could muster for federal legislation that would shield landowners from similar lawsuits by trespassers, according to President Robert Belcaster.

In the meantime, the self-insured CTA is considering purchasing commercial liability insurance for the first time since the hard market in the mid-1980s because the agency's claim costs have been rising despite its record as one of the safest rapid transit operators in the nation, he said. The CTA probably would purchase excess coverage.

The CTA's annual claims costs have risen to an expected $50 million this year from $16 million in 1986. It self-funds the first $2.5 million of a loss and then borrows money from its parent agency to cover additional amounts. That money must be repaid with interest.

The CTA is self-insured for the award to Mr. Lee's widow. BI

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks fell last week, as the *Business Insurance* Index dropped 10.3 points to 982.5 on June 4 from 992.8 on May 28. Advancing issues for the week were led by Seibels Bruce Group, up 13.3%; American Indemnity Financial Corp., up 11.5%; and Chandler Insurance Co., up 10%. Declining issues for the week followed U.S. Healthcare, down 11.1%; Harleysville Group, down 8.4%; and Hilb, Rogal & Hamilton Co., down 7.6%. The most active issue was U.S. Healthcare, 5.2 million shares traded. The *BI* Index lost 1.04%; the Dow Jones 30 Industrials gained 0.5%; the NYSE Composite fell 0.15%; and the Standard & Poor's 500 lost 0.03%.

British Issues

June 3 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	576	N/M	32.5	5.6	576—566
Genl Accident	571	N/M	35.7	6.2	571—557
Gdn Royal Exch	175	N/M	9.3	5.3	176—172
Royal	285	N/M	6.7	2.3	285—281
Sun Alliance	335	N/M	19.0	5.7	335—323
Brokers					
Bradstock	120	14.0	6.8	5.7	120—119
CE Heath	325	18.6	21.3*	6.5	325—325
Hogg Group	180	15.8	10.9	6.0	180—180
JIB Group	189	18.7	10.0	5.3	189—189
Lloyd Thompson	280	22.6	7.5	2.7	280—273
Lowndes Lmbrt	343	13.7	16.8	4.9	344—343
PWS Holdings	59	8.7	5.3	9.0	60—59
Sedgwick Grp	174	21.0	8.0	4.6	174—164
Steel Brrl Jones	213	12.5	17.7	8.3	213—212
Willis Corroon	199	18.6	8.8	4.4	204—196

Source: Philip Olsen, Insurance Industry Analyst, London

BI Industry Stock Report

JUNE 1, 1993 THROUGH JUNE 4, 1993

BROKERS

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Acordia Inc.	NYS	19.38	1.97	-9.88	24.75	15.13	114	0.44	2.27	12	7.01	2.76
Alexander & Alexander	NYS	25.75	0.98	-2.83	28.88	21.00	195	1.00	3.88	22	10.00	2.58
E.W. Blanch Holdings Inc.	NYS	18.88	4.14	N.A.	20.00	17.75	224	0.00	0.00	-	10.00	1.89
Gallagher Arthur J. & Co.	NYS	32.75	-1.87	15.93	34.63	21.00	177	0.64	1.95	20	6.35	5.16
Hilb, Rogal & Hamilton	NYS	13.63	-7.63	-12.80	16.88	11.00	51	0.44	3.23	19	3.11	4.38
Marsh & McLennan	NYS	89.50	-0.42	-2.05	97.63	73.50	197	2.68	2.99	21	14.40	6.22
Poe & Brown	OTC	19.75	0.00	17.91	21.25	11.25	2	0.40	2.03	66	2.64	7.48
BROKERS	AVERAGE		-0.4	1.0					2.3	23		

