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Pennsylvania regulator Kaiser resigns post to join Reliance

HARRISBURG, Pa.—Pennsylvania Insurance Commissioner Linda Kaiser has resigned to become senior vp, general counsel and corporate secretary of Reliance Insurance Co. in Philadelphia.

In an interview, Ms. Kaiser said that though she enjoyed working as commissioner, the offer from Reliance was an excellent opportunity that she couldn't pass up.

In accepting her resignation, Pennsylvania Gov. Tom Ridge cited her work in lowering the state's workers compensation insurance rates.

See Updates on next page

Legislature blasts handling of EMLICO

By DOUGLAS McLEOD

BOSTON—The Massachusetts Insurance Division has "seriously damaged the integrity and credibility" of state regulation in its "fundamentally flawed" handling of Electric Mutual Liability Insurance Co.'s 1995 redomestication, a blistering legislative report charges.

The preliminary report by Massachusetts House investigators also expresses "serious reservations" about a proposed Insurance Division settlement with EMLICO and sole policyholder General Electric Co., and recommends that regulators instead try to return EMLICO to Massachusetts from Bermuda, where it collapsed in 1995.

The House Post Audit & Oversight Bureau released the confidential report last week after its contents were reported in the Boston Globe.

Insurance Commissioner Linda Ruthardt labeled the report "bizarre" and "filled with inaccuracies," but she declined to comment on its specifics.

In a measure of the suspicion and ill feeling surrounding the EMLICO affair, Ms. Ruthardt also initially questioned whether the report itself was a hoax.

Before learning that it had been publicly released by the House bureau, Ms. Ruthardt pointed to some of its conclusions—questioning the proposed settlement, for example—and said, "That's why I suspect this may be a spurious document."

She went on to speculate that the report may have been produced by an EMLICO reinsurer. Several reinsurers have charged that the redomestication was a fraud and have opposed the settlement, which would keep EMLICO's liquidation in Bermuda and name the Massachusetts division ancillary receiver.

"It must behoove someone to influence a judge of the Supreme Judicial Court," she said, referring to Justice John M. Greaney, who is expected to rule shortly on the settlement proposal. "The timing is particularly interesting."

Meanwhile, state Sen. Diane Wilkerson, D-Suffolk, chairwoman of the Joint Committee on Insurance, greeted the report enthusiastically.

"It substantiates the validity of all the concerns I've had for several months," Sen. Wilkerson said. "For me, the House bureau report is something of a vindication."

See EMLICO on page 60

AIIG appeals decision granting Golden Eagle to Liberty Mutual

By JOANNE WOJCIK

SAN FRANCISCO—American International Group Inc. is vowing to "take all steps necessary to overturn" a San Francisco Superior Court judge's decision to award the sale of Golden Eagle Insurance Co. to Liberty Mutual Insurance Co. and already has filed an appeal.

AIIG, which in April had won Golden Eagle in a sealed bidding contest organized by the California Insurance Department, lost to Liberty Mutual in a May 30 order by Superior Court Judge William Cahill. He awarded Golden Eagle to Liberty Mutual, noting in his order that "this court finds that the terms for sale to Liberty Mutual are superior to those proposed by AIIG, and

that sale to Liberty Mutual is in the best interests of Golden Eagle's policyholders and creditors."

Commissioner Chuck Quackenbush, who is being criticized by AIIG and its attorney for not honoring the bidding process, said the decision was out of his hands.

"All of the proceedings were under the control of Judge Cahill. It was his decision," he said during a telephone press conference that followed last week's announcement.

The judge noted that the court ultimately had the authority to transfer ownership. "Since Golden Eagle was in conservatorship, any sale of Golden Eagle assets in excess of \$20,000 had to be approved by the Superior Court," Judge Cahill

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Growing in the Golden State

Liberty Mutual would be California's second-largest workers compensation insurer with the acquisition of Golden Eagle.

(Insurers ranked by workers compensation direct written premiums)

Insurer	1996 direct written premium (in millions)
State Compensation Insurance Fund	\$978.0
Liberty Mutual and Golden Eagle	619.8
Business Insurance Group (CalComp)	475.8
Golden Eagle Insurance Co.	400.5
American International Group	260.1
Liberty Mutual Group	219.5

Sources: A.M. Best Co., California Insurance Department and the Workers Compensation Rating Bureau

Cat liability plans have yet to meet pharmaceuticals' needs at right price

By GAVIN SOUTER

NEW YORK—Two proposed catastrophe product liability insurance programs for pharmaceutical companies are dead, killed by their high costs and cheaper competitors, and the same factors are threatening to kill a third.

The structure of the two facilities proposed last year, one by Capital Risk Strategies and the other by Johnson & Higgins, also prevented them from getting off the ground.

In particular, risk managers were turned off by the mutualization of risks inherent in both programs. Risk managers noted that under mutualization, one policyholder's loss could reduce the limits available to another policyholder.

other policyholder.

The third program, which was announced last fall by Marsh & McLennan Cos. Inc., claims to have avoided the mutualization of risks and is offering a substantially lower premium. Those advantages, however, have not helped attract the critical mass of policyholders it needs to fly. If at least five policyholders don't sign up by July 1, the project likely will be abandoned.

Risk managers acknowledge that the catastrophe limits offered by these programs could be needed, but not in the forms developed or at the prices offered, which in some cases exceeded \$20 million a year.

The expansion of capacity in the traditional insurance market also hindered the projects, said Colin Witheat, director of risk

management at SmithKline Beecham P.L.C. in Brentford, England.

About \$750 million to \$800 million in product liability capacity already is available to pharmaceutical companies, he said.

"We believe that that is enough," Mr. Witheat said.

Self-insurance is preferable to the large premiums demanded by the two defunct programs, he said, adding that he is still in contact with J&H Marsh & McLennan Inc. about the possibility of signing up for its program.

"We are still interested, but I doubt that they will get it off the ground because they haven't got the critical mass of policyholders," Mr. Witheat said.

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High court rules on ERISA pre-emptions

New York tax OK'd, but state community property laws pre-empted

By MARK A. HOFMANN

WASHINGTON—The Supreme Court is continuing to circumscribe how broadly the Employee Retirement Income Security Act pre-empt state laws that have an economic impact on benefits plans.

In a 7-to-2 ruling last week in *De Buono vs. NYSA-ILA Medical and Clinical Services Fund*, the high court ruled that New York state has the right to tax hospitals owned and operated by an ERISA plan. A federal appeals court had ruled earlier that the tax violated ERISA's pre-emption of state laws governing benefit plans (BI, Oct. 21, 1996).

In another case decided last week, however, the high court ruled that the ERISA pre-emption trumped a state community property law that gave a deceased employee's children from a previous marriage a share of his pension at the expense of his second wife (BI, Nov. 11, 1996).

The tax case involved the NYSA-ILA, a longshoremen's union health care fund that owns and operates two hospitals in New

York and one in New Jersey. The hospitals provide a variety of services primarily to workers, retirees and their dependents. The New York facilities have had to pay a tax on gross receipts under the state's Health Financing Assessment, which was enacted in 1990.

The hospitals paid the assessment from January through November 1991, an assessment that amounted to \$7,066 on receipts of nearly \$1.2 million, and then sued the state. The suit held that the tax depleted fund assets, thus having a direct economic impact on the plan, and therefore should be pre-empted by ERISA.

A U.S. District Court disagreed, and the fund appealed to the 2nd U.S. Circuit Court of Appeals. The appeals court held in

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Updates

Pennsylvania's Kaiser resigns

Continued from previous page

Ms. Kaiser said her major achievements as commissioner included reducing regulation of the insurance industry and automating the Insurance Department.

But Ms. Kaiser's tenure, which began in March of 1995, probably will be most remembered for her approval of the controversial reorganization of CIGNA Corp.

A state appellate court vacated her decision earlier this year and removed her from presiding over the trial-like hearings that were ordered to take place (BI, March 10).

Ms. Kaiser said her eventual successor will assume the commissioner's role of monitoring CIGNA's appeal of that decision.

Ms. Kaiser's resignation is effective June 27. Gov. Ridge has not named a successor.

Settlement to cut drug prices

CHICAGO—Retail pharmacies expect their drug prices to drop and make them more competitive with pharmacy benefit managers following a landmark settlement between druggists and drug manufacturers that finally appeared to clear its final hurdles last month.

A federal appeals court in Chicago, led by Chief Judge Richard Posner, permitted the druggists' antitrust settlement to be concluded after nearly a year in limbo. The settlement had been delayed by various challenges brought by about 240 pharmacists unhappy with the June 1996 accord (BI, Feb. 24, 1997).

Judge Posner, in dismissing all remaining objections to the settlement, cleared the way for about 30,000 pharmacists nationwide to share in the \$351 million settlement.

Eleven large drug manufacturers, who stood accused of giving unfair pricing discounts to managed care organizations, PBMs, hospitals, and other large buyers, will foot the bill.

More important to the pharmacists, a federal district judge last June said the drug makers must offer pharmacies the same discounts they offer to managed care companies, assuming their effect on the market is similar.

The drug makers that settled have until the beginning of September to implement their respective plans on pharmacy discounts. Once the plans take effect, retail drug prices will decline at least 12% to 15% said John M. Rector, general counsel of the Alexandria, Va.-based National Community Pharmacists Assn.

David Melnick, a Milwaukee attorney who represents the pharmacists, said it probably would take about 60 days from the implementation of price changes before buyers would notice the gap with PBMs narrowing.

Malden Mills, insurer settle

LAWRENCE, Mass.—Malden Mills Industries Inc. has reached a settlement with a unit of American International Group Inc. that provided \$300 million in combined property damage and business interruption limits for the fabric manufacturer's main plant, which was devastated by fire in 1995.

The terms of the settlement were not disclosed, but prior to the agreement the AIG unit, Commerce & Industry Insurance Co., already had paid \$183 million in property damage and business interruption claims, said Ernst Weglein, general counsel at Malden Mills in Lawrence, Mass.

The bulk of the insurance claim was for business interruption losses, he said.

Several months after the Malden Mills fire, C&I stopped writing property insurance. C&I has since been reorganized as an environmental insurer and now is known as AIG Environmental.

Malden Mills lost three mill buildings in the December 1995 fire. The plant produced lightweight fleece linings for ski clothing and other outdoor clothing.

The manufacturer has since built a new facility at a cost of about \$70 million, said Mr. Weglein.

Humana to buy two HMOs

LOUISVILLE, Ky.—Humana Inc. is adding 1.4 million members to its managed care rolls with the acquisition of health maintenance organizations in Florida and Ohio.

Humana last week announced it will buy Miami-based Physician Corp. of America for \$400 million in cash and debt and ChoiceCare Corp. of Cincinnati for \$250 million in cash.

The deals will give Louisville, Ky.-based Humana 6.2 million members and annual premiums of about \$8.5 billion.

The moves are an effort to "advance our long-term business strategy and build value for our shareholders," Gregory H. Wolf, Humana's president and chief operating officer, said in a statement.

The PCA deal means subsidiary PCA Property & Casualty Insurance Co. of Longwood, Fla., no longer faces a takeover by state regulators. Humana agreed as part of the acquisition to fund the \$160 million in claims owed by the inactive workers comp insurer and to purchase \$230 million in reinsurance from Centre Reinsurance Co. of New York as part of a commitment to pay future PCA claims.

Park accident spurs inquiry

CONCORD, Calif.—The city of Concord, which owns the property where a student died and 32 others suffered injuries when a Waterworld amusement park slide broke last week, and the slide manufacturer, Whitewater West Industries Ltd. of Richmond, British Columbia, have sent engineers to assess the structure.

Students disobeying lifeguards and rushing onto the slide intended for use by one person at a time caused the accident, according to officials of Premier Parks, which owns Waterworld. A structural engineer hired by the company said that excessive weight caused the slide to break, causing the accident.

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Regulator attempts to curb pollution exclusion abuses

By DAVE LENCKUS

BATON ROUGE, La.—A Louisiana regulatory advisory intended to stop liability insurers from invoking the absolute pollution exclusion when claims do not involve environmental damage also may help policyholders elsewhere obtain coverage for environmental cleanup costs, according to policyholder attorneys.

If courts and especially regulators in other states follow the lead of Louisiana Insurance Commissioner James H. Brown, many commercial general liability policyholders that face environmental cleanup liabilities may be able to recover their cleanup costs,

the attorneys said.

The significance of Mr. Brown's advisory is that he took into account the exclusion's regulatory history,

Pollution rulings go against policyholders in three states page 57

they said.

Even with the advisory, though, Louisiana policyholders still may face problems recovering cleanup costs from their insurers.

Indeed, Commissioner Brown's advisory letter is not intended to address the cleanup cost coverage

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Illinois Legislature passes Exchange oversight bill

CHICAGO—A bill passed by the Illinois Legislature to help restore the stability and credibility of the Illinois Insurance Exchange also provides for its dissolution.

The bill, which passed May 31 and awaits Gov. Jim Edgar's signature, gives the state Insurance Department greater oversight of the exchange's solvency, following three syndicate insolvencies during an eight-month period spanning late 1996 and early 1997 (BI, March 10).

However, new provisions in the final version of the bill also would amend the Insurance Exchange article of the Illinois Insurance Code to:

- Authorize dissolution of the current Chicago-based exchange.
- "There is not a plan for the dissolution of the existing exchange. However, the bill expressly provides authority for it and clarifies some procedural aspects," said James E. Tait, the IIE's president and chief executive officer. "I

wouldn't want to predict a dissolution, but it is an alternative that is provided for," he added.

• Authorize creation of "an additional exchange."

"There are definitely plans" with unnamed investors to consider establishing an additional exchange to deal with "substantially different" types of risk, such as untraditional "securitization" products, Mr. Tait said.

• Require any new syndicate to

See IIE on page 60

J&H director named Insurance Woman of the Year

APIW award honors LaSala

By GAVIN SOLTER

NEW YORK—You have to work hard to make it to the top, and few work harder than Christine LaSala, a senior executive at J&H Marsh & McLennan Inc.

With her typical workday running from 6.30 a.m. to 9 p.m., Ms. LaSala's industriousness is one of many attributes that have taken her to the heights of the insurance brokerage business.

Her commitment to colleagues and clients, her evenhandedness



Ms. LaSala

with insurers, and her ability to listen, understand and act quickly on problems and issues, have won Ms. LaSala numerous admirers.

She has now

won recognition as the APIW 1997

Insurance Woman of the Year.

The award was presented at a ceremony last week by the APIW, a New York-based professional association of women in the insurance and reinsurance industry.

Ms. LaSala's ability to get the best out of herself and others has been the source of her success, said John P. Keyser, co-chair of J&H Marsh & McLennan's global client management practice division, who presented the award.

"She's a rare breed in that she is

See LaSala on page 60

Anthem readies Acordia for sale

Tender offer pegged at \$40 a share to close in July

By SALLY ROBERTS

INDIANAPOLIS—Anthem Inc.'s acquisition of Acordia Inc.'s outstanding stock will fold Acordia's health care operations into Anthem, paving the way for the eventual divestiture of Acordia's brokerage business.

Early last week, Anthem, which owns 66.8% of the world's fifth-

largest broker, announced a tender offer for all of Acordia's remaining outstanding common stock at \$40 per share.

The entire deal, which includes stock, warrants and options, is valued at approximately \$190 million.

Anthem, a mutual insurance company, raised \$49 million after receiving authorization for an ini-

tial public offering of up to 5.5 million shares of Acordia stock to the public in 1992. The shares were sold at an initial price of \$14.50 each.

Acordia's stock closed at \$39.75 on Friday.

Anthem intends to focus on its health care business and to drive more cost out of its operations,

See Acordia on page 60

Inside

• News of a White House-created task force to negotiate a product liability reform bill should encourage reform proponents, this week's editorial says. **PAGE 8**

• The election victory of a Socialist-led coalition in France has left the insurance industry concerned. **PAGE 49**

• 1996 was a record year for mergers and acquisitions in the insurance industry, a study shows. **PAGE 57**

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A closer look at specialty risks: Environmental & Professional Liability Index:

Environmental coverage becoming a hot property

By RODD ZOLKOS

Widespread interest among businesses and property owners is prompting the development of new environmental insurance products and approaches to meet specific needs.

Not only has interest in insurance to guard against pollution exposures never been greater, but it also reaches across the spectrum of property owners and business types, according to those in the industry.

"We see everything, I always say, from graveyards to gold mining," said Scott Britt, an assistant vp in the Industrial & Commercial Facilities customer business unit of ECS Underwriting Inc. in Exton, Pa. "Everybody's concerned about pollution these days.

"As far as the submission flow we see coming in, it seems to us now, more than ever, property owners need environmental insurance," Mr. Britt said. "The property owners that face these environmental exposures realize that the typical general liability policy provides either no pollution coverage or very little pollution coverage.

"We see golf courses, we see industrial tracts," Mr. Britt said. "We're also seeing... a lot more banking institutions or financing-type firms are requiring in their loan agreements some sort of environmental or pollution insurance.

"A lot of times the board of directors of some of these firms are concerned that they are protected," he said. Other organizations "want smooth financials, if you will."

Some of the greatest interest seems to be in protection from environmental exposures associated with selling property, with all the major environmental insurers developing products aimed at responding to those concerns.

"One of the hottest areas of environmental coverage truly deals with the transfer of environmentally impaired property," said John J. Theiss, vp/director of environmental risk management services at Sedgwick of California Inc. in Orange, Calif.

Typically, those concerns are twofold: protection against cleanup cost overruns and protection against any environmental liabilities that might appear once the property is sold.

"Inasmuch as you can only poke so many holes in the ground, there's always some question as to what the ultimate cleanup cost will be," Mr. Theiss said.

Beyond that, "even after remediation, there is always going to be some level of contamination on the property," he said.

"A number of companies that have been burned because they've sold sites, and then they've had someone come back after them," said Steven I. Werner, president of AIG Environmental Management Inc., a consulting arm of American International Group Inc., in New York.

Several factors are driving companies' interest in cleaning up and selling environmentally impaired property. One is a desire to rid the company's books of environmental liabilities.

As the real estate market hardens and property values increase, "companies are

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Spotlight Editors: Gavin Souter and Michael Prince

Accounting firms choose clients more carefully

By MICHAEL PRINCE

In an effort to reduce their exposure to costly litigation, accounting firms are increasing their investigations of prospective and current auditing clients and are selecting new clients more carefully.

As a result of this heightened scrutiny, many firms have refused to take on companies as clients or have dropped others if they perceive the companies to be susceptible to class-action shareholder suits or other legal threats.

The heightened scrutiny is designed "to manage the firm's business risk," said Alan Anderson, senior vp of technical services for the American Institute of Certified Public Accountants in New York. "The whole industry is focusing on that."

It's "a major risk control function," added Peter Christie, vice chairman of Aon Group Inc. and former chairman of Minet Group, the leading broker of professional liability insurance for the Big Six

arose from an awareness by the accounting industry that it had to reduce its liability and improve its ability to buy professional liability insurance.

Accounting firms have paid out millions of dollars in the past few years—one verdict against a firm was \$81.3 million—in legal actions.

"It went hand in glove. As the accounting industry saw the litigious nature of the economy, they said they have to heat up their efforts to manage this risk," Mr. Anderson said.

"It's driven by liability," said John Doyle, president of the professional liability division of National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc. in New York. "There's nothing else driving it."

Coopers & Lybrand L.L.P., one of the Big Six accounting firms, initiated its effort about three years ago "to mitigate risk and to upgrade our client portfolio," a spokesman said.

This effort includes a more thorough examination of potential clients' financial records and putting existing clients under the microscope to cull those the firm thinks represents too great a risk.

A large part of Coopers & Lybrand's program is "a general unwillingness to accept as clients companies whose predecessor auditors were dismissed or resigned over accounting disputes," a company spokesman said.

Price Waterhouse also has become more selective in picking clients, according to Peter Frank, vice chairman and head of the accounting firm's risk management. Because of its heightened scrutiny, the number of companies

Price Waterhouse has rejected as clients has increased in each of the past five years, he said.

He said that large, blue- See Accounting on page 10

Maturing EPL market offering enhanced cover

By SALLY ROBERTS

Risk managers who have been skeptical about employment practices liability insurance might want to take a second look.

Now five years old, the EPL market is much more mature than it was even a year ago.

Since the beginning of the year, new insurers have entered the market, and many that have been in the market have broadened coverage.

Not only are premiums down, but many standard exclusions also are gone. As a result, more insurers are covering punitive damages and claims arising from company downsizing, intentional acts and retaliatory actions.

Greater awareness of employment practices risks, more loss data and growing case law have led underwriters to offer enhanced EPL coverage.

Today, risk managers can buy as much as \$200 million in excess EPL coverage. Risk managers also can buy an EPL policy that includes coverage for discrimination and harassment claims brought by clients or customers. In addition, many EPL insurers now offer a host of loss control services as a value-added benefit with the purchase of the policy.

"It's night and day in terms of coverage compared to a year ago," said Gerald L. Maatman, a labor attorney with Baker & McKenzie in Chicago.

Phillip N. Norton, managing director for Sedgwick Financial Risk Specialists in Chicago, said last year he couldn't even recommend an EPL policy to clients because the coverage was inadequate.

"Insurers are presenting a much better product with a better price and, with another year of adverse trend, it's a triple combination," he said. "I feel good about selling it today."

This is good news for risk managers, considering the fast pace of employment practice liability litigation occurring nationwide. One need only mention the name Texaco Inc. to remember the \$176.1 million it paid to settle a class-action race-discrimination suit late last year.

According to the Equal Employment Opportunity Commission, 77,990 complaints were filed with the federal agency in fiscal year 1996. Of the total, race discrimination complaints represent the largest portion, with 26,287 complaints filed in fiscal 1996.

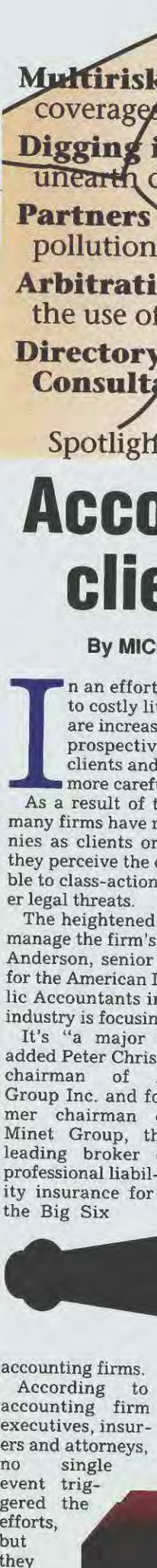
Because employment-related lawsuits tend to be high-frequency and high-severity cases, and because EPL coverage is now broader and cheaper, it is only a matter of time before more risk managers jump on the EPL bandwagon, experts say.

