

Business Insurance

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

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Lloyd's may allow captives in the market next year: Taylor
 LUXEMBOURG—Lloyd's of London could allow captive insurers to form in the market by early 1999, according to Chairman Max Taylor.
 Speaking at last week's Sixth Luxembourg Rendez-Vous, Mr. Taylor said admitting captive insurance syndicates is one of the planks of a central strategy aimed at creating a "sustainable competitive advantage" at Lloyd's. Mr. Taylor said if the current tests "receive the positive response we are expecting," the market will accept captives by the beginning of 1999.
See Updates on next page

Vesta Insurance Group Inc.

(\$ in thousands)

	1997	1996
Gross premium volume	\$870,909	\$769,586
Net premium volume	531,164	540,632
Net income	60,643	50,237
Policyholder surplus	355,345	352,695

Stock closing prices May 29 - June 5, 1998



Vesta probes accounting 'irregularities'

By DOUGLAS McLEOD

BIRMINGHAM, Ala.—Officials of Vesta Insurance Group Inc. discovered the "accounting irregularities" that triggered last week's massive sell-off of its stock while they were grappling with state regulators' questions about its assumed reinsurance accounting procedures, an Alabama Insurance Department official says.

Vesta, which writes property/casualty insurance and reinsurance, last Monday announced it is investigating accounting irregularities that it said will have a "net financial impact" of at least \$15.3 million on earnings for the first quarter of 1998 and fourth quarter of 1997. This represents slightly more than half of the company's reported earnings in the two quarters.

The investigation, by an outside law firm, also will determine "whether the irregularities affect any of the company's other previously reported results," Vesta says.
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Government Risk Management
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401(k) deductions OK'd

IRS ruling could boost participation, savings

By JERRY GEISEL

WASHINGTON—Employers with 401(k) plans can automatically reduce employees' salaries and transfer those amounts to the plans, the Internal Revenue Service said.

Revenue Ruling 98-30, released last week, gives the green light to adding automatic salary reduction or automatic enrollment programs to 401(k) plans, a mechanism that can increase plan participation rates, boost savings for retirement and reduce the likeli-

hood that 401(k) plans will fail nondiscrimination tests.

"It sounds like a small thing, but it's one thing that can really affect a very large number of people in getting them into the business of saving for their own retirement," said President Clinton in referring to automatic 401(k) salary reduction program in a speech in Washington last week.

Such automatic salary reduction programs—now used by only a small percentage of employers—are a kind of default mechanism. They are trig-

gered for those employees who do not elect a specific percentage of their salaries they want contributed to their companies' 401(k) plans.

In an example, an employer could

Providers, health plan

California pricing dispute may signal problems for employers-

By ROBERTO CENICEROS

SACRAMENTO, Calif.—An increasing number of reimbursement disputes between providers and health plans may disrupt delivery of health care for some employers, experts predict.

The fractiousness also could lead to higher costs for employers.

The potential for conflicts over reimbursement of providers has grown dramatically over the past year as medical groups continue to be

squeezed by health plans that are trying to maintain profit levels without sharply raising employer premiums.

Health plans are being driven by their own financial difficulties, and employers are holding tough in negotiating the lowest possible rates, said Blaine Bos, a consultant for William M. Mercer Inc. in Chicago. As a result of employer resistance, health plans are trying to balance their position through tough bargaining with physicians and other providers, Mr. Bos explained.

Difficulties could surface nationwide in markets where medical groups may contract with several managed care plans and can therefore walk away from a plan with reimbursement rate they don't like, he said.

That's what happened between Blue Cross of California and Sutter Health, a provider network, before the two reached agreement last Friday over pricing disputes. Prior to the settlement, Sutter had canceled contracts to provide services for Blue Cross HMO.
See Providers on page 46

Storms in Midwest, East to cost insurers millions

By MICHAEL BRADFORD, MICHAEL PRINCE, RODD ZOLKOS and JENELL TALLEY

Insurers' losses are likely to exceed \$100 million from a recent spate of stormy weather that saw tornadoes and hail damage property from the Midwest to the East Coast.

Tornadoes and high winds destroyed and damaged homes, businesses and automobiles in several states during the last weekend of May. Some of the most severe devastation occurred in Spencer, S.D., where a May 30 twister turned most of the town into rubble, killing at least six people.

High winds also blew through Michigan and other areas of the Midwest on May 30 and 31, causing widespread damage, and storms packing tornadoes, high winds and hail moved into several states on the East Coast. Following the weekend storm damage, more tornadoes touched down on June 2 and 3 in

Maryland, New York, Pennsylvania and West Virginia.

"Throughout Minnesota, Wisconsin and Michigan, there's widespread damage," said John Friese, regional sales manager-Upper Midwest for GAB Robins North America Inc. in Westchester, Ill.
See Storms on page 44



PHOTO: AP
 Spencer, S.D., left, was almost destroyed by a tornado. Severe weather that hit the Midwest and East also damaged a Philadelphia industrial park, above.
 PHOTO: AFP

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Updates

Lloyd's close to captives

Continued from previous page

1999. Lloyd's already has been approached from some captive insurer parents, said Mr. Taylor. The market will focus on attracting multinational corporations and captive parent companies based in Asia and Latin America, "where Lloyd's has a strong brand appeal," he said.

Proposed rules for setting up and monitoring captive syndicates are being circulated in Lloyd's. Under these proposals, captive syndicates would underwrite business only from their parent company; from sister companies or subsidiaries; or from certain affiliated companies. Captive syndicates would not be allowed to underwrite third-party business. If an established syndicate owned by a single parent writes more than 25% of the parent's or related companies' business, the parent will be required to set up a separate captive syndicate, according to the proposals.

Each captive syndicate would need a sponsoring managing agent, independent of the captive parent, that would provide a guarantee to pay any losses to the Central Fund should the captive syndicate default on its liabilities. Captive parents would bear the usual costs of Lloyd's membership, currently 3.1% of the overall premium limit. That amount includes a 1.1% levy on premiums written to fund the syndicated loan that is part of Lloyd's reconstruction and renewal program.

Captive syndicates would find themselves subject to close scrutiny as far as their risk exposures are concerned, so that Lloyd's is satisfied that, among other things, the parent is paying an adequate premium for the coverage. They also would be required to pay additional provisions reflecting the credit and litigation risks of reinsurers on their outward reinsurance programs and to plug any gaps between the inward and outward programs not filled by syndicate funds. Reinsurers must have a minimum A.M. Best rating of A- or better, and a minimum Standard & Poor's Corp. claims-paying ability of A+ or its equivalent. The parent must have a minimum Standard & Poor's marketwide rating. Parent companies must have a minimum Standard & Poor's credit and certain other assets up to \$100 million.

Other locations will be required to have a minimum Standard & Poor's rating of insurance portfolio.

Cash balance

AT&T will convert its traditional defined benefit pension plan to a cash balance plan under a four-year collective bargaining agreement negotiated by AT&T and negotiators representing the Communications Workers of America and the International Brotherhood of Electrical Workers.

The plan would cover roughly 48,000 participants and would be among the few to cover members of organized labor. AT&T already has a cash balance plan for its management employees.

While not all details are available, company and union officials said the plan would base cash balance plan pay credits on employees' years of service. Under a cost-of-living feature, employees' account balances would be increased by 7% annually over the four-year life of the contract.

The pact, which also establishes a domestic-partner benefits program, still must be ratified by union members.

Separately, AT&T said about 14,000 managers will leave the company under a voluntary early retirement incentive program that among other things boosts pension benefits by 20%. AT&T earlier estimated that 10,000 to 11,000 employees might take advantage of the plan.

EEOC details age bias waivers

WASHINGTON—The Equal Employment Opportunity Commission's final regulation on how employers should handle waivers of rights and claims under the Age Discrimination in Employment Act of 1967 will take effect July 6.

Such waivers of the ADEA, which prohibits job discrimination on the basis of age, are routinely used by employers as part of early retirement incentive plans.

The regulation, published in the June 5 Federal Register, deals with such matters as the wording of waivers; the fact that an entire waiver agreement must be in writing; and the minimum number of days—21 for an individual, 45 if the waiver is part of a group termination program—that the employee being asked to waive ADEA rights must be allowed to consider the agreement. The regulation also spells out that an employee must have a minimum of seven days during which to revoke the agreement.

The regulation appears on the EEOC's World Wide Web site at <http://www.eeoc.gov>.

Limit law not applicable: Judge

NEW YORK—A federal law that limits damages for families of marine passengers killed at sea will not apply to claims stemming from the crash of TWA Flight 800, a federal judge has ruled.

All 230 passengers and crew aboard Flight 800 were killed in July 1996 when the center fuel tank of the Paris-bound 747 exploded eight nautical miles off the shore of New York state.

Some 145 lawsuits, which have been consolidated, seek compensatory, non-economic and punitive damages from Trans World Airlines Inc.; Boeing Co., the plane's manufacturer; and component manufacturer Hydro-Aire Inc. The suits allege willful misconduct by the defendants over their involvement in the design of the aircraft, said one of the plaintiffs' attorneys, Steven Pounian, a partner with Kreindler & Kreindler in New York.

Under the Warsaw Convention, TWA's liability would be unlimited if the plaintiffs were to prove their willful misconduct claim.

But all three defendants argued the 1920 Death on the High Seas Act should govern the litigation. The act governs incidents that occur "on the high seas beyond a marine league," or three nautical miles, from the shore of any state or U.S. jurisdiction.

In cases of wrongful acts that cause deaths at sea, the DOHSA limits damages. See **Updates** on page 46

Home bankruptcy OK'd

Judge rules complex plan will not harm policyholders

By GAVIN SOUTER

NEW YORK—Home Holdings Inc. can proceed with its bankruptcy reorganization plan despite a policyholder's assertion that the plan will reduce money available to pay claims of its subsidiary, The Home Insurance Co., a federal judge has ruled.

The complex plan is reasonable and structured so that it will not be detrimental to The Home's policyholders, ruled Judge Jeffrey H.

Gallet of the U.S. Bankruptcy Court for the Southern District of New York.

Proponents of the reorganization plan argued that The Home and other parties would end up with more money under the plan through tax benefits from net operating losses once Home Holdings emerges from Chapter 11 bankruptcy protection. Home Holdings cannot take advantage of those tax benefits now because it has no income.

Judge Gallet agreed: "Essentially, the debtor is trying to do what has eluded alchemists for hundreds of years, turn lead into gold."

The Chapter 11 bankruptcy plan is the result of more than a year of negotiations between Home Holdings, its creditors and Zurich Insurance Group, which took over the profitable business of The Home Insurance Co. in a 1995 deal that placed the insurer under new management. See **The Home** on page 43

Schrempf to head NCCI

By MEG FLETCHER

BOCA RATON, Fla.—The National Council on Compensation Insurance will be getting a fresh perspective from D.W. "Bill" Schrempf, the new president and chief executive officer named last week.

Mr. Schrempf, 56, will leave his job as a principal of Ernst & Young L.L.P.'s insurance consulting operation in New York to move to the NCCI's Boca Raton, Fla., headquarters. He will begin



Mr. Schrempf

his new duties in early July, according to the organization's board of directors.

"An organization like this will have to continue to grow and serve, and I'm really interested in joining the NCCI team

to look at what we can do to build this as an ever more valuable organization in the industry," Mr. Schrempf said.

He brings with him a willingness to question and to learn, abilities he developed during nearly three decades as chief executive, senior manager and management consultant for a variety of companies. While most of his career has involved insurance, Mr. Schrempf also has worked in the air conditioning and environmental services industries. See **Schrempf** on page 45

Hill Fleming inspires NAIB

By SALLY ROBERTS

COLORADO SPRINGS, Colo.—Just as the two-year exploration of the great Northwest territory by Meriwether Lewis and William Clark almost 200 years ago embraced choice, cultural diversity and change, so too should the insurance industry as it moves forward into the 21st century, a brokerage executive says.

Giving what she described as a "non-traditional address" from a "non-traditional chair," Jane Hill Fleming, senior vp of Sedgwick Inc. and outgoing chairman of the National Assn. of Insurance Bro-

kers, asked brokers and insurers to incorporate the values discussed in the book "Undaunted Courage: Meriwether Lewis, Thomas Jefferson, and the Opening of the American West." She cited the 1996 book by historian Stephen E. Ambrose, about Lewis and Clark's adventures, telling the



Ms. Hill Fleming

audience they need to promote change and value freedom of choice and diversity just as did the famous expedition.

Ms. Hill Fleming's commencement address was the last for the NAIB, which is set to merge with the Council of Insurance Agents & Brokers next month (see story, page 34).

In describing President Thomas Jefferson's decision to send explorers Lewis and Clark in search of a water route to the Pacific Ocean as a means to expand America's choices, Ms. Hill Fleming said that the insurance industry needs to reach a wider audience. See **NAIB** on page 32

North Carolina plan under fire from workers comp payers

By MARK A. HOFMANN

RALEIGH, N.C.—A controversial North Carolina proposal that would limit communication between employers and physicians treating injured workers appears unlikely to be enacted as currently written.

And that's just as well with risk managers and insurers. They say that the proposed rule in its current

form would unnecessarily cause delays in the processing of workers compensation claims by curbing the ability of employers to get needed information about an injured worker's condition (BI, June 1). Some opponents of the measure also fear that it could encourage fraudulent claims.

The North Carolina Industrial Commission, the state's workers comp regulatory body, has sched-

uled hearings on proposed Rule 409 for June 23-25 in Raleigh. The head of the commission cautions, however, that the rule is by no means the last word.

"It's not anything final; it's just a proposal," said J. Howard Bunn, chairman of the commission. "We're already getting a lot of comments and suggestions."

While declining to comment on the rule, Bunn said. See **Proposal** on page 34

Inside

- Businesses and insurers must make sure they voice opposition to a North Carolina proposal to curb communication between employers and doctors in workers compensation cases, this week's editorial says. **PAGE 8**
- Tens of millions of dollars in losses are expected as a result of a deadly train derailment in Germany. **PAGE 37**
- Plenty of coverage—for individual players in some cases—is in place for the 1998 World Cup tournament. **PAGE 37**

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Government Risk Management

Insurers competing for government risks

By RODD ZOLKOS

Heightened competition in the municipal insurance market is providing public sector risk managers with new coverage opportunities and favorable rates on new and old programs.

One example of the favorable treatment government risk managers are seeing in the insurance markets is Charlotte/Mecklenburg County, N.C., where Risk Manager Daniel J. Pliszka had been curious to see how \$1.8 million in insured damage the local government experienced in flooding last July would affect property insurance rates.

The answer? "Property is remaining at expiring rates even with a \$1.8 million flood loss last year," Mr. Pliszka said.

"Soft is the word," Mr. Pliszka said in evaluating the municipal insurance market overall. "Kind of a repeat of last year, maybe even a little bit better shape than last year."

Rates are flat, the risk manager said, while governments are able to get concessions from insurers.

"We've been able to up some of our limits for not a lot of extra cost," Mr. Pliszka said.

"For us, the status quo's pretty good," said Abigail S. Hudgens, risk and benefits manager in Knoxville, Tenn. "We've experienced real rate reductions in excess workers comp, our excess lia-

bility and our property as well."

"Whatever we've asked for, we've been able to get," she said.

Not every public entity is looking to the current market as an opportunity to obtain new coverages, some say, but for those that are, those opportunities are significant.

"There clearly are public entities out there that really aren't paying a lot of attention to coverage issues," said Mark Lundegren, director of strategic marketing and product development in Chicago at Coregis Insurance Co. in Chicago. "But there are others that see the opportunities to obtain new coverages and cover things that hadn't been covered before."

Mr. Lundegren noted that part

of Coregis' current market strategy "is offering more to public entities" and turning some of the savings the soft market is providing them "into covering more things."

"Rates are as low as last year and lower, and we see no end in sight to how low they can go," Mr. Lundegren said.

Such low rates are prompting some public entities that historically have self-insured to look to the market for coverage. Meanwhile, some pools also are looking to the traditional market to buy coverage for members because of the affordable pricing.

"We have pools that are buying commercial insurance to take advantage of the marketplace," said Mark Ferraro, senior vp in the

Global Public Entities Group at J&H Marsh & McLennan Inc. in Dallas.

"You have public entities that are buying first-dollar coverage that haven't bought first-dollar coverage in years," Mr. Ferraro said. "You have entities that are buying coverage that haven't bought coverage in years. You have pools that, instead of purchasing reinsurance, are purchasing first-dollar coverage for their risks."

Of course, low rates alone aren't swaying everyone to leave pools or purchasing groups that have developed coverages that fit their members' needs at affordable costs, according to Jon M. Ingenthron, risk manager of Oakland. See **Municipal** on page 10

State, local governments defy image of being far behind the Year 2000 curve

By JOANNE WOJCIK

It's getting close to crunch time for government entities that are trying to meet a self-imposed year-end deadline to make their systems compliant with the year 2000.

Fortunately, many public entities—especially state and county governments—started their so-called "Y2K programs" several years ago, when they discovered that certain multiyear documents, such as drivers and business licenses, couldn't be issued without

updating computer information systems.

In other cases, the millennium problem has provided an impetus to replace old, outdated systems.

A few "bugs" still must be worked out, though, as public entities work to ensure that outside vendors—many from the private sector—are also Year 2000-compliant.

"Year 2000 is something that's been in the back of our minds for years," said Judith Payne, risk manager for the state of South Dakota in Pierre. "As it gets closer, it's become more of a front-

burner issue."

For example, South Dakota has three-year boat registration, "so that system had to be compliant by Jan. 1, 1998," said Otto Doll, chief information officer in South Dakota's Bureau of Information and Telecommunications. "And since drivers licenses are a five-year affair, that system has been compliant since 1995," he added.

"I preached Y2K for two years when I was at the Department of Transportation," recounted Dave Parker, risk manager for Pima County, Ariz., and the former risk manager for Arizona's transporta-

tion department. "But what really got their attention was when the system couldn't handle a five-year contract."

"The Year 2000 issue is now in the forefront," Mr. Parker asserted.

At least one public entity began its Year 2000 compliance efforts long before it became de rigueur.

"We decided back in 1990 to make a shift in our systems to PC from mainframe, so we're pretty much done," boasted Ray Sibley, Reno, Nev.-based risk manager for Washoe County, Nev. "All of our major programs—HR, finan-

cial, payroll, building maintenance, risk management—now have four-digit date fields," he said. "We also started about two years ago requiring that any software purchased (by the county) be Year 2000-compliant," he added.

That means that when the clock ticks down on 1999, employees of Washoe County still will get paid, building maintenance will be conducted on schedule, and property tax letters will go out on time, according to Mr. Sibley.

But what isn't certain is whether the escrow and mortgage companies that pay taxes on behalf of property owners will be ready in time, he said.

"Probably the most critical issue for us now is external," Mr. Sibley said. "We will be working with financial institutions to make sure nothing affects that."

Indeed, private companies such See **Year 2000** on next page

Acts of violence cast spotlight on school risk management

By MARK A. HOFMANN

The risk management challenges public school districts face are as varied as the districts themselves.

Bus safety, maintaining a minimal hazard environment and keeping a close eye on potential employment practices exposures number among the routine headaches confronting school risk managers. There is always also the potential of a high-profile act of violence ready to disrupt the best-laid risk management plan.

And, say experts, often the best way to deal with these exposures is, appropriately enough, educating staff about the nature of the threat and keeping communications lines open.

Exposures differ widely, as al-

ways has been the case, said one three-decade veteran of Chicago-area schools.

"In terms of liability exposures, I don't think the actual exposures have changed dramatically," said Edward O'Malley, assistant superintendent-business for Oak Lawn Community High School, District 229, in the Chicago suburb of Oak Lawn, Ill. The district belongs to the Illinois School Insurance Cooperative. Mr. O'Malley also is chairman of the School Employees Loss Fund, a pool that insures only workers compensation.

Mr. O'Malley said that what has changed are expectations, with people wanting schools to be "liable for things that in court they really aren't or shouldn't be." The other major change in the past 30 years has been a growing understanding that school districts can

be deep-pocket defendants.

Ironically, although school violence has received considerable attention recently, the annual number of school-associated violent deaths actually has dropped in recent years, according to statistics gathered by Pepperdine University's National School Safety Center in Westlake Village, Calif. (see chart, page 13).

The center cautions that its survey is based on published reports forwarded by news clipping services and therefore may not be complete. It defines a school-associated violent death "as any homicide, suicide or weapons-related violent death" regardless of whether the school is public, private or parochial, and whether or not the victim was a student.

The center recorded 55 school-associated violent deaths in the See **Schools** on page 12

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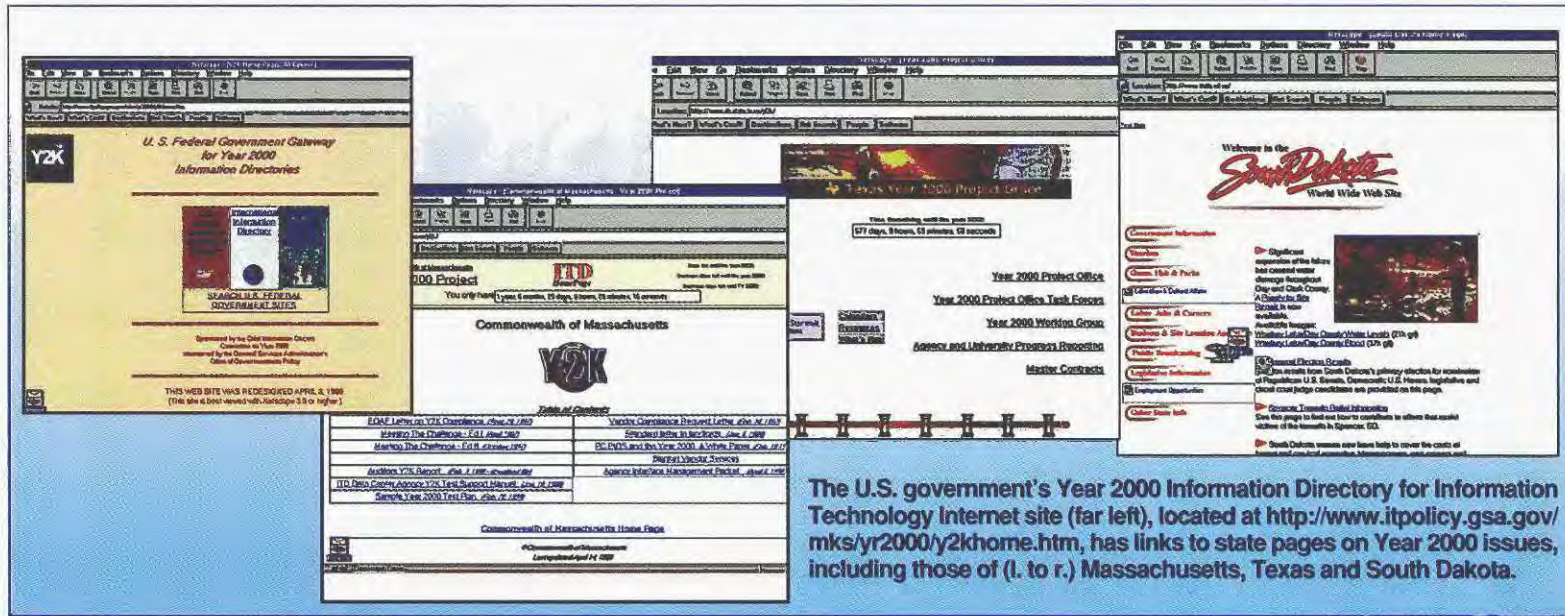
Spotlight Editor:
Rodd Zolkos

Year 2000

Continued from previous page as claims administrator Crawford & Co. have been receiving numerous Year 2000-compliance inquiries from self-insured public entity clients, according to Ron Cooper, assistant vp-special projects in Atlanta.

"We've been getting a number of customer surveys," he said. "The pace has picked up particularly in the last six to eight weeks."

Most states, however, not only started working on Year 2000 compliance years ago—otherwise they wouldn't be able to issue drivers licenses that expire after the year 1999—but they also are hosting Internet sites to share in-

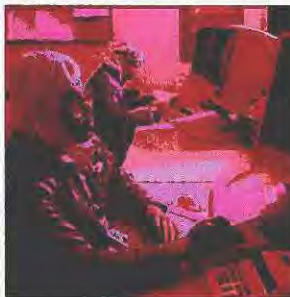


The U.S. government's Year 2000 Information Directory for Information Technology Internet site (far left), located at <http://www.itpolicy.gsa.gov/mks/yr2000/y2khome.htm>, has links to state pages on Year 2000 issues, including those of (l. to r.) Massachusetts, Texas and South Dakota.

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formation with other public entities and even with private businesses.

A recent Internet search showed that more than half—26 in all—of the states had sites on the World Wide Web devoted to the Year 2000 issue.

Some populous states, such as Massachusetts and Texas, have several sites with information about Year 2000 compliance issues.

The federal government also hosts an Internet-based Year 2000 clearinghouse to facilitate the sharing of best practices and lessons learned. The committee sponsoring the site, the Chief Information Officers Council Committee on Year 2000, consists of interagency representatives who meet monthly to discuss cross-cutting government Year 2000 issues that affect all agencies. The committee reports to the Chief Information Officers Council of the Office of Management and Budget.

A federal government Year 2000 Information Directory for Information Technology has been posted on the Internet to serve as a one-stop source of information for anyone interested in Year 2000 issues. It is located at <http://www.itpolicy.gsa.gov/mks/yr2000/y2khome.htm>.

An International Year 2000 Information Directory site also is available at <http://www.itpolicy.gsa.gov/mks/yr2000/g7yr2000.htm>.

"On our Web site, we list every piece of hardware and software the state has in its inventory, along with their Year 2000 compliance levels," said South Dakota's Mr. Doll.

"We're checking out everything we own, and a lot of times we have to call the vendor. And just because one model works doesn't guarantee that another will, because manufacturers use different chip sets. So we've identified every type of processing chip used over the years," he explained.

By sharing this information, the state hopes to "help private industry (using similar software and hardware), so they can continue sending in their tax dollars," he said.

South Dakota's Web site also is being used to communicate the interdependency of computer systems in general, according to Mr. Doll.

"Our world is a whole series of chains—chains of events, chains of companies. If any one of those links breaks, you'll have some sort of disruption. Or you may see some interlocking chains start to fall apart," he explained.

More than three years into its Year 2000 compliance program, See Year 2000 on page 6

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Year 2000

Continued from page 4

Milwaukee County, Wis., is now focusing on embedded technology, according to John R. Rath, director of risk management.

"We have embedded chips in runways and highways that are sensitive to climate changes," he said. Among other things, the chips notify county maintenance crews to spread salt when winter road temperatures fall below freezing, Mr. Rath explained. Because these chips have only two-digit dates, "they all have to be replaced," he said.

"We're also checking into our security system and elevators. If our key access, for example, isn't compliant, we may not be able to

get into work," Mr. Rath said.

Milwaukee County has just begun the testing phase of a new automated financial system that handles such functions as accounting, payroll, benefits, accounts payable and budgeting.

The county opted to buy a new system when it found the old system wasn't Year 2000-compliant, according to Mr. Rath.

"The timing was right because we were going to be replacing the system anyway," he said.

Indeed, "one of the things that Y2K has caused is the move to newer machines and software," observed Pima County's Mr. Parker.

"One program that's a problem for us is the risk management information system. The problem is we took an analysis system and made it into a transaction system," he said.

"We're in the process of working out which platform the new system will be on," he said. "We're also moving to the same floor with the county attorneys, so we may share a system," Mr. Parker added.

The California Public Employee Retiree System also is replacing its non-compliant mainframe-based information system with a new integrated corporate data system, according to Edd Fong, public affairs manager. Sacramento-based CalPERS is the nation's largest public pension fund, with about \$140 billion in assets.