CONGLOMERATES & HOLDING COMPANIES

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Berkley W.R. Corp.	OTC	40.50	-1.82	-5.81	50.50	32.25	315	0.40	0.99	16	23.51	1.72
Berkshire Hathaway Inc.	NYS	16055.0	7.21	36.64	16055.0	8875.00	0	0.00	0.00	38	6437.25	2.49
ITT (Hartford Group)	NYS	84.00	0.15	16.67	84.88	62.50	640	1.96	2.33	-36	68.23	1.23
Sears (Allstate)	NYS	53.50	-1.61	17.58	55.75	37.75	4911	1.60	2.99	-8	40.18	1.33
CONGLOMERATES	AVERAGE		1.0	16.3					1.6	2		

INSURERS/REINSURERS

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
ACE Ltd.	NYS	27.75	-3.06	-	32.00	27.50	413	0.40	1.44	10	34.06	0.81
AEGON N.V.	NYS	45.63	-2.93	9.61	49.38	34.00	21	2.94	6.44	8	34.06	1.34
Aetna Life & Casualty	NYS	53.50	0.23	15.05	54.88	38.00	1180	2.76	5.16	116	67.08	0.80
Allied Group Inc.	OTC	35.25	-6.00	11.02	45.50	20.75	76	0.76	2.16	8	11.29	3.12
Allmerica Prop. & Casualty	NYS	55.63	0.23	10.15	60.38	34.75	27	0.44	0.79	5	40.44	1.38
American General	NYS	31.00	0.00	8.77	33.25	22.63	919	1.08	3.48	12	39.89	0.78
American Heritage Life Ins.	NYS	23.63	-1.56	17.15	25.34	18.91	3	0.44	1.86	16	16.51	1.43
American Indemnity/Fin'l	OTC	14.50	11.54	141.67	14.50	4.75	55	0.08	0.55	7	14.43	1.00
American International	NYS	129.50	0.78	11.64	132.75	84.25	799	0.40	0.31	16	54.21	2.39
American RE Corp.	NYS	34.13	-1.80	-7.77	41.75	33.13	52	0.00	0.00	31	N/A	N/A
Aon Corp.	NYS	51.63	-0.96	-4.40	56.75	41.25	303	1.80	3.49	17	27.17	1.90
Argonaut Group	OTC	33.00	1.15	8.20	35.25	25.75	43	1.00	3.03	10	21.70	1.52
AVEMCO Corp.	NYS	21.25	1.80	-9.09	27.88	18.50	40	0.40	1.88	25	7.33	2.90
Baldwin & Lyons Inc.	OTC	39.50	0.64	8.22	40.50	29.25	13	0.48	1.22	10	30.85	1.28
Chandler Insurance	OTC	4.13	10.00	-13.16	7.63	3.50	26	0.00	0.00	14	8.63	0.48
Chubb Corp.	NYS	85.50	-2.01	-3.80	96.38	66.63	539	1.72	2.01	13	40.67	2.10
CIGNA Corp.	NYS	59.50	0.85	1.49	68.00	47.13	527	3.04	5.11	11	81.73	0.73
CNA Financial Corp.	NYS	92.75	1.64	-5.36	102.88	82.75	61	0.00	0.00	-13	80.24	1.16
Continental Corp.	NYS	29.25	-0.43	8.84	34.75	20.00	317	1.00	3.42	22	38.32	0.76
EXEL Ltd.	NYS	47.88	2.13	1.32	52.25	32.38	552	1.00	2.09	9	N/A	N/A
Fund American Corp.	NYS	85.00	-0.44	18.06	86.75	67.50	23	0.00	0.00	14	81.85	1.04
Fremont General Corp.	NYS	32.50	-7.14	-5.80	41.75	19.88	434	1.08	3.32	7	25.62	1.27
Frontier Insurance Group	NYS	45.63	-0.27	4.89	49.00	30.25	37	0.60	1.32	15	13.97	3.27
Gainsco Inc.	ASE	13.13	-4.55	-7.08	18.56	9.41	238	0.04	0.30	16	2.65	4.95
General RE Corp.	NYS	114.63	0.88	-0.97	130.50	79.25	431	1.88	1.64	16	46.07	2.49
Guaranty National Corp.	NYS	21.13	4.97	6.96	24.00	14.38	35	0.48	2.27	12	9.12	2.32
Harleysville Group	OTC	25.88	-8.41	-8.41	32.75	18.00	63	0.64	2.47	15	16.77	1.54
Hartford Steam Boiler	NYS	55.63	-1.77	-3.68	59.88	51.38	52	2.12	3.81	20	19.74	2.82
HCC Insurance Holdings	OTC	20.38	-2.98	0.62	23.50	12.25	43	0.00	0.00	21	10.12	2.01
Kemper Corp.	NYS	34.50	-5.15	16.46	43.00	20.75	669	0.92	2.67	-9	37.66	0.92
Lawrence Insurance Group	ASE	6.13	-3.92	-28.99	10.25	5.50	2	0.12	1.96	-	4.66	1.31
Liberty Corp.	NYS	29.50	-2.48	4.42	33.88	25.00	73	0.56	1.90	12	18.43	1.60