"Risk managers are more willing in 1997 to actually explore the coverage with management and involve human resources and general counsel in the process," noted Bob Redman, managing director with J&H Marsh & McLennan Inc. in New York.

"In the past, I always knew (EPL) was out there, but it was expensive and didn't buy you much," said Lisa Dickson, vp-risk and loss control for restaurant holding company Brinker International Inc. in Dallas.

"The main drawback was always the limits," she said. "I'm mainly concerned with class actions, so I need more than \$5 million to \$10 million."

Over the past year, companies have taken another look at EPL because See EPL on page 12



Pollution

Continued from page 3

looking at divesting themselves of non-performing assets—specifically environmentally impaired property that they're now carrying as a liability," Mr. Theiss said. That translates into a dramatic increase in the transfer of those environmentally impaired sites.

Joseph L. Boren, president and chief operating officer of AIG Environmental, formerly Commerce & Industry Co., in New York, noted that changes in state regulations aimed at encouraging property cleanups have been another factor spurring the interest in remediating environmentally impaired property.

At least 36 states offer voluntary cleanup programs, he said, providing property owners such

inducements as covenants that the state won't sue those undertaking voluntary cleanups.

"As they do that, the property owner has been looking at the one other thing that has been an uncertainty," he said. "There was always the sense of 'How can I guarantee what my cleanup costs are actually going to be?' and this sort of coverage sort of plays into that."

AIG offers a cleanup cost cap product to address that concern, as do the other major players in environmental insurance: ECS, a unit of Reliance Insurance Group; and Zurich-American Insurance Co.

Essentially the stop-loss coverages are based on an agreed-upon scope of work with an associated cost estimate. The coverage then pays for any overruns on that cost beyond a self-insured retention up

to a designated limit.

"The key is there has to be a scope of work," Mr. Werner said.

New York-based broker J&H Marsh & McLennan Inc. has crafted a similar program called Envirocap to cover cleanup cost

These products may help put fences around liabilities for transaction-oriented companies, says Richard Inerra.

overruns.

"We work with our clients to understand the scope of the contamination problem," said Ana Maria Zalles-Moore, head of J&H/M&M's global brokering en-

vironmental unit in New York.

After staff experts in environmental site assessment and remediation planning consider the customer's needs, the broker structures an insurance program.

"Most of the situations are different, so we will customize a program with the intention of capping that remediation cost," Ms. Zalles-Moore said. Then J&H/M&M does "traditional brokering," she said, going to the market to find an insurer that fits that approach.

The insurer ultimately could be one of the big writers of environmental coverage, such as AIG, Zurich or ECS/Reliance, "but there might be other carriers, too, smaller carriers that have developed niche specialties," she said.

After regulators are satisfied that decontamination or remediation has been completed, those

regulators typically will issue a "no further action letter" or similar document, Mr. Theiss said.

"Once that is done, we can then sit down with the underwriter and develop a really meaningful insurance policy that will cover any ongoing pollution liability," he said.

For example, if a "hot spot" missed in the original cleanup is discovered during the policy period, those policies would cover any related liability.

Likewise, any liability for contamination at the site resulting from the ongoing operation of that property would be covered, as would migration of contamination onto or off of the property, bodily injury, property damage, legal expenses and cleanup.

AIG, ECS/Reliance and Zurich all offer such coverages. The policies also can include property owners' deep-pocket tenants as additional insureds "to preclude any environmental liability once they sign that lease," Mr. Theiss said.

See Pollution on page 6

ENVIRONMENTAL LIABILITY INSURANCE

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Spotlight report

Pollution

Continued from page 4

AIG's policy, for example, covers a gamut of exposures, including cleanup, third-party liability and transportation liability. The insurer also is adding first-party business interruption and diminution in value to the package.

"Often properties that are cleaned up still have a stigma attached to them," causing their value to decrease, said Kenneth B. Cornell, a vp at AIG Environmental. The diminution-in-value cover would insure

against those decreases.

ECS/Reliance recently announced a policy that combines under one form the remedial action cost cap plus coverage for any liabilities once remediation is completed, Mr. Theiss said.

ECS/Reliance's Commercial Property Redevelopment policy provides onsite and offsite coverage for third-party bodily injury and property damage claims, covers remediation expenses, defense expenses and offers stop-loss protections for cleanup costs exceeding an agreed-upon estimate.

"That is a policy that we've done

very well with, and that is a policy that comes into play a lot with the Brownfields sites," according to Mr. Britt.

"Another thing we have the ability to do is provide business interruption coverage if that business interruption is due to an environmental issue," he said.

Coverage for environmentally related business interruption can be obtained separately, Mr. Theiss said, but as with cleanup cost cap and post-remediation coverages, it's very project-specific.

And, he noted, in a case where business is interrupted by delays in

the remediation process, "just because a contractor is behind on a project doesn't mean it's an environmental issue. That's a traditional contractor issue."

J&H/M&M also has developed a post-remediation program "designed to provide the site owner with protection for all the risks that are created by all the parties that go to a site when that site needs to be cleaned up," Ms. Zalles-Moore said.

For example, it provides pollution liability, general liability, contractors liability and transportation liability aimed at covering such issues as errors in specifications by environmen-

tal consultants involved in the remediation, errors by the contractor doing the cleanup or spills by those transporting any contaminated material that might create vicarious liability for the property owner, she said.

"Traditionally these have all been provided under separate policies," Ms. Zalles-Moore said. "What we've done is consolidate them under one program. The approach of consolidating coverages under one program reduces insurance expense."

Once again, after the program is crafted for the client, J&H/M&M shops it to the market.

Mr. Theiss also noted that some coverages insure exposures related to contractors working on a formerly environmentally impaired site.

"General trade contractors normally don't have pollution insurance," he said. "So, as a result, the exposure is bare." The response has been the development of wrap-up or owner-controlled programs that will provide pollution liability and errors and omissions coverages for contractors.

"Reliance, Zurich and AIG all have programs that can be structured in that fashion," Mr. Theiss said.

Coverage can be achieved through endorsements to general liability policies in some cases.

"It depends upon the project. If the primary exposure is a time-element exposure, if it's a sudden and accidental exposure, then there are several endorsements to the GL that can cover that," Mr. Theiss said. The specialty products are more commonly required in cases of pre-existing or gradually occurring pollution, however.

Insurers offer various programs combining general liability coverage with pollution coverages, a move some observers expect to develop as a trend among casualty companies.

AIG, for example, offers a program that provides full pollution coverage by combining a general liability form with site-specific environmental coverage, including products pollution liability, said Shaun E. Kelly, a vp at AIG Environmental.

Another program combines general liability, contractor liability and professional liability forms under a single liability limit. AIG is targeting this approach to midsize and smaller clients, but it even has attracted some larger clients, Mr. Kelly said.

"They like the ease of having the entire range of coverages in one form," he said.

The usefulness of the remediation cost cap and post-remediation programs "sort of depends on the company, I suppose," said Richard M. Inserra, assistant treasurer-risk management and insurance at Union Carbide Corp. in Danbury, Conn.

"If you're a transaction-oriented company interested in acquisitions or divestitures, these products may play a role in putting fences around liability," Mr. Inserra said. "From an ongoing company perspective, I don't know if there is that much value there."

That latter group of companies' concerns are based more in sudden and accidental environmental exposures, he said.

"But supposedly there have been some new things offered we're going to take a look at when the time allows. There are some policies that combine some of the elements of the sudden and accidental with some of the aspects of gradual pollution," said Mr. Inserra.

While insurers' development of new pollution coverages is a response to customers' specific needs, like most everything else in today's insurance market, there's no denying the influence of tough competition.

"It's one more element that has to do with a soft market," said Mr. Inserra.

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Opinions

Task force a bright spot

WORD THAT the Clinton administration has created an interagency task force charged with negotiating a product liability reform bill is the best news on the reform front for a long time.

After all, it was only a few weeks ago that Democratic members of the Senate Commerce, Science and Transportation Committee refused to support a reform bill similar to one that many of them had promoted vigorously in the last Congress.

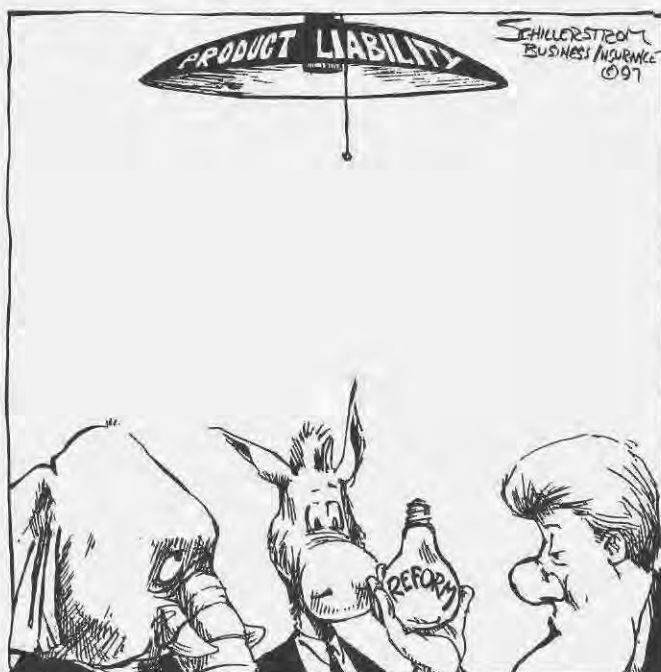
The reason for the change of heart given by Sen. John D. Rockefeller IV, D-Va., and other erstwhile Democratic reform supporters was that not enough changes had been made to meet White House objections. The catch was that nobody could say exactly what all the objections were.

We hope that by naming a negotiating team—which includes Bruce Lindsay, President Clinton's close friend and deputy counsel, and Kathleen Wallman, chief of staff of the National Economic Council, as well as representatives of the Commerce and Justice departments and the Small Business Administration—we'll soon learn exactly what the White House wants (*BI*, June 2).

That's critical in terms of timing. The Senate Republican leadership wants to move quickly on reform legislation. In fact, floor debate over the bill approved by the Commerce, Science and Transportation Committee could begin as early as this week, with a vote coming before the end of the month.

Swift Senate action could spur the House into action as well. Although the House Judiciary Committee has held hearings on the issue, little else has happened on that side of Capitol Hill thus far this congressional session.

We sincerely hope that by naming a task force—even an informal one—the administration is finally signaling a willingness to make a good faith effort to accomplish what it has claimed to have wanted for a long time: enactment of balanced product liability reform.



That's a goal we share, and one risk managers and the business community as a whole have been pursuing since 1981.

Reform isn't—and shouldn't be—a politically partisan issue, as evidenced by the presence of such liberal lawmakers as Sen. Rockefeller and Rep. John D. Dingell, D-Mich., in the forefront of reform efforts for many years. The task force could serve to eliminate some of the political partisanship that has distorted the debate this year.

Provided that the task force doesn't prove to be a stalling tactic for the White House to drag out the negotiation process to the point that action is impossible during the current congressional session—and we ought to know relatively quickly if that's the case—reform proponents should view its creation as the best hope in a long time of finally enacting meaningful and long-overdue reform legislation.

Letters

Environmental lessons learned

To the editor: Why are some members of the insurance industry spinning their wheels on developing "solutions" for problems already carefully answered?

While the Insurance Services Office's recent announcement of three endorsements to the absolute pollution exclusion in the general liability policy (*BI*, May 19) may help businesses with the most minimal environmental risks, these endorsements certainly don't provide the answers to most businesses' environmental exposures.

In light of the current availability and affordability of pollution insurance coverage, what kind of service are we delivering as an industry if we leave our customers in the vast "gray area" of pollution protection that the CGL policy has to offer?

The industry learned a long time ago that environmental risk could not be written like other business risks. Because of this difference, the environmental insurance industry is committed to delivering the proper environmental expertise and the highest quality service to its cus-

tomers. It's a service commitment that has required delivering the environmental risk management expertise with professionals who can properly underwrite environmental risks as well as developing the insurance programs that meet the needs of individual industries at affordable premiums. With these programs often comes the environmental claims management expertise needed to service the client should an environmental incident occur.

Over the past two decades, environmental insurance has developed from a specialty niche market predominantly serving environmental companies to an increasingly important aspect of an overall insurance and risk management portfolio for all kinds of businesses worldwide.

According to a recently released ECS Underwriting report, the estimated premium growth for the environmental insurance market has increased more than tenfold, from \$75 million in 1985 to between \$800 and \$900 million in 1995, and should continue to grow over the next 10 years. Certainly, that kind of growth rate is tes-

timony to the effectiveness of the market's ability to insure environmental risks.

Overall, what has the insurance industry to gain from offering a partial—to say the least—pollution policy under the CGL policy? It certainly doesn't serve the insurance industry to subject our capital to a new wave of inadequately underwritten environmental exposures. Nor will it be considered a value-added service when policyholders covered by these new endorsements find themselves in courts fighting their insurance companies for pollution coverage to which they thought they were entitled.

We've been there. We've done that. And I thought the industry learned a valuable yet expensive lesson from past mistakes in underwriting environmental risks. The end result of which is an insurance industry equipped and qualified to manage the environmental risks of all businesses.

Mark Vuono
Executive VP
ECS Underwriting Inc.
Exton, Pa.

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Accounting

Continued from page 3

chip companies are the safest to audit, but the firm has long believed in pursuing new, smaller companies.

These smaller, less established companies, however, represent greater risks to their auditors. To minimize the risks, Mr. Frank said Price Waterhouse examines the company's financial statements, talks to its officers and top employees, looks at its products and investigates the company's willingness to invest in its infrastructure.

The firm also looks at the potential client's business. Price Waterhouse specializes in certain industries, and for companies outside its area of expertise, the firm applies an extra degree of scrutiny. If needed, the firm will add auditors who specialize in

that field to make a proper risk evaluation. Unless Price Waterhouse is willing to commit the required resources and expertise to an account, that client will not be in the portfolio, Mr. Frank said.

As Coopers & Lybrand does, Price Waterhouse also considers in its risk assessment for taking on new clients whether previous accountants dropped a company. "That would be a major signal to us not to deal with them," Mr. Frank said. Price Waterhouse also examines whether a prospective client has filed for bankruptcy protection or been flagged for any SEC violations, he added.

The primary goal of the accounting firms is to reduce liability, primarily from shareholder suits. Often, when a company files for bankruptcy or suffers a financial setback, shareholders or lenders bring suit

not only against the company but also the firm that audited the failed company's books.

In the past few years, the number of suits against accounting firms has

problems, leading to more dismissals of suits and fewer verdicts.

Recent research backs up his conclusions. A study released in April by the Securities and Exchange

Companies that have been dropped by accountants, filed bankruptcy or been cited for SEC violations may find auditors uninterested in taking them on as clients.

dropped, Mr. Frank said. The strong economy, with fewer business failures, is one reason. Also, Mr. Frank said, courts and juries now are more understanding that auditors are not to blame for a company's financial

Commission looked at the effects of the Securities Litigation Reform Act of 1995 and concluded that accountants are named less frequently in suits. The study says that of the 109 class-action suits filed under the

new law, only six have named accounting firms. Figures for years prior to enactment of the law are not available, but the study states that from 1990 to 1992, the Big Six accounting firms settled a total of 111 securities suits.

Another aspect of the 1995 law that helps accounting firms is the elimination of joint and several liability. Under that doctrine, the accounting firm could be held liable for the entire judgment, even if the firm was found responsible only for part. Without joint and several liability, accounting firms now are responsible only for their proportion of any verdict or settlement.

"I think that as the post-1995 suits start to work their way through the judicial process, you will see that the changes in the law on proportional responsibility will operate to benefit the accounting firms," said Phil Brown, an attorney with Vorys, Sater, Seymour & Pease in Columbus, Ohio, who represents accounting firms in shareholder suits.

For plaintiffs, bringing the big accounting firms into the suit pays. When an accounting firm is named as a co-defendant, the settlement value of the case increased by 75%, according to a 1996 study by National Economic Research Associates. The study by the White Plains, N.Y., consulting economics firm examined settlements from 1991 to mid-1996.

An example of how an accounting firm can be hurt by an auditing client recently took place. In May, the accounting firm of BDO Seidman paid \$8 million as its share of a \$35 million settlement in a class-action suit against The Leslie Fay Cos. Inc.

In 1993, Leslie Fay announced "accounting irregularities" and restated its earnings from 1991 and 1992 to show a loss rather than a profit. Shareholder suits rapidly followed, and the company filed for bankruptcy in April of that year. Because of its position as Leslie Fay's accountant, BDO Seidman was named as a co-defendant, resulting in its multimillion-dollar settlement.

Other recent hits accounting firms have taken for their auditing practices include a \$65 million settlement agreed to by Deloitte & Touche L.L.P. in 1996 (*BI*, April 29, 1996), and an \$81.3 million verdict against Deloitte in 1995 (*BI*, March 13, 1995). Coopers & Lybrand paid \$68 million last year to settle litigation arising out of its auditing of Macmillan Inc. (*BI*, Aug. 26, 1996).

Besides looking at reducing suits, the accounting firms want to obtain more professional liability coverage at lower prices.

The Big Six firms have high self-insured retentions mainly because of a shortage of capacity as insurers backed out of the market because of high losses, said Aon's Mr. Christie.

"We're basically self-insured," Price Waterhouse's Mr. Frank said. He would not specifically discuss the firm's professional liability coverage.

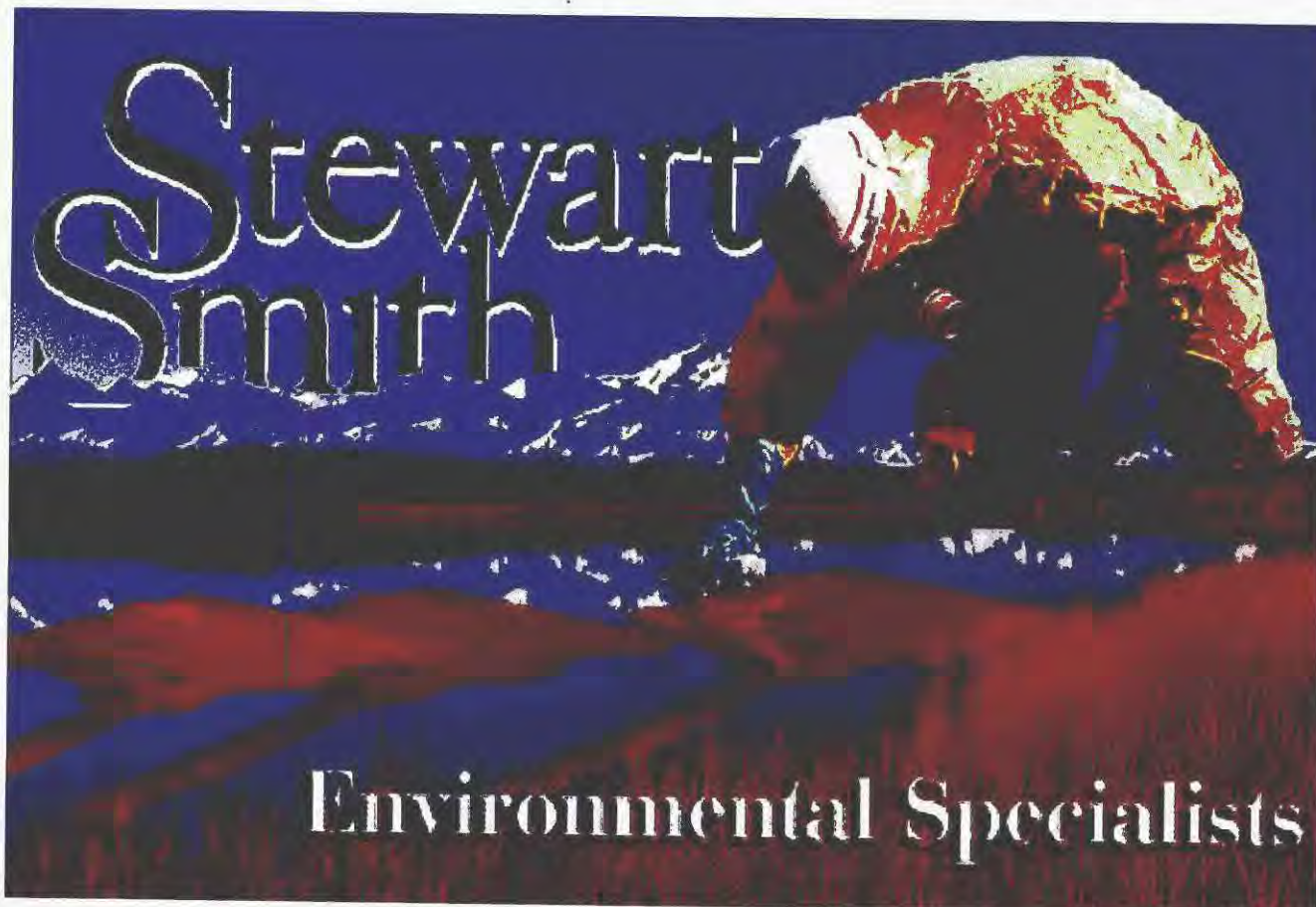
The increased scrutiny has not existed long enough to have a significant impact on coverage availability, both insurers and the firms said, but it's a move in the right direction.

Because of their efforts, accounting firms are "beginning to see the fruits of that in both reduced losses and increased insurer interest," Mr. Christie said.

"It's a major factor in avoiding litigation, and that in turn is a major factor in the availability of insurance," he added.

Mr. Doyle of National Union said the additional scrutiny is good but cautioned he does not foresee a change in the insurance situation "unless we see a turnaround in loss experience." **BI**

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¹HCIA, a healthcare information company and William Mercer, a human resources management consulting firm, cooperatively published a 1996 study: "100 Top Hospitals: Benchmarks for Success."

Spotlight report

EPL

Continued from page 3

the market is changing so quickly, she said. But while the coverage has moved to Ms. Dickson's list of annual policy reviews from review every three years, "we're still not there yet" in terms of buying, she said.

Said Jeffrey W. Pettegrew, vp-risk management and insurance for Western Staff Services Inc. in Walnut Creek, Calif.: "We're taking a look at (EPL) coverage forms because it seems to be dropping in price. But we've not made a decision yet."