While the decision to replace the system was made before CalPERS launched its Year 2000 compliance program in 1996, "we expect that by the Year 2000, the new COMET system will be taking over the majority of the functions handled by the old legacy mainframe system," he said.

COMET stands for CalPERS Online Member and Employer Transaction system.

"We also have a contingency plan to modify the mainframe just in case COMET doesn't meet the timetable," Mr. Fong added.

In addition to auditing and updating its internal systems, CalPERS is working closely with its business partners to make sure their systems are Year 2000-compliant as well, he said.

"Our largest commercial contractor is State Street Bank," which is the master custodian and provides accounting and bookkeeping for all CalPERS investments, Mr. Fong explained. "Over the past year, State Street has made two or three presentations to the board regarding its Year 2000 conversion," he said.

Milwaukee County's Year 2000 project team also recently began an external auditing process to ensure that its outside vendors are compliant. Using the "Year 2000 Assessment Tool Kit" purchased from insurance broker J&H Marsh & McLennan Inc. and the Millennium Strategies Group of San Diego, "we've developed a criticality list" to prioritize which systems are the most critical, Mr. Rath said.

A Jan. 1, 1999, deadline has been set for ensuring that all critical systems are in compliance. "We gave ourselves a year as a safety factor," Mr. Rath explained. "Then we can go back and address the lower-priority issues."

And it's a good thing the county made its deadline so early, he said, especially based on the results of preliminary tests of the new payroll system.

"There was no transfer of funds" on checks dated after Jan. 1, 2000, he said. **BI**

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Opinions

State's gag order a bad idea

The free flow of information among an employer, a physician and an injured worker is crucial to handling workers compensation claims quickly and fairly.

Unfortunately, the state of North Carolina may be about to choke that information flow.

At issue is a proposed regulation that would both virtually ban oral communication between employers and the physicians treating injured workers and subject written communication to new and onerous restrictions. Rather than drafting rules that would curb communication between employers and physicians who treat injured workers, the state should be adopting guidelines to protect such interaction.

While such communication helps employers gain a truer picture of their costs of treating an injured worker, a more important benefit is the ability to educate physicians about early return to work. Unless a physician understands that a worker can return to modified duty—and can, in turn, communicate to the employer any restrictions or limitations created by the injury—workers comp costs will remain unnecessarily high.

Communication with physicians has become a cornerstone of efforts to manage all forms of medical care. And as the payers of such treatment, whether occupational or non-occupational, employers have a right to be involved in the process, even if it is only to be kept apprised of the nature of an injury and course of treatment.

Such communication with the physician in some cases also will help the employer spot workers comp fraud, if the medical facts do not fit with the alleged cause of injury.

However, North Carolina lawmakers clearly don't understand this.

The state General Assembly last year directed the North Carolina Industrial Commission to draft the proposal in the wake of a 1996 state appeals court ruling, *Salaam vs. N.C. Department of Transportation*, that held a doctor's testimony in a workers comp case was inadmissible because he had talked with the employer's attorney without the employee's express permission. The appeals court overruled the commission's decision that such contact was proper.

The North Carolina commission late last month is-



sued its proposal, which would severely limit employer/physician communication about workers compensation claims (*BI*, June 1). Employees or their attorneys would have to get a written summary of any oral communication between an employer and doctor. Any written communication also would have to meet guidelines set by the state. Copies of all correspondence would have to be given to an employee at the same time or prior to when a physician receives it.

Although the state commission charged with drafting the proposal appears sympathetic to workers comp payers' complaints, it is not empowered to ignore the Assembly's ill-conceived directive to limit employer/physician communication.

Now, with hearings on the proposal slated for later this month, it's up to businesses and workers comp insurers to make their case to the commission. The lines of communication must be kept as open as possible. To strangle them with unreasonable regulations serves no purpose other than to unconscionably delay getting workers back to the job while saddling employers with new and unwarranted burdens.

Letters

'Cost of risk' inadequate for benchmarking

To the editor: Charles T. Tagman Jr.'s letter in your May 25 issue, "Cost of Risk' Components Should be Limited," presented a clear analysis of why "cost of risk" elements should be limited to what he terms "tangible cost of risk." He proposes that, for comparison purposes, cost of risk be considered the sum of self-insured losses, adjusting expenses, risk transfer costs (which essentially mean insurance premiums) and direct administrative costs.

Mr. Tagman's analysis is fine as far as it goes, but it should go farther. His conclusion that the cost of risk total can be used for benchmarking, though popular with a large part of the risk management community, is not supported by the facts.

To see why, consider how each ele-

ment is—or should be—measured.

Start with self-insured losses. How do you measure losses from kidnap and ransom? Lack of loss history doesn't mean there isn't an annual loss cost that must be determined actuarially. Unfortunately, there is no actuarial basis for this. Variations among entities will be extreme.

How do you measure losses from employee practices? A company may have no losses at all, then a \$20 million blockbuster. Actuaries cannot quantify this, nor can risk managers.

How do you measure losses from currency fluctuations, which some risk managers now treat? And what if one company includes currency fluctuations and others do not? When making comparisons, the subject of specific risks covered is not considered.

How do you measure high-level "excess" losses that may exceed policy limits?

How do you measure costs from the intangible elements of loss that often run many times the direct costs? They are, of course, not included, but if they are not, the cost figure loses most of its credibility.

I could go on with such examples of retained losses that are not, and cannot, be measured. The conclusion is that any

figure developed for self-insured losses must be given such an extremely wide confidence interval that comparisons from one entity to another become meaningless.

However, the underlying assumption of those who support the cost-of-risk benchmarking theory is that by combining insurance costs with retained losses and other cost-of-risk figures, you develop a total that can then be used to benchmark one entity against another.

Unfortunately, the variability of insurance costs is also extreme. No two companies have exactly the same mix of types of policies, limits, retentions, etc. These great differences are not recognized by cost-of-risk figures.

Considering that the variations of each element must be added to make an even wider variation for the total, I think anyone skilled in mathematical analysis would advise that a figure derived as the sum of tangible or any other cost-of-risk elements would have no real-world meaning.

To further compound the problem, loss control costs—omitted because they are even more difficult to measure—are not entered into the equation. Such an omission by itself invalidates the results,

See Letters on page 47

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Municipal

Continued from page 3

Calif. Some government risk managers are casting a wary eye on the low rates, he suggested, remaining cautiously optimistic that they will provide opportunities.

"The traditional response of course is that if the market is soft, the reaction is to jump," Mr. Ingenthron said. "I think the new response is if the market is soft we take a look."

But, while noting there are "different nuances" in certain coverages, "the marketplace is being kind to public agencies," said Gary Martin, senior vp and public entity industry chairman at Aon Risk Services in San Francisco.

"It seems to be a marketplace with different dynamics now," Mr. Martin said. "This cycle has gone on for so long now, and the traditional things that might change it seem to be changing. I do think, though, there is a vulnerability to still harden a market with naturally caused disasters."

As with the broader insurance market, much of the cause of favorable pricing for public sector risks is driven by insurers seeking business as ever more capital comes into the government market.

"This market is being driven by the stock market, and there is no end in sight. For our planning purposes, we don't see any relief from the soft market," Mr. Ferraro said. "There's just too much capital, and it seems like there are companies introducing new capital into the market almost daily."

"In a broad statement, it appears that there are still new companies that believe that they can still write more business with lower pricing and bring additional product to the marketplace," he said. "Unfortunately, to us it just continues to look like lower pricing. There doesn't seem to be any shyness about taking an underwriting loss."

"For new entrants, we don't see how they're going to make a profit in the public entity market right now, unless they do something innovative," said Mr. Lundegren.

But one of Mr. Lundegren's Coregis colleagues, Tim Madderom, municipalities team leader at the insurer, isn't seeing that sort of innovation by new players in the government insurance market.

"It just seems that the players that have come in and made a dent have done it by lowering prices and just copying coverages that are out there," Mr. Madderom said.

But even the longtime players in the municipal market need to continue innovating, Mr. Lundegren suggested.

"What a market leader would do in this type of market is defend (its market share) in a way that takes advantage of its expertise," he said. "We feel it's necessary to roll out one or two new offerings a quarter."

Coregis, for example, is involved in a new product to cover pollution liability, an area in which many public entities express interest, and has launched an occurrence-based public officials coverage product.

"We're likely to also have more strategic alliances with pools," Mr. Lundegren said.

Asked whether public entities are clamoring for any new sorts of coverages, however, Mr. Lundegren said: "I would say a quick

answer is no. And that's from a relative lack of sophistication of what might be possible."

"Frankly, the burden is on us as a supplier to offer products that might stimulate their imagination of what might be possible," he said.

But as new coverage opportunities become available to public entities, in the current market those coverages don't necessarily translate into additional costs.

"What's been happening is that, in an effort to gain market share and use a greater amount of this capacity, (insurers) are being more creative and offering new coverages," Aon Risk Service's Mr. Martin said. "This has led to an opportunity for public agencies to take advantage of additional coverages at no additional cost."

Mr. Martin said he's seen ex-

pansion of the general liability form, for example, to include employment practices liability coverages that might not have been available to governments in the past, or certain environmental coverages that weren't previously available to public entities.

EPL is an area where Knoxville's Ms. Hudgens sees potential opportunity for her city, "because it does seem to be more reasonable, and there's more coverage there than there has been in the past," she said.

"Employment practices is a blossoming market right now," Mr. Martin said. The massive damage awards being seen in the private sector "could at any time spill over into the public sector," he said, adding, "a good broker" could get EPL put in as an excess layer to a public entity's coverage

"at very little additional cost."

Another possible area of innovation for public entity insurance programs could come in the use of captives. Earlier this year, New York's Metropolitan Transportation Authority drew considerable attention when it received a license for its New York-domiciled First Mutual Transportation Assurance Co. captive.

The transit authority is initially using the captive to provide force account coverage mandated by the Federal Employment Liability Act and station liability insurance for its Long Island Rail Road and Metro-North Commuter railroad lines. The coverages are written by Reliance National Indemnity Co., which then cedes a large portion of the exposure to the MTA captive.

"Right now, it's doing every-

thing that we expected it to do," observed Ken Bauer, chief financial officer at the Long Island Rail Road.

The MTA may expand the coverages placed in the captive in the near future, Mr. Bauer said, though for now it's too early to tell exactly what sort of additional coverages it might run through the captive. "We probably won't move forward on anything else until at least the first of next year," he said.

Mario P. Vitale, executive vp of the Casualty Risk Services Division of Reliance National Insurance Co. in New York, said he thinks the captive concept is "absolutely" applicable to public entities.

Noting that there are "a couple other captive-type discussions that are going on in New York

Continued on next page



Continued from previous page right now," Mr. Vitale said "at least one" of those is a public sector entity.

"I can't say for sure, but I wouldn't be surprised if all the attention that was paid to the MTA wouldn't cause other public entities to take a close look at it," Mr. Vitale said, adding that brokers working with public entities also might begin suggesting ways clients could use captives as a risk financing alternative.

"It makes too much sense," Mr. Vitale said. "It's efficient, maximum control, it adds interest income back to the equation for the public entity."

While saying that "captives have certain value to certain types of programs," Aon Risk Services' Mr. Martin suggested that their public sector use might be limited,

however.

"Captives can be used as vehicles to park insurance capacity, but I don't see them as a tremendous lever for public agencies because they really don't get the tax benefits," he said.

"So I don't see captives as a major force in the public sector, but I definitely see it as a strong strategic option," Mr. Martin said.

And, he suggested, once capital markets become competitive with the traditional markets as a vehicle for transferring risk, "I think you'll see captives being used as a vehicle to basically house these types of transactions."

Some sort of nationalizing or regionalizing of risk among public entities into pools that cut across state lines might use captives as a vehicle for accessing reinsurance capacity, Mr. Martin speculated,

though in the current market there appears little to inspire that sort of effort.

"If the marketplace will ever harden, I think you might see a move to regionalize risk to a greater risk pool," he said. But such a move would require considerable state political action, and for now there's no great political urgency to do so.

By all accounts, the soft government insurance market shows no signs of turning, and while some public sector risk managers remember more troubling times, for now they see no reason their entities shouldn't continue enjoying favorable pricing for the foreseeable future.

"I've been here through the bad times, and this is definitely one of the better times that we've had," Ms. Hudgens said. **BI**

Municipal pools facing problems due to soft market

By **RODD ZOLKOS**

A highly competitive insurance market continues to pose a threat for municipal insurance pools that fail to offer members enough value to make pool membership worthwhile. "Our perception is there are a lot of pools out there that are real-

ly under intense pressure right now," said Mark Lundegren, director of strategic marketing and product development at Coregis Insurance Co. in Chicago.

Pools face problems that include the low rates traditional insurers are offering in trying to win government business; the relatively high cost of capital; and reinsurance costs higher than those of traditional insurance, Mr. Lundegren suggested.

"Pools have advantages, but they have some significant financial disadvantages, too, in a very soft market," he said.

"Members are leaving pools for short-term financial savings. They've left any long-term thinking of why they entered the pools behind," added Tim Madderom, municipalities team leader at Coregis. "Members can be picked from the pools at will."

Not everyone sees the situation facing municipal pools in quite such bleak terms, however.

"What I see basically is there has not been a large adverse shift of self-insureds going back to the fully insured commercial marketplace," said Gary Martin, senior vp and public entity industry chairman at Aon Risk Services in San Francisco.

But, he noted, to retain members in the current market, a pool needs to "run itself as a business and provide good value to its members."

"They need to be very service-oriented and very communicative as any businesses all have to be under forces of market competition," Mr. Martin said.

That's the kind of approach that's helped the New Hampshire School Boards Insurance Trust retain a large percentage of its members.

Founded in 1979, the trust offers both employee benefits and property and liability programs for its members. It has about 150 total members, about 65 of whom participate in the property and liability insurance program.

"Obviously, the market is extremely soft. It continues to be," said Elizabeth D. Puddington, the pool's executive director.

"At our pool, particularly, we feel extremely pleased we have retained 98% of our members since conception even through the soft market," Ms. Puddington said.

New Hampshire schools in the pool recently voted against a rate decrease in order to add errors and omissions coverage to the liability pool rather than buy it from an insurer.

The pool previously offered members E&O cover placed with a commercial insurer, but Ms. Puddington said she believes offering errors and omissions as part of the pool coverage form will provide genuine benefits for both the pool and its members.

"The ability of the pool to draft coverage documents that provide both types of coverage in sort of a seamless fashion and also defend those claims is seen by our members as a major advantage," she said.

The pool will start offering the

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Pools

Continued from previous page
E&O coverage July 1 as part of a single pool liability form. "I would expect from other pool people that I talk with that is a direction that other people are looking toward," Ms. Puddington said.

Ms. Puddington noted that the opportunity to coordinate the E&O coverage with other liability coverages as part of a single form will make it easier to coordinate both claims and their defense. And, she added, litigation management is an area that can produce real savings for pool participants.

Mr. Martin emphasized the importance to pools that they make that sort of value clear to their members, particularly as public

officials leave office and are replaced by others less familiar with the pool.

"What happens today is the elected officials and the city staff

'Pools have the ability to bring innovative risk-bearing opportunities,' says Mark Lundegren of Coregis Insurance Co.

that remembers very vividly why pools were formed in the first place aren't around anymore," he said.

Ms. Puddington agreed. "Increasingly, there is more turnover among elected officials and even

senior administrators in the public sector. Which means that maintaining that member loyalty is increasingly difficult, and you have to spend more time at it," she said.

Another challenge for pools, Ms. Puddington said, is the trend in the industry toward direct writing, which is bringing additional pressure to bear on local agents. Those agents, in turn, seeing the local municipal government and the local school district as two of their largest business opportunities, bring pressure on political officials to bid insurance coverages more frequently or even reconsider pool participation.

Ms. Puddington noted that in 1997 a measure was introduced in the New Hampshire Legislature that would have mandated that local governments in the state bid insurance coverages annually. The

measure failed, but its consideration is a commentary on the market forces currently at play, she suggests.

Mr. Lundegren noted that, with approximately 400 pools in the public entity market, "There are some very robust pools that are probably doing some good things, but there are probably some that need help as well."

Some in that latter category may look to form strategic alliances with insurers as one way of retaining members, he suggested, an opportunity many traditional market insurers would be eager to embrace.

"Pools have the ability to bring innovative risk-bearing opportunities," Mr. Lundegren said. "But they also bring from a carrier's perspective distribution opportunities." **BI**

Schools

Continued from page 3

1992-93 school year, and 51 in the 1993-94 school year. The figures plummeted to 20 such deaths in the 1994-95 school year, before fluctuating up to 35 in the next school year, and dropping back to 25 in the 1996-97 school year. The current school year, which the center defines as the period from September 1997 through August 1998, had registered 38 such deaths as of the end of May.

Nonetheless, violence is school risk management's most significant problem, said Gary Salmans, vp-manager risk service for Sedgwick of Colorado in Denver. "That not only comes from the students but also the staff, parents and anybody who can get in," he said.

"Probably the most important step is responding to information. I've never seen a spontaneous violent act," Mr. Salmans said. He said observers often claim after the fact to have seen signs a student had a propensity for violence.

"Trying to eliminate guns and other weapons is not enough," he said.

In addition, schools have to set up better lines of communication between students and staff to report incidents that could lead to violence.

"Watch the children, know what you have in the kids, pay attention to them, have solutions available," said Cindy Frankland, area executive vp for Arthur J. Gallagher & Co. in Downers Grove, Ill. Gallagher administers about 130 public entity pools, including school pools, said Ms. Frankland. Gallagher runs both SELF and the Illinois School Insurance Cooperative.

"It can be after-school programs, counseling or mentoring programs. Really and truly, though, I think it starts at home. There are parents who have done the job, but they still have problem children... I don't think there's any cookie-cutter way to solve this," Ms. Frankland said.

Gallagher plans to introduce in mid-September a risk management program dealing with the pre-crisis, crisis and post-crisis aspects of an incident, she said. The program will deal with how to prevent crises as well as how to react to a crisis and its aftermath.

The Chesterfield County, Va., school system in Chesterfield has had crisis teams in place for years to test and hone procedures, said Karen Russell, risk manager for the Chesterfield County public schools. The approximately 50 schools of the system are primarily self-insured.

The teams include administrators, teachers and risk management personnel, Ms. Russell said. The system has a team at each school, with at least one person on each team trained in CPR and first aid.

Schools also work with local authorities to create safe classrooms.

"We certainly have a good working relationship with the local police and call them in when appropriate," observed Oak Lawn's Mr. O'Malley.

He also noted that many suburban police departments today have gang units. Those units talk to school staff and parents and give them information about how to recognize signs that could indicate gang activity, he said.

"The best way to combat a gang is make sure it can't show its presence," Mr. O'Malley said. Cleaning up graffiti and gang signs quickly help achieve that, he said.

In addition to violence, the broad areas of employment practices and bus safety share the top of the list of concerns of school risk management professionals.

"As far as I'm concerned, employment practices liability is one of the

Continued on next page

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Continued from previous page
biggest areas of concern. Where I see the biggest problems are in wrongful termination, civil rights issues, discrimination and, of course, sexual harassment. All of those issues are key. When you look at some of the judgments, they're huge," said Gallagher's Ms. Frankland.

"Excepting the rash of shootings in schools, the thing that's becoming a more difficult problem is sexual harassment. What we would call peer vs. peer, or student against student," said Mark Ferraro, senior vp-Global Public Entities Group of J&H Marsh & McLennan Inc. in Dallas.

"It's an accepted responsibility of the school that it is in charge of minor children each day. If you look at Title VII of the Civil Rights Act, there have been plenty of court cases about how employers must provide a workplace that is free of sexual harassment. The same issues will apply to schools," he said.

"In many school districts, splitting up classes by sex is not going to work; they don't feel that is a viable option," he said. Instead, the emphasis falls on training and discipline, Mr. Ferraro said. "Let people know you have a policy, how the policy works, and when there is a violation of the policy, you deliver on the promise."

Sedgwick's Mr. Salmans also said "tremendous liability" arises from the negligent hiring of employees who come into contact with children every day, thus the demand for pre-employment screening is definitely increasing. His screening work focuses primarily on support staff, screening would-be employees for criminal histories and indications of drug and alcohol abuse and checking with former employers.

He said about 10% or 15% of the applicants for jobs are being ruled out for felony conviction records, and an additional 10% are eliminated because of bad references.

With qualified applicants at a premium, employers sometimes "look past doing background checks. You cannot afford not to do a background check," he said.

Mr. Salmans cited a situation where a background check showed an employee had a history of drug activity, but school administrators decided

to give the person a second chance. Within a couple of years, the employee was discovered distributing drugs to students, he said.

Recent changes in federal law provide that an applicant for a job must get a release and a summary of rights if negative information of any kind hurts his or her chances of employment, said Mr. Salmans. Such rights used to be applied only to credit records but now apply to all sorts of employment information as well, he said, adding that applicants must have the opportunity to refute the information.

The Philadelphia school district checks applicants for criminal records and records of child abuse, said Lance J. Ewing, loss control administrator for the school system. The only real problem that can arise is the lack of reciprocity with some other states regarding the release of records.

Bus fleets comprise another major area of school risk management liability concern.

"Liability exposure from buses and transportation is probably the largest overall. As far as litigation drivers, employment practices are probably the big things," said Laurel Matthews, Champaign, Ill.-based school team leader for Indiana Insurance Co., a unit of Nationale-Nederlanden N.V.

Indiana insures about 300 school districts in Illinois and hundreds more across the Midwest, Ms. Matthews said. Liability coverages include commercial general liability, school board errors and omissions, and a separate sexual molestation and misconduct line with separate limits in package policies, and umbrella coverage up to \$10 million with reinsurance. She described the market as "extremely competitive."

"We have a copyrighted program especially designed for schools, that covers everything from playground safety to different legal questions that arise," said Ms. Matthews.

School bus accidents are one of the areas in which the Virginia School Board Assn. Property & Casualty Pool is concentrating its loss-control program, said Bob Rose, director-risk management for the Charlottesville, Va.-based VSBA. The pool distributes informational materials on school bus safety to its members.

In addition, the pool has four part-time employees, all of whom are retired school employees, who conduct safety inspections for members. The inspectors make recommendations on how to correct problems, though they do not require immediate action because of the nature of the school budgeting process, said Mr. Rose.

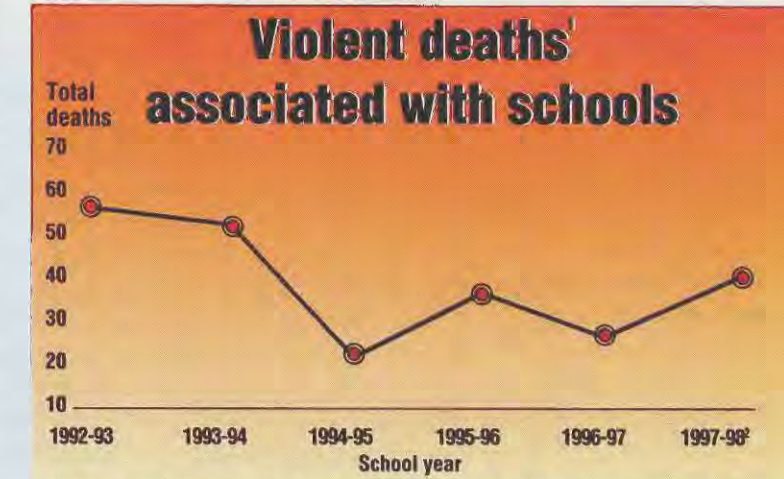
"The major exposure is the bus fleet; we have 150 buses on the road every day. With the increase in traffic, the greatest fear would be accidents involving the buses with third parties," said Patrick Hanrahan, risk manager for the city of Hampton, Va. He said the school system's bus fleet is self-insured up to \$1 million, with excess coverage above that.

To try to assure safety, the city has a driver training program and conducts background checks of prospective employees, Mr. Hanrahan said. But the work is part time and "with the great economy, it's more difficult than it used to be to get the kind of bus drivers you need or want. Our biggest problem right now is keeping people on board," he said.

"Quite frankly, the auto liability probably drives the loss ratios on the casualty side," said Ron Seymour, senior vp-underwriting public entity/alternative markets for New York-based Gulf Insurance Co., a Travelers Corp. subsidiary. Mr. Seymour, who works in Gulf's Irvine, Calif., office, said Gulf writes general auto and educators' legal liability for school systems, with limits of \$11 million, although the insurer can increase limits through reinsurance. He said the \$11 million is enough to meet 95% of the requests and that the odd number stems from the desire of many school districts to purchase \$1 million primary limits with \$10 million excess. Mr. Seymour said most school districts do not seek higher limits and described the market as "very competitive."

"If we could only take reverse out of school buses, we'd have better results," he said.

There is, however, an increasing exposure from "contract drivers," such as parents using their own vehicles as school contractors, he said. These contract drivers need to have proper training, and school districts must make sure the proper certificates of



¹ Violent deaths include any homicide, suicide or weapons-related violent death. ² Through May 29, 1998.
Source: National School Safety Center, Pepperdine University

insurance are in place, he added.

School districts that outsource their bus service need to make sure they're adequately protected, said Gallagher's Ms. Frankland. "The key is to list the school district as an additional insured per contract (the bus company) has with the district," she said. She said she tells clients to send the certificates of insurance to Gallagher for review of such matters as the insurer's A.M. Best Co. rating and the adequacy of the limits provided.

To help reduce the auto liability exposure, Gulf and Travelers are jointly producing a video on school driver training and safety, said Mr. Seymour.

Robert Krall, risk control director for Coregis Group in Chicago, also pointed to driver selection as a key component in a school risk management strategy. He noted that some school districts employ private contractors who use their own buses to transport students. Thus, "they're at the mercy of the individual driver. They need to watch that they have tight control."

Maintenance, hiring practices, driver training, bus stop placement, proper use of proper equipment and safety on board the buses are all factors in decreasing bus liability exposure, said Mr. Krall. The proper equipment referred to using school buses for student transportation, not conversion vans.

Coregis offers limits of up to \$10

million in-house for liability coverages purchased by school districts, with the ability to increase limits on an individual risk basis, said Bill Dowell, schools team leader for Coregis in Chicago.

"For urban school districts, slip-and-fall injuries still rank up there, as do bus accidents and design issues. In other words, if the floor was designed back in the 1950s, they're not as slip-resistant as they are today. There are also amputations of fingers in doors, as well as grandmas who fall. On a routine basis, that's what we see in the claims end of things, as well as that which reaches litigation," said Philadelphia's Mr. Ewing.

The 251-school district is largely self-insured for the majority of exposures, said Mr. Ewing, noting that the state's Political Subdivision Tort Claims Act limits the district's liability to \$500,000 plus delayed damages.

In addition to premises and automobile liability issues, schools face exposures from the individual education plans for special needs students that schools are required to provide under federal law, said Chesterfield County's Ms. Russell.

Parents who think their children are not receiving the special education to which they're legally entitled can avail themselves of various due process hearings, she said. "We find that we spend a lot of time in the due process hearings and also the judicial hearings that follow." ■

Aging infrastructure poses challenges for states

By MICHAEL PRINCE

With deep pockets and little public sympathy, state and local governments are a natural party to sue when a person injured by crumbling public property seeks to recover money.

Although risk managers said the number of such suits has not significantly increased in recent years, the potential for large losses exists as public buildings and roads age and maintenance budgets are too small to make all the necessary repairs.

Injured people usually bring suits under state laws and generally allege that the government negligently maintained a piece of its property—a road, building or sewer, for example.

But a government is liable only if it has actual or "constructive" knowledge of the dangerous condition. A plaintiff can show constructive knowledge if the hazard was so obvious it couldn't be overlooked, such as a huge crater on a major street, or that a government employee would have seen the hazard.