Lincoln National	NYS	76.75	-1.29	4.96	83.63	58.38	455	3.04	3.96	10	58.92	1.30
Markel Corp.	OTC	34.75	0.00	11.20	36.50	23.00	83	0.00	0.00	10	20.24	1.72
Mutual Risk Mgmt. Ltd.	NYS	35.00	-2.44	-13.58	46.00	25.75	122	0.28	0.80	19	7.51	4.66
NAC Re Corp.	OTC	35.75	-1.38	-11.73	44.75	21.75	426	0.16	0.45	50	13.60	2.63
National Re Corp.	NYS	34.25	-3.86	15.61	39.63	17.63	45	0.12	0.35	13	N/A	N/A
Navigators Group	OTC	33.00	0.00	1.54	36.00	28.50	5	0.00	0.00	24	15.69	2.10
Nobel Insurance LTD.	OTC	7.00	7.69	19.15	8.25	4.25	169	0.00	0.00	3	3.91	1.79
NWNL Companies	NYS	29.25	4.00	-42.51	32.44	17.25	236	0.80	2.74	15	46.21	0.63
Ohio Casualty Corp.	OTC	64.00	0.00	1.39	68.75	52.50	138	2.84	4.44	12	43.08	1.49
Old Republic Int'l	NYS	23.13	-1.60	-7.04	27.38	19.50	280	0.44	1.90	8	18.63	1.24
Orion Capital Corp.	NYS	39.88	-1.54	12.72	46.38	25.41	43	0.80	2.01	9	28.62	1.39
Phoenix RE Corp.	OTC	29.50	0.85	87.30	34.00	9.00	339	0.20	0.68	-64	13.32	2.21
Provident Life	NYS	27.13	0.00	-4.82	31.50	21.00	98	1.04	3.83	10	30.38	0.89
Re Capital Corp.	ASE	15.13	1.68	-8.33	16.63	12.25	2	0.28	1.85	30	16.88	0.90
Reliance Group Holdings	NYS	7.00	5.66	14.29	8.50	4.25	326	0.32	4.57	3	2.94	2.38
RLI Corp.	NYS	26.00	0.00	5.05	28.63	18.75	22	0.52	2.00	12	17.92	1.45
St. Paul Companies	NYS	80.88	-0.31	5.03	83.25	67.88	250	2.80	3.46	-13	59.79	1.35
SAFECO Corp.	OTC	58.63	3.53	3.30	66.75	48.38	1043	1.80	3.07	14	35.37	1.66
SCOR U.S. Corp.	NYS	17.13	-2.84	-2.14	20.75	13.13	22	0.32	1.87	214	14.39	1.19
Seibels Bruce Group	OTC	1.06	13.33	-43.31	6.13	0.38	20	0.00	0.00	0	6.22	0.17
Selective Ins. Group	OTC	22.75	-1.09	3.41	25.75	19.00	67	1.12	4.92	13	20.22	1.13
Statesman Group Inc.	OTC	11.75	1.08	-2.08	16.50	5.00	272	0.20	1.70	6	6.71	1.75
Tokio Marine & Fire	OTC	63.75	0.00	32.81	64.50	36.75	1	0.00	0.00	-	70.93	0.90
Torchmark Corp.	NYS	55.25	4.25	-2.64	64.75	40.75	415	1.04	1.88	15	14.87	3.72
Transamerica	NYS	49.75	0.76	3.65	56.13	40.00	578	2.00	4.02	12	35.86	1.39
Transatlantic Holdings	NYS	50.63	2.02	-9.80	56.75	29.38	48	0.28	0.55	17	21.85	2.32
Travelers Corp.	NYS	29.63	2.60	8.72	30.75	17.13	885	1.60	5.40	-4	43.85	0.68
Trenwick Group Inc.	OTC	43.25	2.37	6.13	49.75	26.00	122	0.88	2.03	16	23.87	1.81
United Fire & Casualty	OTC	36.25	3.57	-12.65	43.00	35.00	5	1.00	2.76	84	28.47	1.27
Unitrin	OTC	44.00	1.73	2.92	46.75	32.75	123	1.20	2.73	14	36.51	1.21
UNUM Corp.	NYS	53.13	-0.93	0.24	58.38	37.75	554	0.80	1.51	14	21.83	2.43
US Facilities Corp.	OTC	10.00	-1.23	0.00	11.50	6.50	201	0.00	0.00	13	9.64	1.04
USF&G Corp.	NYS	17.00	1.49	37.37	19.63	9.88	628	0.20	1.18	340	10.29	1.65
USLICO Corp.	NYS	18.00	-1.37	0.00	20.00	15.00	15	0.24	1.33	-6	29.80	0.60
USLIFE Corp.	NYS	39.88	1.27	10.00	42.63	29.34	156	1.20	3.01	12	64.90	0.61
Washington National	NYS	25.00	-1.48	8.70	28.00	18.88	30	1.08	4.32	13	30.27	0.83
Zenith National Ins.	NYS	24.38	-4.41	23.42	29.25	16.38	38	1.00	4.10	22	14.81	1.65
Zurich Reinsurance Centr.	NYS	32.13	-0.77	N.A.	36.38	31.25	206	0.00	0.00	-	23.99	1.34
INSURERS/REINSURERS	AVERAGE		0.2	5.4					2.5	25.2		