EPL experts say that unlike other insurance policies, there is no standard employment practices liability policy. While all the policies cover liability for employment discrimination, harassment and wrongful termination, other named perils and other value-added services provided vary among insurers.

Overall, "insurers are becoming more willing to be creative in the way they write the policies. They are more responsive to the need of the customers," noted Mr. Maatman of Baker & McKenzie.

For many retail clients that want coverage for claims arising from cus-

tomers or clients, National Union Fire Insurance Co. of Pittsburgh, Pa., has the answer. The New York-based unit of American International Group Inc. enhanced its EPL policy in April. Among many of the new features is coverage for discrimination and sexual harassment claims brought by third parties other than employees.

"This exposure to customers or clients is a growing exposure for corporate America," said Ty R. Sagalow, senior vp and chief underwriting officer of the management liability division of National Union.

While previously National Union's coverage applied to the company; di-

rectors and officers; and employees, including part-time workers, this new policy also covers leased individuals and independent contractors.

The policy covers retaliation claims in connection with strikes and lockouts, and punitive damages, where insurable, by endorsement.

National Union writes primary EPL coverage with a \$50 million limit. Premiums vary, and deductibles begin at \$25,000.

National Union also developed a host of new loss control and risk management services to help employers reduce the risk of employment practice problems. While its sister compa-

ny, AIG unit Lexington Insurance Co., has yet to change its EPL policy, it also is offering the same type of loss control services.

"We are looking to provide value-added services to our insureds," said Karen A. Callanan, director of risk management employment practices for Boston-based Lexington.

Included in the new services is a toll-free number that Lexington clients can call with questions on risk management issues. The insurer also is offering employment practice audits, which analyze policies and procedures, identify deficiencies and provide recommendations. It is offering a coordinated national defense counsel to help policyholders with multiparty class-action suits and educational seminars.

Clients also get HR/COMPLY, a comprehensive electronic reference library designed to help employers perform self-audits to identify exposures. It also provides overviews of all employment, workplace and discrimination laws.

While National Union and Lexington offer the same services, Lexington has not changed its policy, which is written on a non-admitted basis.

"Lexington is contemplating some changes to its EPL policies," Ms. Callanan said. "It's our goal by July to have all changes completed and formalized." The surplus lines insurer's current policy has limits of \$50 million. The minimum premium is \$25,000, and the minimum deductible is \$5,000.

Chubb & Son Inc. recently enhanced its EPL policy form, said Jack Kuhn, a vp with the Warren, N.J.-based insurer.

Chubb deleted its financial impairment exclusion, which had denied coverage if a company went into bankruptcy for any EPL claims that arose due to the bankruptcy, Mr. Kuhn said.

In addition, Chubb deleted its "purposeful violation" exclusion, which excluded coverage for violations of statutes such as the Americans with Disabilities Act.

Chubb also deleted an exclusion for mental anguish and now will cover claims arising from mental anguish, emotional distress and humiliation.

The insurer has narrowed the scope of a variety of other exclusions found in its prior policy.

The policy covers retaliatory actions and can be endorsed to cover punitive damages in states where they are insurable, Mr. Kuhn said.

Chubb will write EPL coverage worldwide with up to \$50 million in limits. The minimum deductible is \$25,000; premiums vary.

For risk managers seeking high excess coverage, Hamilton, Bermuda-based X.L. Insurance Co. Ltd. in April introduced additional EPL policy limits.

Because punitive damages are such a large concern, "some of the larger corporations have requested larger limits," said Jim Ansaldo, senior vp.

X.L.'s standard EPL policy offers up to \$100 million in limits excess of \$1 million. While premiums vary, Mr. Ansaldo said he has yet to write a \$100 million policy for less than \$250,000.

If the client has purchased X.L.'s EPL coverage and has purchased X.L.'s umbrella liability policy, X.L. will write an endorsement for an additional \$100 million in EPL coverage as a rider on the umbrella program, Mr. Ansaldo explained. That brings the EPL limits to \$200 million.

The Bermuda-based insurer also has "taken a little more aggressive posture in pricing the product," he said.

X.L. has lowered the ratio on its premium formula for non-U.S. employees. For multinational companies with employees overseas, that means lower premiums.

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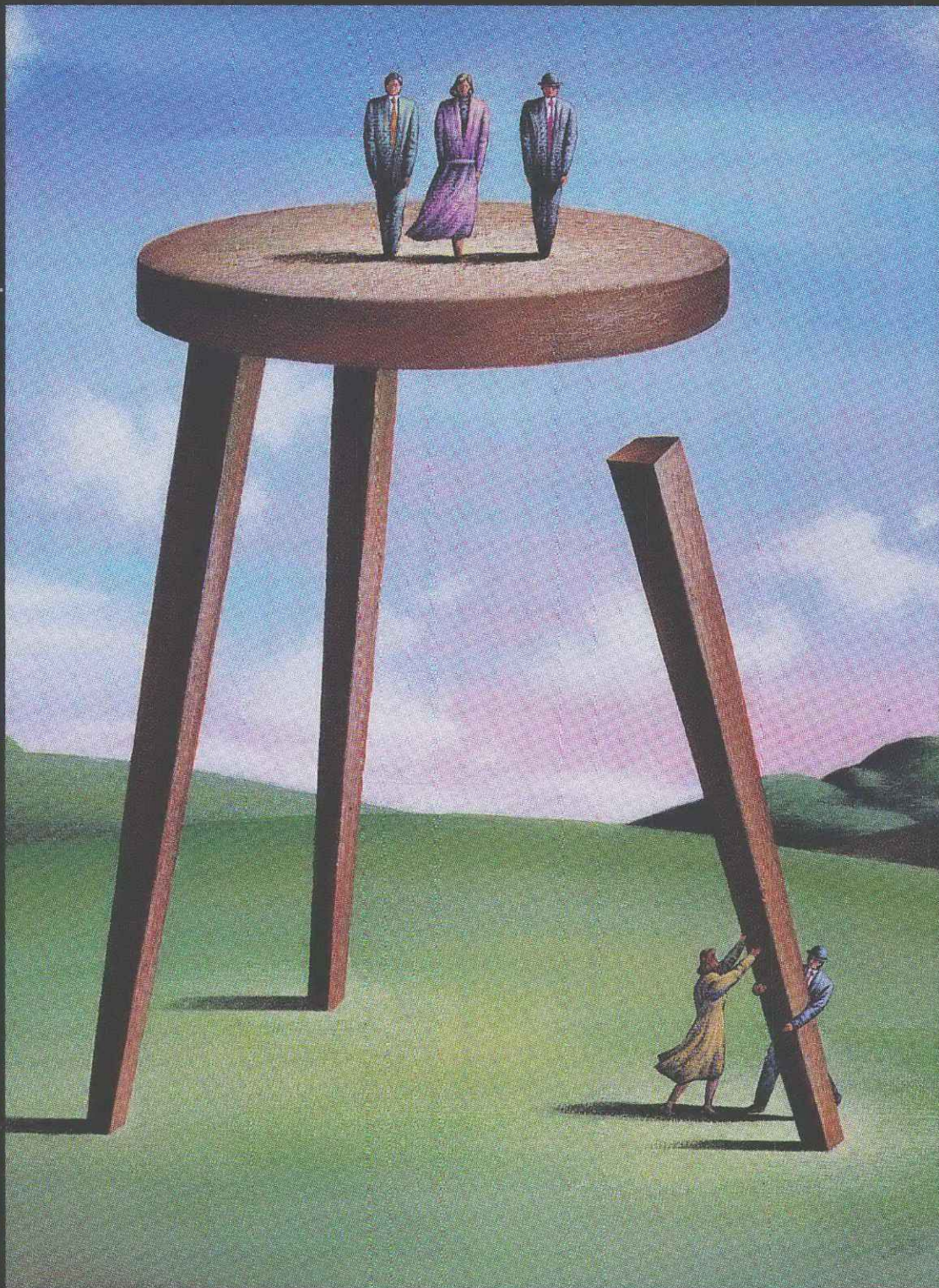
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Spotlight report

EPL

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X.L.'s worldwide policy will cover punitive damages and claims arising from acquisitions and downsizing. The policy does not cover intentional acts made by an individual, but it will cover the corporation.

"We are inundated with meetings with corporations to discuss the coverage," Mr. Ansaldi said. EPL is "certainly on the tips of tongues of many risk managers."

While many insurers are enhancing their existing policies, other insurers

are entering the EPL arena for the first time. Two of the largest new entrants are Kemper Insurance Cos. and Travelers Property Casualty Corp.

Kemper last month unveiled its EPL policy, which is now available in 38 states. Forms are pending in the other states. Kemper is targeting employers with fewer than 100 employees but will talk to larger employers, said Bill Sobolak, product development consultant the Long Grove, Ill.-based insurer. The claims-made policy has limits up to \$5 million, with a \$5,000 deductible. The minimum premium is \$400 for \$100,000 in limits for employers with fewer than 24 em-

ployees, he said.

Kemper is offering 30 minutes of free legal advice and newsletters on employment practices with the purchase of its EPL policy, Mr. Sobolak said. Seminars also are available for a fee. The policy covers a broad spectrum of discrimination and harassment claims, including those due to prior arrest records, military service and immigration status. The policy excludes punitive damages.

Travelers hopes to begin underwriting its new stand-alone EPL policy by mid-June, said Susan Drake, senior vp of Travelers' bond operation in Hartford, Conn.

The claims-made policy has aggregate limits of up to \$25 million. The minimum premium is \$2,500, and the minimum deductible is \$5,000.

The policy targets employers with 100 to 2,000 employees.

Travelers' policy covers claims arising from intentional acts and claims arising from downsizing. The policy will cover punitive damages in states where permitted.

Travelers also is providing EPL clients with a quarterly newsletter and a package of information to conduct their own training and to educate themselves to identify incorrect workplace practices. **BI**

Multiyear, multiline policies simplifying renewals

By GAVIN SOUTER

Longthly annual renewal negotiations for specialty risks are becoming a thing of the past for some risk managers.

Instead of buying numerous policies with different limits every year, more risk managers are buying multiyear, multiline, single-aggregate policies from a few insurers that increasingly are willing to offer the more flexible coverages.

Several policyholders, including General Electric Co. and First Data Corp., are taking advantage of that flexibility to cover their specialty risks.

Unlike earlier versions, the new breed of integrated policies is less likely to disappear after a market turn because the policies are offered by a few large insurers not reliant on reinsurance, according to brokers and insurers.

By using single policies to provide long-term coverage for several types of risks, policyholders are able to dispense with time-consuming annual renewals, achieve significant cost savings and make more efficient use of insurers' capacity, said Michael P. Hammond, managing director of Sedgwick Global, a unit of broker Sedgwick Group P.L.C. in New York.

"These deals are very attractive because the frictional costs of doing business are significantly reduced," he said.

Before the combined policies were introduced, risk managers may have had to rely on 10 to 30 insurers to cover all of their risks, Mr. Hammond said.

"Now they can deal with two or three," he said.

And more risk managers are choosing this route, Mr. Hammond said. "These deals are getting done, and they are getting done considerably more frequently than they were 12 months ago," he said.

Part of the impetus behind the increase in integrated policies is insurers' willingness to cover a wider variety of risks than when they started writing large-capacity multiyear, multiline, combined-aggregate programs two to three years ago, Mr. Hammond said.

Rather than simply writing mainstream property and casualty business under the policies, insurers now also will consider specialty risks, such as directors and officers liability, political risk and even some not traditionally covered by insurance, such as exchange rate risks, he said.

Insurers are more willing to be flexible with the deals and write specialty risks under the new policies, agreed Robert J. Cooney, president and chief operating officer of X.L. Insurance Co. Ltd. in Bermuda.

X.L. set up a facility called Risk Solutions with CIGNA Property & Casualty Insurance Co. in 1996 to offer large-limit, multiyear, combined-aggregate policies to cover property and casualty risks. When it was launched, Risk Solutions provided up to \$400 million in annual limits excess of a large self-insured retention, and it

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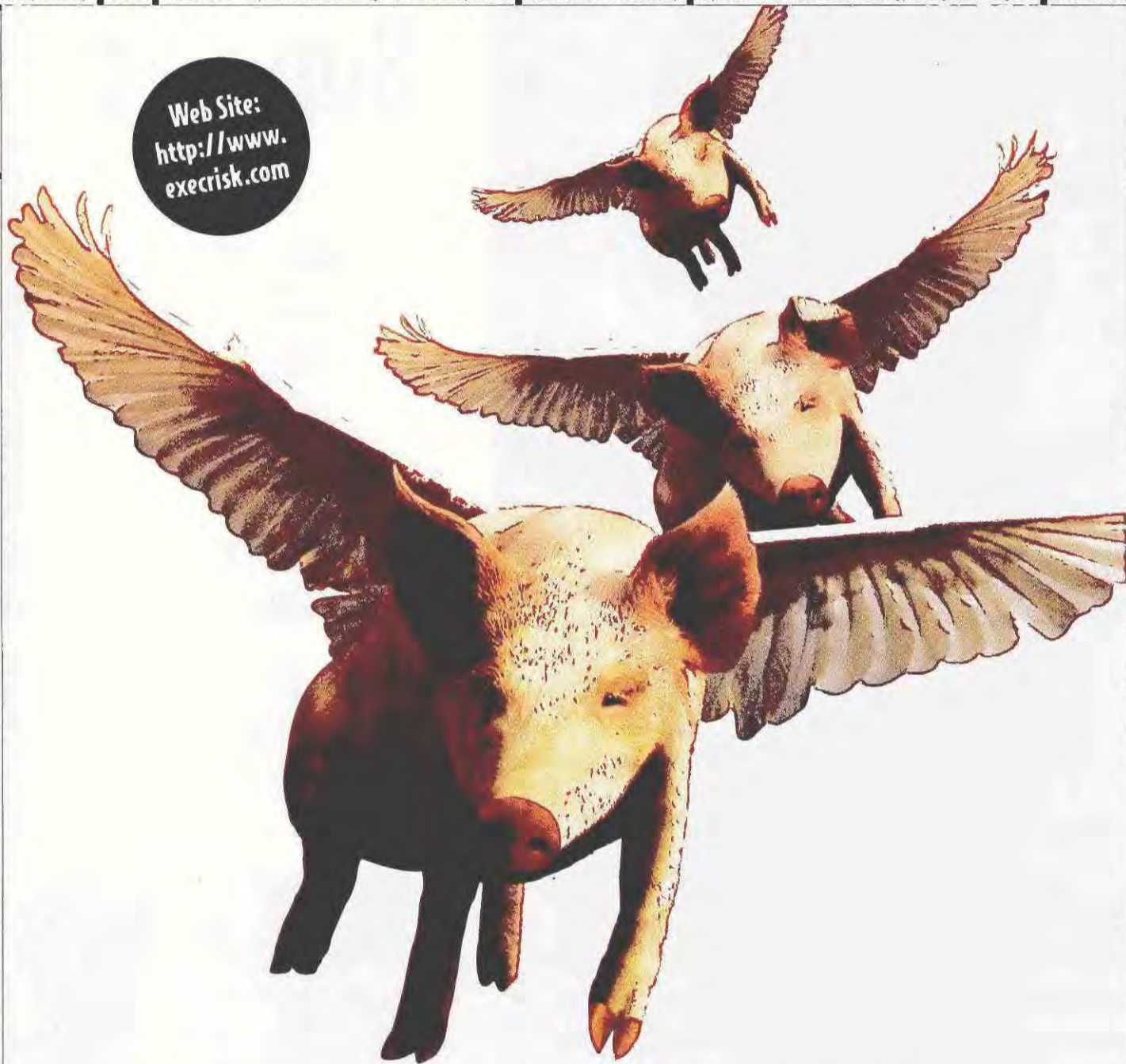
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Spotlight report

Multiyear

Continued from page 14

only covered mainstream risks.

Now, Risk Solutions provides \$600 million in overall coverage, and it can cover specialty risks. The specialty risks carry a sublimit of \$60 million, Mr. Cooney said. And the minimum attachment point was reduced to \$1 million.

Policyholders welcomed the expansion, he said. "Of our eight or nine Risk Solutions clients, one or two had three or four coverages, and the rest have five, six or even seven or eight coverages," Mr. Cooney said.

Of the specialty risks, the most popular to be covered are D&O, employment practices liability, crime and fiduciary liability, he said.

Risk Solutions has about a dozen more clients that have single lines covered under the program but in-

tend to include other coverages as they are renewed, Mr. Cooney said.

Other insurers that are offering the new combined coverages also are providing expansive coverage, said Robert Mathis, vp of underwriting in the integrated products department of Zurich-American Insurance Group in New York.

In June 1996, Zurich started offering \$85 million in annual limits for multiline, combined-aggregate coverages for policy terms of up to five years, he said. The minimum attachment point varies by industry, but some of the eight Zurich policies written have attached below \$1 million, Mr. Mathis said.

The policies typically are based on excess liability coverage with specialty coverage added.

Coverage can include property, D&O, professional liability, employment practices liability and environmental coverages, he said. "Basically,

they can cover any line which Zurich operations write," Mr. Mathis said.

Most of the integrated policies Zurich writes only involve a handful

'Once insureds get a taste of the concept, it will be here to stay,' says First Data Corp.'s Michael Eremchuk.

of other insurers also offering high net capacity, he said.

Some clients have only used Zurich's capacity, but some clients that are trying to put together integrated programs up to \$1 billion are seeking to utilize most of the available integrated capacity in the market, Mr. Mathis said.

One of the risks of the programs is that the combined-aggregate limit could be exceeded if two or more lines of coverage suffered large losses within a single year.

However, this problem usually is overcome by including a reinstatement option in the policy, said Anthony Gagliardi, a senior client executive in the financial and professional department of J&H Marsh & McLennan Inc. The option allows a policyholder that has suffered a loss that exceeds the limits to buy an additional limit.

None of J&H/M&M's clients has had a problem with exceeding the annual aggregate yet. "And we don't anticipate it," he said.

One of the main attractions of the integrated policies is they use available capacity to cover several lines unlikely to suffer large losses in a single year, he said.

Policyholders that might suffer losses that would exceed the com-

bined aggregate and a reinstatement might find it difficult to obtain the coverage, said Mr. Hammond of Sedgwick.

"And if you have two limit losses over a three-year period, you've got more problems in your organization than worrying about your third year's insurance," he said.

Policyholders likely will have less reason to worry about the new integrated capacity drying up if the insurance market becomes less competitive, said Mr. Hammond.

While the integrated risk market that started in the early 1980s did disappear when the market hardened, that was mainly due to the absence of reinsurance, he said. The new products largely do not rely on reinsurance.

Also, risk managers now take a broader view of risks, and integrated policies are a much more efficient way to cover the broad spectrum of risks, said Mr. Gagliardi.

Multiyear combined-aggregate policies likely will take hold and become popular with many risk managers, said Michael Eremchuk, risk manager at First Data Corp. in Atlanta.

"As more insureds try to gain control of their programs and to maximize efficiencies, they will look beyond the traditional annual time frames of insurance policies," he said.

If insurers stop offering the coverages, policyholders will turn to the alternative market or reinsurers to buy the coverage, Mr. Eremchuk said.

"I think the insurers will continue to offer the coverage, but if they don't, then we may have to go to captives or reinsurers. Whatever happens, once insureds get a taste of the concept, it will be here to stay," he said.

First Data set up its multiyear, multiline, single-aggregate coverage in March. Mr. Eremchuk opted for the coverage after seeing how well it worked for his previous company, NationsBank Corp. in Charlotte, N.C.

The coverage was placed by J&H/M&M and is split into three layers, with CNA Insurance Cos. covering the primary layer and Chubb Corp. and Gulf Insurance, a unit of The Travelers Group, participating. It covers D&O, fiduciary liability and crime exposures, Mr. Eremchuk said.

Previously, First Data had three separate policies with varying limits. The combined policy provides one limit for D&O and crime coverage and a sublimit for fiduciary liability.

Mr. Eremchuk would not reveal the limits under the policy, but under the combined coverage the D&O limit increased by 87.5%; the crime limit increased by 50%; and the fiduciary liability limit increased by 100%.

First Data bought additional side A D&O coverage, which covers the individual liability of directors and officers, under a separate policy. The company also has \$25 million of side B coverage in the multiline policy that attaches as excess coverage for the side A policy, Mr. Eremchuk said.

The \$1 million deductible was an increase on the prior fiduciary liability deductible but the same as the previous deductible under the old D&O and crime policies, he said.

The policy has a three-year term and contains a reinstatement option.

One of the main benefits of the combined program is the reduction in premium, he said. He estimates that on a discounted basis, First Data will save between 30% and 40% on the previous three premiums it paid.

And the combined coverage is a more efficient way to buy coverage for exposures that suffer losses infrequently, Mr. Eremchuk said.

"It gives us the kinds of limits we need for serious exposures without forcing us to buy separate limits," he said.