Such a standard is not difficult to meet in urban areas where city poli-

tion workers regularly are on the streets. But liability generally won't exist if the injury occurred from a hazard that was new or unlikely to be noticed, such as if lightning hits a tree that topples onto the road and a car immediately runs into it.

The majority of infrastructure suits against public entities involve people falling on cracked sidewalks. But occasionally, more serious injuries occur from parts of public buildings falling on pedestrians or pieces of old buildings collapsing.

These larger events present "the same basic issues but on a much larger, perhaps more disastrous scale," said Brad Johnson, managing director for Sedgwick Inc. in Columbia, S.C.

Perhaps the most important factor in the liability of a government entity is its state's immunity laws. Under traditional English common law, an individual could not sue the state, as the king could do no wrong. This concept of sovereign immunity was carried to the United States and existed well into this century. But in the past few years, court decisions have chipped away at the doctrine, lawyers and risk managers said.

"We are seeing a trend across the country where more and more states come up with statutes or court deci-

ty," said David Barker, a partner with the law firm of Sherman, Taff & Bangert in Kansas City, Mo. Only Arkansas has retained total sovereign immunity, he said.

But rather than simply opening up governments to unlimited liability, most states have passed laws capping the amounts plaintiffs can recover from the state and government entities, such as cities or counties.

'Infrastructure maintenance is so expensive, but it's not sexy,' says Thomas Vance of Anaheim.

For example, in Missouri the state-mandated cap for damages is \$100,000 per person and \$1 million per occurrence, while in Minnesota the limit is \$300,000 per person and \$750,000 per occurrence.

Many think the caps are necessary because, unlike private businesses, governments cannot prohibit the public from using their roads or buildings.

street and road business," noted Thomas Vance, risk manager for the city of Anaheim, Calif. So "isn't it appropriate for us to have some liability protections for this?" he asked.

Steve Voldal, claims manager for St. Paul, Minn., said a cap is necessary, as "it allows us to have better control over potential exposure."

"It weighs the interests of the public with the interests of the individual parties," Mr. Voldal said.

In Louisiana, however, while there are caps for pain-and-suffering damages, there are no such caps for compensatory damages, and the state has "a tremendous exposure," said Seth Keener Jr., the state's risk director.

What concerns many is that the country's infrastructure, particularly in its older cities, is aging and showing severe signs of deterioration. Sewer lines are often more than 100 years old, and numerous buildings and bridges were built early in this century. Compounding the problem were the tight government budgets of the 1970s and '80s that cut maintenance work to the bone.

Particularly in the past 20 years, the nation's infrastructure has grown worse, as structures "have

Hyman, chairman of the global public entities group for J&H Marsh & McLennan Inc. in Miami.

Although in many areas the '90s have brought growing maintenance budgets, there still is not enough money to fix all the potential hazards, risk managers said.

"It's a money issue," said Mr. Vance of Anaheim. "It's not a lack of understanding of the need to keep up the infrastructure."

City budgets always are tight, and any extra money is generally spent on services, not on infrastructure maintenance, risk managers said. That's because money spent on maintenance must compete against spending for services, and politicians know that money spent on services is more popular with the people and generates more positive publicity for themselves.

"Infrastructure maintenance is so expensive, but it's not sexy," Mr. Vance noted. "It's not what people seem to care about."

Because of the money restrictions, risk managers have become reactive rather than proactive in controlling hazards, risk managers said. The basic strategy many have devised is to determine the hazards with the most risk of serious injury and make them the highest priority for repair.

Repairs

Continued from previous page

"This goes a long way toward lowering liability," Mr. Vance said.

Beyond this, risk managers can develop long-range plans for addressing the hazards that can't immediately be fixed.

Another loss control strategy risk managers advocate is becoming involved with state legislatures to strengthen immunity laws. Risk managers should try to cultivate allies within government who can push for greater spending on maintenance, risk managers said.

"You got to be plugged in somewhere," said Don LeMond, director of the division of risk management for the Commonwealth of Virginia in Richmond.

Virginia is particularly vulnerable to lawsuits. Many of the state's buildings were designed by Thomas Jefferson and have been designated historic landmarks; therefore they cannot be altered, Mr. LeMond said.

Problems then arise, for example, at the state Capitol building, which has a large porch in back that stands about 20 feet above the ground. Because the original design lacked a railing around the porch, it cannot now be installed, Mr. LeMond said. So, on occasion tourists on the porch will stray too

Although aging infrastructure poses greater threats of losses, insurers have flocked back to the market.

close to the edge and fall off, injuring themselves.

Also in Virginia, as in many other places, the state lacks the necessary money to maintain the 6,000 buildings it owns; many were built in the early 1800s.

The University of Virginia is an example of how the historic buildings in the state contribute to the risk management problem. Many of the campus' buildings also were designed by Thomas Jefferson and were built about 200 years ago. Consequently, they are old and sometimes in poor condition. At the university's 1997 commencement exercises, a balcony full of people collapsed, killing one person, injuring many others and leading to numerous lawsuits against the state. Mr. LeMond said part of the state's defense strategy in the case, which is still in litigation, is pointing out that they had no notice that the balcony had any structural problems, an argument that can no longer be used should any of the university's other historic buildings collapse.

"The first time something happens, you will be a lot safer (against lawsuits) than if it happens a second time or more," he said. But helping to control losses in Virginia is the state's \$100,000 per occurrence cap on awards against the government.

Although aging infrastructure poses greater threats of losses, insurers have flocked back to the government liability market. This flood of capital has lowered rates while providing risk managers with plenty of capacity. This situation vastly differs from the late 1980s, when insurers fled the market due to "litigation out of control with no immunity for governments," explained Dennis Crosby, vp-public sector services for The St. Paul Fire & Marine Insurance

Co. in St. Paul, Minn.

Nevertheless, most government entities are self-insured to a certain degree. Virginia, for example, is self-insured, except for its commuter railroad in the Washington area, as is the city of St. Paul. But Louisiana and Anaheim, two places without liability caps, have self-insured retentions of \$5 million and \$1 million respectively, and then buy excess liability policies to cover any large losses.

Few governments, though, buy excess policies, said Mr. Hyman of J&H Marsh & McLennan. He said that for the biggest governments, the premium costs won't justify the policy because losses have rarely gotten that large.

"Historically, with very few exceptions, they would have never touched" excess insurance, Mr. Hyman said. **B1**

PRIMA promises to expand

By MICHAEL BRADFORD

New leadership at the Public Risk Management Assn. wants to increase the group's membership and help public entities forge new relationships with community service organizations.

Those are a couple of the goals of PRIMA's new president and executive director.

Stewart J. Ellenberg, risk manager for Fort Collins, Colo., will address PRIMA as the group's incoming president during its 19th annual conference in Minneapolis this month.

James F. Coyle, deputy superintendent of the U.S. Fire Administration

National Fire Academy in Rockville, Md., becomes PRIMA's new executive director on July 1. He replaces Dennis Kirschbaum, who is leaving to pursue a graduate degree in Judaic studies at Baltimore Hebrew University. He will be at the conference.

Mr. Ellenberg said: "One of the goals of the national organization over the next few years is reaching more public entities. There are thousands and thousands that are not members and don't even know PRIMA exists. We will be working at expanding our membership base."

Mr. Coyle pointed out that expanding the group's membership is one of the tenets of a strategic plan PRIMA developed last year. With about 2,200 government entity members, the

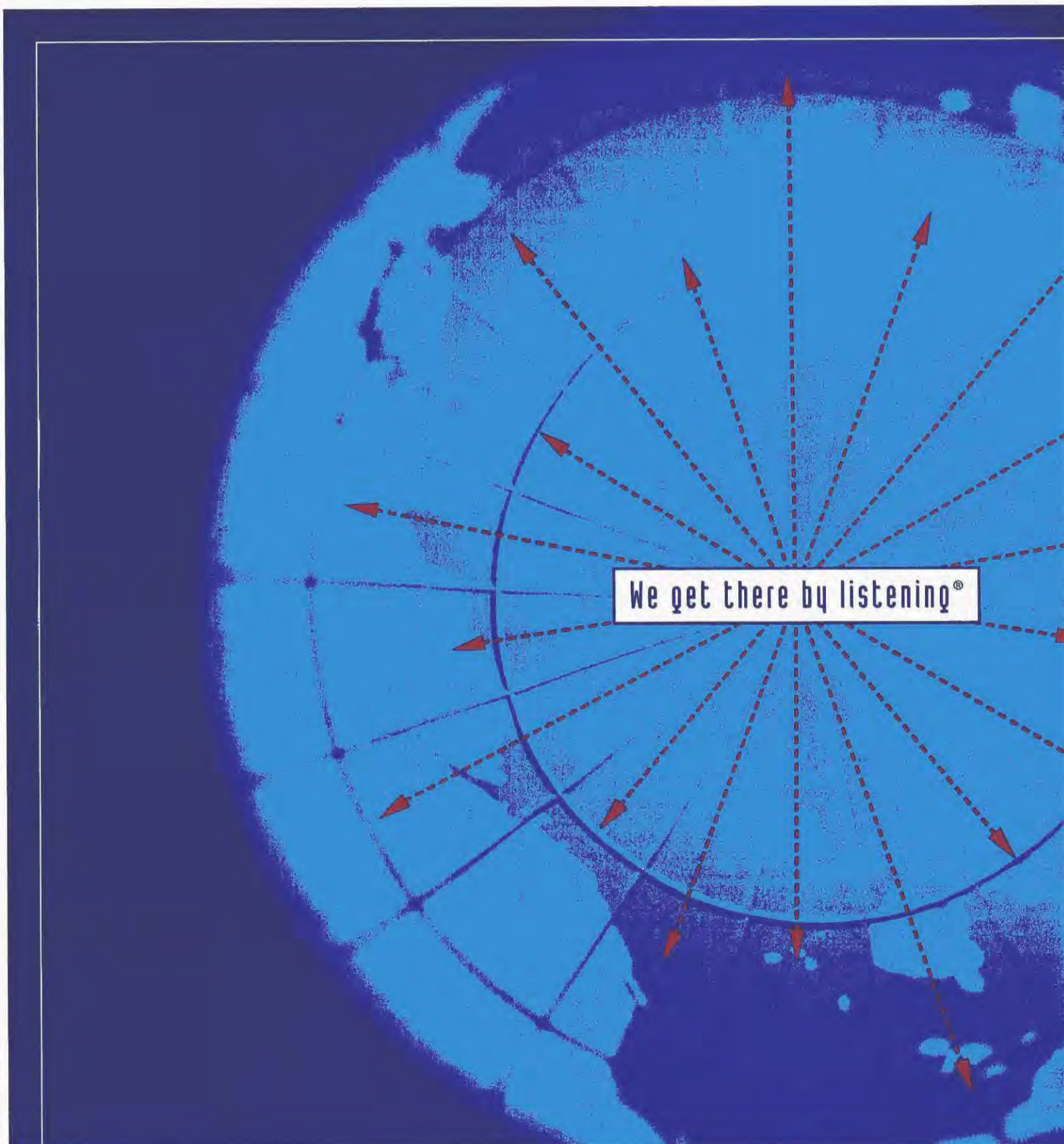
group's membership represents only a very small portion of the local governments that could benefit from joining, he said.

Of about 85,000 government units nationwide, about 40,000 to 45,000 are large enough to benefit from membership, a spokeswoman said.

Part of the strategy to reach potential members is "just marketing better what we do," Mr. Coyle said. And part of attracting risk managers to the organization is being able to offer them services that will help them better do their jobs, he added.

Mr. Ellenberg said PRIMA will attempt to reach potential members through an expansion of its World Wide Web site in the future.

Continued on next page



Continued from previous page
 Mr. Coyle said PRIMA has concluded that a "major issue is delivering timely and relevant information to members. They want to look at ways to do that."



Mr. Ellenberg

Technology could play a role, he suggested, as a means to provide information for "local governments and risk pools to better do their jobs."

PRIMA also plans an effort to encourage public risk managers to work with community organizations that can help provide services critical to

controlling losses and safeguarding the public.

Mr. Coyle explained that public risk managers will be encouraged to work with groups in their communities such as the American Red Cross, those that provide fire and emergency services, and health and safety organizations. Those relationships will give risk managers partners in helping prevent or respond to public safety problems. Risk managers, he emphasized, need to identify potential partners "who can help extend services they need."

Mr. Ellenberg pointed out that among the concerns of public risk managers is making sure they are prepared for natural disasters.

In these days of El Nino and calamities that can strike without warning, public risk managers have to be ready to quickly perform a host of duties, from working with insurers

to dealing with federal emergency management personnel and addressing lawsuits that could arise from disasters, according to Mr. Ellenberg.

Growing responsibilities related to natural disasters mean "a lot of public entity risk managers are faced with things they never had to deal with in the past," he noted.

"The key is having an emergency management plan in place," Mr. Ellenberg said, and periodically making sure it is up to date. Occasional drills can keep the plan fresh, he added.



Mr. Coyle

An ongoing concern at PRIMA is the lure of cheap insurance in the traditional marketplace that is tempting some public entities to leave pooling arrangements.

"Right now happens to be a very good time for insurance companies," Mr. Coyle said. "They are able to offer very competitive policies."

"The market has its sights set on taking business away from pools," Mr. Ellenberg agreed. PRIMA's response has been a "movement within the pooling section to address the needs of pools. . . . That's one of the things we're struggling with."

Mr. Coyle said risk managers have to consider not just the price of coverage but also the services provided by pools and insurers when considering which way to go. "These things tend to be cyclical," he said of coverage prices, meaning they may not always be as low if the market hardens after

an entity leaves a pool.

Decisions on pooling will be made "community by community," Mr. Coyle said. PRIMA's job is to provide the entities with good information to help them decide which coverage route is best, he said.

Public risk managers also continue to worry about the liability related to employment practices.

Mr. Ellenberg said risk managers should focus on preventing employment-related claims rather than simply looking for cheap coverage to pay them. "The key is to have an employment manual that outlines the proper ways for hiring, firing, promotions and other employment practices, he stressed. Those kinds of procedures have to be followed in the same manner among all of an entity's departments, he added.

That consistency is especially important if a claim makes its way into the legal system, Mr. Ellenberg said, because courts generally "look at public entities as a whole. That becomes a problem with departments in a public entity doing things differently."

PRIMA remains concerned about the shrinking rolls of public entity risk managers.

Mr. Ellenberg pointed out that the ranks of public risk managers have been thinned by downsizing. "As budgets are held in check, we've seen some public entity risk managers eliminated."

It's up to risk managers to "let management know how valuable they are prior to this occurring," he urged. If they don't, there's a chance "they're going to be gone someday," he said.

Public risk managers have "got to get the message out that what they do is valuable," Mr. Ellenberg remarked. "It's just like advertising. Risk managers need to be just like advertising executives. Get the message out."

He said part of the message should be that "what we do as risk managers really has the potential to impact many, many people" through different community programs, educational and other services. "We make life matter," he said. "As frustrating as it is being a public risk manager" at times, Mr. Ellenberg remarked, that fact can make the frustration seem worthwhile.

Mr. Coyle is using this year's conference as a way to find out the concerns of PRIMA's members. "One thing I'm hoping to get from the annual meeting is a chance to talk to members about what is happening in their communities," he said.

Mr. Coyle knows there are concerns about environmental, emergency management, terrorism and other issues. PRIMA's challenge, he said, is in determining its role in helping risk managers deal with such concerns.

Risk managers, he added, need help in "mitigating and preventing things from occurring in the first place. . . . This is an excellent opportunity," Mr. Coyle said of his new job. "I feel like I can bring my experience to help this organization move to the next level of service it can bring to communities."

Mr. Coyle's background includes a five-year stint with the National Fire Academy. He has served in various posts, including as associate director of the International City/County Management Assn. and executive director of the Southern Institute for Human Resources Management. He served one term as mayor of Rockville and four terms on its City Council.

Mr. Ellenberg has spent 10 years as risk manager at Fort Collins, a job he found as a result of a notice in a PRIMA newsletter while working as risk manager for Baytown, Texas. His risk management duties cover the city, the Downtown Development Assn. and the Poudre Fire Authority. **BI**



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CNA RISK MANAGEMENT

BI directory of alternative risk-financing facilities



Affiliated Chemical Employers Reinsurance Ltd.

CFM Insurance Managers Ltd.,
Third Floor, 44 Church St.,
Hamilton HM 12, Bermuda;
441-296-1051; fax: 441-296-1058

Domicile: Bermuda.
Risks: Workers comp.
Limits: \$1 million primary.
Minimum retention: \$250,000.
Policy form: Claims-made.
Access: Specific broker.
First policy: 1995.
1997 premium volume: \$1.0 million.
1997 assets: \$1.3 million.
1997 capital/surplus: \$550,000.
Policyholders: 11 in 1997; 15 estimated in 1998.

Affiliated Chemical Insurance Ltd.

CFM Insurance Managers Ltd.,
Third Floor, 44 Church St.,
Hamilton HM 12, Bermuda;
441-296-1051; fax: 441-296-1058

Domicile: Bermuda.
Risks: Commercial general liability.
Limits: \$1 million primary.
Minimum retention: \$250,000.
Policy form: Claims-made.
Access: Specific broker.
First policy: 1977.
1997 premium volume: \$4.0 million.
1997 assets: \$21.0 million.
1997 capital/surplus: \$9.0 million.
Policyholders: 21 in 1997; 25 estimated in 1998.

Membership: Chemical distributors and manufacturers.
Contact: Simon Scupham.

American Assn. of Orthodontists Insurance Co. Risk Retention Group Inc.

Vermont Insurance Management Inc., P.O. Box 306,
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6230

Domicile: Vermont.
Risks: Professional and general liability.
Limits: Up to \$500,000 per occurrence
Minimum retention: \$150,000.
Policy form: Claims-made/occurrence.
Access: Direct.
First policy: June 1995.
1997 premium volume: \$3.2 million.
1997 assets: \$7.3 million.
1997 capital/surplus: \$2.5 million.
Policyholders: 2,700 in 1997; 2,950 estimated in 1998.

Membership: American Assn. of Orthodontists.
Contact: Andrew Sargeant.

American Bankers Professional & Fidelity Insurance Co. Ltd.

Atlantic Security Ltd.,
Windsor Place, 18 Queen St.,
Hamilton HM 11, Bermuda;
441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: D&O liability, financial institution bond, dishonesty bond, safe depository bond, stamp bond, trust E&O, EPL.
Limits: Various.
Minimum retention: \$5,000.
Policy form: Claims-made/discovery.*
Access: All brokers/direct
First policy: February 1987.
1997 premium volume: \$15.0 million.
1997 assets: \$72.0 million.

1997 capital/surplus: \$19.0 million.
Policyholders: 1,200 in 1997; 1,375 estimated in 1998.

Membership: American Bankers Assn.**
Contact: Dueane S. Dill.
* D&O liability, trust E&O, stamp bond and lender liability coverages provided on claims-made basis; all other coverages are on a discovery basis. **Certain coverages available to non-members.

American Safety Risk Retention Group Inc.

Synergy Insurance Services Inc.,
1845 The Exchange, Suite 200,
Atlanta, Ga. 30339; 770-916-1908;
fax: 770-916-0618

Domicile: Vermont.
Risks: Environmental and related specialties.
Limits: \$10 million primary and/or \$10 million excess of \$1 million.
Minimum retention: Varies.
Policy form: Claims-made/occurrence.
Access: All brokers.
First policy: April, 1988.
1997 premium volume: \$8.6 million; \$2.0 million in deposit premiums.
1997 assets: \$21.0 million.
1997 capital/surplus: \$5.3 million.
Policyholders: 1,000 in 1997; 1,200 estimated in 1998.
Membership: Environmental and related specialties.
Contact: Steve Crim.

Aon Group Property Facility

Aon Insurance Managers,
346 Shelburne Road,
Burlington, Vt. 05401;
802-860-0444; fax: 802-860-0440

Domicile: Various.
Risks: Property, business interruption, boiler & machinery.
Limits: \$100 million primary.
Access: Specific broker.
First policy: 1974.
1997 premium volume: \$25.0 million.
Policyholders: 22 in 1997; 30 estimated in 1998.
Contact: James Murray.

Continued on next page

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Directory terms explained

Listings in the annual *Business Insurance* directory of alternative risk financing facilities begin with the name of the facility and manager and the address of the manager.

Listed next is the domicile of the facility; the risks the facility underwrites; the limits it provides; the minimum retention; the policy form used; how potential policyholders can gain access to the facility; the date the first policy was written; 1997 premium volume and, if reported, 1997 deposit premiums (premiums paid in advance for long-term policies); assets as well as capital and surplus at year-end 1997; the number of policyholders in 1997 and an estimate for 1998; and a description of the facility's membership, including any association requirements. Completing the listing is the name of the person to contact for additional information.

The information on each facility was provided by the facility or its manager in response to a *Business Insurance* questionnaire. Although every effort has been made to report complete and accurate information, *BI* is unable to verify all the information provided.

To be included in next year's directory, contact the Directory Dept., *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590; phone: 312-649-5483 or 312-649-5279; fax: 312-649-7801.

Continued from previous page

B

Bankers Insurance Co. Ltd.
 Powerscourt Management Ltd.,
 P.O. Box HM 2267,
 Hamilton HM JX, Bermuda;
 441-295-8495; fax: 441-292-1196

Domicile: Bermuda.
 Risks: D&O liability.
 Limits: \$15 million primary and/or \$15 million excess of various retentions.
 Policy form: Claims-made.
 Access: Bermuda brokers/direct.
 First policy: May 1986.
 1997 premium volume: \$1.2 million (earned).
 1997 assets: \$90.9 million.
 1997 capital/surplus: \$59.5 million.
 Policyholders: 16 in 1997; 16 estimated in

1998.
 Membership: U.S. banks with at least \$2 billion in assets.
 Contact: Steven Western.

C

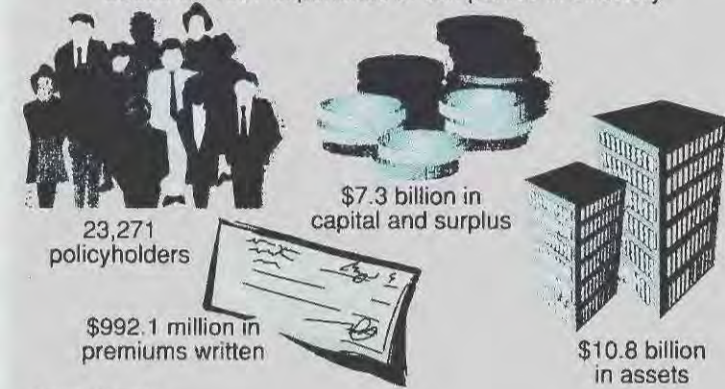
CPA Mutual Insurance Co. of America FRG
 CPA Mutual Management, 2811 N.W. 41st St., Suite A-2, Gainesville, Fla. 32606; 352-375-7843; fax: 352-375-0429

Domicile: Vermont.
 Risks: Professional liability and EPL.
 Limits: Up to \$10 million primary.
 Minimum retention: \$1,000.
 Policy form: Claims-made.
 Access: Direct.

Continued on next page

Alternative risk-financing facilities at a glance

Based on 1997 experience of companies in directory



Source: BI survey

GRAPHIC BY MIKE GARVEY

Business Insurance's 12th annual survey of alternative risk financing facilities—which serve a wide range of corporations, public entities and professionals—lists 65 facilities with 23,271 policyholders in 1997. For participants in both the 1997 and 1998 listings, membership increased an average of 4% during 1997. The 4% increase falls several points short of the 10.7% increase reported last year.

Thirty-three of the facilities report that they expect to write coverage for more policyholders in 1998 than in 1997, while 22 respondents expect no change in membership and five respondents expect a decrease in membership. Last year, 47% of the facilities expected membership to increase, whereas this year 51% reported an estimated increase. According to the facilities reporting estimated membership for 1998, enrollment will increase an average of 13.3% this year.

The facilities in this directory reported a combined premium volume of \$992.1 million in 1997. Their policyholder capital and surplus totaled \$7.3 billion at year end, while combined assets totaled \$10.8 billion. New to the guide this year are 12 facilities, three having written their first policy in 1996 or 1997.

For the third year in a row, the most common domicile is Vermont: 33.8% of the facilities are domiciled in Vermont, a 4.3% decrease from last year. For 1998, 22 facilities are domiciled in Vermont; 17 in Bermuda; five each in Colorado and Illinois; four each in the Cayman Islands and Hawaii; three in California; two in Barbados; and one each in Delaware and South Africa. One facility is domiciled in more than one location.

Coverage is written for a broad range of policyholders, in-

cluding: chemical, energy, environmental and petroleum industries; manufacturers; educational institutions and school districts; health care providers, including dentists, ophthalmologists and maxillofacial surgeons; hospitals and group homes; financial institutions; local government; accounting firms; religious institutions; lawyers; structural engineers; exporters; home builders and roofing contractors; electric and gas utilities; the forest products industry; ski area operators; grocers; testing laboratories; booksellers; non-profit organizations; bed and breakfast inns; sporting arms manufacturers; franchise owners; pest control and sanitation consulting firms; environmental remediation contractors; trucking operators; consultants; and building owners.

This year's directory features the third annual guide to rent-a-captives, a list of 32 rent-a-captives beginning on page 27. The most common domicile is Bermuda: 75% of the facilities are domiciled in Bermuda. For 1998, 24 facilities are in Bermuda; three each in Barbados and the Cayman Islands; one each in Delaware and Luxembourg. One facility is domiciled in more than one location.

Coverage is written for financial services, manufacturing, health care, pest control, trucking, sports teams, insurance agents, hospitality and service organizations.

For those rent-a-captives that participated in both the 1997 and 1998 directories, membership totaled 761 at year-end 1997. This was a 10.6% increase from the 688 reported at year-end 1996. For all participants, premium volume totaled \$406.1 million in 1997. The combined capital and surplus for all rent-a-captives is at \$377.9 million, and assets total \$2.6 billion.

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KEYNOTE SPEAKER:

Candace Cox, President & Chief Investment Officer
 Bell Atlantic Asset Management

For exhibits opportunities contact Julie Tarsi at Ext. 14.
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Risk Manager of the Year Risk Management Honor Roll

Nominations for the 1999 *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll are now being accepted.

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Anyone involved in risk management for a corporation, financial institution, not-for-profit institution, self-insurance pool or government entity can be nominated.

The nominations will be judged by a panel of professionals representing all aspects of risk management and the commercial insurance industry.

The honorees will be announced in the April 12, 1999, issue of *Business Insurance*, which will be distributed at the Risk & Insurance Management Society Inc. Conference.

For nominating forms and instructions, call 312-649-5319 or e-mail: ktucker@crain.com

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Continued from previous page

First policy: July 1987.
1997 premium volume: \$6.8 million.
1997 assets: \$32.0 million.
1997 capital/surplus: \$12.0 million.
Policyholders: 432 in 1997; 475 estimated in 1998.
Membership: Membership/associate membership in Accounting Firms Associated Inc.
Contact: Bill Thompson.

C.P.S. Insurance Co. Ltd.

International Advisory Services Ltd., P.O. Box HM 1760, Hamilton HM HX, Bermuda; 441-295-3688; fax: 441-295-2584

Domicile: Bermuda.
Risks: Workers comp, auto and general liability
Limits: \$1 million primary and \$2 million excess of \$1 million.
Minimum retention: \$250,000.
Policy form: Occurrence.
Access: Specific broker.
First policy: July 1980.
1997 premium volume: \$10.0 million; \$10.5 million in deposit premiums.
1997 assets: \$36.0 million.