HEALTH MAINTENANCE ORGANIZATIONS

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
FHP International	OTC	26.25	-0.94	31.25	29.00	14.50	699	0.00	0.00	25	9.61	2.73
Pacificare Health Sys.	OTC	40.13	-0.93	-21.32	57.50	25.50	200	0.00	0.00	20	3.90	10.29
Safeguard Health Enter.	OTC	9.25	-7.50	-5.13	12.25	7.00	11	0.00	0.00	-11	4.03	2.30
Sierra Health Services	ASE	17.50	0.00	-19.08	21.69	8.06	458	0.00	0.00	15	2.01	8.71
TakeCare Inc.	OTC	39.25	-1.26	-11.80	50.25	25.75	79	0.00	0.00	15	2.01	19.53
United Healthcare Corp.	NYS	56.00	-6.28	-1.54	68.00	37.75	868	0.03	0.05	31	4.68	11.97
United Medical Corp.	ASE	9.38	0.00	47.06	9.75	6.13	0	0.20	2.13	17	10.30	0.91
U.S. Healthcare	OTC	44.25	-11.06	-0.84	59.75	29.34	5167	0.52	1.18	22	3.60	12.29
HMOs	AVERAGE		-3.5	2.3					0.4	20		
ALL COMPANIES	AVERAGE		-0.7	6.2					2.2	23		

System design: Nordby International Inc.