General Electric Co. is another policyholder that sees an attraction in

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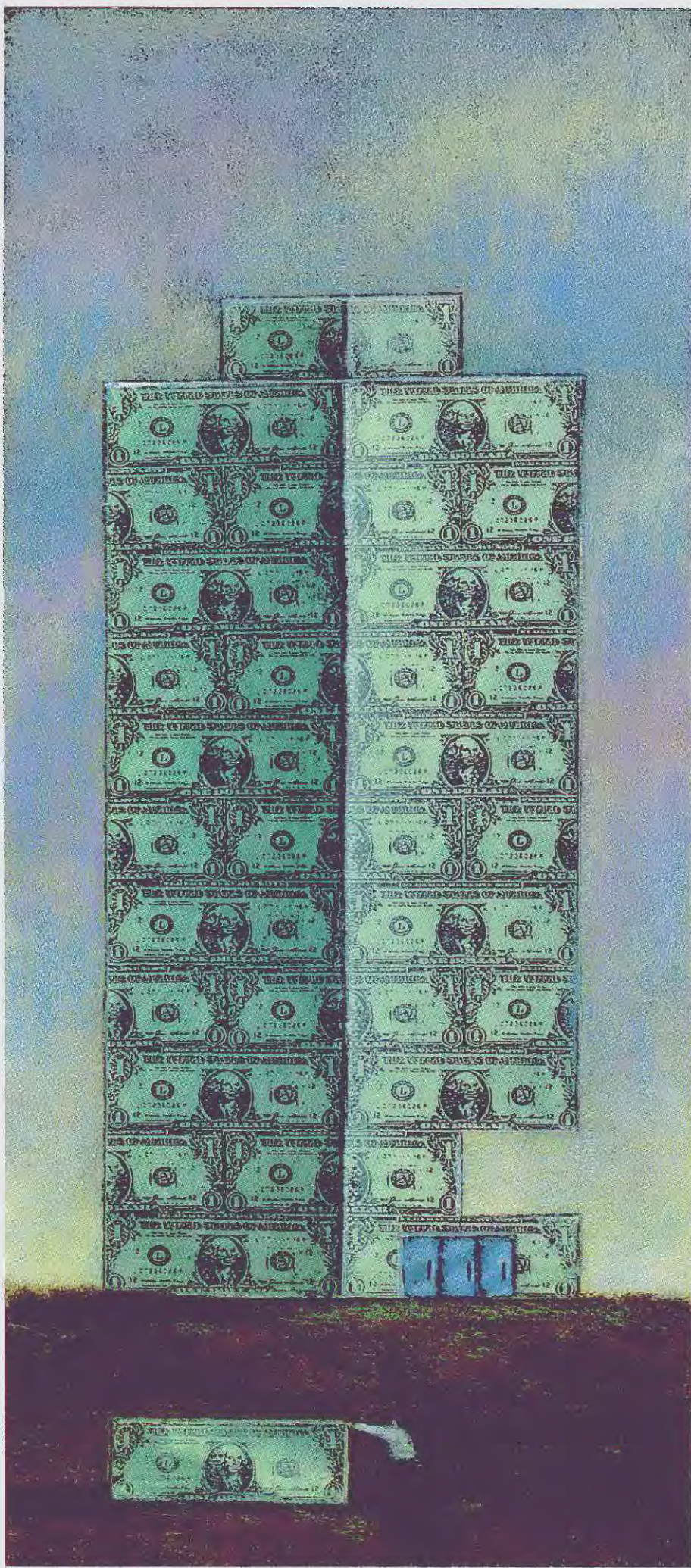
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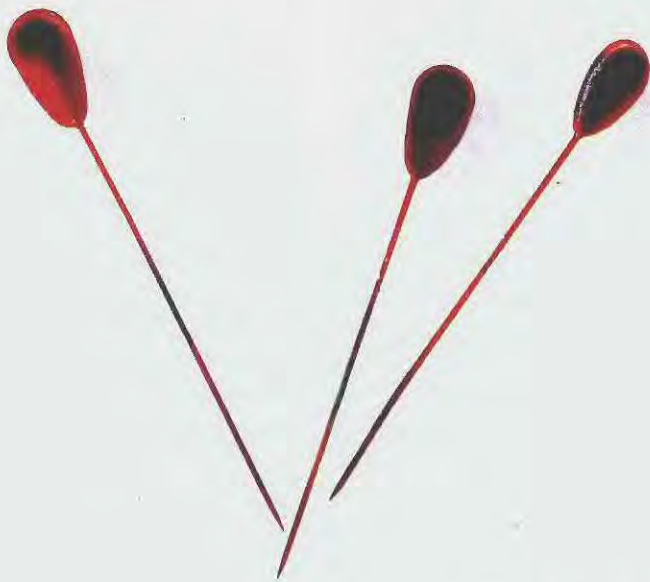
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Partnership seeks to link profits, pollution prevention

Projects aim to see if environmental management systems offer financial benefits

By JUDY GREENWALD

Pilot projects launched by the Merit Partnership for Pollution Prevention, a cooperative venture of public and private sectors, ultimately could result in significant economic benefits for businesses beyond insurance premium savings.

The purpose of Merit, launched by the U.S. Environmental Protection Agency in San Francisco in 1993, is to develop and promote pollution prevention practices and technologies that protect the environment as well as contribute to economic growth.

One of the key elements involved is a market-oriented, voluntary approach to environmental cleanup known as ISO 14000, which to date has been more widely accepted in Europe than in the United States. ISO 14000 is a series of environmental standards issued by the Geneva-based International Standards Organization (BI, Nov. 11, 1996).

The core of ISO 14000 is section 14001, which sets the standard for environmental management systems. These systems concern a company's management structure and how it addresses the impact of the company's products and services on the environment. Under section 14001, companies can receive certification as complying with the ISO standards.

The Merit Partnership programs include its EMS-Template project, which involves tailoring an existing EMS to the ISO 14001 standard at Los Angeles-based Northrop Grumman Corp.'s small 775-employee Hawthorne, Calif., electronics plant. The template developed at Northrop Grumman is expected to be implemented eventually at smaller defense manufacturing facilities and small businesses to determine whether this approach can help small businesses come into full regulatory compliance.

In addition, Merit's financial incentives projects are intended to explore whether companies can report various financial benefits as a result of having an EMS in place.

The common denominator of all Merit's programs is to find pollution prevention practices and techniques that not only are good for the environment but also make "good economic sense" in the real world, said Bonnie Barkett, Merit's project manager.

As part of this effort, "what we are doing is measuring and trying to develop projects that will help us understand better how environmental management systems work."

She cautioned, however: "One of the sets of guidelines we're using is the ISO standard for environmental management systems, but we're not in the business of promoting the ISO standard. We are trying to determine what the environmental and economic impacts of it may be."

One major focus is Merit's financial incentives project. The original intention was for this project to focus on insurance, said Donna Herrmann Sandidge, managing director of consultant Nashville, Tenn.-based Sedgwick Environmental Services, which is working closely with an American International Group Inc. unit, AIG Environmental.

Ironically, the soft insurance market presented a problem. "As we actually got into it, due to the fact the market for environmental coverages is so competitive right now, there was some reticence," because the

soft market could make it difficult to pin down how much of the credit for lower premiums could be attributed to a company's efforts to become ISO-certified.

As a result, said Ms. Sandidge, those involved in the pilot project decided to look at an EMS' overall financial impact, taking a "holistic approach," and examining the issue in its totality rather than just the insurance portion of it.

For instance, if an EMS prompts a company to use a less hazardous solvent with lower disposal costs, the savings there "could be a significant number to enhance the bottom line," said Ms. Sandidge.

The problem remains, though, that

when looking at financial incentives, there are many numbers to calculate, and it is hard to say whether a cost reduction is because of a situation an EMS has improved or if there are "other things going on," Ms. Sandidge said.

Pilot project planners decided that the best approach may be to study specific financial performance indicators, Ms. Sandidge said. These are being developed right now, said Ms. Sandidge, who noted the project is now talking with a few companies about participating in a demonstration project.

Once a company is selected, said Ms. Sandidge, it probably will take 18 to 20 months to implement an

EMS at that particular company and "to get a true read" of its impact. "You need at least 18 months to get into a place and see what's happening in the whole system, the whole process," she said.

With regard to the Northrop Grumman project, Ms. Barkett said that the Merit Partnership always has worked closely with the company, and "this particular facility in north L.A. was already pretty far along the way to having a pretty high-functioning EMS and being in conformance with the ISO standard."

Although the facility is slated to be closed at the end of this year, Merit decided to see if a template

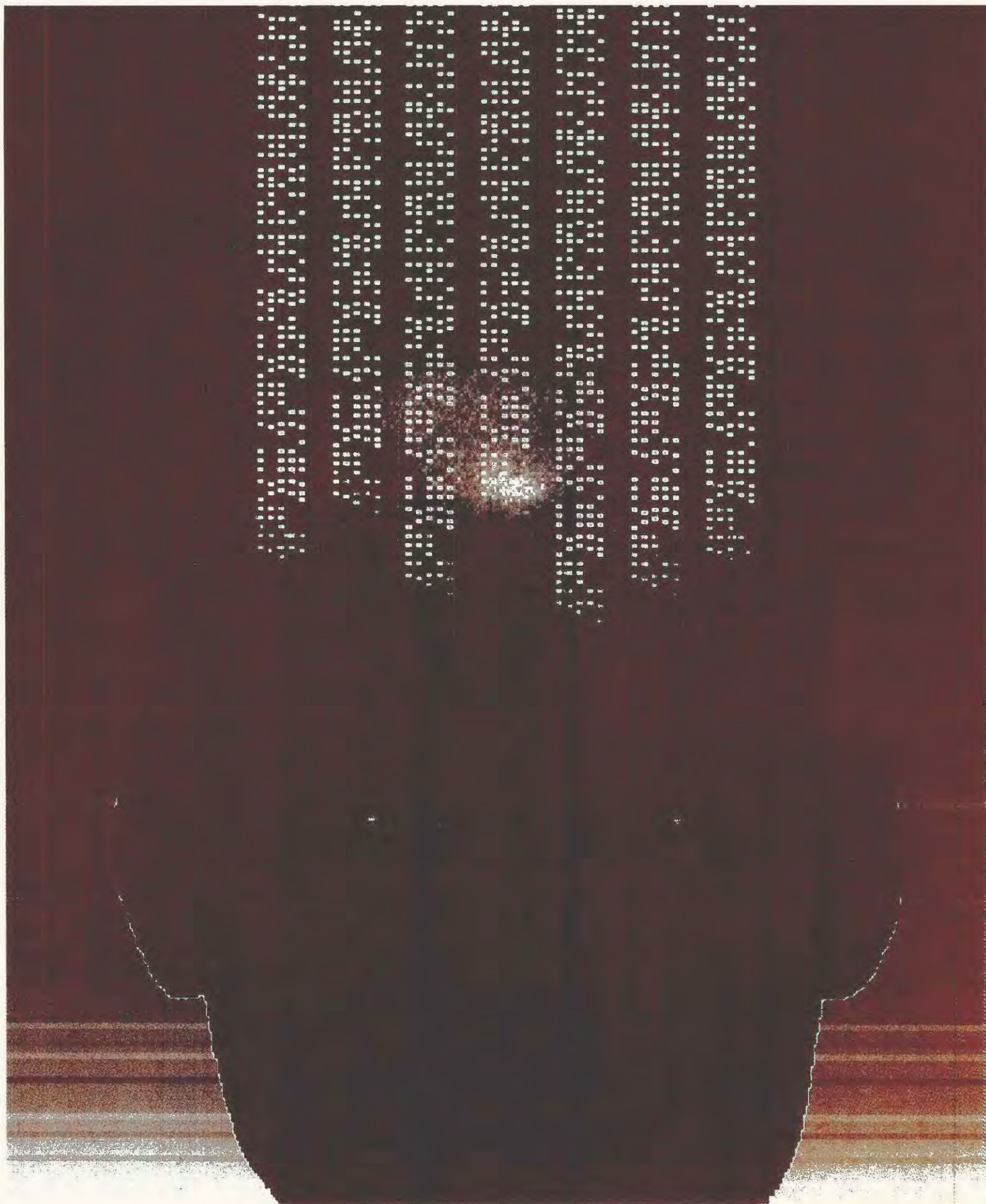
based on what had been done there could be created and tested at other facilities that were perhaps less advanced in environmental management or that may have regulatory compliance issues that must be resolved.

At this point, said Ms. Barkett, the Merit Partnership is in the final stages of pulling this template together. "Over the next several months to a year, we will be looking for companies that would be appropriate places to pilot that template," she said.

"We want to test it out in various companies that may have some compliance issues and see whether we can figure out if environmental management systems can have a measurable effect on improving their compliance," she said.

Some observers say one problem with pinpointing the insurance bene-

Continued on next page



Continued from previous page
fits of environmental management systems is obtaining the insurance to begin with.

David J. Dybdahl, managing director of Environmental Risk Management Services, a Nashville, Tenn.-based division of Willis Corroon Group P.L.C., said the ISO 14000 environmental management system should create a "self-improving environmental management program."

But, "it is difficult to objectively and verifiably quantify the hard-dollar benefits of these programs. You do it all, and so what?"

"One place they could receive some benefit is in insurance premium credits," but businesses have been frustrated because the insurance policies they purchase often exclude environmental coverages, said Mr. Dybdahl.

Commenting on efforts to relate insurance premiums to environmental management systems, William McEl-

roy, assistant vp for Zurich-American Insurance Group's Zurich-American Specialties division in New York, said: "I think the market is competitive. I also think that anytime you're trying to measure the impact of a specific development in the marketplace, you have to be able to benchmark against where you were before that development. The ability to benchmark environmental coverage price, etc., historically is not very sound because the market hasn't been very broad and the segment that actually buys environmental coverage in the environmental area has been quite narrow. It's a difficult problem. What impact does this even have if you don't have a real good way of quantifying where you were before?"

One advantage of environmental management systems is that they ultimately could improve the environmental insurance market, he said. "To the extent (environmental manage-

ment systems) help our underwriting people and our customers better quantify long-term environmental risk, we think that will enhance the marketplace for environmental insurance by making coverage available, making price more risk-sensitive, etc.," he said. "Whether any specific element of that accomplishes that objective is not at this point very clear."

Kurt E. Sweetland, vp at consultant Environmental Science & Engineering Inc. in Peoria, Ill., said one problem with the insurance marketplace is "a lot of the environmental activities are really excluded by many policies. I'm not sure it has much bearing one way or the other on that." However, where there is a specific environmental coverage, "then of course, anything you do to manage your risk up front should pay dividends."

But, he said: "Any efforts that provide a proactive approach tend to pay benefits. With proactive environmen-

tal management, whether it's pollution prevention or proactive voluntary cleanups, it tends to allow the participant to really control more of their own efforts and more of their own destiny, so it really fits into more of a true risk management perspective.

"The whole environmental perspective is changing to one of voluntary approaches... and what is happening from a regulatory standpoint is there is more and more of a drive to have as much of it voluntary as possible.

"More and more, the cost and time frames to develop regulations are so intense that if agencies can get the private sector to develop those for them, they'll be better off."

An EMS can help lower premiums, according to another observer. When a company, through its EMS, has tight control over the environmental impact of its activities, "the insurance premiums will reflect that," said Margaret Takaki, an environmental man-

agement consultant who operates Business & the Environment in Phoenix.

Where there is less control, or the risks have not been identified, "the insurance coverage is going to be high because the risk is so high," said Ms. Takaki. From the information obtained from an EMS, the risk assessment process "really becomes more refined, much more so than it used to be because of activities going on within the EMS."

It also could turn out that at least hypothetically, one of the results of introducing an EMS is some protection from lawsuits, said Sedgwick's Ms. Sandidge.

"We believe that it will make (businesses) less of a target for litigation because they're being more up front and open with the communities and the customers that they serve" as well as helping the environment, said Ms. Sandidge. **BI**

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Arbitration agreements under fire

By DEBORAH SHALOWITZ COWANS

Pre-employment mandatory arbitration agreements, which are common in the securities brokerage industry, cause sexual discrimination and harassment complaints to be handled far differently in the securities industry from most other fields.

However, the agreements—which are part of the employment application that all those seeking to become licensed to buy and sell securities must sign—are under scrutiny on many fronts.

The self-regulating securities industry is investigating mandatory arbitration agreements, and a recent court decision barred an employer from enforcing mandatory arbitration in a sexual harassment case.

Also, identical proposals in both houses of Congress would outlaw binding arbitration as a condition of employment.

Furthermore, the National Academy of Arbitrators last month condemned pre-employment mandatory arbitration agreements.

Although several high-profile securities brokerages have been hit with sexual discrimination lawsuits recently, including Smith Barney Inc. and Merrill Lynch Pierce Fenner & Smith Inc., there is no evidence that securities brokerages are more apt to be sued for sexual discrimination or harassment than companies in other industries.

"The publicity is not an indication of a trend" of increasing sexual discrimination or harassment lawsuits against securities brokerages, said Joseph P. Monteleone, senior vp and claims counsel for Reliance National Insurance Co. in New York. Reliance writes employment practices liability insurance.

According to the Equal Employment Opportunity Commission in Washington, 73 sexual harassment complaints were filed with the agency last year against companies in the securities industry out of a total of 15,342 sexual harassment complaints against companies in all fields.

That rate is virtually identical to the rate five years earlier, when 31 sexual harassment complaints were filed against securities firms out of 6,883 complaints against companies in all fields.

See Arbitration on next page

Spotlight report

Arbitration

Continued from previous page fields.

However, the securities industry "in general is one of those that has a reputation for a hostile work environment to women, so workers there may be more attuned to the possibility of bringing suit," pointed out Julianna Ryan, a partner with Wilson, Elser, Moskowitz, Edelman & Dicker in New York, which represents employers. "There are certain industries... that have that type of reputation, whether it's deserved or not deserved."

Few employment discrimination or harassment cases are brought into arbitration, according to the National Assn. of Securities Dealers, the self-regulatory organization that licenses people to buy and sell securities and oversees the securities industry with the federal Securities and Exchange Commission.

For example, out of 5,631 arbitration cases NASD panels heard last year, only 109 were employment discrimination cases. In 1995, there were 65 employment discrimination cases out of a total of 6,058 cases heard by NASD arbitration panels.

Nonetheless, Mary Stowell, a partner with Leng Stowell Friedman & Vernon in Chicago, said that "this is the worst industry we've seen with respect to its treatment of women."

Ms. Stowell, who is representing plaintiffs in the sexual harassment lawsuits against both Smith Barney and Merrill Lynch, blamed mandatory arbitration agreements for most of the problem.

Securities brokerages can get away with more sexual harassment "because they're not going to get dragged to court, because they're not going to get punitive damages," she stated.

And, requiring people to bring sexual harassment charges to an arbitration panel staffed by industry representatives has a chilling effect on the complaints, she contended. "Mostly women don't bring the claims that they normally would bring because they know the deck is stacked" against them, she said.

Defense attorney Ms. Ryan claimed plaintiffs attorneys, who often operate on a contingency fee basis, are less likely to accept a case that will be heard by an industry-staffed arbitration panel than a case going to court.

Furthermore, the hearing itself is not as fair as a court trial because the arbitrators are not trained in civil rights law, Ms. Stowell added.

Ms. Stowell is seeking class certification for the plaintiffs suing Smith Barney and Merrill Lynch because class-action lawsuits are exempt from binding arbitration agreements. Ms. Stowell also is suing the NASD and the New York Stock Exchange, claiming mandatory arbitration agreements are unconstitutional.

Defense attorney John M. Murphy, a partner with Baker & McKenzie in Chicago, agrees that arbitration has serious drawbacks.

"I just don't trust arbitrators as much as I do judges who see these cases day in and day out," he said.

Mr. Murphy, who recently won an employment discrimination case before what he called a "good" arbitration panel in California, said that at times, arbitrators "confuse their role and try to mediate in a sense.

"The arbitrators seem to let a lot of evidence in that wouldn't be let in in court," he said. And, "they're willing to make compromise decisions—split the baby."

In his recent case, Mr. Murphy said, the arbitration panel required the defendant to pay forum fees—the costs of arbitration—of \$13,000 even though the defendant won, because the panel thought the plaintiff could not afford the cost.

Even the securities industry itself is scrutinizing mandatory arbitration agreements and the arbitration process in general.

The NASD is looking at the mandatory arbitration clause of the employment agreement "because as a policy matter, the issue has created a range of criticism from many sources," stated Linda Fienberg, executive vp of dispute resolution at NASD Regulation Inc., a subsidiary of the NASD in Washington.

"This is an issue we are taking very seriously," she said. NASD Regulation recently began gathering information about the mandatory arbitration process and expects to recommend within two months to its board and the NASD board whether to change or eliminate the arbitration clause of the employment agreement.

Although "arbitration is more efficient and much less costly for all parties" than a trial, "that is unrelated to

whether" arbitration should be mandatory, she said.

If the two NASD boards do recommend changes to the mandatory arbi-

'I just don't trust arbitrators as much as I do judges who see these cases day in and day out,' says defense lawyer John M. Murphy.

tration agreement, then the SEC also would have to approve the changes.

In addition to the issue of mandatory arbitration, NASD Regulation is looking at how the whole arbitration process works, including how arbitrators are selected and trained and how the costs of arbitration are distributed among participants. "There

is no issue we have not put on the table" for discussion, Ms. Fienberg stated.

The Securities Industry Assn., an industry lobbying group that wants to maintain mandatory arbitration, wrote in April to the president of NASD Regulation, saying that based on an analysis of data from the NASD, the NYSE and the U.S. District Court for the Southern District of New York, "employees prevail more frequently before arbitration panels than before juries."

The Washington-based SIA also noted that "the more informal arbitration procedures favor employees, who generally have more limited resources than do their employers." Other advantages to mandatory arbitration include a quicker resolution of cases and the near impossibility of a case being dismissed before it is heard, according to the SIA.

Although numerous courts have

upheld mandatory arbitration agreements, the 9th U.S. Circuit Court of Appeals last month upheld a district court's ruling that Prudential Insurance Co. of America could not force an employee's sexual harassment claims to be arbitrated. The case, *Prudential Insurance Co. of America vs. Rachel Renteria*, cited a 1994 decision by the same circuit, *Prudential Insurance Co. of America vs. Lai*, that barred the company from forcing an employee's sexual harassment claims to be arbitrated.

The issue of mandatory arbitration also is under scrutiny in Congress.

Sen. Russ Feingold, D-Wis., and Rep. Ed Markey, D-Mass., earlier this year introduced identical legislation in both houses that would bar employers from requiring workers to agree to binding arbitration as a condition of employment.

No action has been taken on the proposed legislation yet. **BI**



BI directory of environmental risk management consultants

Leading environmental risk management consultants

Consulting firm	1996 unbundled environmental consulting revenues ¹ (in millions)	% of total revenues ¹	Total number of 1996 clients	Total 1996 professional staff
Environmental Resources Management (ERM) ²	\$233.7	82%	550	2,400
Radian International	191.0	65	800	840
Dames & Moore Inc.	154.8	24	1,500	2,500
IT Corp.	116.0	29	250	NA
PSI	52.5	30	NA	NA
QST ³	51.9	60	1,000	234
ENVIRON International Corp.	39.4	80	250	200
Levine-Fricke-Recon Inc.	37.1	70	295	380
Clayton Environmental Consultants Inc.	36.5	96	NA	337
Woodward-Clyde Consultants	32.0	10	NA	92

¹ From companies and organizations other than insurers and government agencies. ² Fiscal year ending 3/31/97. ³ Formerly Environmental Science & Engineering Inc. NA=Not available. Parsons Engineering Science Inc. and Fluor Daniel GTI declined to be included in the ranking.

Source: BI survey

A

ABB Environmental Services Inc.

511 Congress St., P.O. Box 7050, Portland, Maine 04112; 800-341-0460; fax: 207-772-4762

Services began: 1981.