1997 capital/surplus: \$4.7 million.
Policyholders: 30 in 1997; 32 estimated in 1998.
Membership: Pest control and sanitation consulting firms; Pestsure Assn.
Contact: David Ezekiel.

Casting Manufacturers Insurance Ltd.

J&H Marsh & McLennan Management (Bermuda) Ltd., P.O. Box HM 1826, Hamilton HM HX, Bermuda; 800-631-1124

Domicile: Bermuda.
Risks: Commercial general liability.
Limits: Up to \$5 million primary.
Minimum retention: \$750,000.
Policy form: Claims-made.
Access: Direct.
First policy: 1982.
1997 premium volume*: \$1.2 million.
1997 assets*: \$10.4 million.
1997 capital/surplus*: \$9.9 million.
Policyholders: 40 in 1997; 33 estimated in 1998.
Membership: Tool and die manufacturers.
Contact: Victor Simas.
** Estimate.*

Christian Foundation Inc.

RMA, 8425 Woodfield Crossing Blvd., Suite 333, Indianapolis, Ind. 46240; 317-469-4440; fax: 317-469-4430

Domicile: Bermuda.
Risks: Workers comp.
Limits: Statutory.
Policy form: Claims-made.
Access: All brokers.
First policy: June 1998.
Policyholders: 100 estimated in 1998.
Membership: Christian missions, churches and bookstores.
Contact: Kevin Hill.

College Liability Insurance Co. Ltd., A RRG

Sedgwick Management Services (U.S.) Ltd., Sedgwick James of Oregon, 111 S.W. Columbia, Portland, Ore. 97201; 503-248-6400

Domicile: Hawaii.
Risks: Employers legal liability, general liability, auto liability.
Limits: \$100,000 primary.
Minimum retention: Various.

Policy form: Claims-made/occurrence.
Access: Direct.
First policy: July 1988.
1997 premium volume: \$1.3 million.
1997 assets: \$4.8 million.
1997 capital/surplus: \$2.5 million.
Policyholders: 7 in 1997; 7 estimated in 1998.
Membership: West Coast College Consortium
Contact: Mike Richmond.

Consumer Specialties Insurance Co. (Risk Retention Group)

Vermont Insurance Management Inc., P.O. Box 306, Montpelier, Vt. 05601; 802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: Commercial general liability.
Limits: \$5 million per occurrence/\$5 million aggregate excess of \$5,000 self-insured retention.
Policy form: Claims-made.
Access: All brokers.
First policy: 1987.
1997 premium volume: \$1.6 million.

1997 assets: \$7.2 million.
1997 capital/surplus: \$4.1 million.
Policyholders: 62 in 1997; 65 estimated in 1998.
Membership: Chemical Specialties Manufacturers Assn.
Contact: Andrew Sargeant.

E

Eastern Dentists Insurance Co. (A Dental Society RRG)

Willis Corroon Management (Vermont) Ltd., 76 Saint Paul St., Suite 501, Burlington, Vt. 05401; 802-658-9466; fax: 802-658-5520

Domicile: Vermont.
Risks: Professional and general liability.
Limits: \$2 million per occurrence/\$6 million aggregate.
Policy form: Claims-made/occurrence.
Access: Direct/brokers by invitation.
First policy: September 1992.
1997 premium volume: \$4.0 million; \$36,000 in deposit premiums.
1997 assets: \$18.9 million.
1997 capital/surplus: \$3.7 million.
Policyholders: 2,400 in 1997; 2,600 estimated in 1998.
Membership: State Dental Society.
Contact: James Girardin.

ELSIP (Excess-of-Loss Self-Insurance Pool)

RiskCap, 1655 Lafayette St., Suite 200, Denver, Colo. 80218; 303-388-5688; fax: 303-388-5585

Domicile: Colorado.
Risks: General liability.
Limits: \$1 million per occurrence/\$2 million aggregate.
Policy form: Occurrence.
Access: Restricted.
First policy: July 1990.
1997 premium volume: \$178,000
1997 assets: \$351,608.
1997 capital/surplus: \$343,143.
Policyholders: 3 in 1997; 3 estimated in 1998.
Membership: Colorado school districts.
Contact: Richard Poling.

Energy Insurance Mutual Ltd.

6200 Courtney Campbell Causeway, Suite 550, Tampa, Fla. 33607; 813-287-2117; fax: 813-874-2523.

Domicile: Barbados.
Self-managed.
Risks: Excess general liability, general partner liability and D&O liability.
Limits: General liability: \$100 million excess of \$25 million. General partner and D&O liability: \$65 million excess of \$25 million.
Policy form: Claims-made.
Access: All brokers/direct.
First policy: July 1986.
1997 premium volume: \$55.3 million.
1997 assets: \$699.2 million.
1997 capital/surplus: \$341.9 million.
Policyholders: 153 in 1997.
Membership: Utilities and members of the energy services industry.
Contact: David L. Hadler.

Evergreen USA Risk Retention Group Inc.

Skandia International, P.O. Box 64649, Burlington, Vt. 05406; 802-658-1474; fax: 802-658-0692

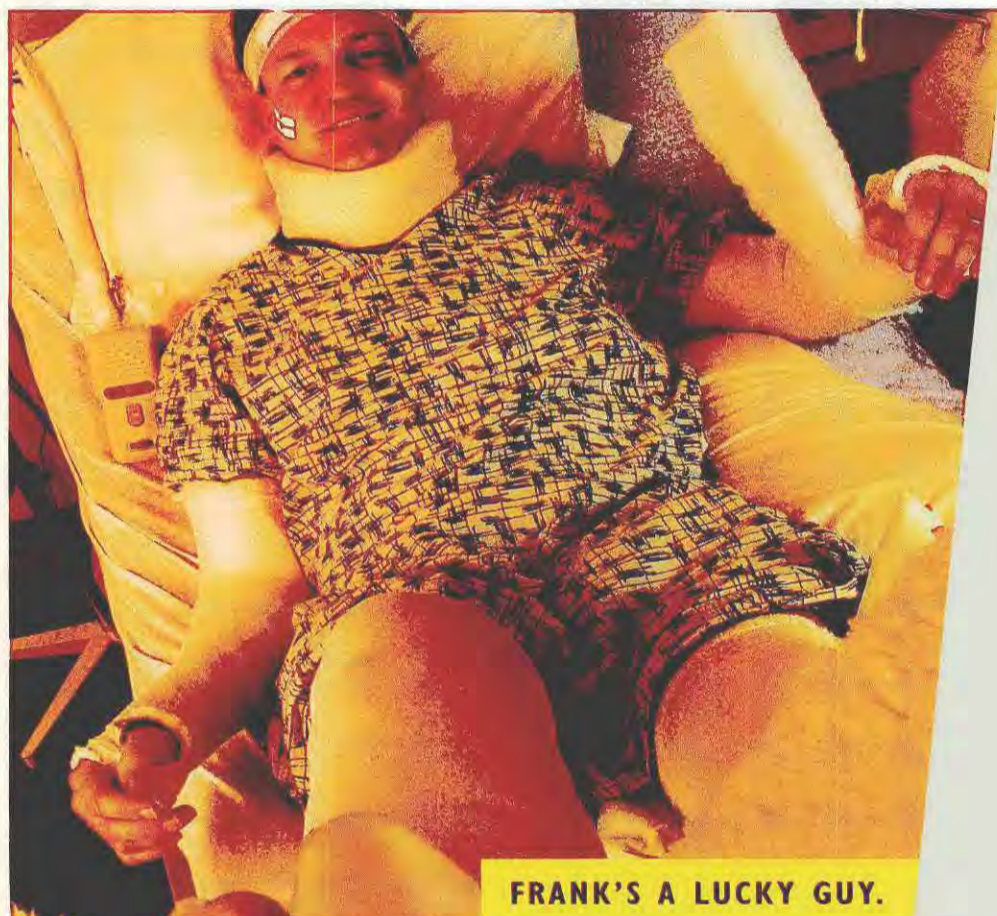
Domicile: Vermont.
Risks: General liability.
Limits: \$5 million primary.
Policy form: Occurrence.
Access: Direct.
First policy: November 1989.
1997 premium volume: \$1.2 million.
1997 assets: \$3.9 million.
1997 capital/surplus: \$2.0 million.
Policyholders: 346 in 1997; 400 estimated in 1998.
Membership: Private campgrounds and RV parks in the United States.
Contact: George A. Chaffee.

Exporters Insurance Co. Ltd.

BF&M Management Ltd., The ACE Building, 30 Woodbourne Ave., P.O. Box HM1007, Hamilton HM DX, Bermuda; 441-296-1745; fax: 441-292-8682

Domicile: Bermuda.
Risks: Export credit and political risk.
Limits: \$53 million primary.
Policy form: Occurrence.
Access: All brokers.
First policy: March 1990.

Continued on page 20



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ERC.

Continued from page 18

1997 premium volume: \$10.9 million.
1997 assets: \$57.0 million.
1997 capital/surplus: \$34.5 million.
Policyholders: 78 in 1997; 80 estimated in 1998.
Membership: Major exporters and financial institutions.
Contact: Robert Svensen or Mark Reynolds.

F

Financial Institutions Reserve Risk Retention Group Inc.

J&H Marsh & McLennan Inc.,
 191 Peachtree St. N.E.,
 Suite 3400 Atlanta, Ga. 30303;
 404-536-8224; fax: 404-586-8208

Domicile: Vermont.
Risks: D&O liability.
Limits: \$20 million primary and/or \$20 million excess or any amount.
Minimum retention: \$1 million per claim.
Policy form: Claims-made.
Access: Direct.

First policy: July 1988.
1997 premium volume: \$193,300
1997 assets: \$113.8 million.
1997 capital/surplus: \$66.6 million.
Policyholders: 13 in 1997; 12 estimated in 1998.
Membership: Bank holding companies.
Contact: Glen Bailey.

Forest Insurance Ltd.

International Risk Management (Bermuda) Ltd., Belvedere Building, P.O. Box HM 660, Hamilton, HM CX, Bermuda; 441-295-0713; fax: 441-295-8558

Domicile: Bermuda.
Risks: Umbrella liability.
Limits: Maximum capacity: \$10 million per occurrence/\$10 million aggregate
Minimum retention: \$250,000.
Policy form: Claims-made/occurrence.
Access: Must be captive insurance company related business.
First policy: January 1980.
1997 premium volume: \$1.1 million.
1997 assets: \$8.2 million.
1997 capital/surplus: \$4.3 million.
Policyholders: 10 in 1997; 10 estimated in 1998.

1998.
Membership: Forest products industry.
Contact: Paul Baile or Fiona Park.

Franklin Casualty Insurance Co. (A Risk Retention Group)

J&H Marsh & McLennan Management Inc., 421 Franklin Building, 345 Walnut St., Philadelphia, Pa. 19104; 215-898-2720; fax: 215-898-9302

Domicile: Vermont.
Risks: Hospital professional liability.
Limits: Physician: \$300,000 per occurrence/\$900,000 aggregate. Hospital: \$500,000 per occurrence/\$1.5 million aggregate.
Policy form: Claims-made.
Access: Direct.
First policy: July 1997.
1997 premium volume: \$8.2 million.
1997 assets: \$11.2 million.
1997 capital/surplus: \$1.4 million.
Policyholders: 3 in 1997; 3 estimated in 1998.
Membership: University of Pennsylvania Health System.
Contact: Kenneth Hoffman c/o University of Pennsylvania

G

General Eastern Ski Insurance Risk Retention Group

Vermont Insurance Management, P.O. Box 306, Montpelier, Vt. 05601; 802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: General liability.
Limits: Self-insured retention limits vary.
Minimum retention: \$250,000.
Policy form: Occurrence.
Access: All brokers.
First policy: April 1988.
1997 premium volume: \$722,561
1997 assets: \$5.5 million.
1997 capital/surplus: \$3.0 million.
Policyholders: 4 in 1997; 4 estimated in 1998.
Membership: Ski area operations.
Contact: Andrew Sargeant

Directory terms and methodology are explained on page 16.

Guardrisk Insurance Co. Ltd.

P.O. Box 62018, Marshalltown 2107, South Africa; 27-11-484-4906; fax: 27-11-484-6891

Domicile: South Africa.
Self-managed.
Risks: Non-life.
Limits: Various.
Minimum retention: \$100,000.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
First policy: August 1993.
1997 premium volume: \$96.0 million.
1997 assets: \$130.0 million.
1997 capital/surplus: \$40.0 million.
Policyholders: 53 in 1997; 70 estimated in 1998.
Membership: All sectors.
Contact: Roger Voysey.

H

Health Providers Mutual Insurance Co., a Risk Retention Group

Program BETA Risk Management Authority, 1443 Danville Blvd., Alamo, Calif. 94507; 510-838-6070; fax: 510-838-6088

Domicile: Hawaii.
Risks: Excess hospital and D&O liability.
Limits: Excess hospital liability: \$35 million excess of \$5 million. D&O liability: \$10 million excess of \$1 million.
Minimum retention: \$1 million or \$5 million.
Policy form: Claims-made/occurrence.
Access: Direct.
First policy: July 1994.
1997 premium volume: \$2.6 million.
1997 assets: \$42.1 million.
1997 capital/surplus: \$35.0 million.
Policyholders: 33 in 1997; 33 estimated in 1998.
Membership: Hospital business/TPA.
Contact: Emily Clark.

I

IGRMA

RMA, 8425 Woodfield Crossing Blvd., Suite 333, Indianapolis, Ind. 46240; 317-469-4440; fax: 317-469-4430

Domicile: Illinois.
Risks: Workers comp.
Limits: Statutory.
Policy form: Claims-made.
Access: All brokers.
First policy: November, 1993.
1997 premium volume: \$1.4 million.
1997 assets: \$1.2 million.
1997 capital/surplus: \$51,668.
Policyholders: 51 in 1997; 55 estimated in 1998.
Membership: Retail grocery and supermarkets.
Contact: Kevin Hill.

INRMA

RMA, 8425 Woodfield Crossing Blvd., Suite 333, Indianapolis, Ind. 46240; 317-469-4440; fax: 317-469-4430

Domicile: Illinois.
Risks: Workers comp.
Limits: Statutory.
Policy form: Claims-made.
Access: All brokers.
First policy: April 1993.
1997 premium volume: \$2.8 million.
1997 assets: \$4.5 million.
1997 capital/surplus: \$30,113.
Policyholders: 66 in 1997; 75 estimated in 1998.
Membership: Group homes, counseling and work environment for the handicapped.
Contact: Kevin Hill.

Independent Laboratories Assurance Co. Ltd.

International Advisory Services Ltd., P.O. Box HM 2274, Hamilton HM JX, Bermuda; 441-295-3588; fax: 441-295-2584

Domicile: Bermuda.
Risks: Professional liability.
Limits: \$1 million per occurrence/\$2 million aggregate.
Policy form: Claims-made.
Access: Group 500 agents.
First policy: 1976.
1997 premium volume: \$400,000
1997 assets: \$2.1 million.
1997 capital/surplus: \$1.2 million.

Continued on page 22

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Latin American & Caribbean Division, Coral Gables, Florida
Professional Liability Treaty Division, Florham Park, New Jersey
Property & Casualty Treaty Division, Florham Park, New Jersey



Capital you can bank on.

Continued from page 20

Policyholders: 15 in 1997; 20 estimated in 1998.
Membership: Independently owned testing laboratories.
Contact: David Pickering.

Intergovernmental Risk Management Agency

1 Oakbrook Terrace, Suite 412, Oakbrook Terrace, Ill. 60181; 630-932-4762; fax: 630-932-7378

Domicile: Illinois.
Self-managed.
Risks: General liability, public officials liability, auto, first property, crime and workers comp.
Limits: \$10 million primary.
Minimum retention: \$1,000.
Policy form: Occurrence.
Access: Direct.
First policy: January 1979.
1997 premium volume: \$17.7 million.
1997 assets: \$100.2 million.
1997 capital/surplus: \$31.2 million.
Policyholders: 68 in 1997; 80 estimated in 1998.
Membership: Local governments.
Contact: Sal Bianchi.

Ironworking Contractors Insurance Program

Mutual Risk Captive Group Ltd., 7701 Forsyth Blvd., Suite 1025, St. Louis, Mo. 63105; 314-725-3966; fax: 314-725-6788

Domicile: Bermuda.
Risks: Workers comp, general liability, auto liability
Limits: \$1 million primary.
Policy form: Occurrence.
Access: Direct.
First policy: December 1988.
1997 premium volume: \$6.6 million.
1997 assets: \$8.7 million.
1997 capital/surplus: \$1.0 million.
Policyholders: 14 in 1997; 14 estimated in 1998.
Membership: Union of Ironworking Contractors.
Contact: Richard C. Holton.

Joint School Districts Workers' Compensation Self-Insurance Pool

RiskCap, 1655 Lafayette St., Suite 200, Denver, Colo. 80218; 303-388-5688; fax: 303-388-5585

Domicile: Colorado.
Risks: Workers comp and employers liability
Limits: Statutory.
Policy form: Occurrence.
Access: Restricted.
First policy: July 1986.
1997 premium volume: \$2.9 million.
1997 assets: \$11.5 million.
1997 capital/surplus: \$3.0 million.
Policyholders: 4 in 1997; 4 estimated in 1998.
Membership: Colorado school districts.
Contact: Michael Murphy.

LIBRIS Indemnity Co.

RiskCap, 1655 Lafayette St., Suite 200, Denver, Colo. 80218; 303-388-5688; fax: 303-388-5585

Domicile: Cayman Islands.
Risks: Property/casualty, general liability, workers comp.
Limits: \$1 million per occurrence/\$2 million aggregate.
Policy form: Occurrence.
Access: All brokers.
First policy: April 1997.
1997 premium volume: \$580,000
1997 assets: \$2.2 million.
1997 capital/surplus: \$2.0 million.
Policyholders: 219 in 1997; 500 estimated in 1998.
Membership: American Booksellers Assn.
Contact: Richard Poling.

M

MCIC Vermont Inc. (A Risk Retention Group)

J&H Marsh & McLennan Management Inc., 1050 Crowne Point Parkway, Atlanta, Ga. 30338; 770-551-5060; fax: 770-551-5061

Domicile: Vermont.
Risks: Medical professional and general liability.
Limits: Various.
Minimum retention: Various.
Policy form: Claims-made.
Access: All brokers.
First policy: January 1997.
1997 premium volume: \$33.9 million.
1997 assets: \$28.0 million.
1997 capital/surplus: \$10.0 million.
Policyholders: 5 in 1997; 5 estimated in 1998.
Membership: Medical institutions; Council of Teaching Hospitals.
Contact: Christopher D. Smith

MPC Insurance Ltd.

J&H Marsh & McLennan Management Inc., 7 Burlington Square, Sixth Floor, P.O. Box 530, Burlington Vt. 05401; 802-664-5599; fax: 802-664-5764

Domicile: Vermont.
Risks: Attorneys' professional liability.
Limits: \$10 million primary.
Minimum retention: \$500,000.
Policy form: Claims-made.
Access: Direct.
First policy: September 1987.
1997 premium volume: \$11.8 million.
1997 assets: \$83.8 million.
1997 capital/surplus: \$31.4 million.
Policyholders: 12 in 1997; 12 estimated in 1998.
Membership: Attorneys.
Contact: Juke S. Boucher

MEDMARC Mutual Insurance Co.

Hamilton Resources Corp., P.O. Box 1167, Fairfax, Va. 22030-1167; 703-219-2310; fax: 703-385-7563

Domicile: Vermont.

Risks: Product liability.
Limits: \$10 million primary.
Policy form: Claims-made/occurrence.*
Access: All brokers.
First policy: January 1979.
1997 premium volume: \$28.7 million.
1997 assets: \$184.0 million.
1997 capital/surplus: \$56.4 million.
Policyholders: 510 in 1997; 540 estimated in 1998.
Membership: Medical technology manufacturers/distributors.
Contact: Thomas A. Konopka.
 *Occurrence not available in some states.

Mental Health Risk Retention Group Inc.

J.J. Negley Associates Inc., P.O. Box 206, 388 Pompton Ave., Cedar Grove, N.J. 07009; 800-845-1209 or 973-239-9107; fax: 973-239-6241

Domicile: Vermont.
Risks: General, professional and D&O liability.
Limits: \$1 million primary.
Minimum retention*: \$2,500.
Policy form: Claims-made.

Access: All brokers.
First policy: January 1988.
1997 premium volume: \$6.1 million.
1997 assets: \$9.2 million.
1997 capital/surplus: \$3.0 million.
Policyholders: 80 in 1997; 82 estimated in 1998.
Membership: Mental Health Corps of America or National Council for Community Behavioral Healthcare.
Contact: Marilyn R. Udis.
 *For D&O liability only.

N

N.A.D.A. Indemnity Inc. dba ACECO

RiskCap, 1655 Lafayette St., Suite 200, Denver, Colo. 80218; 303-388-5688; fax: 303-388-5585

Domicile: Colorado.
Risks: Golf Tournament Prize Indemnity
Policy form: Occurrence.
Access: Restricted.

Continued on next page

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Continued from previous page

First policy: April 1997.
1997 premium volume: \$580,000
1997 assets: \$850,000.
1997 capital/surplus: \$750,000.
Membership: National Automobile Dealers Association.
Contact: Michael Murphy.

Nonprofits' Insurance Alliance of California

P.O. Box 8507,
Santa Cruz, Calif. 95061;
408-459-0980; fax: 408-459-0853

Domicile: California.
Self-managed.
Risks: General liability, miscellaneous professional, D&O, auto liability/physical damage, improper sexual conduct.
Limits: \$1 million primary plus \$9 million umbrella limits.
Policy form: Claims-made/occurrence.
Access: All brokers.
First policy: November 1989.
1997 premium volume: \$11.6 million.
1997 assets: \$31.5 million.
1997 capital/surplus: \$4.8 million.
Policyholders: 1,670 in 1997; 1,850 estimated in 1998.

ed in 1998.
Membership: 501(c)(3) nonprofit organizations in California.
Contact: Pamela Davis.

Nonprofits' Mutual Risk Retention Group

Vermont Insurance Management Inc., P.O. Box 306,
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: General, auto, professional, D&O and umbrella liability; improper sexual conduct.
Limits: \$250,000 to \$2 million primary and \$5 million per occurrence/\$5 million aggregate excess of primary.
Policy form: Claims-made/occurrence.
Access: Direct.
First policy: November 1991.
1997 premium volume: \$3.8 million.
1997 assets: \$4.3 million.
1997 capital/surplus: \$1.2 million.
Policyholders: 2,000 in 1997; 2,500 estimated in 1998.
Membership: Nonprofit organizations holding 501 (c)(3) or (6) IRS status providing health or human services.
Contact: Andrew Sargeant.

Nuclear Electric Insurance Ltd.

Delaware Risk Management Inc.,
1201 Market St., Suite 1200,
Wilmington, Del. 19801;
302-888-3000; fax: 302-888-3008

Domicile: Delaware.
Risks: Nuclear property damage and business interruption.
Limits: Nuclear property damage: \$500 million primary and \$2.5 billion excess of \$500 million. Business interruption: \$494 million excess 17 weeks.
Minimum retention: \$250,000.
Policy form: Occurrence.
Access: Direct.
First policy: January 1973.
1997 premium volume: \$245.9 million.
1997 assets: \$4,522.3 million.
1997 capital/surplus: \$3,892.3 million.
Policyholders: 81 in 1997; 81 estimated in 1998.
Membership: U.S. electric utilities.
Contact: Jeffery Palmer

The directory of alternative risk financing facilities begins on page 16; the directory of rent-a-captive listings begins on page 27.



OODA Risk Retention Group Inc.

Vermont Insurance Management Inc., P.O. Box 306,
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: Truckers auto liability, cargo, unladen.
Limits: \$750,000 per occurrence/\$1 million aggregate.
Policy form: Occurrence.
Access: Direct.
First policy: December 1995.
1997 premium volume: \$1.9 million; \$1,796 in deposit premiums.
1997 assets: \$1.8 million.
1997 capital/surplus: \$1.1 million.
Policyholders: 461 in 1997; 600 estimated in 1998.
Membership: Trucking operations; Owner-Operator Independent Drivers Assn.
Contact: Edward E. Meehan.

Oil Casualty Insurance Ltd.

Oil Management Services Ltd.,
30 Woodbourne Ave.,
Pembroke HM 08, Bermuda;
441-295-0905; fax: 441-295-0351

Domicile: Bermuda.
Risks: Umbrella general liability and D&O liability.
Limits: Umbrella general liability: \$100 million excess of \$20 million (non-U.S.)/\$50 million (U.S.); D&O liability: \$50 million excess of \$25 million.
Policy form: Claims-made.
Access: Bermuda brokers/direct.
First policy: June 1986.
1997 premium volume: \$36.4 million; \$3.9 million in deposit premiums.
1997 assets: \$504.5 million.
1997 capital/surplus: \$442.3 million.
Policyholders: 65 in 1997; 64 estimated in 1998.
Membership: Petroleum industry.
Contact: Jack L. Wesley.

Oil Insurance Ltd.

Oil Management Services Ltd.,
Ace Building, 30 Woodbourne Ave.,
Pembroke HM 08, Bermuda;
441-295-0905; fax: 441-295-0351

Domicile: Bermuda.
Risks: Property, well control, pollution liability, marine hulls.
Limits: Up to \$225 million per occurrence excess of a minimum of \$5 million.
Minimum retention: 5 million.
Policy form: Occurrence.
Access: Bermuda brokers/direct.
First policy: January 1972.
1997 premium volume: \$125.0 million.
1997 assets: \$2,800.0 million.
1997 capital/surplus: \$1,900.0 million.
Policyholders: 45 in 1997; 45 estimated in 1998.
Membership: Petroleum industry.
Contact: Jon R. King.

Ophthalmic Mutual Insurance Co. (A Risk Retention Group)

J&H Marsh & McLennan Inc.,
655 Beach St., San Francisco, Calif.
94109-1336; 415-771-1002.

Domicile: Vermont.
Risks: Medical professional, D&O and E&O liability.
Limits: \$5 million per occurrence/\$10 million aggregate.
Policy form: Claims-made.
Access: Direct.*
First policy: October 1987.
1997 premium volume: \$13.7 million.
1997 assets: \$51.9 million.
1997 capital/surplus: \$16.5 million.
Policyholders: 1,814 in 1997; 1,900 estimated in 1998.
Membership: Ophthalmologists; American Academy of Ophthalmology.
Contact: Laurie A. Chatoff.
*Broker access available under limited circumstances.



PACCT

RMA, 8425 Woodfield
Crossing Blvd., Suite 333,
Indianapolis, Ind. 46240;
317-469-4440; fax: 317-469-4430

Domicile: Illinois.
Risks: Workers comp.
Limits: Statutory.
Policy form: Claims-made.
Access: Specific agency.
First policy: December 1996.
1997 premium volume: \$422,607
1997 assets: \$509,014.
1997 capital/surplus: (\$98,294).
Policyholders: 47 in 1997; 80 estimated in 1998.
Membership: Peoria Area Chamber of Commerce.
Contact: Kevin Hill.

Par Ltd. Program

Mutual Risk Captive Group Ltd.,
3088 Briarcliff Road, N.E., Suite A-1,
Atlanta, Ga. 30329;
404-325-1466; fax: 404-325-7177

Domicile: Bermuda.
Risks: Professional liability.
Limits: \$15 million primary.
Minimum retention: \$25,000.
Policy form: Claims-made.
Access: Direct.
First policy: December 1986.
1997 premium volume: \$6.0 million.
1997 assets: \$43.7 million.
1997 capital/surplus: \$21.9 million.



Continued from previous page

Policyholders: 100 in 1997; 100 estimated in 1998.
Membership: Large, regional U.S. and Canadian insurance agencies.
Contact: Demi Hicks.