Parent: ABB Inc.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management

consulting.

Staff: 423; 271 environmental professionals, including 33 principal consultants, 238 consultants; 46 PEs, 17 CPGs, four CHMMs, two CIHs.

Clients: 262 environmental consulting clients; 196 corporate/institutional clients.

Specialties: Manufacturing, chemical, utilities.

Branch offices: Windsor, Conn.; Orange Park, Orlando and Tallahassee, Fla.; Atlanta; Portland, Maine; Wakefield, Mass.; Farmington Hills, Mich.; North Brunswick, N.J.; Columbus, Ohio; Knoxville, Tenn.; Arlington, Va.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour.

1996 gross revenues: \$69 million; 100% from unbundled environmental risk management consulting.

Officers: Robert Hemler, president; Peggy Van Hemert, vp-finance; Ann Massey, vp-commercial operations; John Barbera, vp-government operations; Mike Smith, vp-environmental business management.

Contact: Jacques Van Gool, vp-human resources, 703-769-8181.

AGRA Earth & Environmental

221 18th St. S.E., Calgary, Alberta, Canada T2E 6J5; 403-248-4331; fax: 403-569-9031

Services began: 1962.

Parent: AGRA Industries Ltd.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, regulatory and public policy analysis, UST management and removal, ecological risk assessment.

Occasional services: Public health risk assessment.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 1,300; eight environmental professionals; five PEs, two CHMMs, one CIH, four REAs.

Clients: 11 environmental consulting clients; two corporate/institutional clients.

Specialties: Oil and gas, manufacturing, mining.

Branch offices: Calgary, Edmonton, Mississauga, Regina, Vancouver and Winnipeg, Canada.

Service area: Worldwide.

Compensation: By the hour.

1996 gross revenues: \$145 million.

Officers: W.A. Seusarchuk, president; Roger Jinks, executive vp-operations; North Central/International; Leslie A. Panek, senior vp-environment.

Contact: Leslie A. Panek.

Aon Environmental Risk Services

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4430; fax: 312-701-4143

Services began: 1993.

Frequent services: Manufacturing plant audits, design and analysis of remediation plans.

Occasional services: Litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 15; 11 environmental professionals, including two PEs, three CPCUs, two CHMMs, one CIH, two REAs, two attorneys.

Clients: 600 environmental consulting clients, all corporate/institutional clients.

Specialties: Construction, manufacturing, lenders/property owners.

Branch offices: Chicago; Grand Rapids, Mich.; Houston.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: \$175 to \$250.

1996 gross revenues: \$30 million; 100% from unbundled environmental risk management consulting.

Officers: Gregg Roberts, senior vp/director; Julie Jezuit, Bret Reich, Greg Bond, vps.

Contact: Julie Jezuit.

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Apex Environmental Inc.

15850 Crabbs Branch Way,
Suite 200, Rockville, Md. 20855;
301-417-0200; fax: 301-975-0169

Services began: 1988.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, UST management and removal.

Occasional services: Design of waste minimization plans, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 140; eight environmental professionals, including one principal consultant, seven consultants; seven PEs, 10 CPGs, five CIHs, two REAs.

Clients: 200 environmental consulting clients; 100 corporate/institutional clients.

Branch offices: Manchester, Conn.; Des Moines, Iowa; Hoboken, N.J.; Reading, Pa.; Aiken, S.C.; Richmond, Va.

Service area: Worldwide.

Compensation: By the project; on retainer.

1996 gross revenues: \$19.2 million; 25% from unbundled environmental risk management consulting.

Officers: Peter T. Young, president/CEO; Vincent N. DiRenzo, vp; Shannon K. Winston, secretary/treasurer.

Contact: Mary Jane Arnold.

Atlanta Testing & Engineering

11420 Johns Creek Parkway,
Duluth, Ga. 30155; 770-476-3555;
fax: 770-476-0213

Services began: 1985.

Frequent services: Real estate audits, UST management and removal, asbestos and lead paint surveys.

Occasional services: Manufacturing plant audits, design and analysis of remediation plans, litigation support.

Staff: 290; 55 environmental professionals; 35 PEs, 27 CPGs, one CHMM, one CIH, one CGWP, one REA.

Clients: 500 environmental consulting

clients.

Branch offices: Jacksonville, Orlando and Tampa, Fla.; Raleigh, N.C.; Columbia, S.C.

Service area: Midwest, Southeast.

Compensation: By the project; by the hour: \$50 to \$125.

1996 gross revenues: \$25 million; 30% from unbundled environmental risk management consulting.

Officers: Dave Albin, chairman; W.J. Van Reenen, president; Dirk Van Reenen, vp; Clinton Hammond, controller.

Contact: Greg Fischer or Kathy Simmons.

B**Barr Engineering Co.**

8300 Norman Center Drive, Suite
300, Minneapolis, Minn. 55437;
612-832-2600; fax: 612-832-2601

Services began: 1966.

Frequent services: Real estate audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, UST management and removal.

Occasional services: Manufacturing plant audits, design of waste minimization plans, public health risk assessment.

Other services: Remediation activities; environmental consulting to insurers and policy makers; general risk management consulting; engineering and environmental science consulting in water resources, process, facility and infrastructure design; information technology services.

Staff: 281; 73 environmental professionals, including seven principal consultants, 66 consultants; 16 PEs, nine CPGs, four CHMMs, two CIHs, three CGWPs.

Clients: 148 environmental consulting clients; 128 corporate/institutional clients.

Specialties: Petroleum, mining, power.

Service area: Nationwide.

Compensation: By the project; by the hour: \$35 to \$150.

1996 gross revenues: \$22 million; 47%

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Explanation of terms used in this directory

The eighth annual directory of environmental risk management consultants lists companies' responses to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge to be included. However, consultants must offer services directly to employers on an unbundled basis; companies that offer environmental risk management consulting only in conjunction with other products and services or solely to insurance companies, lawyers and financial institutions are not included.

To be listed, companies must also generate at least \$250,000 in annual revenues from unbundled environmental risk management consulting, and total 1996 revenues must be reported.

Listings begin with the name and address of the company, then the year environmental services began and parent company, if any.

Detailed under frequent and occasional services is a description of frequent and occasional environmental risk management consulting services the company provides. Other services are listed next.

Information on staff is next, including total staff; professional staff assigned to environmental risk management consulting only; the number of principal consultants and consultants; and designations or professional memberships held. Designations include Professional Engineer (PE), Certified Professional Geologist (CPG), Associate in Risk Management (ARM), Chartered Property/Casualty Underwriter (CPCU), Certified Hazardous Materials Manager (CHMM), Certified Industrial Hygienist (CIH), Certified Ground Water Professional (CGWP), Registered Environmental Assessor (REA), and Attorney.

The total number of environmental clients along with the number of corporate and institutional employer clients in 1996 is listed next.

If the company specializes in consulting to a particular type of business or industry, it is listed under specialties.

Locations of branch offices providing environmental risk management consulting are listed next, followed by the service area. The compensation section details how the company bills for services. Provided next are 1996 total gross revenues and the percent generated from unbundled environmental risk management consulting.

Names and titles of principal officers, followed by the name of a contact for those requesting further information, complete the listings.

Although every effort is made to publish complete and accurate information, *BI* is unable to verify all information provided by the companies.

If you were not listed this year and would like to be listed in next year's directory, contact Sandra Budde, Directory Editor, at 312-649-5279.

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from unbundled environmental risk management consulting.

Officers: Allan Gebhard, president; John Borovsky, Douglas Connell, Dale Wikre, Dean Malotky, vps.

Contact: Lori L. Stegink, director-business development.

Bowser-Morner Inc.

4518 Taylorsville Road,
P.O. Box 51, Dayton,
Ohio 45401-0051;
937-236-8805; fax: 937-233-2016

Services began: 1975.

Frequent services: Real estate audits, UST management and removal, laboratory testing, subsurface investigations.

Occasional services: Manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis.

Other services: Remediation activities, general risk management consulting.

Staff: 171; 13 environmental professionals, including four principal consultants, nine consultants; two PEs, four CPGs, one CHMM, one REA.

Clients: 12 environmental consulting clients.

Specialties: Real estate, manufacturing, refining.

Branch offices: Lexington, Ky.; Toledo, Ohio.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: \$28 to \$110.

1996 gross revenues: \$4 million; 60% from unbundled environmental risk management consulting.

Officers: Steven M. Bowser, president; Kenneth A. Taylor, vp/director-construction services division; Gerald H. Degler, vp/director-marketing; Scott D. Kinney, secretary/treasurer; Richard Hoppenjans, vp/chief engineer.



Capaccio Environmental Engineering Inc.

75 Union Ave., Sudbury,
Mass. 01776; 508-443-0202;
fax: 508-443-0366

Services began: 1992.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, regulatory and public policy analysis, UST management and removal, multimedia discharge permitting, pollution control engineering, SARA reporting, environmental program management.

Occasional services: Litigation support, public health risk assessment.

Other services: Remediation activities, general risk management consulting.

Staff: 11; eight environmental professionals, including three principal consultants, five consultants; two PEs, one CPG, two CHMMs, one REA.

Clients: 100 environmental consulting clients, all corporate/institutional clients.

Specialties: Manufacturing, high-technology, plating.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour.

1996 gross revenues: \$1 million; 100% from unbundled environmental risk management consulting.

Officers: Robert S. Capaccio, president; Lucille Servidio, Lisa Wilk, associates.

Contact: Robert S. Capaccio, 508-443-0202, ext. 11.

Cistar Associates Inc.

1240 Pawtucket Ave.,
East Providence, R.I. 02916;
401-431-9044; fax: 401-431-9046

Services began: 1989.

Frequent services: Real estate audits, UST management and removal.

Occasional services: Manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: Eight; six environmental professionals, including three principal consul-

tants, three consultants; two PEs, one CPG, one CIH, one REA.

Clients: 180 environmental consulting clients; 60 corporate/institutional clients.

Branch offices: Canton, Mass.

Service area: New England.

Compensation: By the project; by the hour: \$80 to \$160.

1996 gross revenues: \$1 million; 80% from unbundled environmental risk management consulting.

Officers: Michael F. Geisser, Deborah A. Pereira, Leland J. Figgins Jr., principals.

Contact: Michael F. Geisser.

Clayton Environmental Consultants Inc.

41650 Gardenbrook Road,
Suite 155, Novi, Mich. 48375;
248-344-8550; fax: 248-344-0229

Services began: 1954.

Frequent services: Real estate audits, manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, indoor air quality

services.

Occasional services: Design and analysis of remediation plans, design of waste minimization plans.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, program development, industrial hygiene.

Staff: 520; 337 environmental professionals, including 110 principal consultants, 227 consultants; 19 PEs, 24 CPGs, eight CHMMs, 43 CIHs, two CGWPs, 15 REAs, one attorney.

Branch offices: San Francisco and Santa Ana, Calif.; Boca Raton, Fla.; Atlanta and Savannah, Ga.; Honolulu; Chicago and Rockford, Ill.; Indianapolis; Boston; Detroit; Minneapolis; New York; Cleveland; Portland, Ore.; Philadelphia; Seattle.

Service area: Nationwide.

Compensation: By the project; by the hour: \$40 to \$100.

1996 gross revenues: \$38 million; 98% from unbundled environmental risk management consulting.

Officers: Thomas P. Kowalski, president/CEO; Alice Farrar, vp-environmental health services; Jaswant Singh, senior

vp/national director-environmental health services; W. Thomas Atkins, vp/national director-environmental management services.

Contact: Alison Lindelien, manager-marketing support services.



DPRA Environmental Consulting

E-1500 First National Bank Building,
332 Minnesota St., St. Paul,
Minn. 55101; 612-227-6500;
fax: 612-227-5522

Services began: 1979.

Parent: DPRA Inc.

Frequent services: Real estate audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, UST management and removal.

Occasional services: Manufacturing plant audits, design of waste minimization plans, environmental health and safety inspections and training.

Other services: Remediation activities, environmental consulting to insurers and policy makers, general risk management consulting.

Staff: 175; 30 environmental professionals, including 10 principal consultants, 20 consultants; eight PEs, one CPG, one CHMM, one CGWP, two attorneys.

Clients: 100 environmental consulting clients; 75 corporate/institutional clients.

Specialties: Financial institutions, insurance companies, law firms.

Branch offices: Washington; Oak Ridge, Tenn.; Milwaukee.

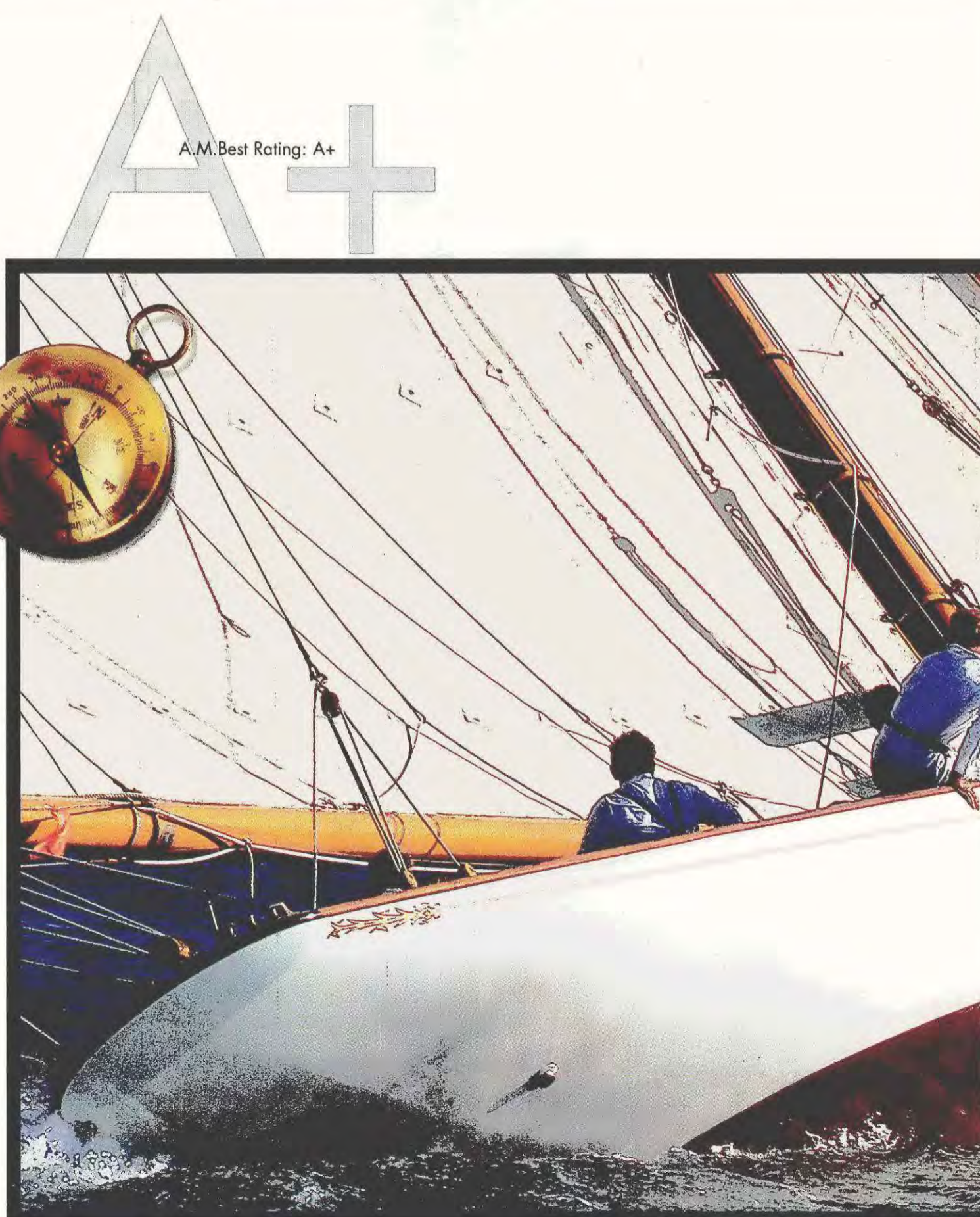
Service area: East, Midwest.

Compensation: By the hour: \$40 to \$125.

1996 gross revenues: \$16 million; 100% from unbundled environmental risk management consulting.

Officers: Don Wissman, chairman; Bob Reid, vice chairman; Dick Seltzer, president/CEO; Tom Eyestone, Mike Barclay,

Continued on next page



Continued from previous page

senior vps.

Contact: Carol Sarnat, manager-environmental liability services.

Dames & Moore Group

911 Wilshire Blvd., Suite 700,
Los Angeles, Calif. 90017;
213-683-1560; fax: 213-628-0015

Services began: 1938.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, remediation construction management services.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 5,300; 2,500 environmental professionals, including 600 principal consultants, 1,900 consultants; 1,200 PEs, 350 CPGs, seven ARMs, one CPCU, 250 CG-WPs, four attorneys.

Clients: 1,500 environmental consulting clients; 1,100 corporate/institutional clients.

Specialties: Petrochemical, manufacturing, government agencies.

Branch offices: 186 locations worldwide.

Service area: Worldwide.

Compensation: By the project; by the hour: \$90 to \$150.

1996 gross revenues: \$645 million; 36% from unbundled environmental risk management consulting.

Officers: Art Darrow, CEO; Mark Snell, CFO; Robert M. Perry, Hank Klehn, executive vps; Kevin Freeman, senior vp.

Contact: Rosemary Reisman, operations risk manager.



ECS Risk Control Inc.

600 Eagleview Blvd., P.O. Box 640,
Exton, Pa. 19341; 610-458-7280;
fax: 610-458-7285

Services began: 1985.

Parent: Environmental Compliance Services (ECS).

Frequent services: Real estate audits, manufacturing plant audits.

Occasional services: Litigation support.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 70; 60 environmental professionals, including eight principal consultants, 52 consultants; one PE, three ARMs, one CIH.

Clients: 40 environmental consulting clients; 20 corporate/institutional clients.

Specialties: Manufacturing, construction.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: \$55 to \$150.

1996 gross revenues: \$9 million; 96% from unbundled environmental risk management consulting.

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

Contact: Claudia O'Brien, market development manager.

Ecology & Environment Inc.

Buffalo Corporate Center,
368 Pleasant View Drive,
Lancaster, N.Y. 14086-1397;
716-684-8060; fax: 716-684-0844

Services began: 1970.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, regulatory and public policy analysis, UST management and removal, hazard and risk analysis for hazardous waste site transportation.

Occasional services: Litigation support, public health risk assessment.

Other services: Environmental consulting to insurers and policy makers.

Staff: 700; 31 PEs, 38 CPGs, 42 CHMMs, five CIHs, four attorneys.

Specialties: Energy, manufacturing, transportation.

Branch offices: Anchorage, Alaska; Los Angeles; San Francisco; Washington; Miami, Pensacola and Tallahassee, Fla.; Chicago; Kansas City, Kan.; Baton Rouge, La.; Detroit; St. Louis; New York; Cincin-

nati; Cleveland; Portland, Ore.; Philadelphia; Dallas; Houston; Seattle.

Service area: Worldwide.

Compensation: By the project.

1996 gross revenues: \$69.8 million; 15% from unbundled environmental risk management consulting.

Officers: Gerhard J. Neumaier, president; Frank B. Silvestro, executive vp-operations; Ronald L. Frank, executive vp-finance/administration; Gerald A. Stroble, executive vp-technical; Gerard A. Gallagher Jr., senior vp-special projects.

Contact: Ronald L. Skare, vp-sales.

EnecoTech Group

1580 Lincoln St., Suite 1000,
Denver, Colo. 80203;
303-861-2200 or 800-659-8324;
fax: 303-861-2201

Services began: 1984.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, UST management and removal, identification of possible regulatory liabilities associated with a site.

Occasional services: Design of waste minimization plans, public health risk assessment, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, air quality services.

Staff: 135; 102 environmental professionals, including nine principal consultants, 93 consultants; six PEs, 20 CPGs, one CHMM, one CGWP, seven REAs.

Clients: 225 environmental consulting clients, 213 corporate/institutional clients.

Specialties: Oil and gas, industrial/commercial, transportation.

Branch offices: Phoenix; Little Rock, Ark.; Los Angeles; San Diego; Atlanta; Chicago; Detroit; Minneapolis; Edison, N.J.; Tulsa, Okla.; Austin, Texas.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: \$35 to \$115.

1996 gross revenues: \$12.4 million; 92% from unbundled environmental risk management consulting.

Officers: Barry Stewart, president; John Stevenson, executive vp; James Kuenning, Dennis Fransway, vps; David Stephens, vp-technical services.

Contact: Sharon Burns.

ENVIRON International Corp.

4350 N. Fairfax Drive, Arlington,
Va. 22203; 703-516-2300;
fax: 703-516-2345

Services began: 1982.

Parent: Pharmaceutical Product Development.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal.

Occasional services: Design of waste minimization plans.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 325; 200 environmental professionals; 25 PEs, 25 CPGs.

Clients: 250 environmental consulting clients.

Branch offices: Emeryville, Irvine and Novato, Calif.; Princeton, N.J.; Houston; Liverpool and London, England; Edinburgh, Scotland.

Service area: Worldwide.

Compensation: By the hour: \$50 to \$350.

1996 gross revenues: \$49.3 million; 100% from unbundled environmental risk management consulting.

Officers: Joseph Highland, CEO; Robert Wenger, president/COO.

Environmental Engineering Consultants Inc.

P.O. Box 9697, South Laguna,
Calif. 92677; 714-499-0015;
fax: 714-499-1865

Services began: 1988.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of

Team works.



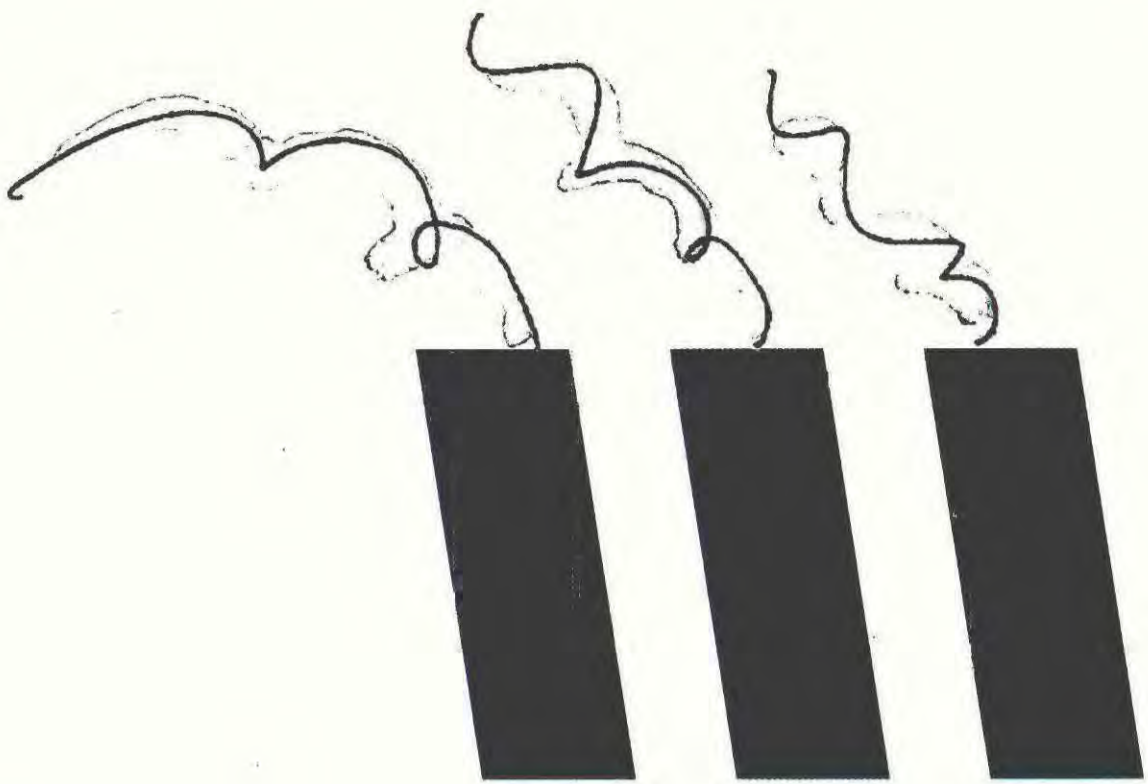
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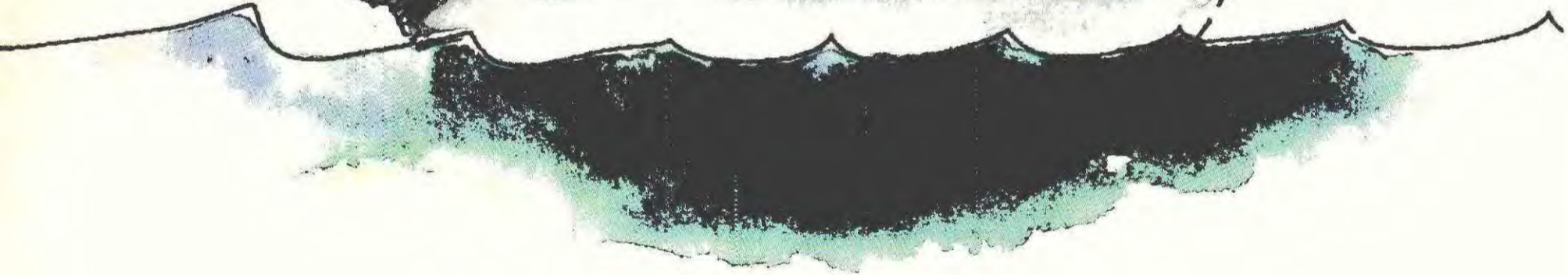
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'Managed risk' can reduce liability exposure

By Charles H. Morgan

MANAGED HEALTH CARE, WITH its alphabet soup of providers—HMOs, PPOs, etc.—which intended to reduce overall costs by heavy reliance on prevention, may be a useful concept for risk managers in their approach to liability exposures.

That is, no less than once a year risk managers ought to consult with a knowledgeable loss control professional who has the depth of experience and understanding to evaluate the full range of the company's exposure to liability claims.

Historically, loss control assessments from commercial insurance providers have tended to focus on a particular line of coverage, in most cases workers compensation. While such an approach provides some benefit to the policyholder, it is increasingly clear that today's rapidly changing liability environment presents a potentially greater exposure to loss.

Some insurers have responded by restructuring their loss control departments into areas of highly specialized expertise, such as health care, product liability, environmental impairment and so on. This approach to loss control service may address a wider range of exposures than the generalist orientation described above, but it is desirable to have a more holistic evaluation of a company's exposures than a piecemeal assessment can provide.

An annual liability checkup may help a company avoid the measure of adverse publicity like the recent headline-generating stories about workplace environments at Texaco Inc., Mitsubishi Motor Manufacturing of America Inc. and Digital Equipment Corp. Depending on the size and scope of the policyholder's operation, it may be desirable for a seasoned professional to spend a week or more on location, assessing virtually all of a company's liability exposures, to come up with a meaningful composite evaluation.

The facts vary widely in the three cases mentioned, but each offers lessons.

In the Texaco case, for example, the company appeared to have a personnel program in place that was compliant with both Equal Employment Opportunity

Commission guidelines as well as recent federal civil rights legislation.

By agreeing to the massive settlement—\$176.1 million (*BI*, March 17)—as well as submitting to ongoing review by the EEOC of future employment practices, however, it is obvious there was a significant discrepancy between Texaco's formal corporate policies and procedures and what was actually happening in the field.

The pervasive allegations of sexual harassment in the Mitsubishi case seem to reflect a classic "hostile environment" situation that pertains in historically male-only preserves in the workplace, in this case an auto assembly plant (*BI*, Dec. 23, 1996).

Perhaps the most interesting of the three, however, is the Digital Equipment Corp. keyboard injury case.

Although a judge threw out a \$5.3 million compensatory damages award and ordered a new trial (*BI*, May 5), one of the bases for the award was that

A risk manager may want a loss control professional to spend a week or more at a location assessing the company's exposures.

Digital was involved in an ergonomic remedial program for its own employees as a result of a 1990 Occupational Safety and Health Administration citation for the cumulative trauma hazards that were alleged to exist in the company's Colorado operations. Plaintiffs lawyers argued that Digital trained its own workers in ergonomics to prevent repetitive motion injury but provided less information to customers.

The other surprising facet of this case was that the verdict was based on a theory of failure to warn rather than any direct finding that the keyboards themselves were defective. And, perhaps more important than the presence or absence of precautionary labels is the underlying principle of how best to make a product as safe as possible.

These cases illustrate the kind of liability exposures a company must address if it is to succeed in "managed risk."

These exposures include product liability, an area highlighted by the Digital case. Any company making a consumer product today must be aware of all of the exposures resulting from the product's life cycle, i.e., from product conception through ultimate disposal. While the basis of product liability stems primarily from the common law of the states, numerous regulatory agencies—the Food and Drug Administration and Consumer Product Safety Commission are just two examples—also must be consulted for compliance purposes.

The list of regulations and laws with which companies must comply is lengthy, but the principal area where a company can expect to see ever-increasing liability exposure and sanctions is in employment practices liability. The legal environment in this area is in a state of constant change in terms of enhanced vigilance by the EEOC, the 1991 amendment to the 1964 Civil Rights Act and the Americans with Disabilities Act, just to name a few. The astute risk manager has to be fully aware of the ramifications of each of these events, as well as similar developments in the future.

These myriad concerns in an evolving and increasingly hostile legal environment underscore the need for an active approach by all risk managers with significant liability exposures. Just as managed care has been an aid to the health care industry, managed risk may prove vital for companies' long-term financial health. BI



Charles Morgan is an independent consultant in Summit, N.J. He specializes in the field of employment practices liability.

Assault on patient covered under med mal policy

A sexual assault on a patient during the course of a gynecological examination was covered under a professional medical malpractice policy, according to a New Jersey appellate court, despite the policy's exclusion of criminal acts.

Prasert Chunmuang, a gynecologist, was covered under a professional medical malpractice policy issued by Princeton Insurance Co. The policy covered damages the doctor was legally obligated to pay as a result of injury caused by a "medical incident" arising out of his supplying professional services. The policy exclusion section provided that the insurance did not apply for injury resulting from the performance of a criminal act.

In November 1992, June Davis, then 17 years old, consulted the doctor for a gynecological examination because she was experiencing cramping and had not had a menstrual cycle.

The examination allegedly included physical contact not ordinarily associated with such exams, including fondling of Ms. Davis' breasts and the use of the doctor's fingers rather than an instrument for the vaginal examination. Subsequently the doctor was indicted and pleaded guilty to several counts of similar criminal conduct on patients other than Ms. Davis.

Ms. Davis sued the doctor for damages and won a judgment of \$50,000 in compensatory damages and a like amount in punitive damages. The doctor's insurer refused to defend the Davis suit and sought a declaration from the court that it had no duty to defend. The trial court held there was coverage.

The appellate court affirmed, concluding that the insurer was liable for the malpractice of the insured doctor that resulted in injury to Ms. Davis.

According to the court, it was an injury resulting from a "medical incident" arising out of the doctor's supplying of professional services. The court also held that the insurer could seek indemnification for such damages against Dr. Chunmuang.

Princeton Insurance Co. vs. Chunmuang, Superior Court of New Jersey, Appellate Division, July 18, 1996 (*BI*/03/F.-\$10)

Blanket bond limitation clarified

A two-year contractual limitations period in a savings and loan blanket bond was not tolled, or barred, during the period of the insurer's investigation from the time of submission of the proof of loss to the denial of the claim, according to the 8th U.S. Circuit Court of Appeals.

Hartford Accident & Indemnity Co. issued a standard savings and loan blanket bond to the now defunct First Federal Bank since taken over by the Federal Deposit Insurance Corp. The bond provided broad coverage, including employee infidelity. The bond further provided that any action on the bond must be brought no later than 24 months after discovery of the loss.

In late 1988, it was discovered that the president of the mortgage company operated by First Federal had engaged in fraudulent activities. First Federal notified Hartford of the claim under the bond, and Hartford

refused to pay.

The proof of loss was submitted to Hartford on Dec. 20, 1988. On March 7, 1990, Hartford denied coverage.

The FDIC filed this suit for breach of contract on Nov. 15, 1990, eight months after denial of coverage, and almost 25 months after discovery of the loss. The trial court ruled that the two-year limitations period in the bond was void under South Dakota law. The Circuit Court of Appeals reversed and remanded to the trial court. The trial court again ruled for the FDIC.

The appellate court emphasized that the bond specifically required First Federal to commence action no later than "the expiration of 24 months from the discovery of such loss." The court said that this language was plain and unambiguous. The court also pointed out that a majority of courts have refused to toll a limitations provision during the initial non-suit period or during the insurer's investigation.

According to the court, the parties made an agreement and were bound to their contract as written. The trial court decision was reversed.

Federal Deposit Insurance Corp. vs. Hartford Accident & Indemnity Co., 8th U.S. Circuit Court of Appeals, Oct. 16, 1996 (*BI*/05/A.-\$10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a \$10 check payable to Mayo H. Stiegler to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

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waste minimization plans, litigation support, design of monitoring systems, management of source testing, quality assurance of remediation contractors.

Occasional services: Regulatory and public policy analysis, UST management and removal.

Other services: Environmental consulting to insurers and policymakers.

Staff: Four; three environmental professionals, including two principal consultants, one consultant; one PE, two REAs.

Clients: 10 environmental consulting clients, all corporate/institutional clients.

Specialties: Manufacturing, real estate, attorneys.

Service area: Arizona, California, Nevada.

Compensation: By the project; on retainer; by the hour: \$35 to \$125.

1996 gross revenues: \$430,000; 100% from unbundled environmental risk management consulting.

Contact: Jake E. Cotter, principal/CEO.

Environmental Management Insurance Services Inc.

1845 The Exchange, Suite 200, Atlanta, Ga. 30339; 800-388-3647; fax: 770-916-0618

Services began: 1986.

Occasional services: Real estate audits, manufacturing plant audits, design of waste minimization plans, audits of environmental remediation projects for insurers.

Other services: Environmental consulting to insurers and policy makers, general risk management consulting.

Staff: 33; four principal consultants, six consultants; one ARM, one CPCU, two attorneys.

Clients: Four environmental consulting clients.

Branch offices: Atlanta.

Service area: Nationwide.

Compensation: On retainer.

1996 gross revenues: \$2.9 million; 100% from unbundled environmental risk management consulting.

Officers: Lloyd A. Fox, president; Steven R. Crim, executive vp; James G. Leach, vp/legal counsel; Steve Clarke, vp/financial officer.

Environmental & Occupational Risk Management

2460 N. First St., Suite 280, San Jose, Calif. 95131; 408-321-2850; fax: 408-436-1136

Services began: 1990.

Frequent services: Manufacturing plant audits, design of waste minimization plans, engineering to minimize environmental impact, international regulatory tracking, hazard and operability studies, management systems audits.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting, industrial hygiene, safety, training, ergonomics.

Staff: 66; 55 environmental professionals, including nine principal consultants, 46 consultants; two PEs, seven CIHs, three REAs.

Clients: 93 environmental consulting clients; all corporate/institutional clients.

Specialties: Manufacturing (semiconductors, electronics, biotechnology).

Branch offices: Phoenix; Portland, Ore.; Austin, Texas.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: \$55 to \$145.

1996 gross revenues: \$8 million; 100% from unbundled environmental risk management consulting.

Officers: Jenni Carter, president/COO; Brian Sherin, CEO; Leslie Horton, CFO.

Contact: Robert Bottome, business development manager.

Environmental Resources Management (ERM)

855 Springdale Drive, Exton, Pa. 19341; 800-544-3117; fax: 610-524-7335

Services began: 1977.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 2,400, all environmental professionals.

Clients: 550 environmental consulting clients.

Branch offices: 100 locations worldwide.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: \$35 to \$195.

1996 gross revenues: \$285 million; 82% from unbundled environmental risk management consulting.

Officers: Paul H. Woodruff, CEO; Arnon Garonzik, general counsel; Daniel Sevick, CFO.

Contact: Michael E. Herron, director-corporate communications.

Environmental Risk Ltd.

120 Mountain Ave., Bloomfield, Conn. 06002; 860-242-9933; fax: 860-243-9055

Services began: 1985.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, pollution legal liability insurance survey, industrial environmental compliance audits.

Other services: Remediation activities; environmental consulting to insurers and policymakers; general risk management consulting; air, water and waste permit applications; emission and water testing; OSHA compliance; training.

Staff: 46; 36 environmental professionals, including four principal consultants, 32 consultants; four PEs, one attorney.

Clients: 500 environmental consulting clients; 100 corporate/institutional clients.

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

Branch offices: Roswell, Ga.; Clifton, N.J.

Service area: Worldwide.

Compensation: By the project; by the hour: \$50 to \$225.

1996 gross revenues: \$6 million; 40% from unbundled environmental risk management consulting.

Officers: Gordon T. Brookman, president; Richard S. Atkins, Mitchell M. Wumbrand, David I. Brandwein, principals.

Contact: David I. Brandwein.

Environmental Solutions Inc.

8147 Delmar Blvd., Suite 219, St. Louis, Mo. 63130-3735; 314-863-9801; fax: 314-721-0759

Services began: 1987.

Frequent services: Real estate audits, UST management and removal.

Occasional services: Manufacturing plant audits, design and analysis of remediation plans, litigation support.

Other services: Remediation activities, environmental consulting to insurers and policymakers.

Staff: 11; five environmental professionals, including three principal consultants, two consultants; one CPG.

Clients: 95 environmental consulting clients, all corporate/institutional clients.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: \$65 to \$120.

1996 gross revenues: \$800,000; 33% from unbundled environmental risk management consulting.

Officers: William M. Vaughan, president.

Environmental Title Services Inc.

1220 W. Sixth St., Suite 606, Cleveland, Ohio 44113; 800-926-4895; fax: 216-861-3433

Services began: 1989.

Frequent services: Real estate audits, litigation support, examination of land records for environmental liability.

Occasional services: Regulatory and public policy analysis.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting, document investigations.

Staff: Eight; three environmental professionals, including three principal consultants; two attorneys.

Clients: 145 environmental consulting clients; 100 corporate/institutional clients.

Specialties: Real estate, environmental engineering, legal.

Service area: Worldwide.

Compensation: By the project.

1996 gross revenues: \$1.1 million; 95% from unbundled environmental risk management consulting.

Officers: Wayne Weber, president; Rick Rosenbaum, vp-operations; Kevin Goodman, vp-litigation support; Mark Rosnick, vp/senior examiner; David Eisler, counsel.

Contact: Wayne Weber.



First Risk Management—Legal Division Inc.

636 Old York Road, Suite 220, Jenkintown, Pa. 19046-2858; 215-885-1125; fax: 215-885-1161

Services began: 1988.

Parent: First Risk Management Co.

Services: Litigation support.

Staff: Four; one environmental professional, a principal consultant; one ARM, one CPCU.

Clients: 12 environmental consulting clients; 11 corporate/institutional clients.

Service area: Nationwide, including Puerto Rico.

Compensation: By the hour: \$80 to \$395.

1996 gross revenues: \$825,000; 100% from unbundled environmental risk management consulting.

Officers: Leonard J. Silver, president; Bonnie Esposito, corporate secretary.

Contact: Leonard J. Silver.



GAI Consultants Inc.

570 Beatty Road, Monroeville, Pa. 15146; 412-856-6400; 412-856-4970

Services began: 1965.

Parent: GAI Affiliated Cos.

Frequent services: Real estate audits, design and analysis of remediation plans, UST management and removal.

Occasional services: Manufacturing plant audits, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Environmental consulting to insurers and policymakers.

Staff: 438; 86 environmental professionals; 87 PEs, 13 CPGs, one CIH, eight CGWPs.

Clients: 72 environmental consulting clients.

Branch offices: Fort Wayne, Ind.; Charleston, W.V.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour.

1996 gross revenues: \$31 million; 25% from unbundled environmental risk management consulting.

Officers: Anthony M. DiGioia Jr., president; Richard E. Gray, Henry A. Salver, senior vps; Thomas D. Donovan, John A. Hribar, vps.

Contact: Harry A. Trout.

GZA

GeoEnvironmental Inc.

320 Needham St., Newton, Mass. 02164; 617-969-0050; fax: 617-965-7769

Services began: 1964.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, ecological risk assessments.

Occasional services: Litigation support.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 480; 63 PEs, 32 CPGs, two CHMMs, five CIHs, two CGWPs, two

REAs.

Clients: 1,100 environmental consulting clients; 800 corporate/institutional clients.

Specialties: Manufacturing, construction, developers.

Branch offices: Phoenix; Vernon, Conn.; Iowa City, Iowa; Portland, Maine; Annapolis, Md.; Springfield and Worcester, Mass.; Grand Rapids and Livonia, Mich.; Manchester, N.H.; Lyndhurst and Marlton, N.J.; Buffalo, N.Y.; Charlotte, N.C.; Providence, R.I.; Dallas; Pewaukee, Wis.; Leeds, England.

Service area: United States; United Kingdom.

Compensation: By the project; on retainer; by the hour.

1996 gross revenues: \$59 million; 31% from unbundled environmental risk management consulting.

Officers: Andrew P. Pajak, president/CEO; Joseph P. Hehir, CFO; M. Joseph Celi, executive vp; Richard M. Simon, vp-professional practice; John E. Ayres, vp-business development.

Contact: John E. Ayres.

Galagher Settlements Co.

6 School St., Dover, N.H. 03820; 800-320-9013; fax: 603-743-4953

Services began: 1985.

Frequent services: Litigation support, regulatory and public policy analysis, site cleanup funding, coverage and mass tort litigation.

Other services: Environmental consulting to insurers and policymakers.

Staff: 57; six environmental professionals, including two principal consultants; two CPCUs.

Clients: 20 environmental consulting clients; 10 corporate/institutional clients.

Branch offices: Boston; Dover, N.H.

Service area: Worldwide.

1996 gross revenues: \$19 million; 8% from unbundled environmental risk management consulting.

Officers: John Q. Adams, president/CEO; Peter M. Casale, Patrick J. Murphy, Jerry Schneyer, senior vps.

Contact: Raymond S. Kagels, assistant vp.

Golder Associates Corp.

3730 Chamblee Tucker Road, Atlanta, Ga. 30341; 770-496-1893; fax: 770-934-9560

Services began: 1980.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, strategic environmental management, environmental management systems consulting.

Occasional services: UST management and removal.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, industrial hygiene and occupational health audits, safety audits, risk management planning.

Staff: 1,796.

Clients: 100 environmental consulting clients, all corporate/institutional clients.

Branch offices: Gainesville and Jacksonville, Fla.; Atlanta; Chicago; Mount Laurel, N.J.; Houston; Seattle; Melbourne, Victoria, Australia; Calgary, Guelph, London, Mississauga and Vancouver, Canada.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour.

1996 gross revenues: \$172 million; 17.5% from unbundled environmental risk management consulting.

Officers: Bruce J. Kelman, director-health/environmental sciences; Ronald L. Joiner, international coordinator-health/environmental sciences; Michael L. Cannon, director-industrial hygiene/safety; Reidar Zapf-Gilje, Canadian director-environmental sciences.

Contact: Kristin D. Thomas, director-corporate communications.

Green Environmental Inc.

216 Ricciuti Drive, Quincy, Mass. 02169; 617-479-0550; fax: 617-479-5150

Services began: 1987.

Frequent services: Design and analysis of remediation plans, UST management and removal.

Occasional services: Real estate audits, manufacturing plant audits, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 60; 35 environmental professionals, including one principal consultant, 15 consultants; four PEs, two CPGs.

Clients: 100 environmental consulting clients; 75 corporate/institutional clients.

Specialties: Construction, petroleum, real estate.

Service area: New England.

Compensation: By the project; on retainer; by the hour: \$45 to \$110.

1996 gross revenues: \$8 million; 70% from unbundled environmental risk management consulting.

Officers: Glenn Ferguson, principal; Cosmo Gallinaro, environmental consulting manager; Steve Bernstein, engineering manager; Karl Dickman, construction manager; Stuart Kibbee, marketing director.

Contact: Stuart Kibbee.



HWS Consulting Group Inc.

825 J St., Lincoln, Neb. 68508; 402-479-2200; fax: 402-479-2276

Services began: 1944.

Frequent services: Real estate audits design and analysis of remediation plans, design of waste minimization plans, UST management and removal, asbestos/lead contamination studies and surveys, abatement design, monitoring.

Occasional services: Manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 135; 53 environmental professionals, including nine principal consultants, 44 consultants; seven PEs, six CPGs, one CIH, two CGWPs, two REAs.