Peer Insurance Risk Retention Group Corp.

Hawaii Captive Insurance Management, 1164 Bishop St., Suite 1411, Honolulu, Hawaii 96813; 808-538-7766; fax: 808-538-7780

Domicile: Hawaii.
Risks: Professional liability.
Limits: \$1 million primary.
Policy form: Claims-made.
Access: Direct.
First policy: July 1994.
1997 premium volume: \$738,177
1997 assets: \$4.7 million.
1997 capital/surplus: \$3.0 million.
Policyholders: 60 in 1997; 60 estimated in 1998.
Membership: Oral and maxillofacial surgeons.
Contact: Sherman Hee.

Potomac Indemnity Co.

RiskCap, 1665 Lafayette St., Suite 200, Denver, Colo. 80218; 303-388-5688; fax: 303-388-5585

Domicile: Cayman Islands.
Risks: Property, general liability, workers comp.
Limits: \$1 million per occurrence/\$2 million aggregate.
Policy form: Occurrence.
Access: Specific broker.
First policy: April 1997.
1997 premium volume: \$2.3 million.
1997 assets: \$2.3 million.
1997 capital/surplus: \$628,873.
Policyholders: 1,130 in 1997; 2,260 estimated in 1998.
Membership: Country inns and bed and breakfast inns.
Contact: Richard Poling.

Primex Ltd.

J&H Marsh & McLennan Management (Barbados) Ltd., P.O. Box 1274, Whitepark House, White Park Road, Bridgetown, Barbados; 246-436-9929

Domicile: Barbados.
Risks: General, auto and employers liability; products and completed operations.
Limits: \$25 million excess of \$1 million (general liability)/\$2 million (auto liability)
Minimum retention: General liability: \$1 million. Auto liability: \$2 million.
Policy form: Claims-made.
Access: Non-U.S. brokers.
First policy: July 1986.
1997 premium volume: \$3.2 million.
1997 assets: \$99.1 million.
1997 capital/surplus: \$22.0 million.
Policyholders: 17 in 1997; 15 estimated in 1998.
Membership: Chemical manufacturers and related business.
Contact: Richard Estwick or Kevin Walton.

Program BETA Risk Management Authority

1443 Danville Blvd., Alamo, Calif. 94507; 925-838-6070; fax: 925-838-6088

Domicile: California.
Self-managed.
Risks: Health care, D&O and auto liability.
Limits: Various.
Policy form: Claims-made/occurrence.
Access: Direct/brokers.
First policy: June 1979.
1997 premium volume: \$27.9 million.
1997 assets: \$177.4 million.
1997 capital/surplus: \$13.6 million.
Policyholders: 64 in 1997; 60 estimated in 1998.
Membership: Health care providers.
Contact: Darcy Shears.



Residential Insurance Co. Inc., a Risk Retention Group

Hawaii Captive Insurance Management, 33 Page Ave., Suite 200, Asheville, N.C. 28801; 704-254-4778

Domicile: Hawaii.
Risks: Homeowners warranty.
Limits: Up to \$300,000 primary.
Access: Direct.
First policy: April 1997.
1997 premium volume: \$339,939
1997 assets: \$1.8 million.
1997 capital/surplus: \$1.5 million.
Policyholders: 2,000 in 1997; 15,000 estimated in 1998.
Membership: Home builders.
Contact: Robert Dungan.

Roofers of Illinois Compensation Trust

RMA, 8425 Woodfield Crossing Blvd., Suite 333, Indianapolis, Ind. 46240; 317-469-4440; fax: 317-469-4430

Domicile: Illinois.
Risks: Workers comp.
Limits: Statutory.
Policy form: Claims-made.
Access: All brokers.
Membership: Roofing and siding contractors.
Contact: Kevin Hill



Sargasso Mutual Insurance Co. Ltd.

J&H Marsh & McLennan (Bermuda) Ltd., Victoria Hall, Victoria St., Hamilton, Bermuda; 441-297-9762

Domicile: Bermuda.
Risks: D&O liability.
Limits: \$5 million, \$10 million or \$15 million primary or excess.
Policy form: Claims-made.
Access: Direct.
First policy: 1986.
1997 premium volume: \$642,517
1997 assets: \$49.0 million.
1997 capital/surplus: \$45.4 million.
Policyholders: 13 in 1997; 14 estimated in 1998.
Membership: Mutual life insurance companies that are domiciled in the United States or Canada.
Contact: Maryse Girard

Schools Excess Liability Fund

1531 I St., Suite 300, Sacramento, Calif. 95314; 916-321-5300; fax: 916-321-5311

Domicile: California.
Self-managed.
Risks: Excess liability, excess workers comp, group life.
Limits: Excess liability: \$14 million excess of \$1 million. Excess workers comp: statutory. Employers liability: \$10 million.
Minimum retention: Excess liability: \$1 million. Excess workers comp/employers liability: \$250,000.
Policy form: Occurrence.
First policy: March 1986.
1997 premium volume: \$9.6 million.
1997 assets: \$124.8 million.
1997 capital/surplus: \$55.7 million.
Policyholders: 1,004 in 1997; 1,004 estimated in 1998.

If your rent-a-captive was not listed in this year's directory and you would like to be included next year, contact the *Business Insurance* Directory Department at 312-649-5483 or 312-649-5279.

Membership: California educational agencies.
Contact: John C. Wilson.

Sporting Activities Insurance Ltd. (SAIL)

International Advisory Services Ltd., P.O. Box HM 1760, Hamilton HM HX, Bermuda; 441-295-3688; fax: 441-295-4065

Domicile: Bermuda.
Risks: Product liability for firearms manufacturers and importers.
Limits: \$2 million primary.
Policy form: Claims-made.
Access: Direct.
First policy: June 1986.
1997 premium volume: \$1.5 million.
1997 assets: \$6.0 million.
1997 capital/surplus: \$3.6 million.
Policyholders: 25 in 1997; 25 estimated in 1998.
Membership: Sporting arms manufacturers and importers.
Contact: David Pickering.

Continued on next page

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**States Self-Insurers
Risk Retention Group**

Berkley Risk Services L.L.C., 920
Second Ave. S., Suite 700,
Minneapolis, Minn. 55402-4023;
800-640-0345; fax: 612-376-4299

Domicile: Vermont.
Risks: Excess liability.
Limits: \$20 million primary.
Minimum retention: \$100,000.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
First policy: January 1988.
1997 premium volume: \$4.2 million.
1997 assets: \$18.0 million.
1997 capital/surplus: \$5.2 million.
Policyholders: 32 in 1997; 40 estimated in 1998.
Membership: Public entities-government accounts.
Contact: John Podobinski.

**Structural Engineers
Insurance Ltd. (SEIL)**

International Advisory Services Ltd.,
P.O. Box HM 1760, Hamilton HM
HX, Bermuda; 441-295-3688;
fax: 441-295-2584

Domicile: Bermuda.
Risks: Professional liability.
Limits: \$1 million per occurrence/\$2 million aggregate.
Minimum retention: \$50,000.
Policy form: Claims-made.
Access: Direct.
First policy: 1986.
1997 premium volume: \$1.5 million.
1997 assets: \$9.0 million.
1997 capital/surplus: \$1.5 million.
Policyholders: 1* in 1997; 12 estimated in 1998.
Membership: Structural engineers with over \$1 million in annual billings.
Contact: David Ezakiel or David Lampit.

**Subway Owners' Mutual
Insurance Co.**

AIG Insurance Management
Services Inc., 156 College St.,
Third Floor, P.O. Box 1687,

Burlington, Vt. 05401;
802-658-9405; fax: 802-658-0112

Domicile: Vermont.
Risks: Workers comp.
Limits: \$250,000 primary.
Policy form: Occurrence.
Access: Specific agency.
First policy: September 1992.
1997 premium volume: \$2.7 million; \$1.2 million in deposit premiums.
1997 assets: \$6.9 million.
1997 capital/surplus: \$1.2 million.
Policyholders: 1,680 in 1997; 1,750 estimated in 1998.
Membership: Owners of Subway sandwich shops.
Contact: Ann Wick or David Provost.



**Terra Insurance Co.
(A Risk Retention Group)**

Vermont Insurance Management
Inc., P.O. Box 306,
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: Professional liability.
Limits: \$1 million per occurrence/\$1 million aggregate; \$1 million excess of \$1 million.
Minimum retention: \$25,000 deductible.
Policy form: Claims-made.
Access: Direct.
First policy: April 1988.
1997 premium volume: \$5.9 million.
1997 assets: \$27.8 million.
1997 capital/surplus: \$13.5 million.
Policyholders: 87 in 1997; 90 estimated in 1998.
Membership: Association of Soil and Foundation Engineers.
Contact: Andrew Sargeant.

Tortuga Casualty Co.

International Risk Management
(Cayman) Ltd., British American
Tower, P.O. Box 69,
Grand Cayman, B.W.I.;
345-949-0155

Domicile: Cayman Islands.
Risks: Excess liability.
Limits: \$50 million excess of \$25 million.
Policy form: Claims-made.
Access: All brokers/direct.
First policy: January 1986.

1997 premium volume: \$2.3 million.
1997 assets: \$170.2 million.
1997 capital/surplus: \$13.0 million.
Policyholders: 18 in 1997; 18 estimated in 1998.
Membership: Various.
Contact: John R. Lower



**United Educators Insurance
Risk Retention Group Inc.**

United Insurance Management Co.,
2 Wisconsin Circle, Suite 1040,
Chevy Chase, Md. 20815;
301-907-4908; fax: 301-907-4830

Domicile: Vermont.
Risks: Educators legal liability, general liability.
Limits: \$25 million primary.
Policy form: Claims-made/occurrence.
Access: All brokers.
First policy: June 1987.
1997 premium volume: \$40.2 million.
1997 assets: \$131.4 million.
1997 capital/surplus: \$11.3 million.
Policyholders: 1,049 in 1997; 1,100 estimated in 1998.
Membership: Educational institutions.
Contact: Bruce Bernstein.

United Insurance Co.

International Risk Management
(Cayman) Ltd., British American
Tower, P.O. Box 69, Grand
Cayman, B.W.I.; 345-949-0155

Domicile: Cayman Islands.
Risks: Property/casualty.
Limits: \$1.5 million primary and/or \$5 million excess of various attachment points.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
First policy: January 1976.
1997 premium volume: \$45.2 million.
1997 assets: \$119.4 million.
1997 capital/surplus: \$15.9 million.
Policyholders: 75 in 1997; 75 estimated in 1998.
Membership: Various.
Contact: John R. Lower.

**University of Colorado
Risk and Insurance
Management Fund**

Alternative Insurance Management
Services Inc., 6021 S.
Syracuse Way, Suite 205,
Englewood, Colo. 80111;
303-694-9360; 303-694-9363

Domicile: Colorado.
Risks: Auto and general liability, property, workers comp.
Limits: Various.
Minimum retention: Various.
Policy form: Occurrence.
Access: All brokers.
First policy: June 1996.
1997 premium volume: \$10.0 million.
1997 assets: \$23.0 million.
1997 capital/surplus: \$2.7 million.
Policyholders: 6 in 1997; 6 estimated in 1998.
Membership: Affiliates of the University of Colorado.
Contact: Richard A. Johnson.



VHA Risk Retention Group Inc.

J&H Marsh & McLennan
Management Inc.,
7 Burlington Square, Sixth Floor,
Burlington Vt. 05401;
802-864-6529; fax: 802-864-5764

Domicile: Vermont.
Risks: Medical malpractice, D&O liability.
Limits: \$300,000 per occurrence/\$1 million aggregate; \$50 million excess.
Minimum retention: \$100,000.
Policy form: Claims-made.
Access: Direct.
First policy: July 1997.
1997 premium volume: \$7.3 million.
1997 assets: \$8.6 million.
1997 capital/surplus: \$1.3 million.
Policyholders: 11 in 1997; 11 estimated in 1998.
Membership: Community hospitals.
Contact: Edward F. Precourt.



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W

Water, Wastewater & Process Equipment Manufacturers Insurance Co. Inc.

AIG Insurance Management Services Inc., 156 College St., Burlington, Vt. 05401; 802-658-9405; fax: 802-658-0112

Domicile: Vermont.
Risks: General and product liability.
Limits: \$200,000 primary.
Minimum retention: \$10,000 or \$50,000.
Policy form: Occurrence.
Access: All brokers.
First policy: October 1990.
1997 premium volume: \$419,097
1997 assets: \$2.9 million.
1997 capital/surplus: \$1.9 million.
Policyholders: 33 in 1997; 33 estimated in 1998.
Membership: The Water and Wastewater Equipment Manufacturers Assn. (WWEMA)
Contact: David Provost.

Western Pacific Mutual Insurance Co., a Risk Retention Group

RiskCap, 1655 Lafayette St., Suite 200, Denver, Colo. 80218; 303-388-5688; fax: 303-388-5585

Domicile: Colorado.
Risks: New home warranty.
Limits: Price of home.
Policy form: Claims-made.
Access: Warranty administrator.
First policy: July 1990.
1997 premium volume: \$10.0 million.
1997 assets: \$53.5 million.
1997 capital/surplus: \$19.1 million.
Membership: Home construction and sales*.
Contact: Sherlyn W. Farrell
*Warranty must be purchased through Residential Warranty Corp.

Upcoming directories**Agents & Brokers**

Companies must generate \$500,000 in gross revenues from commercial retail insurance brokerage and must deal directly with corporate or institutional policyholders.

Published: **July 20****Prescription Benefit Managers**

Companies must provide general prescription benefit management services such as pharmaceutical benefit design consulting, disease management and educational services; services must be available to corporate and institutional clients on a direct, unbundled basis. Revenues must be reported.

Published: **Aug. 3****Property Loss****Control Consultants**

Companies must provide unbundled property loss control or engineering services such as onsite plant loss prevention inspections, hazard identification and client training. Revenues must be reported.

Published: **Aug. 17****International Reinsurers**

Reinsurance companies must report net reinsurance premiums written and capital and surplus figures; consolidated worldwide net reinsurance premiums written must exceed \$100 million (\$U.S.).

Published: **Aug. 31****Annual BI directory of rent-a-captive companies**

A

American Safety Insurance Group Ltd.

Synergy Insurance Services Inc., 1845 The Exchange, Suite 200, Atlanta, Ga. 30339; 770-916-1908; fax: 770-916-0618

Domicile: Bermuda.
Risks: Environmental and other specialty groups.
Limits: \$10 million primary; \$10 million excess of \$1 million.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers.
Established: January 1986.
Premium volume: \$11.5 million in 1997; \$15.0 million estimated in 1998.
1997 assets: \$47.7 million.
1997 capital/surplus: \$21.0 million.
Policyholders: 10 in 1997; 20 estimated in 1998.
Membership: Various, including contractors and consultants.
Contact: Steve Crim.

Amerisure Re (Bermuda) Ltd.

Powerscourt Management Ltd., 26777 Halsted Road, Farmington Hills, Mich. 48331; 248-615-9000; 248-615-8540

Domicile: Bermuda.
Risks: Property/casualty.
Limits: Varies by program.
Programs: Fully-funded/traditional.
Policy form: Occurrence.
Access: Licensed Amerisure agents.
Established: July 1984.
1997 capital/surplus: \$24.5 million.
Policyholders: 8 in 1997; 12 estimated in 1998.
Membership: Manufacturing, contracting, retail and distribution.
Contact: John C. Rademacher

Atlantic Mutual of Bermuda Ltd.

Powerscourt Management Ltd., P.O. Box HM 2267, Windsor Place, 18 Queen St., Hamilton HM JX, Bermuda; 441-295-8495; fax: 441-292-1196

Domicile: Bermuda.
Risks: Commercial property/casualty.
Limits: Varies by program.
Programs: Fully-funded/traditional.
Policy form: Occurrence.
Access: All brokers.
Established: October 1997.
Premium volume: \$5.0 million estimated in 1998.
1997 assets: \$1.0 million.
1997 capital/surplus: \$1.0 million.
Policyholders: 5 estimated in 1998.
Membership: Various, including manufacturing, wholesale, retail and financial services.
Contact: Andrew McComb or Steven Western.

C

Century Insurance Co. (Bermuda)

BF&M Management Ltd., The Ace Building, 30 Woodbourne Ave., Hamilton HM DX, Bermuda; 441-292-6396; fax: 441-292-8682

Domicile: Bermuda.
Risks: Class III property/casualty.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers.
Established: 1976.
Premium volume: \$42,500 in 1997; \$6.0 million estimated in 1998.
1997 assets: \$2.3 million.
1997 capital/surplus: \$1.7 million.
Policyholders: 2 in 1997; 10 estimated in 1998.
Membership: Various, including financial institutions, insurance agents and warranty administrators.
Contact: Elizabeth Dugmont

E

East River Insurance Co. (Bermuda) Ltd.

CNA Risk Services Ltd., Continental Building, 25 Church St., P.O. Box HM824, Hamilton HM CX, Bermuda; 441-295-6015; fax: 441-295-1702

Domicile: Bermuda.
Risks: Workers comp; general, auto and professional liability.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1986.
Premium volume: \$50.2 million in 1997; \$50.0 million estimated in 1998.
1997 assets: \$782.0 million.
1997 capital/surplus: \$133.0 million.
Policyholders: 18 in 1997; 24 estimated in 1998.
Membership: Various.
Contact: Thomas R. McMahon

F

First Sterling Re Ltd.

Atlantic Security Ltd., Windsor Place, 18 Queen St., Hamilton, Bermuda; 441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: All classes.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1997.
Premium volume: \$2.0 million in 1997; \$20.0 million estimated in 1998.
1997 assets: \$3.0 million.
1997 capital/surplus: \$2.0 million.
Policyholders: 2 in 1997; 15 estimated in 1998.
Membership: Various.
Contact: Colin James

Fortress Insurance Co. Ltd.

BF&M Management Ltd., P.O. Box HM 1007, Hamilton HM DX, Bermuda; 441-292-6396; fax: 441-292-8682

Domicile: Bermuda.
Risks: All classes.
Limits: Negotiable.
Programs: Fully-funded/traditional.
Policy form: Claims-made.
Access: All brokers/direct.
Established: 1977.
1997 assets: \$11.9 million.
1997 capital/surplus: \$1.9 million.
Policyholders: 6 in 1997; 8 estimated in 1998.
Membership: Manufacturing, health, finance.
Contact: Andrew White

G

General Professional Indemnity Ltd.

Griffiths & Wanklyn Management., Craig Appin House, 8 Wesley St., Hamilton, Bermuda; 441-295-1639; fax: 441-295-1638

Domicile: Bermuda.
Risks: All classes, excluding life.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: January 1992.
Premium volume: \$284,044 in 1997; \$2.1 million estimated in 1998.
1997 assets: \$3.8 million.
1997 capital/surplus: \$862,067.
Membership: Auto, pest control, oil, medical professionals.
Contact: Julian Griffiths.
*As of 3/31/98.

Gulf Re

International Risk Management (Cayman) Ltd., P.O. Box 69 GT, Grand Cayman, B.W.I.; 345-949-0155; fax: 345-949-0002

Domicile: Cayman Islands.
Risks: Employee benefit, workers comp, group life, disability.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers.
Established: January 1997.
Premium volume: \$3.0 million estimated in 1998.
1997 assets: \$150,000.
1997 capital/surplus: \$150,000.
Policyholders: 2 in 1997; 10 estimated in 1998.
Membership: Third-party administrators, health care providers, managed care organizations, employee leasing companies, select risk pool managers.
Contact: John R. Lower

H

Hanseatic Insurance Co. Ltd.

Atlantic Security Ltd., Windsor Place, 18 Queen St., Hamilton, Bermuda; 441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: All classes.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1970.
Premium volume: \$5.0 million in 1997; \$5.5 million estimated in 1998.
1997 assets: \$5.0 million.
1997 capital/surplus: \$250,000.
Policyholders: 10 in 1997; 12 estimated in 1998.
Membership: Various.
Contact: Colin James

Hartford Insurance Ltd.

Hartford Management Ltd., The Hartford, Hartford Plaza T-14, Hartford, Conn. 06115; 860-547-2457; 860-547-4408

Domicile: Bermuda.
Risks: Workers comp, general and auto liability, property, livestock.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: December 1996.
Premium volume: \$480,000 in 1997; \$1.7 million estimated in 1998.
1997 assets: \$1.4 million.
1997 capital/surplus: \$1.4 million.
Policyholders: 1 in 1997; 4 estimated in 1998.
Contact: C. Robert Burns Jr.

Horizon Fire & Marine Insurance Co. Ltd.

Triangle Insurance Management Ltd., The Phoenix Building, 2 Reid St., P.O. Box HM 1838, Hamilton HM HX, Bermuda; 441-292-4364; fax: 441-295-3982

Domicile: Bermuda.
Risks: Various.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1995.
Premium volume: \$2.5 million estimated in 1998.
Policyholders: 4 in 1997; 6 estimated in 1998.
Membership: Various.
Contact: Bruce Fenton or Janice Witkowski.

I

INRMA of Indiana

RMA, 8435 Woodfield Crossing Blvd., Suite 333, Indianapolis, Ind. 46240; 317-469-4440; fax: 317-469-4430

Domicile: Bermuda.
Risks: Workers comp.
Limits: Statutory.
Programs: Traditional.
Policy form: Claims-made.
Access: M-J Insurance.
Established: December 1996.
Premium volume: \$825,000 in 1997; \$1.5 million estimated in 1998.
1997 assets: \$729,086.
Policyholders: 27 in 1997; 45 estimated in 1998.
Membership: Group homes, counseling and work environment for the handicapped.
Contact: Kevin Hill.

Isosceles Insurance Ltd.

Triangle Insurance Management Ltd., The Phoenix Building, 2 Reid St., P.O. Box HM 1838, Hamilton HM HX, Bermuda; 441-292-4364; fax: 441-295-3982

Domicile: Bermuda.
Risks: Various.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: June 1997.
Premium volume: \$1.5 million in 1997; \$10.0 million estimated in 1998.
Policyholders: 1 in 1997; 5 estimated in 1998.
Membership: Various.
Contact: Bruce Fenton or Janice Witkowski.

M

Magna Carta Insurance Co. Ltd.

Atlantic Security Ltd., Windsor Place, 18 Queen St., Hamilton, Bermuda; 441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: All classes.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1978.
Premium volume: \$2.0 million in 1997; \$2.5 million estimated in 1998.
1997 assets: \$9.0 million.
1997 capital/surplus: \$250,000.
Policyholders: 14 in 1997; 16 estimated in 1998.
Membership: Various.
Contact: Colin James

Meridian Insurance Co. Ltd.

TRISTAR Risk Management., 6133 Bristol Parkway, Suite 300, Culver City, Calif. 90230; 310-342-0500; fax: 310-342-0503

Domicile: Cayman Islands.
Risks: Workers comp; professional and general liability.
Limits: Workers comp: statutory. Professional and general liability: \$50 million.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers.
Established: 1981.
Premium volume: \$8.0 million in 1997; \$15.0 million estimated in 1998.
1997 assets: \$76.0 million.
1997 capital/surplus: \$37.0 million.
Policyholders: 12 in 1997; 15 estimated in 1998.
Membership: Healthcare providers, service

Continued on next page

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Continued from previous page

organizations, hospitality industry.

Contact: Tom Veale.

Mutual Indemnity Ltd.

P.O. Box HM 2064, Hamilton HM HX, Bermuda.; 441-295-5688

Domicile: Bermuda.

Self-managed.

Risks: Various, primarily workers comp

Limits: \$250,000 per occurrence/\$500,000 aggregate (generally).

Programs: Fully-funded/traditional.

Policy form: Claims-made/occurrence.

Access: All brokers/direct/Commonwealth Risk Services.

Premium volume: \$8.9 million in 1997.

1997 assets: \$252.1 million.

1997 capital/surplus: \$56.6 million.

Policyholders: 182 in 1997.

Membership: Various, including manufacturing, health care, trucking and sports teams.

Contact: Paul Watson.

Mutual Indemnity (Bermuda) Ltd.

P.O. Box HM 2064, Hamilton HM HX, Bermuda.; 441-295-5688

Domicile: Bermuda.

Self-managed.

Risks: Various, primarily workers comp.

Limits: \$250,000 per occurrence/\$500,000 aggregate (generally).

Programs: Fully-funded/traditional.

Policy form: Claims-made/occurrence.

Access: All brokers/direct/Commonwealth Risk Services.

Premium volume: \$114.5 million in 1997.

1997 assets: \$285.1 million.

1997 capital/surplus: \$40.2 million.

Policyholders: 272 in 1997.

Membership: Various, including manufacturing, health care, trucking and sports teams.

Contact: Paul Watson.

Mutual Indemnity (U.S.) Ltd.

P.O. Box HM 2064, Hamilton HM HX, Bermuda.; 441-295-5638

Domicile: Delaware.

Self-managed.

Risks: Various, primarily workers comp

Limits: \$250,000 per occurrence/\$500,000 aggregate (generally).

Programs: Fully-funded/traditional.

Policy form: Claims-made/occurrence.

Access: All brokers/direct/Commonwealth Risk Services.

Premium volume: \$34.5 million in 1997.

1997 assets: \$80.1 million.

1997 capital/surplus: \$9.8 million.

Policyholders: 53 in 1997.

Membership: Various, including manufacturing, health care, trucking and sports teams.

Contact: Paul Watson.

OHC Reinsurance Co. Ltd.

Skandia Risk Management Ltd./Omega Healthcare Corp. 756 Benedict Drive, Suite 206, Naperville, Ill. 60563; 630-357-1753; fax: 630-357-4462

Domicile: Bermuda.

Risks: Medical stop loss, fully insured, provider excess, medical malpractice, ancillary.

Limits: Custom.

Programs: Fully-funded/traditional.

Policy form: Claims-made/occurrence.

Access: All brokers/direct.

Established: April 1997.

Premium volume: \$4.0 million estimated in 1998.

Policyholders: 6 in 1997; 8 estimated in 1998.

Membership: Health delivery systems; medical centers; managed care programs, including PPOs, MSOs, PHOs and HMOs; hospitals; brokers; third-party administrators.

Contact: R.G. Coleman or W.J. Hill.

Phoenix Guaranty Insurance Ltd.

Captach Management Services (Barbados) Ltd., Collymore Rock, St. Michael, Barbados; 246-436-8296; fax: 246-426-7336

Domicile: Barbados.

Risks: Workers comp, general liability, property, marine hull and liability.

Programs: Traditional.

Policy form: Claims-made/occurrence.

Access: All brokers.

Established: 1994

Premium volume: \$10.0 million in 1997;

\$13.0 million estimated in 1998.

1997 assets: \$14.8 million.

1997 capital/surplus: \$1.2 million.

Policyholders: 9 in 1997; 12 estimated in 1998.

Contact: William Tomlin, Lawrence Dixon or Tina O'Connor.

Platinum Indemnity Ltd.

Powerscourt Management Ltd., P.O. Box HM 2267, Hamilton HM JX, Bermuda; 441-295-8495; 441-292-1196

Domicile: Bermuda.

Risks: Property/casualty.

Limits: Various.

Programs: Fully-funded/traditional.

Policy form: Claims-made/occurrence.

Access: All brokers.

Established: 1984.

1997 assets: \$2.0 million.

1997 capital/surplus: \$2.0 million.

Membership: Agency and self-insured programs.

Contact: Andrew McComb.

Polaris Insurance (Barbados) Ltd.

Towner Management, Second St., Hometown, St. James, Barbados; 246-432-5950; fax: 246-432-5952

Domicile: Barbados.

Risks: All classes.

Programs: Traditional.

Access: All brokers.

Established: 1993.

Policyholders: 5 in 1997; 8 estimated in 1998.

Contact: Christopher Towner

Princeton Eagle Insurance Co. Ltd.