Clients: 150 environmental consulting clients; 50 corporate/institutional clients.

Branch offices: Denver; Lombard, Ill.; Omaha, Neb.

Service area: Nationwide.

Compensation: By the project; by the hour: \$40 to \$110.

1996 gross revenues: \$9.9 million; 49% from unbundled environmental risk management consulting.

Officers: James Linderholm, president; Thomas Thelen, Gary Westergren, senior vps; Dave Thomssen, Ted McIntyre, vps.

Contact: Thomas Thelen.

Hydro-Environmental Technologies Inc.

54 Nonset Path, Acton, Mass. 01720; 800-347-4384 or 508-263-4044; fax: 508-635-0980

Services began: 1986.

Frequent services: Real estate audits, design and analysis of remediation plans, litigation support, UST management and removal.

Occasional services: Public health risk assessment, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers.

Staff: 26; 19 environmental professionals, including seven principal consultants, 10 consultants; two PEs, four CPGs.

Clients: 39 environmental consulting clients; 10 corporate/institutional clients.

Specialties: Petrochemical, industrial, insurance.

Branch offices: Alameda, Calif.; Hunt Valley, Md.; Syracuse, N.Y.

Service area: Nationwide (general consulting); northeast (emergency services onsite).

Compensation: By the project; by the hour: \$35 to \$120.

1996 gross revenues: \$2.7 million; 70% from unbundled environmental risk management consulting.

Officers: Hayden Solomon, president; Cedwyn Morgan, technical manager; Gloria Levine, financial manager; Judy McMahon, human resources manager.

Contact: Hayden Solomon.

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Continued from page 34

Hydro-Terra Inc.

9192 Red Branch Road,
Suite 290, Columbia, Md. 21045;
410-995-1246; fax: 410-730-1785

Services began: 1982.

Frequent services: Real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, remedial investigations and feasibility studies.

Other services: Remediation activities, environmental consulting to insurers and policymakers, groundwater-supply development.

Staff: Six; five environmental professionals, including three consultants; one PE, two CPGs.

Clients: 10 environmental consulting clients, nine corporate/institutional clients.

Service area: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia.

Compensation: By the project; by the hour: \$35 to \$105.

1996 gross revenues: \$1 million; 90% from unbundled environmental risk man-

agement consulting.

Contact: Thomas R. Mills, president.

I**IT Corp.**

2790 Mossdale Blvd., Monroeville,
Pa. 15146; 412-372-7701;
fax: 412-373-7135

Services began: 1926.

Parent: International Technology Corp.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, public health risk assessment, UST management and removal, strategic environmental planning, Brownfields remediation, 112(r) air services, technology development.

Occasional services: Litigation support, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and

policymakers, general risk management consulting.

Staff: 2,250; 75 principal consultants, 140 consultants; 149 PEs, 125 CPGs, 38 CHMMs, 20 CIHs, seven CGWPs, 38 REAs, eight attorneys.

Clients: 250 environmental consulting clients; 175 corporate/institutional clients.

Specialties: Chemical, petroleum, manufacturing.

Branch offices: 44 locations nationwide.

Service area: Worldwide.

Compensation: By the hour: \$37 to \$160.

1996 gross revenues: \$400 million; 41% from unbundled environmental risk management consulting.

Officers: Anthony J. DeLuca, president/acting CEO; Harry J. Soose, vp/controller; James R. Mahoney, Frank E. Coffman, Raymond J. Pompe, senior vp.

Contact: William H. Bosack.

The directory of environmental consultants begins on page 25; directory terms are explained on page 26.

J**J&H Marsh & McLennan Inc.**

1166 Ave. of the Americas,
New York, N.Y. 10036;
212-345-3645; fax: 212-345-3039

Parent: Marsh & McLennan Cos. Inc.

Frequent services: Real estate audits, environmental risk and insurance services.

Other services: General risk management consulting.

Staff: 13 environmental professionals.

Specialties: Manufacturing, construction, real estate.

Branch offices: San Francisco; Washington; Atlanta; Chicago; New York; Philadelphia; Houston.

Service area: Worldwide.

Compensation: On retainer.

1996 gross revenues: \$3 billion.

Contact: Ana Maria Zalles Moore, vp, 212-345-3645; or Jim Cox, vp/environmental practice leader, 212-574-8287.

K**Karch & Associates Inc.**

1701 K St. N.W., Suite 1000,
Washington, D.C. 20006;
202-463-0400; fax: 202-463-0502

Services began: 1982.

Frequent services: Litigation support, public health risk assessment, regulatory and public policy analysis.

Occasional services: Manufacturing plant audits, design and analysis of remediation plans.

Staff: 12; six environmental professionals, including four principal consultants, two consultants.

Clients: 17 corporate/institutional clients.

Service area: Nationwide.

Compensation: By the project; by the hour: \$65 to \$200.

1996 gross revenues: \$1.3 million; 95% from unbundled environmental risk management consulting.

Officers: Nathan J. Karch, president; Lesa L. Aylward, Karen L. Hentz, Jason E. Johnston, senior staff scientists.

Contact: Nathan J. Karch.

L**LAN Associates**

662 Goffle Road, Hawthorne,
N.J. 07506; 201-423-0350;
fax: 201-423-5175

Services began: 1965.

Frequent services: Real estate audits, design and analysis of remediation plans, UST management and removal.

Occasional services: Manufacturing plant audits, design of waste minimization plans, litigation support, public health risk assessment.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 27; eight environmental professionals, including two principal consultants, six consultants; three PEs, one CPG, one CHMM, one REA.

Clients: 25 environmental consulting clients; 12 corporate/institutional clients.

Branch offices: St. Augustine, Fla.

Service area: Nationwide.

Compensation: By the project, by the hour: \$55 to \$125.

1996 gross revenues: \$2.9 million; 50% from unbundled environmental risk management consulting.

Officers: John A. Lacz, president; Kenneth Karle, Guy Van Doren, vps; Ronald Panicucci, treasurer; Stephen Secora, secretary.

Contact: Ronald Panicucci.

Levine-Fricke-Recon Inc.

1920 Main St., Suite 750,
Irvine, Calif. 92614-7211;
714-955-1390; fax: 714-955-0683

Services began: 1983.

Frequent services: Real estate audits; manufacturing plant audits; design and analysis of remediation plans; litigation support; regulatory and public policy analysis; UST management and removal.

Occasional services: Design of waste minimization plans, public health risk assessment.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 461; 380 environmental professionals, including 15 principal consultants, 365 consultants.

Clients: 295 environmental consulting clients.

Specialties: Oil, manufacturing, transportation.

Branch offices: Scottsdale, Ariz.; Emeryville and Roseville, Calif.; Tallahassee, Fla.; Chicago; Weymouth, Mass.; Raritan, N.J.; New York.

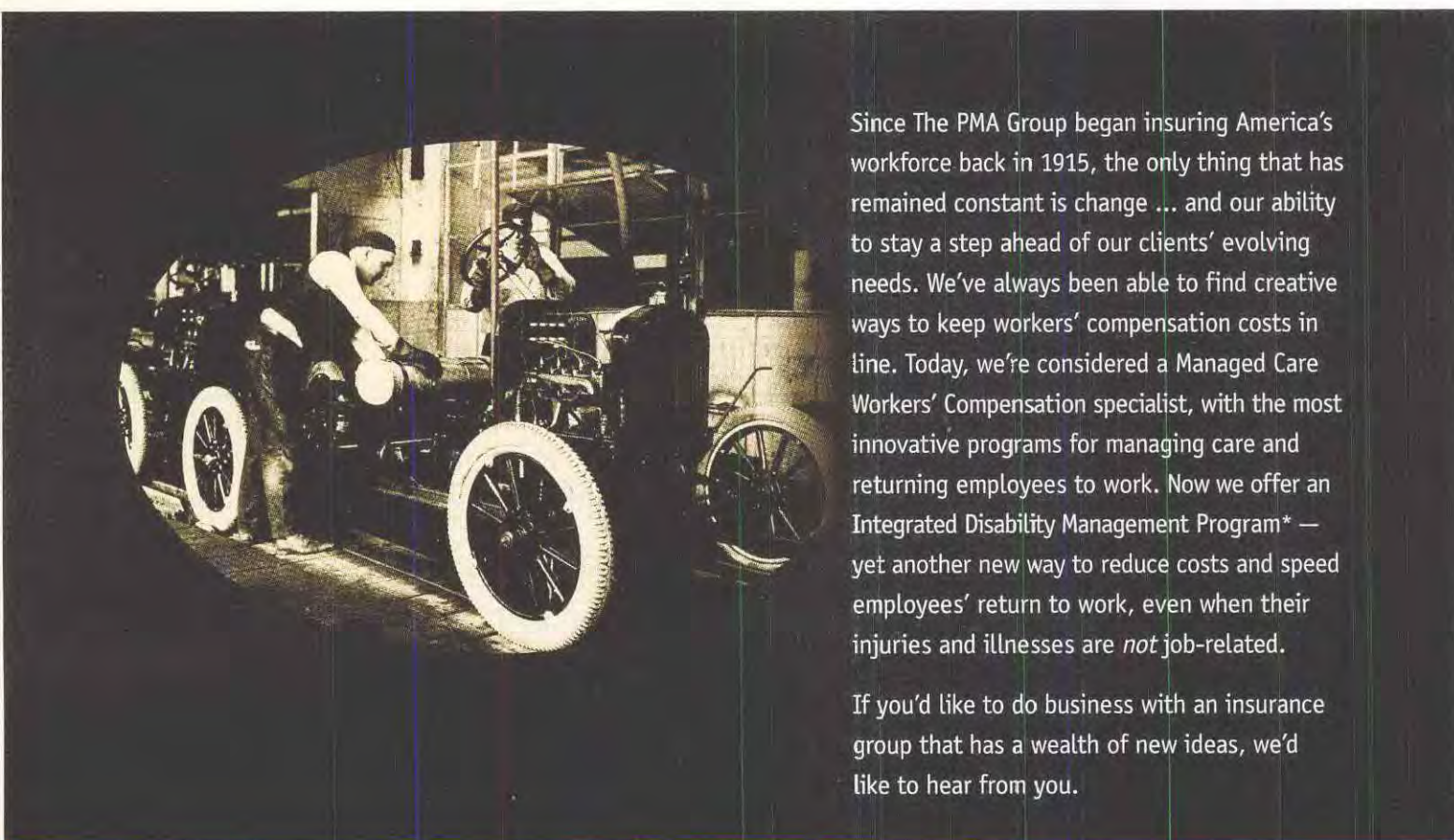
Service area: Nationwide.

Compensation: By the project; by the hour, \$60 to \$188.

1996 gross revenues: \$53 million; 80% from unbundled environmental risk management consulting.

Officers: James D. Levine; Thomas M.

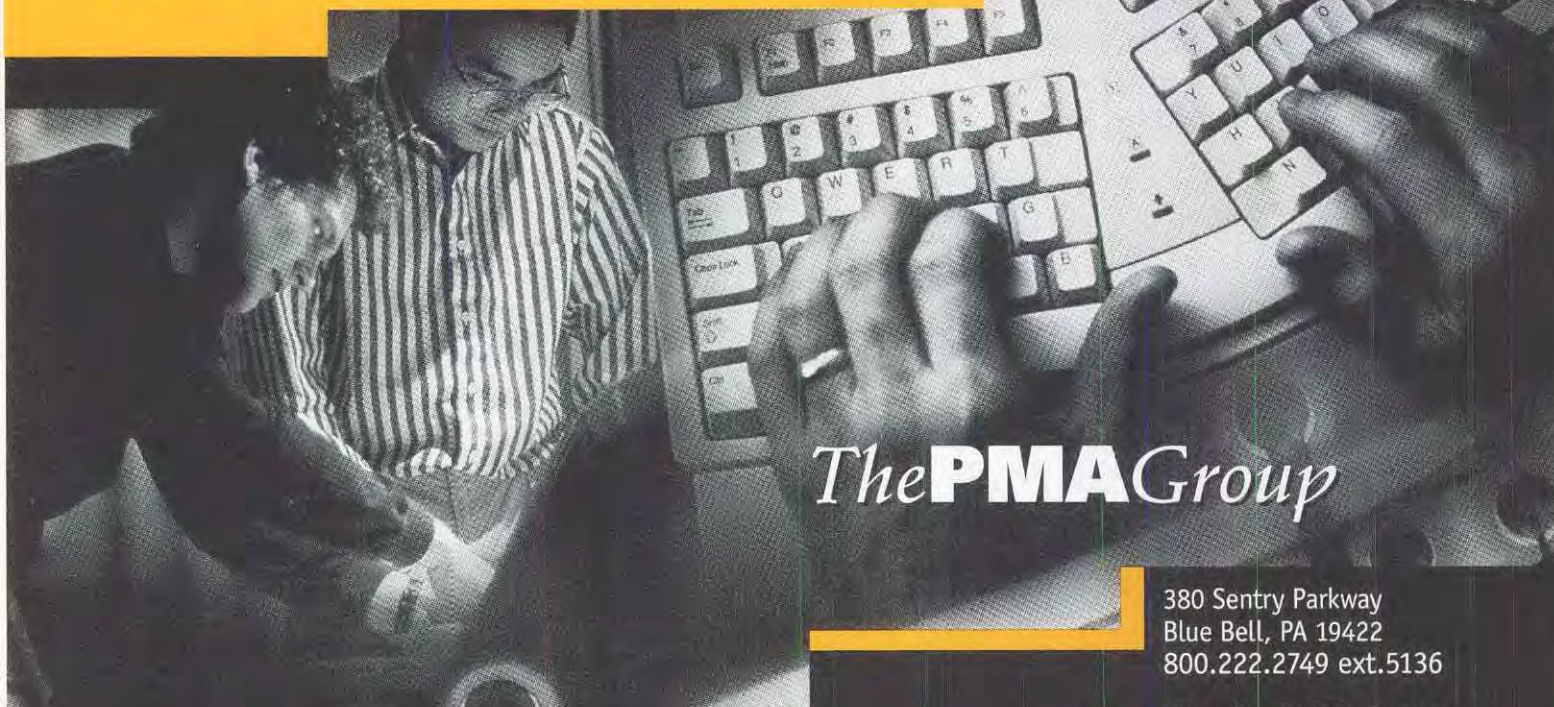
Continued on page 38



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Continued from page 36

Johnson; Eileen T. Wintermute; Charlie E. Robinson; Don Bradshaw.

Contact: Ellis Biderson, 714-955-1390 or Chip Koch, 510-652-4500.

N

Normandeau Associates Inc.

25 Nashua Road, Bedford, N.H. 03110; 603-472-5191; fax: 603-472-7052

Services began: 1970.**Parent:** Thermo TerraTech.**Frequent services:** Real estate audits.**Occasional services:** Manufacturing plant audits, litigation support, public health risk assessment.**Other services:** Environmental consulting to insurers and policymakers, general risk management consulting.**Staff:** 186; 150 environmental professionals; one PE, two CPGs, one CIH.**Branch offices:** Richmond, Calif.; Yarmouth, Maine; Plymouth, Mass.; Ypsilanti, Mich.; Hampton, N.H.; Lakewood, N.J.; Peekskill, N.Y.; Drumore and Spring City, Pa.; New Ellenton, S.C.; Brattleboro, Vt.**Service area:** Nationwide.**Compensation:** By the project; by the hour: \$40 to \$125.**1996 gross revenues:** \$14.8 million; 7% from unbundled environmental risk management consulting.**Officers:** Pamela S. Hall, president; Peter C. Kinner, Robert Blye, senior vps; John W. Shipman, Mark T. Mattson, vps.**Contact:** Peter C. Kinner.

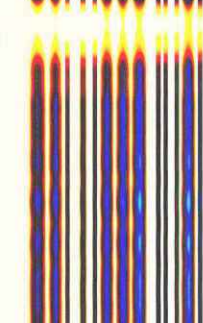
O

O'Connor Associates Environmental Inc.

639 Fifth Avenue S.W., Suite 1000, Calgary, Alberta, Canada T2P 0M9; 403-294-4200; fax: 403-294-4240

Services began: 1973.**Parent:** O'Connor Associates Management Services Ltd.**Frequent services:** Real estate audits, manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, UST management and removal, hazard/risk analysis, environmental impact assessment.**Occasional services:** Design of waste minimization plans, litigation support, regulatory and public policy analysis.**Other services:** Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, spill and leak investigations, water and air quality monitoring.**Staff:** 140; 65 environmental professionals, including seven principal consultants, 58 consultants; 23 PEs, nine CPGs.**Clients:** 30 corporate/institutional clients.**Specialties:** Petroleum, chemical, manufacturing.**Branch offices:** Ottawa, Toronto and Vancouver, Canada.**Service area:** Worldwide.**Compensation:** By the project; by the hour: \$50 to \$140.**1996 gross revenues:** \$10 million; 50% from unbundled environmental risk management consulting.**Officers:** M.J. O'Connor, president; R.D. King, J.G. Agar, J.G. Hawkins, D.R. Williams, R.C.E. McKee, J.G. Carss, W.R. Livingstone, J. Naus, associates.**Contact:** David R. Williams.

P

PDC Technical Services Inc.**Frequent services:** Real estate audits, design and analysis of remediation plans, UST management and removal, solid and hazardous waste facility design, permitting and CQA.**Occasional services:** Manufacturing plant audits, design of waste minimization plans, litigation support, public health risk assessment.**Other services:** Remediation activities, environmental consulting to insurers and public policymakers.**Staff:** 12; one principal consultant, six consultants; three PEs, two CPGs, one REA.**Clients:** 100 environmental consulting clients, all corporate/institutional clients.**Specialties:** Manufacturing, financial institutions, solid and hazardous waste management facilities.**Service area:** Midwest.**Compensation:** By the project; on retainer; by the hour: \$30 to \$120.**1996 gross revenues:** \$2.3 million; 55% from unbundled environmental risk management consulting.**Officers:** George L. Armstrong, principal engineer.**Contact:** John H. Thomas.**PSI**

4820 W. 15th St., Lawrence, Kan. 66049-3846; 800-548-7901; fax: 913-865-9170

Services began: 1961.**Parent:** Professional Service Industries Holding Inc.**Frequent services:** Real estate audits, design and analysis of remediation plans, UST management and removal.**Occasional services:** Manufacturing plant audits, litigation support.**Other services:** Environmental consulting to insurers and policymakers, general risk management consulting.**Staff:** 2,579; 57 PEs, 23 CPGs, two CHMMs, two CIHs, one CGWP, five REAs.**Branch offices:** 150 locations nationwide.**Service area:** Nationwide.**Compensation:** By the project; on retainer.**1996 gross revenues:** \$175 million; 30% from unbundled environmental risk management consulting.**Officers:** Steve Fitzner, president/CEO; Murray Savage, CFO; Robert Pfister, cor-

porate secretary; Howell Branum, COO; Mary Grider, vp-human resources.

Contact: Tom Boogher, executive vp-corporate marketing.**Philip Environmental Services Corp.**

210 W. Sand Bank Road, Columbia, Ill. 62236; 618-281-7173; fax: 618-281-5120

Services began: 1975.**Parent:** Philip Environmental Inc.**Frequent services:** Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, site investigation, compliance planning.**Other services:** Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, compliance training, health and safety training.**Staff:** 643; 95 environmental professionals; 35 PEs, 25 CPGs, two CHMMs, two

CIHs, six CGWPs, two REAs, one attorney.

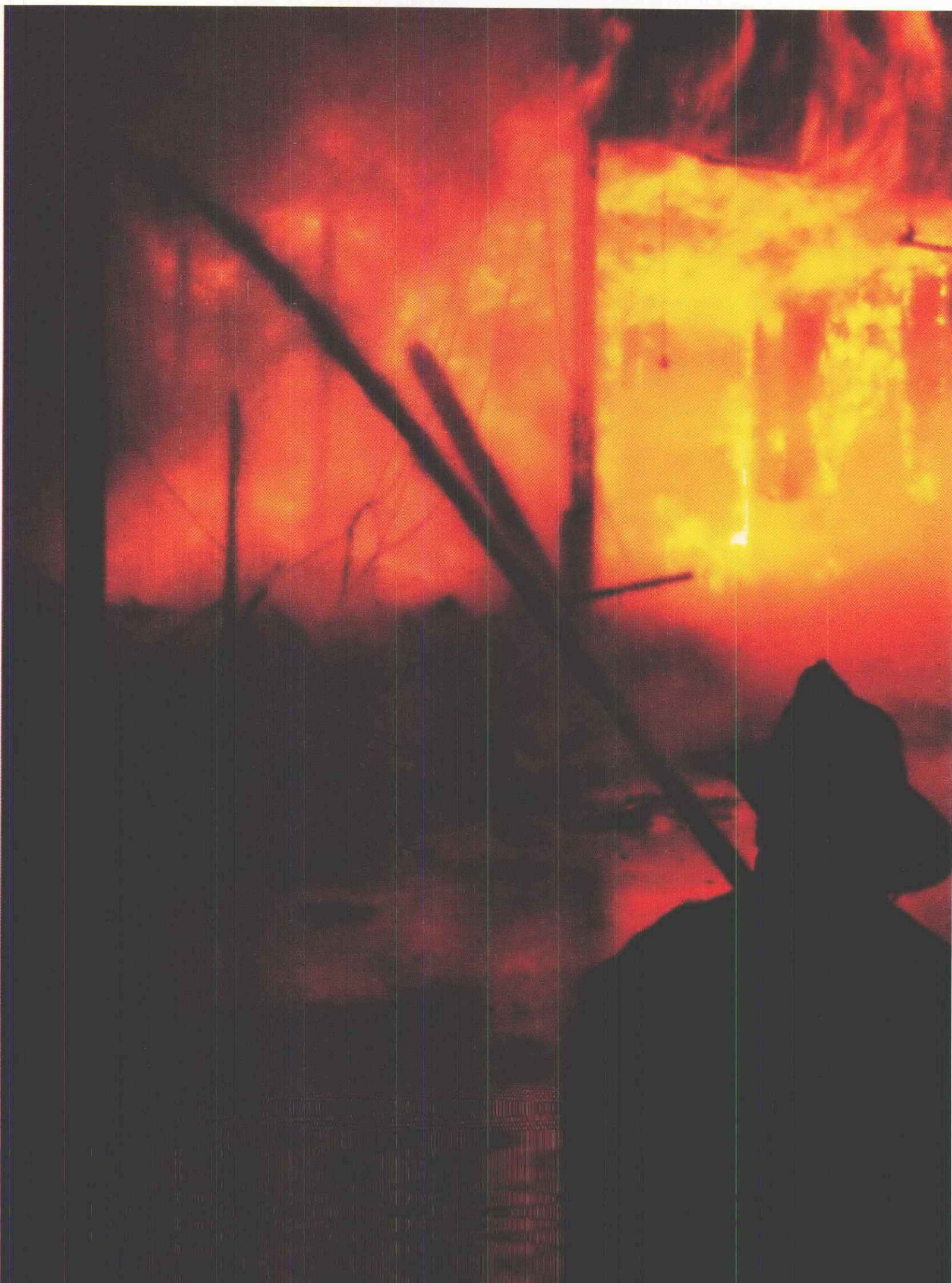
Clients: 400 environmental consulting clients; 350 corporate/institutional clients.**Branch offices:** 24 locations worldwide.**Service area:** Worldwide.**Compensation:** By the project; on retainer; by the hour: \$63 to \$129.**1996 gross revenues:** \$62.1 million; 25% from unbundled environmental risk management consulting.**Officers:** Jerry Penland, president/CEO; Paul Miller, senior vp; Lance West, vp; Marvin Boughton, vp-finance; M. Colin H. Soule, secretary.