Becher & Carlson Management Ltd., 25 Church St., P.O. Box HM2461, Hamilton, Bermuda; 441-295-0519; fax: 441-295-0933

Domicile: Bermuda.

Risks: All classes.

Programs: Fully-funded/traditional.

Policy form: Claims-made/occurrence.

Access: All brokers/direct.

Continued on page 30

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Listings in the annual *Business Insurance* directory of rent-a-captives begin with the name of the rent-a-captive and manager and the address of the manager.

Listed next is the domicile of the rent-a-captive; the risks the rent-a-captive underwrites; the limits it provides; the minimum retention; the policy form used; how potential policyholders can gain access to the rent-a-captive; the date the first policy was written; 1997 premium volume and estimated 1998 premium volume; assets as well as capital and surplus at year-end 1997; the number of policyholders in 1997 and an estimate for 1998; and a description of the rent-a-captive's membership, including any association requirements. Completing the listing is the name of the person to contact for additional information.

The information on each rent-a-captive was provided by the rent-a-captive or its manager in response to a *Business Insurance* questionnaire. Although every effort has been made to report complete and accurate information, *BI* is unable to verify all the information provided.

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Continued from page 28

Established: 1995.
Contact: Robin Mehta

Princeton Eagle West Insurance Co. Ltd.
Becher & Carlson Management Ltd., 25 Church St., P.O. Box HM 2461, Hamilton, Bermuda; 441-295-0519; fax: 441-295-0933

Domicile: Bermuda.
Risks: All classes.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1995.
Contact: Robin Mehta

The information on each alternative risk or rent-a-captive facility was provided from responses to a *Business Insurance* questionnaire. Although every effort has been made to report complete and accurate information, *BI* is unable to verify all the information provided.

R

RMA Agency Captive
RMA, 8435 Woodfield Crossing Blvd., Suite 333, Indianapolis, Ind. 46240; 317-469-4440; fax: 317-469-4430

Domicile: Bermuda.
Risks: Workers comp.
Limits: Statutory.
Programs: Traditional.
Policy form: Claims-made.
Access: Specific brokers.
Established: May 1998.
Premium volume: \$1.5 million estimated in 1998.
Policyholders: 75 estimated in 1998.
Membership: Various.
Contact: Kevin Hill.

Richmond Insurance Co. Ltd.
American International Management Services, P.O. Box HM 152, Hamilton, Bermuda; 441-298-5195; fax: 441-292-7969

Domicile: Barbados, Bermuda, Ireland.
Risks: All classes.
Limits: Unlimited.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1986.
Premium volume: \$67.0 million in 1997; \$70.0 million estimated in 1998.
1997 assets: \$871.0 million.
1997 capital/surplus: \$36.0 million.
Policyholders: 88 in 1997; 90 estimated in 1998.
Membership: Various.
Contact: Ralph Rathjen.

S

Safety National Re
International Risk Management (Cayman) Ltd., P.O. Box 69 GT, Grand Cayman, B.W.I.; 345-949-0155; fax: 345-949-0002
Domicile: Cayman Islands.

Risks: Workers comp general, product and auto liability.
Limits: Various.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers.
Established: January 1997.
Premium volume: \$6.9 million in 1997; \$10.0 million estimated in 1998.
1997 assets: \$6.9 million.
1997 capital/surplus: \$476,000.
Policyholders: 4 in 1997; 10 estimated in 1998.
Membership: Associations, pools, health care, public entities, who-eseal, retail, manufacturing, transportation.
Contact: John R. Lower

Sinsler Insurance Ltd.
Skandia International Risk Management Ltd., 16 Church St., P.O. Box HM 1514, Hamilton HM FX, Bermuda; 441-295-2185; fax: 441-292-1143

Domicile: Bermuda.
Risks: Various.
Limits: Negotiable.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.

Access: All brokers/direct.
Established: 1989.
Premium volume: \$22.5 million in 1997; \$30.0 million estimated in 1998.
1997 assets: \$9.0 million.
1997 capital/surplus: \$4.4 million.
Policyholders: 26 in 1997; 30 estimated in 1998.
Membership: Various.
Contact: Larry Tumbull or Nicholas Dove.

U

Universal International Reinsurance Co. Ltd.
Atlantic Security Ltd., Windsor Place, 18 Queen St., Hamilton, Bermuda; 441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: All classes.
Limits: Various.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1992.
Premium volume: \$17.5 million in 1997; \$20.0 million estimated in 1998.
1997 assets: \$500,000.
1997 capital/surplus: \$250,000.
Policyholders: 18 in 1997; 20 estimated in 1998.
Membership: Various.
Contact: Colin James

Universal Reinsurance Co. Ltd.
Atlantic Security Ltd., Windsor Place, 18 Queen St., Hamilton, Bermuda; 441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: All classes.
Limits: Primary: various; \$1 million excess of \$250,000.
Programs: Fully-funded/traditional.
Policy form: Claims-made/occurrence.
Access: All brokers/direct.
Established: 1974.
Premium volume: \$29.0 million in 1997; \$31.0 million estimated in 1998.
1997 assets: \$60.0 million.
1997 capital/surplus: \$600,000.
Policyholders: 35 in 1997; 40 estimated in 1998.
Membership: Various.
Contact: Hal Forkush or Colin James.

V

Vital Reinsurance S.A.
SINSER (Luxembourg) S.A.R.L., P.O. Box 593, L-2015 Luxembourg; 352-22-342-217; fax: 352-470250

Domicile: Luxembourg.
Risks: Various.
Programs: Fully-funded.
Policy form: Claims-made.
Established: 1986.
Premium volume: \$13.5 million in 1997; \$13.5 million estimated in 1998.
1997 assets: \$40.8 million.
1997 capital/surplus: \$1.4 million.
Policyholders: 12 in 1997; 13 estimated in 1998.
Membership: Various.
Contact: Tony Nordblad

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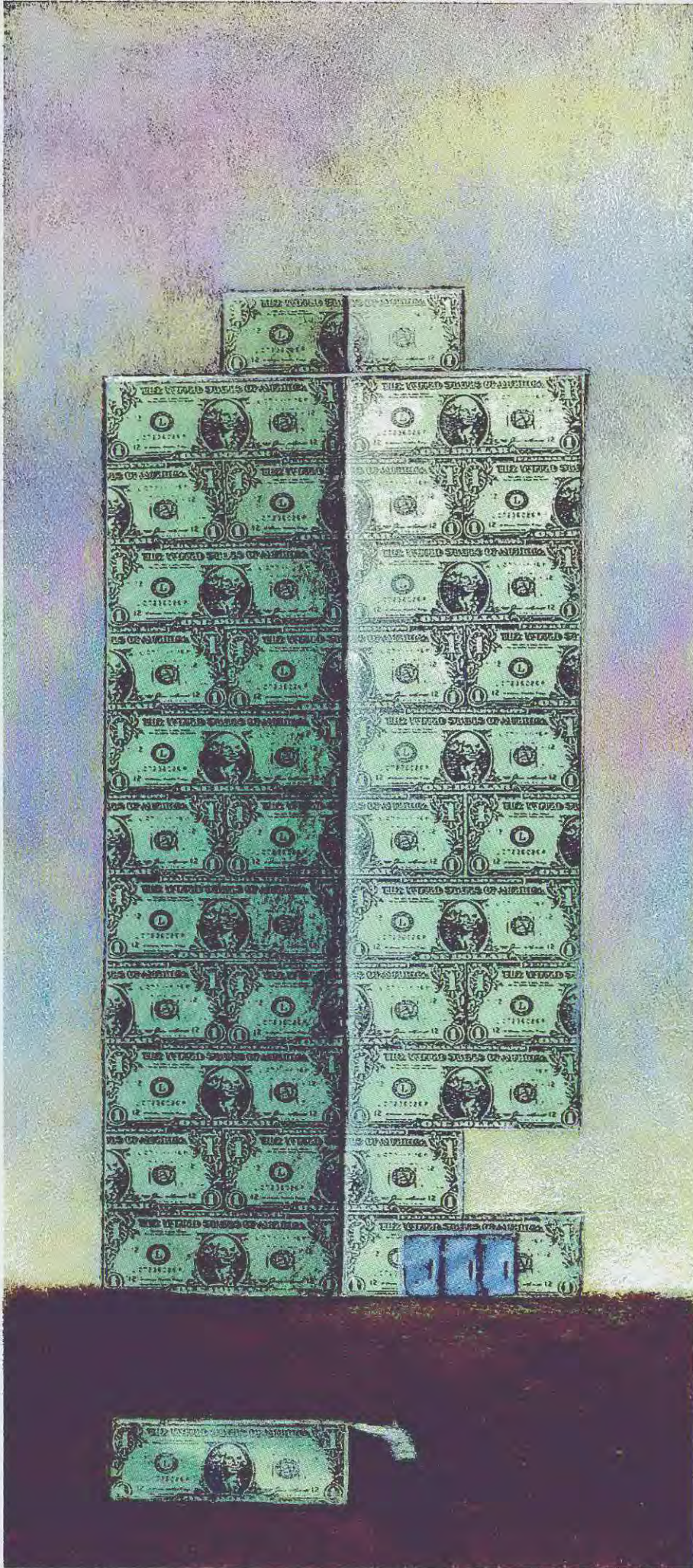
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MIDYEAR MARKET REPORT

Publishing — July 6, 1998
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NAIB, CIAB embrace change with merger

COLORADO SPRINGS, Colo.— Roughly 150 people were gathered at The Broadmoor Hotel in Colorado Springs, Colo., last week when Jane Hill Fleming, senior vp at Sedgwick Inc. and chairman of the National Assn. of Insurance Brokers, adjourned the group's final annual conference.

Effective next month, the NAIB and the Council of Insurance Agents & Brokers will formally merge, creating a single association that represents about 280 companies, which serve more than 80% of the commercial property/casualty insurance market in the United States.

In her commencement address, Ms. Hill Fleming said that the combined association, which will retain the Council's name, will preserve

both the interests of the former NAIB members and the Council's current members.

"We are looking forward to carry-



ing on the NAIB tradition in this new association," she said. "Traditions eventually must be put aside for progress, and there is no denying that the merger of our two groups makes so much sense."

As a combined association, it will speak with one clear voice on public policy issues, she said. And the pooling of resources will provide a

stronger lobbying staff, enhanced education and licensing programs and a "host of expanded benefits for members as well as the clients we represent," Ms. Hill Fleming said.

She said that the merger came together so well and so quickly due to similar missions, values and goals of each of the groups.

Among these, Ms. Hill Fleming said that the new association "values free and open markets around the globe and freedom from unnecessary commercial regulation in the U.S."

The association also values openness and honesty in all client and market relationships and values market competition and the benefits that competition brings to customers, she said. The association

also values diversity, "but (we) realize our weakness here and are committed to assist in needed change."

And finally, "we embrace change wholeheartedly, whether it's change of ourselves or our members, or changes we can help effect through legislative or regulatory advocacy efforts," Ms. Hill Fleming said.

"We have succeeded where others have failed because the reasons to merge were right," Ms. Hill Fleming concluded. "We will make our industry a better place."

For information about future activities and meetings of the combined association, contact the CIAB at 701 Pennsylvania Ave. N.W., Suite 750, Washington, D.C. 20004-2608; 202-783-4400; fax: 202-783-4410; e-mail: ciab@ciab.com.

NAIB

Continued from page 2

industry also needs to value the freedom of choice.

This has become a critical issue as brokers and insurers continue to consolidate and to form powerful marketing alliances and networks, she said.

"Are we as an industry providing consumers with more or fewer choices, better or lesser products?" Ms. Hill Fleming asked. "The critical issue facing us as brokers, or underwriters, is whether or not we are making the world a better place with our frenzy of consolidations."

"Many risk managers truly believe that the megabrokers and megafinancial institutions now unfolding create serious conflicts of interest," she said, adding that the concern among some buyers is "gen-uine."

However, the consolidation is being driven by consumer demand for lower costs, specialized expertise, more responsive service, global services and better quality. "The current consolidations are clearly a re-

'We, as an industry, and in particular brokers, are appallingly non-diverse,' says Jane Hill Fleming.

sponse to these needs," she said. "If consolidation does not answer the needs of our clients or these needs change, the financial services world will, no doubt, change accordingly."

Despite the prolonged buyer's market and consolidation, "there are plenty of brokers to choose from, as well as plenty of underwriting sources," Ms. Hill Fleming said.

"It comes down to a relationship of trust with your client, and if the relationship is not established, the client is always free to walk... as we all know too well," she said.

Returning to the adventures of Lewis and Clark, Ms. Hill Fleming said the Discovery Corps, the 33-member team assembled to venture into the unknown territory, was "quite progressive" in that it contained "a diversity of people and talents that were needed to survive the elements of this treacherous journey."

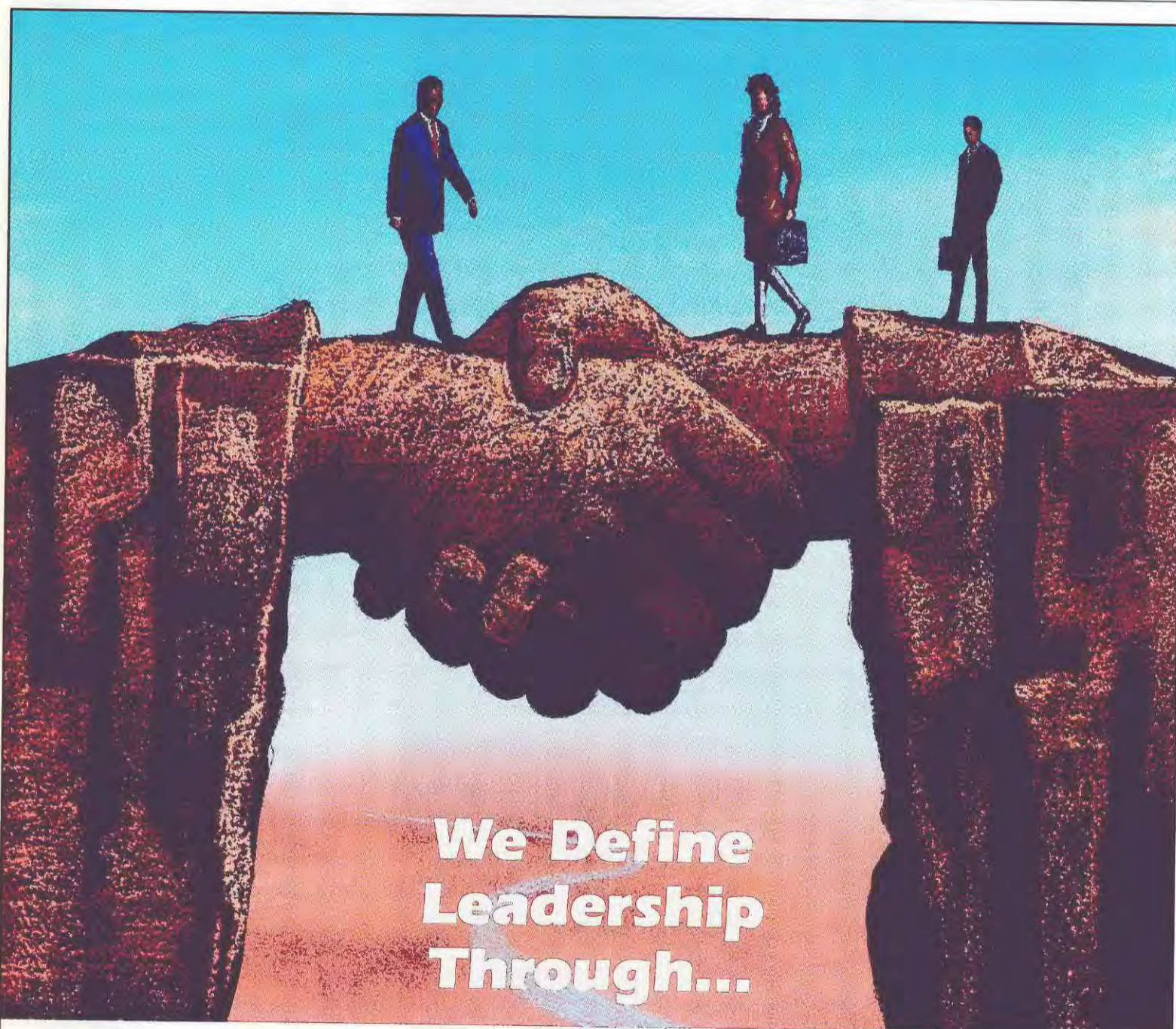
Lewis and Clark realized the importance of "speaking another man's language" and "seeing another man's point of view," she said. "They realized the talents they did not possess and went about getting them."

The insurance industry, unfortunately, has yet to fully realize this, Ms. Hill Fleming said.

Most chief executive officers, she said, will agree that one of the greatest challenges facing the insurance industry going forward is recruiting the best and brightest talent. The industry needs talent to perform complex problem-solving, talent to conduct global business and talent to explore unknown territories and markets, she said.

"We, as an industry, and in particular brokers, are appallingly non-diverse," she said. "We recruit others like ourselves every day. We do not reflect the changing culture and demographics around us. We wonder why more qualified women and minorities do not seek our profession. We say we want to be client-sensitive, yet as our clients have increasingly become female and minorities, we have not shown the same changes at the proper management levels within our own firms."

See NAIB on page 34



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NAIB

Continued from page 32

Ms. Hill Fleming said that to successfully serve increasingly diverse client markets and to recruit much-needed talents for tomorrow, "We must, as an industry, recognize the value of cultural diversity...to our economic well-being."

While Ms. Hill Fleming said she would prefer this change not be federally regulated, she does credit Title IX of the Civil Rights Act of 1972, which mandated equal opportunity for women in college athletics, for the surge of interest in women's sports.

"While mandates and quotas are not the preferred approach to change and will always be controversial, I truly believe that Title IX, although subject to justifiable criticism, has been responsible for

needed change," said Ms. Hill Fleming, a former Lady Vol at the University of Tennessee. "I also believe that the collateral benefits of early athletic competition for women, and the confidence it

'We must, as an industry, recognize the value of cultural diversity...to our economic well-being,' Jane Hill Fleming says.

builds, will begin to surface more strongly on the competitive battlefields of business."

Overall, regulation is not needed to bring more diversity into the insurance industry, she said. "Because each of us are clearly empowered to make this change oc-

cur."

In concluding, Ms. Hill Fleming said the Lewis and Clark story, which richly symbolizes the freedom of choice and the value of cultural diversity, also is a major example of "change management in a bygone era." Despite the physical and political risk of the mission, President Jefferson "saw the need to change America," she said. The mission, which followed the purchase of the Louisiana Territory in 1803, "clearly changed the shape of our nation for future generations."

"While I have the distinction of being the first woman and the last woman to chair the NAIB, I am certain that the next chapter in our history will, like the Discovery Corps, explore many unknown territories, not the least of which will be another non-traditional chairperson," Ms. Hill Fleming said. **BI**

Proposal

Continued from page 2

further on the measure's substance until after the hearing process has ended, Mr. Bunn said there probably will be some changes after the public has been heard and that the commission will decide what changes will be made. The commission could adopt the rule without legislative approval.

Any changes would be welcome by business observers, who consider the proposal as written unjustifiably onerous. The state General Assembly directed the Industrial Commission to draft a proposal last year after the North Carolina Court of Appeals ruled in 1996 in *Salaam vs. N.C. Department of Transportation* that a doctor's testimony in a workers comp case was inadmissible because he had talked with the employee's attorney without the

employee's express permission. The commission had argued that such contact was permitted, but the appeals court rejected its arguments.

The commission issued its draft proposal late last month.

The proposal took employers by surprise and sent them scrambling to block the initiative.

"There's very little time to make people aware of what's going on,"

The proposal is 'rolling a lot of logs in our path in terms of getting people back to work,' says John Toay.

said John Toay, chairman-legislative affairs for the Carolinas chapter of the New York-based Risk & Insurance Management Society Inc.

Under the proposal, an employer could speak directly with an injured worker's physician only if the employee or the employee's attorney has been given "prior reasonable notice and opportunity to participate."

If the employer cannot contact the employee or the employee's attorney, "the employer shall thereafter submit in writing the substance of any oral communication that takes place to the employee or his or her attorney," the proposal states.

In addition, any written communication between employers and physicians would have to meet guidelines set by the commission.

"When these questions or guidelines are used, a copy of the written communication shall be provided to the employee at the same time and by the same means as the communication provided to the provider," according to the draft. If the employer were to provide further supporting information to the physician, the employee would have to receive that information five business days before the employer sent it to the doctor.

At best, the proposal would delay the return of injured workers to work, risk managers and insurers say.

"It's rolling a lot of logs in our path in terms of getting people back to work," said Mr. Toay of the Carolinas RIMS chapter.

"The unfortunate part is it also puts the employer in the position of paying for something for which they have no knowledge. It's already very difficult to get information from medical providers" because of heavy workload, said Mr. Toay, who is also president of Loss Prevention Management in Fort Mill, S.C.

"I wouldn't be surprised to see a lot of employers denying claims simply to get a handle on the paperwork," Mr. Toay said.

"I find this to be oppressive. We are going to do our best to see that it doesn't go through in its current form. It is so heavily slanted now that anything else that promotes fraud and malingering worries me very much," said Jim Spivey, president of C.J. Spivey Associates Inc. in Charlotte, N.C., and a former president of RIMS.

"Anytime you have to go through a formal discovery process in order to get needed medical information on an employee's condition, it opens the door for fraud issues," said Raymond G. Farmer, assistant vp in the American Insurance Assn.'s Southeastern regional office in Atlanta.

"Our main concern, though, is not being able to get the employees back to work in as timely a fashion as we need to," Mr. Farmer said. **BI**

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Kemper to sell boiler business to HSB

HARTFORD, Conn.—The Hartford Steam Boiler Inspection & Insurance Co. will acquire the Kemper Insurance Cos.' monoline boiler and machinery business and reinsure boiler and machinery coverage written through Kemper's commercial package policies under an agreement announced May 15.

The arrangement is expected to take effect July 1. Terms of the transaction were not disclosed. Under the deal, Hartford, Conn.-based Hartford Steam Boiler will assume responsibility for providing jurisdictional inspections, loss prevention and claim services to Kemper's boiler and machinery customers.

Hartford also will purchase Long Grove, Ill.-based Kemper's ASME inspection service business, a fee-based service certifying that boilers and pressure vessels are manufactured in compliance with the codes and standards of the American Society of Mechanical Engineers.

Hartford said it expects to offer employment to Kemper employees who underwrite equipment breakdown business or provide related loss prevention and inspection service.

In a separate development, Kemper agreed to acquire Danbury, Conn.-based Pyramid Services Inc., a developer of software products for the insurance and managed care industries. The acquisition is intended to strengthen Kemper's position as a provider of integrated insurance products.

Terms of the Pyramid transaction were not disclosed. The deal is expected to be completed in June.

Both transactions are subject to regulatory approval.

Markets

clients and local clients with an insurance and financial interest in Latin America.

Camilo J. Salazar, former vp of Principal International Inc., a member company of The Principal Financial Group, will lead the practice.

For more information, contact Mr. Salazar at 303-299-9400.

Milliman & Robertson also has created a reinsurance practice in Chicago under the direction of S. Lennart Barkinge. Mr. Barkinge can be reached at 312-726-0677.

Claims alliance

ATLANTA—International adjusting firm Ellis & Buckle (Americas) Inc. and Presidium Inc., provider of integrated disability management services, have formed a strategic alliance designed to provide an expanded range of claims services worldwide.

The alliance will give clients access to Atlanta-based Ellis & Buckle's expertise in property and casualty, inland and ocean marine cargo and business interruption claims handling and San Francisco-based Presidium's workers compensation and integrated disability management capabilities through a single point of entry.

Separately, Ellis & Buckle has created a strategic alliance with Phoenix-based Frontier Adjusters of America Inc. to provide global multiline claims services.

For more information on either arrangement, call 770-828-0098.

Horton buys Laub

CHICAGO—Privately held Horton Insurance Agency Inc. has acquired Milwaukee-based Laub Group Inc., increasing Horton's

revenue by 60% to \$16 million and providing the regional firm additional offices in Illinois and Wisconsin.

Horton Insurance Agency will operate in Wisconsin as Laub & Horton Inc., a wholly owned subsidiary of Horton.

Two Laub executives will hold key positions in the new organization: Raymond H. Laub, president and chief executive officer of the Laub Group, will serve as the combined company's chairman, and David J. Loomis, Laub's vp and

chief financial officer, will serve as CFO for the combined company. Horton President Glenn Horton will remain in that position in the combined organization.

Terms of the transaction were not disclosed.

Reliance partnership

NEW YORK—Reliance National Insurance Co. has partnered with International Business Machines Corp. and Atlanta-based Network Risk Management Services Inc.

with plans to offer commercial accounts coverage for Internet liabilities.

Through the arrangement, Reliance National expects to soon offer a new liability insurance policy designed to respond when a company's computer network or World Wide Web site is breached resulting in loss or theft of data, misuse of information, denial of service or other related losses.

In addition, IBM will offer loss control services, including physical onsite inspection, to help clients create secure computer networks.

For more information, call 888-932-7475. **BI**

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PRODUCTS & SERVICES LISTING

Issue of June 8

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New Milliman offices

DENVER—International actuarial and consulting firm Milliman & Robertson Inc. has established a Denver-based insurance services practice to serve international

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INTERNATIONAL

Global Briefs

Train wreck among worst

\$56.5 million in liability losses foreseen

By DON LEWIS KIRK

ESCHEDE, Germany—Losses from the crash of a German high-speed train last week, one of the worst train disasters in German history, are expected to total tens of millions of dollars.

The crash of the Munich-to-Hamburg Inter-City Express, Germany's most expensive and reputedly safest train, baffled investigators. Insurers late last week estimated liability claims would exceed 100 million deutsche marks (\$56.5 million).

The ICE train was traveling at 125 mph when it derailed and jackknifed into pillars of a railroad overpass in Eschede near Hannover, Germany. The accident killed at least 92 people and injured about 200, dozens of them seriously. Rescue workers late last week still were removing bodies from the wreckage.

Deutsche Bahn A.G., Germany's privatized national train company, self-insures its property exposures but has liability coverage of more than 500 million deutsche marks (\$282.6 million) from a consortium led by Cologne-based Colonia A.G.

A Deutsche Bahn official said the full extent of losses is difficult to gauge until the cause of the accident is determined. Deutsche Bahn is strictly liable for the accident under German law.

If no third party is found negligent in the cause of the crash, the railway company will be responsible for all liability claims. Deutsche Bahn's liability policy has a 1 million deutsche mark (\$565,000) deductible. See Wreck on page 40



PHOTOS: AFP

A train wreck near Hannover, Germany, last week killed at least 92 people. Under German law, privatized national train company Deutsche Bahn A.G. is strictly liable for the accident if no third party is found negligent.

World Cup's risks score insurance cover

By MATTHEW MacDERMOTT

PARIS—Soccer's World Cup, one of the world's largest international sporting events, kicks off in France this week with a range of insurance policies in place befitting the tournament's size and popularity.

The World Cup is held every four years and was last hosted by the United States in 1994 (BI, June 13, 1994). This year's tournament, France 98, will be held in Paris from June 10 through July 12. It will involve 32 international teams playing in 10 French cities, has attracted an estimated £750 million (\$1.23 billion) in corporate sponsorship, will be viewed by 2.5 million spectators and, over the duration of the event, a worldwide television audience numbering in the billions.

Apart from multimillion-dollar cancellation insurance policies covering television rights and sponsorship, some of the star players are individually insured by their soccer associations for up to £20 million (\$32.8 million) to protect players and teams from loss of earnings due to injury.

German insurer Albingia Versicherungs A.G. has provided insurance coverage to World Cup

organizer and promoter Federation Internationale de Football Assn., international soccer's governing body based in Zurich, Switzerland, since the 1974 World Cup in Germany. The coverage is placed through German sports broker Himmelseher GmbH in Cologne.

Hamburg, Germany-based Albingia has issued a range of coverages to FIFA for France 98 and, despite the threat of transportation strikes disrupting the event, Juergen Goerling, head of Albingia's sports unit, is confident the World Cup's pattern of low claims will continue this year.

He said none of the previous six World Cups that Albingia has insured has produced an individual claim of more than 250,000 Swiss francs (\$168,925).

The World Cup "is a fantastic business, and the sums insured continue to increase due to growth in television and sponsorship rights," Mr. Goerling said.

This year, the total sum insured for cancellation of the World Cup is 535 million Swiss francs (\$361.5 million). Albingia is the lead insurer on the policy with 25% of the program, followed by

See France 98 on next page



PHOTO: AFP

A three-day pilots' strike at Air France, the official World Cup airline, is not expected to prolong or disrupt the tournament.

More RSI lawsuits foreseen after award

By CAROLYN ALDRED

LONDON—Midland Bank, a subsidiary of HSBC Holdings P.L.C. and one of the United Kingdom's largest banking groups, is insured for £60,000 (\$98,310) in damages awarded late last month to five former part-time workers who have repetitive strain injuries.

The May 22 award, which Midland Bank may appeal, is the latest in a series of recent cases in which claimants suffering from so-called diffuse—or unidentified—repetitive strain injuries have won compensation.

This ruling is expected to spark more employees to bring RSI claims against U.K. employers.

"Courts now are accepting that a condition of RSI exists and should be compensated for, and this case will certainly help," said a spokesman for the RSI Assn., a support group for RSI sufferers based in West Drayton.

Encouraged by the award, the Chartered Society of Physiotherapy, based in London, is lobbying the U.K. government to recognize RSI as an industrial injury, which would allow sufferers to qualify for state-provided industrial injury disability benefits. Recent scientific research has suggested that the symptoms of RSI may be caused by damage to sensory nerves, and the scientists hope to develop a test that

See Award on page 40



PHOTO: AFP

Spice lost, but no claims

Contingency policies covering the Spice Girls' U.S. tour most likely will not be triggered by the recent departure of Geri Halliwell, known as "Ginger" Spice. Ms. Halliwell, second from right, quit last month, just weeks before the group was to start a U.S. tour. Promoters are offering fans the option of cashing in their tickets now that there are only four Spice Girls. However, London-based Robertson Taylor Insurance Brokers Ltd., insurance broker for the Spice Girls tour, said generally non-appearance would not trigger a claim if it were in the control of the people involved. A Robertson Taylor spokesman could not give details about the coverage because of confidentiality provisions, but London market sources said no claims have been filed related to the U.S. tour, which will cost £40 million (\$65.6 million) to produce, or for European warm-up concerts.

Moody's Investors Service Inc. has placed its AAA insurance financial strength ratings of four Japanese property and casualty insurers under review for possible downgrades. The four insurers are Tokio Marine & Fire Insurance Co., Yasuda Fire & Marine Insurance Co., Mitsui Marine & Fire Insurance Co. and Sumitomo Marine & Fire Insurance Co., all based in Tokyo. Moody's said the review is based on anticipated reductions in insurance rates after Japanese insurance industry deregulation on July 1. Currently, all Japanese property and casualty insurers use the same rates, supervised by the Ministry of Finance. . . . Germany's Hannover Re Group expects 1997 gross premium volume of 8 billion deutsche marks (\$4.45 billion), up almost 25% over the previous year. Wilhelm Zeller, Hannover Re chairman, said the provisional results are based on strong growth in life and health reinsurance plus increased financial reinsurance volume. He said the 1997 claims experience was "exceptionally favorable," helping Hannover Re to a projected profit of 122 million deutsche marks (\$67.86 million), its third-consecutive record profit and a 12.9% increase over 1996. Hannover Re plans more geographical expansion this year, primarily in Asia, Australia and South Africa, Mr. Zeller said. . . . French insurer AXA Group S.A. has announced that its public offer for 27.3% of Belgian insurer Royal Belge S.A. will run from June 8 to June 19. AXA already holds 62.7% of Royal Belge and eventually hopes to hold 100% and will run a second offer if needed from June 29 to July 17. Meanwhile, AXA said Senior Executive Vp Denis Kessler has resigned. The insurer said Mr. Kessler's decision is based on personal and professional reasons, and his responsibilities will be shared among five senior AXA executives. . . . The new London trade association to be formed in July by the merger of the London International Insurance & Reinsurance Market Assn. and The Institute of London Underwriters will be called the International Underwriting Assn. of London. Marie-Louise Rossi, chief executive-designate of the IUA, said the name reflects the new association's international outlook. . . . The new, independent Financial Services Commission for the Channel Island of Jersey will come into effect July 1. The commission, which will replace Jersey's state-run Financial Services Department, will be responsible for the supervision, development and promotion of Jersey as an offshore financial center. . . . Tillinghast-Towers Perrin has announced the appointment of two new senior consultants to its risk management practice in London. Sandra Duncan joins from Tillinghast in the United States, most recently in the Hartford, Conn., office, where she specialized in the risk management of mergers and acquisitions and occupational injury and illness. Clive Thursby joins from London broker Bowring Marsh & McLennan, where he was head of risk financing. . . . Standard & Poor's Corp. has upgraded the financial strength rating of Norwegian marine hull underwriting club Bergen Skibsassurancesforening to A from A-. S&P said the upgrade is based on Bergen's tight underwriting criteria, strong capital level and diverse marine lines. Bergen has an 18.5% share of Norway's marine hull insurance market. . . . Loss adjuster Ellis & Buckle in London has launched a national network to deal exclusively with building contractors' insurance claims. The network will include a team of 50 specialized adjusters backed by the services of more than 200 independent engineers and surveyors, plus an after-hours telephone service. Geoff Bond, Ellis & Buckle construction network director, said it is important to have adjusters speaking the same language as building contractors to help identify and clarify issues quickly.

Dukes Place Holdings L.P.*has acquired***Unione Italiana (U.K.)
Reinsurance Company Limited***from***Istituto Nazionale delle
Assicurazioni S.p.A***Advisers to Dukes Place Holdings L.P.***Eastgate Group Clifford Chance****Price Waterhouse**

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Continued from previous page
about 100 reinsurers and reinsurers, including German insurers Allianz Versicherungs A.G., Munich Reinsurance Co. and the Cologne Re Group; Zurich-based Swiss Re Group; and Lloyd's of London.

The cancellation policy is issued jointly to FIFA and its marketing partner International Sports, Leisure and Culture Marketing, based in Lucerne, Switzerland, which is responsible for coordinating sponsorship, marketing and television coverage of the World Cup.

Mr. Goerling said the cancellation policy covers sponsorship, marketing, broadcast and ticket refunds resulting from cancellation of the World Cup.

He said Albingia has also written a

30 million Swiss franc (\$20.3 million) first-loss policy covering postponement or cancellation of single matches.

Albingia's policy would respond if a match is postponed or canceled due to transportation strikes, which have

There are always strike threats before high-profile events such as the World Cup, says Juergen Goerling.

been a major threat in the lead-up to France 98.

Airline pilots at state-run Air France went on a three-day strike on June 1 over French government plans

to privatize the airline. Unions representing French train engineers and truck drivers are also threatening strike action over wage levels.

Mr. Goerling said there are always strike threats before high-profile events such as the World Cup, as unions see it as a good opportunity to grab attention and pressure the government. But he doubts that transportation strikes will take place during France 98 and disrupt the staging of the event.

"I don't think (the strikes) will come to a claim (against Albingia)," he said.

Mr. Goerling said sponsorship, marketing and television, all the responsibility of FIFA, are the biggest financial exposures of the World Cup.

He said the France 98 organizing committee, established by the French government and responsible for providing stadiums, facilities and security, has purchased its own general liability and property coverage, but he said he did not know details. No spokesperson from the organizing committee was available for comment on insurance arrangements.

Apart from cancellation coverage, Albingia also provides FIFA with personal accident coverage for spectators inside the 10 stadiums being used for France 98.

Everyone with a ticket inside one of the stadiums is covered by Albingia's personal accident coverage, which provides a maximum of 15,000 Swiss francs (\$10,136) for death, 100,000 Swiss francs (\$67,570) for permanent disability, and 5,000 Swiss francs (\$3,379) for transportation costs resulting from injury.

Albingia has also written a 2 million Swiss franc (\$1.35 million) legal protection policy for FIFA to cover legal costs arising from contract disputes with sponsors and service providers.

The 704 international soccer players in France 98 are also highly insured commodities.

Albingia has insured each member of Germany's 22-man squad for 2 million deutsche marks (\$1.12 million). The insurance was bought by the German Football Assn., the governing body of German soccer, to cover payments, based on lost player earnings, to clubs and players if a player is injured during the World Cup. When a player is injured, two-thirds of the insurance policy is paid to the injured player's club and one-third to the player.

While Germany insures all its players on a set rate, other countries insure their players on an individual basis.

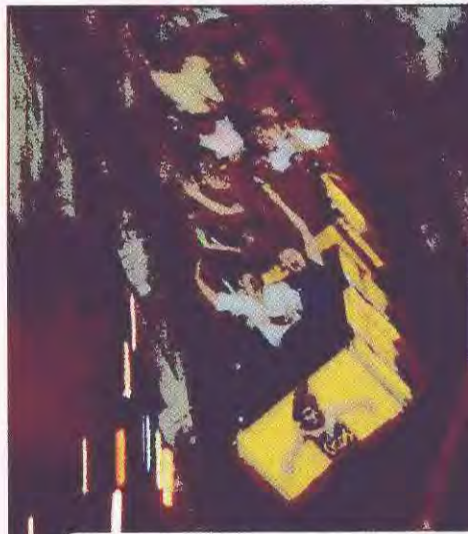
Roland Fox, an underwriter on Lloyd's of London syndicate 1206, managed by Owen & Wilby Underwriting Agency Ltd., said players' insured values can be calculated by recent transfer fees paid when a player is traded and market trends. For example, England captain Alan Shearer received a £15 million (\$24.6 million) transfer fee in 1996 and would be one of the highest insured players on the England squad, according to Mr. Fox.

He said other international soccer stars from Italy or Brazil could be insured for up to £20 million (\$32.8 million).

Syndicate 1206, which specializes in personal accident coverage for professional athletes, is providing coverage to the soccer associations of England, Scotland, Norway and the Netherlands for France 98.

Mr. Fox and Mr. Goerling agree that all countries competing at France 98 will have purchased some form of insurance to cover injuries to players.

They said demand for personal accident coverage for soccer players has increased as player values increase, based on the game's rising sponsorship and television revenues. **BI**



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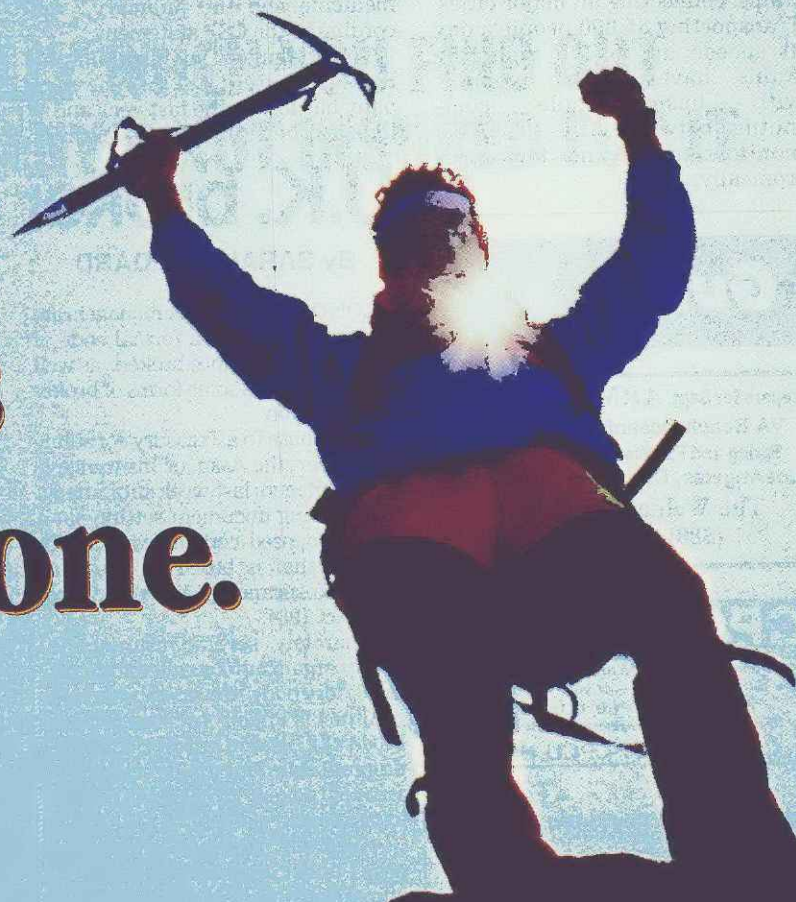
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THE CHOICE
Reliance National



INTERNATIONAL

British court orders Antigua insurer to wind up

By DOUGLAS McLEOD

LONDON—A British court has issued a winding-up order against American International Sureties Ltd. of Antigua after U.K. regulators charged the insurer had "no substantial assets" and had misrepresented its financial position to attract business.

The London-based High Court issued the winding-up order April 22 on a petition originally filed by the U.K. Department of Trade and Industry last December.

AIS, which has reported being capitalized with more than \$80 mil-

lion in defaulted Weimar-era German government bonds, had denied the Department of Trade and Industry charges but had agreed to a settlement in February that stayed the DTI's winding-up petition.

Under the settlement, American International Sureties agreed not to solicit or write any new U.K. insurance business and to provide "satisfactory security" to support business it already has written. That business included performance bonds issued to U.K. companies, according to the Department of Trade and Industry.

AIS failed to provide the agreed-

upon security, though, and the DTI "has been unable to confirm that its financial status is such that it is capable of meeting the potential claims for losses which might be suffered" by its policyholders, the department said.

Regulators renewed their petition and obtained the winding-up order last month.

The order allows a court-appointed receiver to seize any assets AIS has in the United Kingdom, and it bars the insurer from doing further business there. The order does not affect AIS operations outside the United Kingdom, accord-

ing to a DTI spokesman.

Daniel A. Zimmerman, a Westbury, N.Y., lawyer and AIS director, said he expects American International Sureties to continue operating outside the United Kingdom. He would not comment further on the winding-up order.

AIS, headed by Metuchen, N.J., businessman Marvin A. Rosenblum, was formed in Antigua in 1984 but did not begin active underwriting until 1995. Its business has included marine and aviation risks in the United States.

The Colorado Insurance Department issued a cease-and-desist or-

der against AIS last year after finding it had written aviation business in the state.

In a 1995 financial statement, AIS reported owning \$83.9 million in assets, including \$82.1 million in defaulted pre-World War II German bonds. Though the German government and the U.S. Securities and Exchange Commission have said most such bonds are unredeemable, AIS officials have insisted they have the claimed value (BI, May 26, 1997).

AIS is unrelated to New York-based American International Group Inc. **BI**

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401(k)

Continued from page 1

reduction program operates and that they have the right to elect not to have their salaries reduced.

In the IRS example, if an employee fails to elect to receive cash or have a specified amount contributed to the plan, his or her compensation will automatically be reduced by 3%, with that amount going into the 401(k) plan.

That election is effective for the first pay period and succeeding pay periods until superseded by a subsequent election.

Employees are told annually what the compensation reduction percentage is and their right to change the percentage. They also are told that automatic deferral contributions are made to the 401(k) plan's balanced fund, which includes diversified equity and fixed-income investments.

Only a handful of employers now include automatic salary reduction provisions in their 401(k) plans. But with the IRS revenue ruling, many more employers are likely to add such provisions, some say.

"I think it is great news. It allows companies to take proactive steps to increase participation in their 401(k) plans," said Dennis Coleman, a principal with The Kwasha Lipton Group of Coopers & Lybrand L.L.P. in Fort Lee, N.J.

"My guess is that such programs will explode," added Richard Koski, a principal and benefit consultant with Buck Consultants Inc. in Secaucus, N.J.

Others, though, are more cautious, pointing out that employers setting up such programs could face employee relations problems.

"Employees might say, 'What gives you the right to reduce my salary?' Some employees are very suspicious," said Bob Panepinto, a vp with Sedgwick Noble Lowndes in Roseland, N.J.

Indeed, some companies believe it is not their role to reduce employees' salaries—without specific employee approval—for 401(k) plan contribution purposes.

"I don't think we would do that. It is employees' decision to save. We would not impose a decision on them," said Frank Miller, manager of benefit plan analysis at Houston-based Shell Oil Co.

And some companies believe there are better ways to increase employee participation. For example, Kemper Insurance Cos. contacts employees—through phone calls and letters—to remind them they have not made a 401(k) election, says Sally Bullen, vp-corporate human resources in Long Grove, Ill.

That proactive stance has helped Kemper's 401(k) plan achieve an 88% participation rate, substantially higher than the 77% to 78% participation rate that is typical of many corporate 401(k) plans.

Robert Cornett, vp-human resources at Portland, Maine-based insurer UNUM Corp., says a key problem with automatic salary reduction programs is that they are unlikely to get employees actively thinking and planning for the long term. A better approach, one that UNUM takes, is to

provide financial education programs, which, along with an attractive 401(k) plan, help to "pull" employees into the plan, he said.

But other employers that have started automatic salary reduction programs—even before last week's IRS revenue ruling—believe they have an obligation to help employees save.

"We think of this as a good thing. We don't want employees to end their

'It is employees' decision to save. We would not impose a decision on them,' says Frank Miller of Shell Oil Co.

careers and not have any money saved for retirement," said Karen Kay, director of employee benefits and HR systems at AirTouch Communications Inc., a wireless communications company in San Francisco. AirTouch began its automatic salary deferral program last year. The program covers only newly hired employees.

For employers, a key attraction of automatic salary reduction programs is that they will boost contributions by lower-paid employees, who are most likely not to have made an election whether or how much they want deferred to a 401(k) plan.

If lower-paid employees contribute more to 401(k) plans, that can increase—under IRS non-discrimination tests—the likelihood that higher-

paid employees will be able to boost deferrals, making the plans more valuable to highly compensated employees.

More contributions coming from lower-paid employees also will reduce the chances that the plans will not fail the chief IRS non-discrimination test—known as the actual deferral percentage test, or ADP. The ADP test compares deferrals by lower-paid and highly paid employees. If average deferrals by higher-paid employees exceed deferrals by lower-paid employees by a specified amount, employers must return contributions to higher-paid employees, a messy administrative task.

"This will help for the ADP test," said Buck's Mr. Koski.

For paternalistic employers, automatic salary deferral programs will help to ensure that employees have at least some funds saved for retirement.

"This jives with good public and social policy," Mr. Koski said.

In the wake of the IRS ruling, employers have to consider a number of issues before they establish an automatic deferral program, benefit experts say.

The first issue is what percentage of employee salary should go to the 401(k) plan via an automatic salary reduction program. "Companies need to go through plan design," Mr. Coleman said.

In addition, employers have to de-

cide the 401(k) plan investment option into which the automatic salary deferrals will go. In the example in the IRS ruling, the salary reduction amounts go to a fund comprising diversified fixed-income and equity investments.

Employers opting for automatic salary reduction plans do face potential fiduciary liability if investment vehicles chosen for the contributions perform badly.

But benefit experts say employers can offset that exposure by clearly communicating how the investment options operate, including the risks involved.

"If you have clearly communicated this to employees, I don't think a court of law would come down on an employer" if the investment vehicle chosen by the employer did not perform well, explained Gary Blank, a principal with Retirement Plan Consulting in San Francisco and president of the Western Pension & Benefits Conference.

In addition, to minimize potential fiduciary liability risk, employers are likely to choose fixed income rather than more risky equity investment options for salary reduction amounts collected through default programs.

"I think the direction employers would take would be conservative investment options, like money market funds," said Gregory Metzger, a consultant in the San Francisco office of Watson Wyatt Worldwide. **BI**

Vesta

Continued from page 1

The company also reported that President and Chief Executive Officer Robert Y. Huffman had resigned.

The disclosure prompted a wave of selling that saw Vesta's share price plummet by nearly half, from \$52.69 on May 29 to \$27.75 last Tuesday, when trading resumed after a Monday halt. The stock closed at \$26 a share last Friday.

Vesta officials have declined to comment on the investigation, the nature of the accounting problems or on Mr. Huffman's resignation.

However, Alabama Deputy Insurance Commissioner David Parsons said the problems surfaced May 29 as regulators met with Vesta officials to discuss questions the Insurance Department has raised about Vesta's assumed reinsurance accounting practices.

Mr. Parsons said he could not discuss specifics of the accounting questions because the department's regular examination of Vesta is not complete.

Vesta's reinsurance accounting already had drawn regulatory scrutiny long before last week's announcement, though. The company was forced to take a one-time charge that reduced its 1997 statutory earnings by \$68 million after the Alabama department mandated revisions in certain accounting procedures, according to Vesta's 10-K report filed with the Securities and Exchange Commission.

Previously, Vesta's assumed reinsurance accounts used underwriting-year and accident-year information to estimate data it would receive after the end of a given reporting period, according to the 10-K report.

During their examination, though, Alabama regulators objected to this, and Vesta agreed to revise its accounting to reflect only calendar- and accident-year data, the filing says.

lion statutory charge to reverse the cumulative impact of the accounting practice in prior years.

In its 10-K filing, though, Vesta reported that the accounting revision "did not have a material effect on the company's financial position" under generally accepted accounting principles.

Mr. Parsons emphasized that Vesta's financial strength is not in doubt, even if its internal investigation results in further adjustments to GAAP earnings in addition to the \$15.3 million announced last week.

Vesta reported GAAP net income of \$60.6 million for 1997 and finished the year with a policyholder surplus of \$355.3 million.

"We do believe the company is solvent. These problems are causing some adjustments to be made; there's no question about that. But

Alabama regulators 'do believe the company is solvent,' says David Parsons, the deputy insurance commissioner.

it's not going to affect the solvency of Vesta in the least," Mr. Parsons said.

Vesta is a holding company for several property/casualty insurance and reinsurance units, including Vesta Fire Insurance Co., Shelby Casualty Insurance Co. and Vesta County Mutual Insurance Co.

The holding company was a subsidiary of Birmingham, Ala.-based Torchmark Corp. until 1993, when it was spun off in an initial public offering. Torchmark remains Vesta's largest shareholder, with about 28% of its stock.

The group recorded \$870.9 million in gross premiums last year, including \$532.4 million in assumed reinsurance and \$338.5 million in direct insurance premiums. Property coverages account for the vast majority

business.

In announcing its discovery of the "accounting irregularities" last week, Vesta said it has hired the New York law firm of Shreff, Friedman, Hoffman & Goodman to conduct an internal investigation. The company did not say when it expected to complete the investigation but said it was "confident that the results... would not impact the overall positive financial health of Vesta nor interfere with its business."

After Mr. Huffman's resignation as president and CEO, Vesta named Norman W. Gayle III, its executive vp and chief operating officer, as acting CEO.

Meanwhile, Barry A. Patrick, Vesta's senior vp-administration and assistant treasurer, also resigned last week, though the company did not announce the resignation.

Neither Mr. Huffman nor Mr. Patrick could be reached.

The news of the earnings hit sent Vesta's stock into a tailspin: With the drop in its share price from \$52.69 on May 29 to \$26 last Friday, Vesta saw its market capitalization dwindle from about \$972.5 million to about \$480 million in just one week.

Torchmark saw the value of its stake in Vesta fall from about \$283.7 million to about \$140 million.

The inevitable shareholder lawsuits have followed. As of Friday, seven law firms had filed proposed class-action suits in federal and state courts. The suits generally allege that Vesta violated securities laws by making false financial filings designed to inflate its stock price.

One suit charges that Vesta "insiders" sold \$3.8 million worth of Vesta stock at \$55 to \$62 per share during the last quarter of 1997 and first quarter of 1998.

As a group, 15 Vesta directors and officers owned about 1.2 million Vesta shares, or about 6.5% of the company's stock, at the end of 1997, according to its proxy statement. Of these, Mr. Huffman was the largest shareholder, with 464,595 shares, or 2.6% of the Vesta's outstanding

The Home

Continued from page 2 into runoff.

The various parties started negotiating shortly after The Home was put under formal supervision by its regulator, the New Hampshire Insurance Commissioner (BI, March 10, 1997). Home bondholders feared regulators would stop the biannual \$11.6 million interest payments and any future principal payments. After missing an overdue payment to bondholders, Home Holdings entered Chapter 11 bankruptcy protection on Jan. 15 (BI, Jan. 19).

In the original deal in 1995, Zurich had provided \$290 million in reinsurance to pay the bondholders, but that could only be triggered when all of The Home's funds had been exhausted.

Under the bankruptcy plan, Zurich will take over the ownership of Home Holdings but will not assume any of its outstanding liabilities. The reorganization plan also will relieve The Home from making dividend payments to Home Holdings that would be used to pay its bondholders.

The reorganization plan calls for bondholders to receive new notes with a value of about \$70 million. Zurich Centre Group would then make a tender offer to acquire the new notes. While the value of the new notes is about one-fourth of the existing bonds, the purchase by Zurich assures the holders of collecting something on their investment, compared with the uncertainty of receiving any payment on the original notes.

In addition, the bondholders, Trygg Hansa SPP, which formerly owned The Home, and The Home itself will receive various interest-bearing notes that potentially will pay dividends depending on the tax benefits gained from the net operating loss of Home Holdings.

Ultimately, the deal gives bondholders 25 cents on the dollar for their bonds, with the potential to receive a total of about 38 cents on the dollar depending on tax proceeds.

One of the main objections was filed by Ambase Corp., a former owner of The Home. Ambase withdrew its objection last week after

Zurich agreed to pay the company \$15.2 million related to a financial claim that Ambase had against Zurich and The Home. The parties also agreed that an ongoing tax dispute between Zurich and Ambase would not be affected by the plan.

The other main objector to the plan was Whitman Corp. a policyholder of The Home that has filed a \$37 million insurance claim The Home has denied.

John Crossman, a partner at Zevnik Horton Guibord McGovern Palmer & Fognani L.L.P. in New York, represented Whitman at the hearing. Mr. Crossman argued that the plan was an example of "self-dealing" by Zurich in order to avoid paying under the \$290 million reinsurance contract it set up in 1995 to pay the bondholders. Also, The Home will have to pay several million dollars in lawyers fees relating to the plan, Mr. Crossman noted.

However, Judge Gallet noted that although The Home would pay the expenses, if it ran out of money to pay policyholders, Zurich would refund The Home for those expenses.

"If the payments are not necessary, Zurich comes out ahead by never having to pay. The potential losers here are the creditors who will own (The) Home Insurance, not the policyholders. The creditors have not objected," the judge said in the ruling he read before the court.

Judge Gallet emphasized that under bankruptcy laws his position is to see there is full disclosure, not to approve the terms of the deal.

"I'm not persuaded under this plan that the business decisions that were made here go outside the limits of reasonableness. That doesn't say that I think it's a great deal. I don't make that decision," Judge Gallet said.

After Judge Gallet granted the confirmation motion, Mr. Crossman immediately sought a stay of the confirmation pending an appeal. Judge Gallet denied the stay and said he will sign the order this week. Late last week Whitman had not yet decided whether it would appeal the decision.

The plan still needs to be approved by the New Hampshire Insurance Commissioner. The commissioner has given the plan preliminary approval pending a further review.

Providers

Continued from page 1
and PPO products in California.

As the struggles between health plans and providers intensify, California is shaping up as a bellwether state, consultants and benefits brokers say.

The dispute between Blue Cross of California and Sutter Health had resulted in the termination of contracts involving 23 hospitals because of an impasse over reimbursement rates to Sutter Health for Blue Cross' Prudent Buyer, a preferred provider plan, and CaliforniaCare, a health maintenance organization.

Sutter Health is a Sacramento, Calif.-based non-profit hospital system and physician network serving more than 3 million people in Northern California. Blue Cross of California, a unit of Woodland Hills, Calif.-based WellPoint Health Networks Inc., has nearly 4.4 million members.

Some observers said that negotiation brinkmanship likely was behind the impasse and that they all along had expected Sutter Health and Blue Cross of California would eventually reach an agreement.

But employers that contract with the health plan clearly were made nervous by the contract terminations.

The California Public Employees Retirement System, which provides health coverage for more than 1 million active and retired public employees, announced April 8 it would contract with Blue Cross of California.

CalPERS' contract with Blue Cross remains tentative and has not been finalized because of legal technicalities, a CalPERS spokesman said.

However, some consultants speculated that if Blue Cross and Sutter Health had not resolved their differences soon, CalPERS might have backed out of the contract and returned to Blue Shield of California, an unrelated health insurance company.

CalPERS had postponed adoption of its contract with the insurer until June 16, when the Health Benefits Committee of CalPERS' Board of Administration was to receive recommendations from CalPERS staff members.

"We are obviously concerned any time one of our health plans loses, or is in danger of losing, one of its key medical providers," the CalPERS spokesman said last week before Blue Cross resolved its differences with Sutter Health. "We are concerned about the potential negative impact it might have on our members. We hope the dispute can be resolved without disrupting service."

Although the Pacific Business Group on Health, a San Francisco-based health care purchasers' coalition, did not take a public position on the issue, the organization encouraged Blue Cross and Sutter Health to resume bargaining, the PBGH said.

"We are concerned about disruption," David Hopkins, PBGH's director of health information improvement, said last week before the agreement was announced Friday afternoon. "We have companies and members of PBGH that have large populations in Sacramento, and we are very concerned about that."

A Sutter Health spokesman said there was a substantial gap between what the provider network needed to be paid to operate and what Blue Cross was offering. On Friday, the spokesman confirmed the settlement represents increased reimbursement over the previous contract, but would not provide details.

Blue Cross of California could not

be reached for comment.

"The people who get hurt are the employees and the employers who made the choice to go to Blue Cross," said George Jaynes, an executive vp and principal for Alburger Basso de Grosz Insurance Services Inc., a Belmont, Calif., brokerage that arranges health benefits for several Northern California employers.

Sutter Health's success in winning increased reimbursement from Blue Cross of California could mean other hospital and physician groups will follow in demanding higher compensation—and employer premiums could then rise, Mr. Jaynes said. In addition, even employers that do not use the Sutter Health network as part of their health plans could be in for cost-shifting from health plans looking to offset a cost increase brought on by Sutter's demand for higher charges.

The conflict between providers and

those plans and their contracted providers will be able to deliver promised services. Contract provisions ensuring specific levels of service, with financial penalties for non-compliance, may become increasingly necessary for employers, she said.

In California, the pressure is building.

Several doctor groups have been providing their services to health plans without finalized contracts, or they are doing so beyond contract expiration dates, Ms. Wolff said. In some cases, the situation is similar to union laborers working without a current contract, she said.

While monetary compensation by health plans is a growing issue with providers in California, some medical groups are also objecting to contract language, such as non-competition agreements that would prohibit them from forming their own HMOs or provider-service organizations, she added.

While the situation appears to be heating up, it is not new to employers.

On Jan. 1, 1996, Schaumburg, Ill.-based Motorola Inc. launched its own health

plan based on direct contracts with area health providers. Motorola said it was driven in part by a disruption it faced when one large area provider and an HMO parted ways right after open enrollment and employee coverage were set to begin (BI, Nov. 17, 1997).

CalPERS has said in the past that it will study direct contracting. While that issue is not tied directly to the Blue Cross/Sutter Health difficulties, that situation certainly increased the approach's appeal, the CalPERS spokesman said.

Other employers have not turned to direct contracting in response to contract problems between medical providers and health plans, consultants say.

But benefit managers will face more complaints in the future from employees because of physician groups dropping out of their health plans, predicted John C. Garner, employee benefits consultant at Pasadena, Calif.-based Garner Consulting.

"Disruptions are a major concern," he said. "There will be situations where people signed up with a particular HMO because they wanted a particular doctor or group and suddenly that doctor or group is going to be unavailable, and people are going to be unhappy."

While consultants advising doctors say that medical groups' revenues are being spread too thin, other observers suggest Sutter Health may have been grandstanding to attract media attention and gain negotiating leverage over Blue Cross.

That suspicion surfaced because Sutter Health and other medical groups were still signing multiyear contracts with other health plans even while Sutter was rejecting Blue Cross' offer, said Emma Hoo, senior project manager for the PBGH.

The Sutter Health spokesman denied that its contract cancellations were a negotiating ploy and said the media attention was not favorable for the company. However, Sutter was ready to accept an improved offer from Blue Cross California all along, he said.

"We deeply regret the disruption this is going to cause not only the members and patients, but the employers who are faced with making decisions about coverage for their employees," the spokesman said before the two entities bridged their differences. "It was not an easy thing for us to do. It was an action of last resort." **BI**

'I think we're going to see more selectivity on the part of big multispecialty clinics where they say: "Enough is enough," ' says Blaine Bos of William M. Mercer.

health plans comes at a bad time for managed care, with HMOs suffering from bad publicity, said John Keenan, president of Keenan & Associates, a Torrance, Calif.-based broker and third-party administrator. If providers withdraw from health plans, PPOs also could become less competitive, he noted.

Texas is among other states that have experienced similar problems.

A negotiation impasse scuttled relations between Houston-based Kelsey-Seybold Clinic, a multispecialty provider, and Minnetonka, Minn.-based United HealthCare Corp.

Neither company returned telephone calls to confirm the dispute. Consultants say United wanted to create capitated high-specialty referral networks within its health plan but would not meet Kelsey's reimbursement demands. It was a disagreement over a method for controlling utilization and costs, consultants say.

"I think we are going to see more and more of it," said Mr. Bos of Mercer. "I think we're going to see more selectivity on the part of big multispecialty clinics where they say: 'Enough is enough. Let's work in partnership with those plans that have the same vision as we do, and let's not sign up with everybody in the marketplace.'"

Several consultants for hospital and physician groups say the rebellion will be led by large provider organizations, such as Sutter Health and Kelsey-Seybold, which have greater negotiating clout.

"They also know they have a reputation in the marketplace where they will continue to get other health plans to agree to what they want, and they will also get what is left of the fee-for-service market," Mr. Bos said.

"Those with more clout are certainly the gainers in this whole hostility game," said Sandy Wolff, director of health plan and provider consulting for Buck Consultants Inc. in Los Angeles.

Medical groups with less clout are more likely to accept less lucrative contracts with health plans. But the service they provide could suffer because of thin operating margins, Ms. Wolff said. Providers "have been squeezed into taking so much financial risk," she said.

Ms. Wolff said that such scenarios mean employers must increase their vigilance over the financial status of plans they contract with to ensure

Updates

Limit law not applicable: Judge

Continued from page 2

plaintiffs' recoveries to pecuniary, or economic, damages. If the DOHSA applied, it would take precedence over the Warsaw Convention's unlimited liability provision.

But U.S. District Judge Robert W. Sweet ruled on June 2 that the act does not take effect unless a death at sea occurs both a marine league from the shore of any state and in international waters. Because President Reagan in 1988 extended U.S. territorial waters to 12 nautical miles from shore, Flight 800 went down short of the high seas, Judge Sweet ruled.

In a release, TWA said the decision "will not impact" its limited liability under the Warsaw Convention. It said investigations have not found "any deficiencies in TWA's operations."

A TWA spokesman and a Hydro-Aire attorney said the defendants have not decided whether to fight the decision.

California commissioner candidate

SACRAMENTO, Calif.—Diane Martinez, a California assemblywoman promoting legislation, A.B. 2556, that would give the Insurance Department the authority to regulate HMOs, will represent the Democratic Party in this November's insurance commissioner election.

Ms. Martinez, who represents Monterey Park, Calif., won last Tuesday's primary election with 58% of the vote, defeating Hal Brown, a Marin County commissioner and cousin of former Gov. Jerry Brown.

During their campaigns, both candidates proposed transferring health maintenance organization regulation to the Insurance Department from the Department of Corporations. The DOC has been criticized in recent years for its handling of HMO regulation.

Current Insurance Commissioner Chuck Quackenbush, a Republican, also backs such a move. Ms. Martinez will run against him.

Also during last week's primary, a majority of the California electorate—53%—rejected a ballot initiative that would have required employers to obtain annual authorization from employees to deduct money from wages—including premium payments—that will be used by recipient organizations for campaign activities.

The measure, Proposition 226, originally was intended to require labor unions to obtain such authorization from dues-paying members. But to avoid the appearance of union-bashing, the author also included employers.

Orange County suit settled

SANTA ANA, Calif.—Orange County, Calif., will receive \$400 million from Merrill Lynch & Co. Inc. to settle a lawsuit filed against the broker/investment banker in the wake of the county's 1994 bankruptcy.

The bankruptcy stemmed from the loss of nearly \$1.7 billion, when a local government investment fund collapsed after a risky, highly leveraged investment strategy went sour (BI, Dec. 12, 1994).

Merrill Lynch had been involved in many of the fund's investment dealings and underwrote county bond issues. The county contended it should have recognized the inappropriateness of the investment strategy and warned county officials.

While saying the firm thought it acted "properly and professionally in our relationship with Orange County," a Merrill Lynch statement cited the "substantial costs and distraction" of ongoing litigation as reasons for the settlement. Merrill Lynch also indicated it is fully reserved for the settlement, which it said would have no financial impact on earnings.

Briefly noted

Nationwide Mutual Insurance Co. has reached an agreement to buy Des Moines, Iowa-based **Allied Group Inc.** and its affiliates for \$1.7 billion. Columbus, Ohio-based Nationwide will pay \$1.5 billion for Allied Group's shares and will merge with affiliate Allied Mutual Insurance Co., paying another \$110 million for Allied Mutual's stake in Allied Group and distributing the money to Allied Mutual policyholders. Nationwide also will pay \$84 million for publicly owned shares of an Allied Mutual unit, Allied Life Financial Corp. . . . The California Assembly approved a bill last week that would permit patients to **sue health maintenance organizations** for decisions that delay or deny valid treatment and cause harm. A.B. 2436, sponsored by Assemblywoman Liz Figueroa, D-Fremont, passed the Assembly in a 43-28 vote and is not expected to be voted on by the state Senate until August. . . . **Four shareholder suits** have been filed against Monsanto Co. and its directors in Delaware state court over the proposed merger with American Home Products, a Madison, N.J., pharmaceutical giant. The suits allege that the company agreed to accept too little money for Monsanto shareholders in the merger. A spokeswoman for St. Louis-based Monsanto said the suits are "totally without merit." . . . Standard & Poor's Corp. has changed its financial strength outlook for **ACE Ltd.** to stable from negative. S&P had moved the outlook to negative in March after ACE had made several acquisitions. . . . **Travelers Property Casualty Corp.** said it expects to file a registration statement to permit Aetna Services Inc., J.P. Morgan Capital Corp. and Sixty Wall Street Fund L.P. to sell from time to time their remaining 8.9 million shares of Travelers stock acquired in connection with the April 1996 acquisition of Aetna Inc.'s property/casualty business. . . . **Kaiser Permanente** is shedding its money-losing Texas operation in a sale to an affiliate of Sierra Health Services Inc. HMO Texas L.C., a Houston-based unit of Las Vegas-based Sierra, agreed late last month to acquire Kaiser Permanente-Southwest Division for an undisclosed amount. Kaiser's 19-year-old Texas operation, based in Dallas, includes a 123,000-member health plan and a medical group of 150 physicians.

9th Circuit clarifies SEC disclosure duties

By JUDY GREENWALD

SAN FRANCISCO—Companies filing registration statements with the Securities and Exchange Commission that fail to furnish investors with information on financial trends could be violating the Securities Act of 1933, a federal appellate court has ruled.

Attorneys say the 9th U.S. Circuit Court of Appeals' May 14 decision in *Steckman vs. Hart Brewing Inc.* clarifies an ambiguity in the law in ruling that violation of an SEC regulation regarding financial trends also violates the Securities Act.

"I don't think it's going to encourage or discourage lawsuits," said James Krause, an attorney at Krause & Kalfayn in San Diego, who represented the plaintiff in the case.

"I think the only benefit is it gives a little more certainty to everyone as to what the rules are," which "gives companies more direction" and investors more guidance, said Mr. Krause.

According to court papers, Seattle-based microbrewer Pyramid Breweries Inc., which was formerly known as Hart Brewing, had conducted an initial public offering on Dec. 13, 1995, less than three weeks before the end

of the fourth quarter. Plaintiff Jeffrey D. Steckman bought 100 shares at its \$19 a share price.

The company's prospectus said gross sales had grown at a compound annual rate of around 88% from 1990 to the end of 1995's third quarter, but its results also suggested net income growth was slowing.

Fourth-quarter 1995 results were flat. Mr. Steckman sold his shares in June 1996 at \$12.125 a share and filed suit, contending Pyramid must have had midquarter information at the time of the IPO that would have indicated future revenues would be flat.

A district court ruled in Pyramid's favor, and the appellate court upheld the decision. The court said Item 303(a) of the SEC's Regulation S-K calls for registrants to describe any known trends that the company "reasonably expects" will have a material impact on financial results, and any omission would be a liability under the Securities Act's Section 11.

Pyramid was required to follow Item 303 in its Form S-1 registration statement. But the court concluded the company had not violated the regulation. Its management "could not under any imaginable standard have rea-

sonably expected that the slowdown was anything more than a regular fourth-quarter slowdown or that it would have a material impact on net sales, revenues or income," said the court.

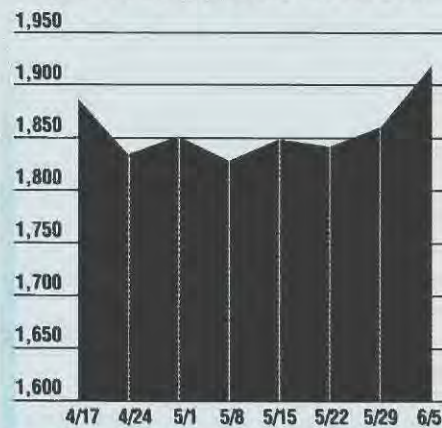
The federal district court had concluded that companies must disclose intraquarter information only when it represented an "extreme departure" from the results that could be expected based on historic information. However, the 9th Circuit said that given the facts of this case, it was not necessary to deal with this standard in its decision.

"Some would call it a plaintiff-oriented decision, even though it was a win for the defendants," said Shirli Fabbri Weiss, of Gray Cary Ware & Freidenrich in San Diego, who represented Pyramid. The decision drew a "very clear connection" between Item 303(a) and the Securities Act for the first time, she said.

The decision also "gives some guidance about when a company has to disclose what we call intraquarter results," said Ms. Weiss.

Jeffrey D. Steckman et al. vs. Hart Brewing Inc. et al.; 9th U.S. Circuit Court of Appeals; No. 97-55199.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of June 5		Call spread		Price bid/ask	
National Annual 1998	40/60	5.0	8.0	Call spread	Price bid/ask
60/80	2.5	6.5	80/100	-1.4	
100/120	1.0	5.8	150C	1.2/1.9	
Southeastern September 1998					
40/60	2.6	3.1	Western Annual 1998		
Northeastern September 1998					
100/150	.9/1.4		40/60	-1.7	
			80/100	-1.9	
			150C	1.3/1.9	
			Eastern September 1998		
			20/40	3.0/5.5	
			40/60	2.7/3.2	
Florida September 1998					
40/60	1.2/2.4				
Total volume: 48 PCS open interest: 21,315					
For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.					
Source: Chicago Board of Trade					

Letters

Continued from page 8
because all cost-of-risk elements fluctuate with loss control costs.

When faced with such arguments, proponents of cost of risk acknowledge inaccuracies but say we should use the figures because they are "the best we have." That is like survivors of a shipwreck in a life raft saying we should drink the ocean because it's the best water we have. Invalid figures are not better than no figures at all. They are worse, because they lead to decisions based on faulty information.

In 1988, mathematician John Allen Paulos wrote a bestselling book, "Innumeracy," in which he said: "Innumeracy, an inability to deal comfortably with the fundamental notions of number and chance, plagues far too many otherwise knowledgeable citizens." Using cost-of-risk figures for benchmarking is a classic example of innumeracy.

The cost-of-risk study was initiated by the creative consultant Felix Kloman in 1979. In recent years—and after reading Mr. Paulos' book—Mr. Kloman reflected further and conceded that cost-of-risk fig-

ures were not suitable for comparison purposes.

Going back even further, the concept of "cost of risk" was developed by the grand old man of risk management, Douglas Barlow. He also agrees that the concept does not lend itself to intercompany comparisons.

With due respect to Mr. Tagman, whom I

In praise of integrated programs

To the editor: The success of the Pacific Bell integrated program, as reported in your May 18 issue, while very good, is not surprising.

The surprise is how long it took Pacific Bell to realize the value of an integrated program. The Washington Business Group on Health's annual Disability Conference has been reporting on the financial successes of employer integrated programs for over 10 years. In any event, whether it was the heat from deregulation or the pursuit by SBC Communications Inc., the Pacific Bell move to an integrated program and its suc-

cess is welcomed.
Another key point from the Pacific Bell experience for everyone to remember is that employers do not have to put all of their workers compensation and benefits into one "basket." The PacBell program worked because the vendors and providers worked together. The genesis behind 24-hour coverage has always been integration and coordination, working together.

David Warren
Orinda, Calif.

Ralph D. Hurley
President
Coverage24 Inc.
Westlake Village, Calif.

British Issues

Companies	Price pence	P/E	Div. %	Yield	52-week high-low
Comml & G	1106	NA	NA	NA	NA
Gdn Royal Exch	389	5.4	11.5	3.3	495-257
Legal & Gen	677	17.2	12.1	2.3	785-400
Royal & Sun	674	17.0	22.8	3.6	825-440

Brokers

Brokers	Price	P/E	Div. %	Yield	52-week high-low
Lmbt Fenchurch	115	8.2	8.4	9.0	138-101
Lloyd Thompson	186	12.5	10.0	6.7	196-151
Sedgwick Grp	143	13.1	7.0	4.8	171-115
Willis Corroon	155	13.0	6.8	5.5	174-116

Note: Prices are June 5 closings; other numbers from June 4.
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

BI Industry Stock Report JUNE 1, 1998, THROUGH JUNE 5, 1998

BROKERS

Company	Price	Weekly % change	Year to date % change	52-week			
				High	Low	Vol.(000)	
Aon Corp.	NYS	63.75	-0.49	8.74	68.19	48.13	1047
E.W. Blanch Holdings Inc.	NYS	38.19	1.50	10.89	38.75	24.63	66
Gallagher Arthur J. & Co.	NYS	44.38	2.90	28.86	46.56	31.25	120
Hilti, Rogal & Hamilton	NYS	17.56	0.36	-9.06	19.63	14.88	54
Kaye Group Inc.	NDQ	6.63	-3.64	0.00	9.00	4.88	4
Marsh & McLennan	NYS	88.13	0.64	18.19	94.88	66.00	1403
Poe & Brown	NYS	36.81	-1.51	23.74	39.38	20.44	13
Sedgwick Group PLC	NYS	12.25	-2.00	-0.51	14.44	9.38	14
Willis Corroon Corp.	NYS	12.88	-0.48	4.57	15.19	9.75	128
BROKERS AVERAGE			-0.28	9.58			

INSURERS/REINSURERS

Company	Price	Weekly % change	Year to date % change	52-week			
				High	Low	Vol.(000)	
ACE Ltd.	NYS	36.63	2.81	13.86	42.50	21.38	1157
Acceptance Insurance Cos.	NYS	23.75	3.26	-1.81	28.63	21.13	109
AEGON N.V.	NYS	83.06	4.73	85.36	84.00	34.00	190
Aena Life & Casualty	NYS	78.63	0.56	11.43	118.13	66.31	1791
AFLAC Inc.	NYS	64.13	0.39	25.43	69.00	44.25	753
Allied Group Inc.	NYS	46.38	-10.09	62.01	46.81	25.00	3268
Allstate Corp.	NYS	96.94	2.99	7.11	100.25	69.00	4845
AMBAC Indemnity Corp.	NYS	55.25	1.03	23.11	61.00	37.81	1741
American Bankers Ins.	NDQ	60.25	0.42	31.16	66.06	28.13	315
American Financial Group	NYS	44.75	-0.97	11.01	49.25	34.56	307
American General	NYS	68.88	2.61	27.40	69.88	44.00	1384
American Heritage Life Ins.	NYS	22.31	6.25	23.96	25.00	14.00	111
American Indemnity/Fin'l	NDQ	11.69	-4.59	-15.77	15.50	9.50	12
American International	NYS	130.31	5.25	19.83	140.31	90.50	5041
Argonaut Group	NDQ	33.13	3.11	-2.21	38.13	28.00	57
AXA-UAP Group	NYS	58.56	2.07	50.16	62.63	29.25	188
Baldwin & Lyons Inc.	NDQ	23.75	-1.04	-1.55	28.75	17.50	2
Berkley W.R. Corp.	NDQ	47.38	1.34	7.98	49.88	35.13	235
Berkshire Hathaway Inc.	NYS	76600.00	8.35	66.52	76600.00	30000.00	1
Capital RE Corporation	NYS	72.88	-2.18	17.42	77.44	44.75	140
Capitol Transamerica Corp.	NAS	20.38	-1.21	-4.40	28.13	19.00	37
Centris Group Inc.	NYS	12.50	-4.76	12.04	14.81	9.56	66
Chartwell Re	NYS	29.13	-1.48	-13.70	36.25	26.50	42
Chubb Corp.	NYS	79.06	-0.63	4.55	83.44	60.38	2240
CIGNA Corp.	NYS	69.50	1.46	20.96	71.75	45.63	2241
CNA Financial Corp.	NYS	49.06	-2.69	15.22	53.25	33.75	343
CNA Surety	NYS	15.63	-3.47	1.21	16.75	12.88	38
EMC Insurance Group Inc.	NDQ	14.88	-1.24	12.26	15.88	11.88	11

Company	Price	Weekly % change	Year to date % change	52-week			
				High	Low	Vol.(000)	
ESG Re Limited	NDQ	21.06	0.30	-10.37	28.88	19.88	716
Enhance Financial Services	NYS	64.94	-0.29	9.14	75.19	41.00	304
Everest Reinsurance	NYS	40.38	3.86	-2.12	45.25	33.00	1073
Executive Risk Inc.	NYS	59.00	-6.26	-15.49	75.75	49.31	312
EXEL Ltd.	NYS	74.56	-0.91	17.65	81.13	44.25	632
Fremont General Corp.	NYS	56.94	-0.76	4.00	62.13	35.00	201
Frontier Insurance Group	NYS	23.50	-4.08	-2.73	39.25	20.00	752
Gainsco Inc.	NYS	7.06	-3.42	-16.91	10.19	7.00	172
General RE Corp.	NYS	224.75	2.22	6.01	228.88	173.38	408
Gryphon Holdings	NDQ	17.38	-3.47	3.73	19.38	14.75	58
Harleysville Group	NDQ	23.38	-3.61	-2.60	28.50	18.19	69
Hartford Steam Boiler	NYS	46.25	5.11	25.71	46.63	33.25	336
HCC Insurance Holdings	NYS	20.50	-4.09	-3.53	32.69	15.83	295
ING Groep N.V.	NYS	69.81	2.29	64.99	71.06	38.88	209
IPC Holdings Ltd.	NDQ	29.94	0.00	-6.99	33.25	25.50	151
Harleyville Financial Services	NYS	108.50	-1.42	15.97	116.88	76.25	2201
LaSalle Re Holdings Ltd.	NYS	36.06	-0.69	1.94	42.94	27.25	74
Life Re Corp.	NYS	72.88	-1.02	11.79	77.44	42.63	367
Lincoln National	NYS	90.69	0.90	16.08	94.13	61.13	753
MAIC Holdings Inc.	NYS	27.63	0.00	3.13	30.38	18.63	24
Markel Corp.	NYS	175.00	1.27	12.09	177.50	117.50	11
MBIA Insurance Group	NYS	74.75	0.25	11.88	80.94	53.31	1020
Meadowbrook Insur. Group	NYS	29.38	-4.67	12.71	35.00	21.88	31
Mid Ocean Ltd.	NYS	75.63	-0.66	39.40	81.63	47.25	328
MMI Cos. Inc.	NYS	21.69	-1.98	-13.68	27.88	20.75	114
Mutual Risk Mgmt. Ltd.	NYS	35.56	-1.43	18.79	36.75	20.69	608
NAAC Re Corp.	NYS	46.81	0.27	-4.10	53.81	39.50	330
Navigators Group	NDQ	18.00	0.00	-4.16	22.50	16.75	10
Nobel Insurance Ltd.	NDQ	13.13	-0.47	0.00	15.38	12.13	49
NYMag Inc.	NYS	28.50	-2.56	3.40	34.25	19.63	6
Ohio Casualty Corp.	NDQ	47.50	-2.56	6.44	51.75	39.69	821
Old Republic Int'l	NYS	28.94	1.54	16.72	32.25	19.50	1474
Orion Capital Corp.	NYS	56.75	0.78	22.21	57.75	34.25	727
Partner Re Ltd.	NYS	49.63	1.79	7.01	52.50	31.75	186
Penn-America Group Inc.	NDQ	15.88	-7.30	-22.56	23.00	14.38	942
Pennsylvania Manufacturer's Co	NDQ	19.63	-1.57	17.16	20.25	16.25	196
Philadelphia Cons. Holding	NDQ	21.75	-8.83	22.54	24.38	15.50	56
PXPE Corp.	NYS	31.19	-0.99	-6.03	35.25	27.63	105
Reliance Group Holdings	NYS	17.94	-0.69	26.99	19.13	11.50	824
Reliastar Financial Corp.	NYS	43.50	0.58	5.61	49.94	32.63	4155

Company	Price	Weekly % change	Year to date % change	52-week			
				High	Low	Vol.(000)	
RenaissanceRe Holdings Ltd.	NYS	45.81	-2.01	3.82	50.75	37.50	158
Risk Capital Holdings	NDQ	24.25	-2.51	8.99	25.50	18.25	63
RLI Corp.	NYS	52.06	-0.12	4.52	56.81	30.50	26
St. Paul Companies	NYS	44.50	0.28	8.45	47.19	36.25	2662
SCOR	NYS	62.38	-1.96	30.63	66.00	39.25	5
SAFECO Corp.	NDQ	47.31	1.75	-2.95	56.00	43.13	3383
SCPIE Holdings Inc.	NYS	36.31	0.17	25.49	38.38	22.13	NA
Seibels Bruce Group	NDQ	7.38	1.72	-1.87	8.94	6.63	29
Selective Ins. Group	NDQ	25.31	-4.03	-6.25	29.25	21.94	216
Tera Nova Insurance Co. Ltd.	NYS	30.00	1.69	14.29	33.13	20.00	40
TIG Holdings	NYS	25.00	1.01	-24.67	36.56	22.63	911
Tokio Marine & Fire	NDQ	47.69	-0.91	-17.42	66.00	41.25	164
Torchmark Corp.	NYS	43.00					

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