Q

QST Environmental

8900 N. Industrial Road, Peoria, Ill. 61615; 309-692-4422; fax: 309-692-9364

Continued on next page



Continued from previous page

Services began: 1965.
Parent: CILCORP Inc.
Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis, UST management and removal, environmental risk assessments.
Occasional services: Design of waste minimization plans, litigation support, public health risk assessment.
Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, environmental management systems (including ISO 14000).
Staff: 650; 234 environmental professionals, including 12 principal consultants, 222 consultants; 50 PEs, four CPGs, five CHMMs, one CIH, two REA.
Clients: 1,000 environmental consulting clients.
Branch offices: 27 locations nationwide.
Service area: Nationwide.
Compensation: By the project.
1996 gross revenues: \$86.5 million; 80% from unbundled environmental risk

management consulting.
Officers: Thomas F. Carter Jr., president/COO; Karen M. Jensen, senior vp; Kirk E. Sweetland, Stephen R. Carter, Robert D. Hilty, vps.
Contact: Kirk E. Sweetland.



Radian International

P.O. Box 201088, Austin, Texas 78720-1088; 512-454-4797; fax: 512-454-7129
Services began: 1969.
Parent: The Dow Chemical Co. and The Hartford Steam Boiler Inspection & Insurance Co.
Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, public health risk assessment, regulatory and public policy analysis, compliance strategies training,

compliance software, compliance procedures manuals, risk management plans.
Occasional services: Litigation support, UST management and removal.
Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, monitoring, modeling, environmental data management, control technology, evaluation and troubleshooting, permitting, waste management, wastewater treatment design.
Staff: 2,139; 840 environmental professionals, including 210 principal consultants, 630 consultants; 234 PEs, 64 CPGs, 14 CHMMs, 23 CIHs, one CGWP, 19 REAs, 13 attorneys.
Clients: 800 environmental consulting clients.
Specialties: Industrial.
Branch offices: 49 locations worldwide.
Service area: Worldwide.
Compensation: By the project; by the hour.
1996 gross revenues: \$293.8 million; 66.6% from unbundled environmental risk management consulting.
Officers: Donald M. Carlton, president; P.E. Hudson, W.N. Kocurek, executive

vps.
Contact: Susan Fernandes, vp.

Risk Science Inc.

11166 Main St., Suite 110, Fairfax, Va. 22030; 703-591-0113; fax: 703-591-9595
Services began: 1981.
Frequent services: Real estate audits, manufacturing plant audits, UST management and removal.
Occasional services: Design and analysis of remediation plans, design of waste minimization plans, litigation support, regulatory and public policy analysis.
Other services: Environmental consulting to insurers and policymakers, general risk management consulting, pollution liability assessments and loss control services.
Staff: 12; two principal consultants, eight consultants; two PEs, two CPGs, one CHMM, one CIH, one CGWP, four REAs, one attorney.
Clients: 100 environmental consulting clients; 95 corporate/institutional clients.
Branch offices: Sydney, Australia; Copenhagen, Denmark.

Service area: Worldwide.
Compensation: By the project; on retainer; by the hour: \$65 to \$175.
1996 gross revenues: \$1 million; 100% from unbundled environmental risk management consulting.
Officers: Jeff A. Lalande, managing director; John Haines, chief technical officer.
Contact: Jeff A. Lalande.



STS Consultants Ltd.

1415 Lake Cook Road, Deerfield, Ill. 60015-5213; 847-267-8010; fax: 847-267-8040
Services began: 1948.
Frequent services: Real estate audits; manufacturing plant audits, design and analysis of remediation plans, litigation support, UST management and removal; indoor air quality, industrial hygiene.
Occasional services: Design of waste minimization plans, public health risk assessment.
Other services: Remediation activities; environmental consulting to insurers and policymakers, general risk management consulting.
Staff: 331; 77 environmental professionals, including 17 principal consultants, 62 consultants; 11 PEs, 18 CPGs, two CHMMs, one CGWP, one REA.
Clients: 238 environmental consulting clients; 228 corporate/institutional clients.
Branch offices: Detroit, Kalamazoo and Lansing, Mich.; Minneapolis; Green Bay and Milwaukee, Wis.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: \$60 to \$210.
1996 gross revenues: \$30.9 million; 63% from unbundled environmental risk management consulting.
Officers: Michael J. Russell, chairman; Thomas W. Wolf, president; Clyde N. Baker Jr., William M. Perpich, senior vps; David P. Harris, executive vp.
Contact: Huron Winstead, business development manager.

Sedgwick Environmental Services

3401 West End Ave., Nashville, Tenn. 37203; 615-298-1414; fax: 615-298-9811
Services began: 1991.
Parent: Sedgwick Group P.L.C.
Frequent services: Real estate audits; manufacturing plant audits; design and analysis of remediation plans; litigation support; public health risk assessment; regulatory and public policy analysis; UST management and removal; risk profiling; ISO 14000 services; media crisis training; benchmarking; risk rating.
Occasional services: Design of waste minimization plans.
Other services: Environmental consulting to insurers and policymakers, general risk management consulting, environmental claims management, UST claims handling; owner-controlled insurance program; mergers and acquisitions due diligence.
Staff: 31; 25 environmental professionals, including 10 principal consultants, 15 consultants; 10 PEs, two CPGs, 12 ARMs, six CPCUs, three CHMMs, five CIHs, one CGWP, five attorneys.
Clients: 300 environmental consulting clients; 195 corporate/institutional clients.
Specialties: Industrial manufacturing; public entities, retail and service companies.
Branch offices: Orange and San Francisco, Calif.; Washington; West Palm Beach, Fla.; Atlanta; Chicago; Boston; Detroit; Columbus, Ohio; Portland, Ore.; Harrisburg and Philadelphia, Pa.; Columbia, S.C.; Memphis, Tenn.; Dallas; Seattle; Sydney, Australia; Brussels, Belgium; Toronto; London and Manchester, England.
Service area: Worldwide.
Compensation: By the project; on retainer; by the hour: \$115 to \$300.
1996 gross revenues: \$1.2 billion.
Officers: Donna Herrmann Sandidge, managing director-United States; Steve Osselton, national director-Canada; Roger Baels, associate director-Brussels, Belgium; James Kenneally, environmental specialist-Sydney; Marcel Steward, national director-United Kingdom.
Contact: Donna Herrmann Sandidge, 615-783-2503.

Ironically, some of the business practices that are designed to save you money can actually put your bottom line at risk. For example, outsourcing can lead you to use vendors that may not be integrated into your loss prevention program. Consolidation has eliminated redundancy, and for those utilizing Just In Time Production, there's no inventory if your manufacturing system shuts down. And where does that leave your product? Off the shelves.



IT LOOKS EVEN SCARIER ON A BALANCE SHEET.

The key to global risk management in this business environment, then, is a partner who offers expertise in helping customers manage risk. A partner such as Allendale Insurance. We can measure and quantify exposure in places you didn't even know you were vulnerable. And with offices and partners around the world, we can help advise you on local regulations and conditions. Equally important, we can do all of this cost effectively. Because as devastating as a catastrophic fire is in person, it can be just as devastating on paper.



Continued from previous page

Shell Engineering & Associates Inc.

2403 W. Ash St., Columbia, Mo. 65203-0045; 573-445-0106; fax: 573-445-0137

Services began: 1975.

Frequent services: Real estate audits, manufacturing plant audits, litigation support, regulatory and public policy analysis, amending Title V permits/applications, emergency response plans.

Occasional services: Design and analysis of remediation plans, public health risk assessment.

Other services: Environmental consult-

ing to insurers and policymakers, general risk management consulting.

Staff: 25; six environmental professionals, including two principal consultants, two consultants; 4 PEs.

Clients: 25 environmental consulting clients; 5 corporate/institutional clients.

Service area: Nationwide.

Compensation: By the hour: \$65 to \$200.

1996 gross revenues: \$1.7 million; 100% from unbundled environmental risk management consulting.

Officers: Harvey D. Shell, president; Charles A. Shell, vp; Karen Curtit, manager-engineering; David Seidel, manager-special engineering projects; Lori Juergens, senior project engineer.

Contact: Karen Curtit.

Squier Associates

P.O. Box 1317, Lake Oswego, Ore. 97035; 503-635-4419; fax: 503-635-1430

Services began: 1980.

Frequent services: Real estate audits, design and analysis of remediation plans, regulatory and public policy analysis, UST management and removal.

Occasional services: Manufacturing plant audits, design of waste minimization plans, litigation support, public health risk assessment.

Other services: Remediation activities, environmental consulting to insurers and policymakers.

Staff: 28; nine environmental professionals; three PEs, five CPGs, three REAs.

Clients: 50 environmental consulting

clients, all corporate/institutional clients.

Specialties: Agriculture, manufacturing, public works.

Service area: Worldwide.

Compensation: By the project; by the hour: \$50 to \$140.

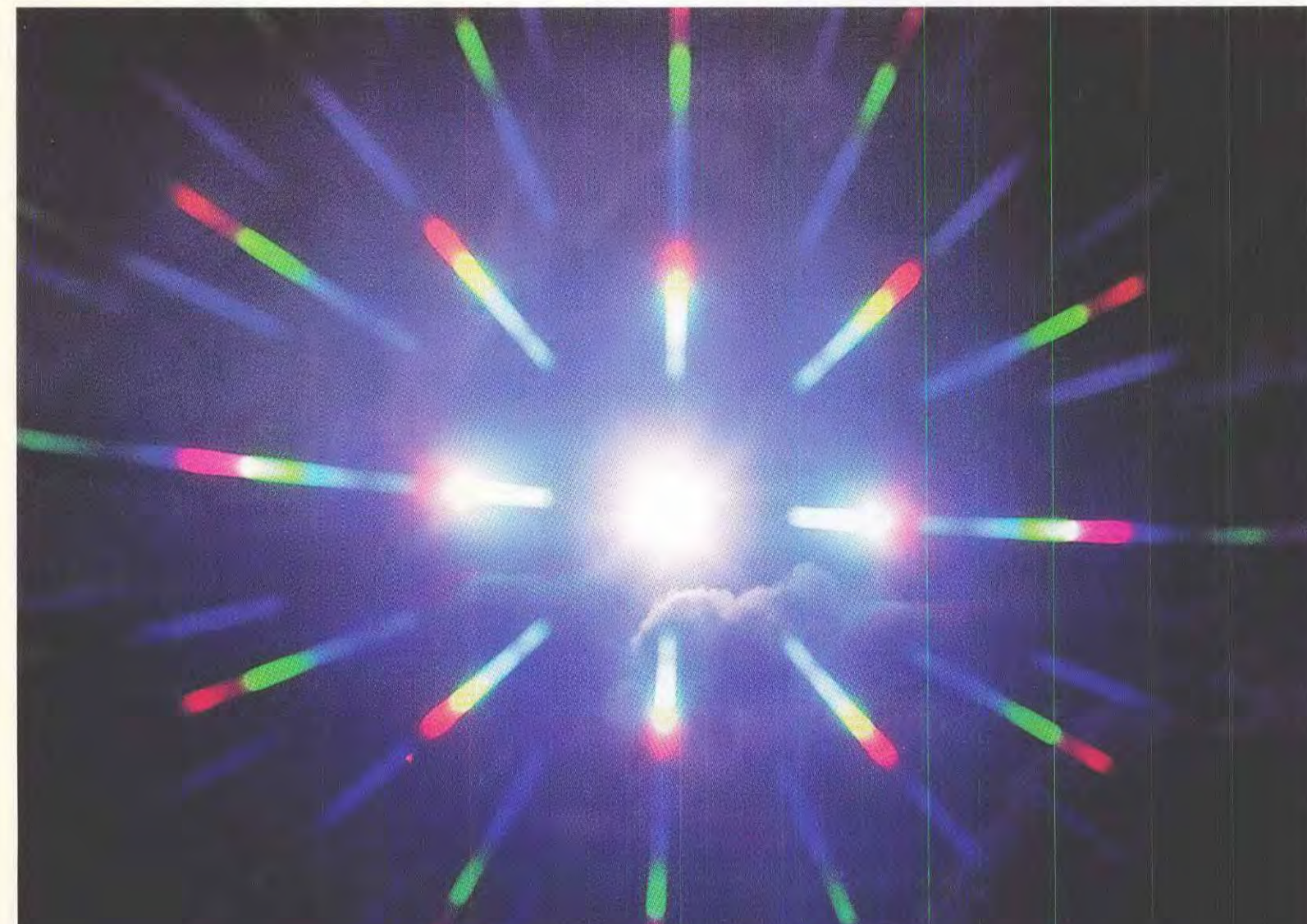
1996 gross revenues: \$2.7 million; 44% from unbundled environmental risk management consulting.

Officers: L. Radley Squier, president; Arlon Rippe, senior vp; Gary Peterson, Said Behboodi, Mike Blankinship, vps.

Contact: Mike Blankinship.

Superior Environmental Corp.

2201 Wolf Lake Road, Muskegon, Mich. 49442-4845; 616-788-5558; fax: 616-788-5450

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Bermuda Address:

American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda Tel: 441 295 7827 Fax: 441 292 8099

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Services began: 1989.

Frequent services: Real estate audits; manufacturing plant audits; design and analysis of remediation plans; design of waste minimization plans; regulatory and public policy analysis; UST management and removal; due diligence for property transfers, operation and maintenance.

Occasional services: Litigation support, public health risk assessment.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 90; 63 environmental professionals, including seven PEs, seven CPGs, three CHMMs, one CIH, five CGWPs, two REAs.

Clients: 354 environmental consulting clients; 334 corporate/institutional clients.

Specialties: Financial institutions, insurance carriers, property development.

Branch offices: Sycamore, Ill.; Bay City, Brighton and Grand Rapids, Mich.; Waukesha, Wis.

Service area: Illinois, Indiana, Michigan, Ohio, Wisconsin.

Compensation: By the project; by the hour: \$35 to \$95.

1996 gross revenues: \$10 million; 75% from unbundled environmental risk management consulting.

Officers: James Quince, president/CEO; Fred Timmer, COO; Bob Clark, CFO; Scott Miller, vp.

Contact: Fred Timmer.

T

Terracon Environmental Inc.

16000 College Blvd., Lenexa, Kan. 66219; 800-593-7777; fax: 913-492-6482

Services began: 1980.

Parent: The Terracon Cos. Inc.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, public health risk assessment, UST management and removal.

Occasional services: Litigation support, regulatory and public policy analysis.

Other services: Remediation activities, general risk management consulting.

Staff: 171; 127 environmental professionals, including 24 principal consultants, 45 consultants; 27 PEs, 12 CPGs, four CGWPs.

Branch offices: 45 locations nationwide.

Service area: Nationwide.

Compensation: By the project; by the hour.

1996 gross revenues: \$21 million; 80% from unbundled environmental risk management consulting.

Officers: John F. Hartwell, president; Dick Kanemasu, president-Western division; Cliff Yeckes, environmental manager-Western division; J. Lee Hutchins, senior technical consultant.

Continued on page 42

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Continued from page 40

Testing Service Corp.

360 S. Main Place,
Carol Stream, Ill. 60188;
630-462-2600; fax: 630-653-2988

Services began: 1980.

Frequent services: Real estate audits, UST management and removal, Phase I and II environmental site assessment, pre-notice site cleanup (Illinois).

Occasional services: Design and analysis of remediation plans, litigation support.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting, asbestos surveys, lead-based paint surveys.

Staff: 170; 18 environmental professionals, including four principal consultants, 12 consultants; three PEs, one CPG, two REAs.

Clients: 130 environmental consulting clients; 120 corporate/institutional clients.

Specialties: Real estate acquisition, development and construction.

Branch offices: Bloomington, Ill.

Service area: Illinois, Indiana, Iowa,

Michigan, Missouri, Wisconsin.

Compensation: By the project; by the hour: \$45 to \$125.

1996 gross revenues: \$10.7 million; 14% from unbundled environmental risk management consulting.

Officers: Lawrence A. DuBose, chairman; Allen L. DuBose, president; Charles R. DuBose, Bruce R. Poynor, Tom Morris, vps.

Contact: Bruce R. Poynor.

Tetra Tech EM Inc.

1593 Spring Hill Road, Vienna,
Va. 22182; 703-287-8884;
fax: 703-287-8910

Services began: 1984.

Parent: Tetra Tech Inc.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, brownfields support.

Occasional services: Litigation support.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting, team building and training, conference management and support, economic/insurance analysis.

Staff: 800, all environmental professionals, including 30 PEs, 12 CPGs, two ARMs, 20 CHMMs, five CIHs, 10 CGWPs, five REAs, 15 attorneys.

Clients: 30 environmental consulting clients; 10 corporate/institutional clients.

Specialties: Government agencies.

Branch offices: 38 worldwide.

Service area: Worldwide.

Compensation: By the project.

1996 gross revenues: \$95 million; 95% from unbundled environmental risk management consulting.

Officers: Michael Nigro, COO; Bob Van Osten, CFO; Daniel Chow, Edward DiDomenico vps; Firouz Rooyani, vp-international; Mark Johnson, vp-environmental risk management services.

Contact: Mark Johnson.

A chart of the leading environmental consultants by revenue is on page 25.

Tillinghast-Towers Perrin

335 Madison Ave., New York,
N.Y. 10017; 212-309-3400;
fax: 212-309-3937

Services began: 1990.

Parent: Towers Perrin.

Frequent services: Regulatory and public policy analysis, analysis of risk premiums in the transfer of environmental liabilities.

Occasional services: Litigation support.

Other services: Environmental consulting to insurers and policymakers; general risk management consulting; actuarial, claims management and general management consulting.

Staff: 384; two environmental professionals, including one principal consultant and one consultant.

Clients: 66 environmental consulting clients; 13 corporate/institutional clients.

Branch offices: 39 locations worldwide.

Service area: Worldwide.

Compensation: By the hour: \$150 to \$425.

1996 gross revenues: \$72 million; 3.8% from unbundled environmental risk management consulting.

Officers: Michael Tuohy, managing principal.

Contact: Amy Bouska, 612-897-3300.

ToITest Inc.

1915 N. 12th St., Toledo,
Ohio 43603; 419-241-7175;
fax: 419-241-1808

Services began: 1927.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, UST management and removal, air quality consulting and testing, asbestos, industrial hygiene consulting, landfill and remediation engineering.

Occasional services: Design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 188; 80 environmental professionals, including 10 principal consultants, 70 consultants; five PEs, seven CPGs, two CHMMs.

Clients: 200 environmental consulting clients; 150 corporate/institutional clients.

Specialties: Industrial, commercial, construction.

Branch offices: Indianapolis; Monroe and Plymouth, Mich.; Monroeville, Pa.; Dayton, Ohio.

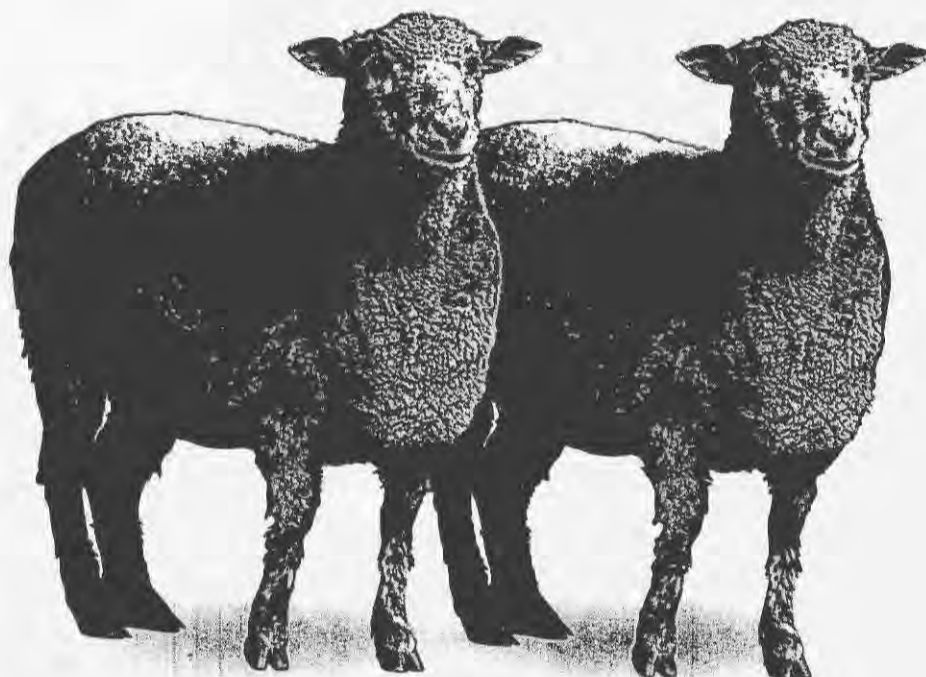
Service area: Nationwide.

Compensation: By the project, by the hour.

1996 gross revenues: \$13.5 million; 50% from unbundled environmental risk management consulting.

Officers: Michael P. Boyle, president/CEO; Thomas R. Uhler, Jeffrey Ryan, vps; David Alleman, treasurer; Robert Leduc, secretary.

Contact: Jeffrey Ryan, 313-455-8600.



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**VISTA Information
Solutions Inc.**

5060 Shoreham Place, San Diego,
Calif. 92122; 619-450-6100;
fax: 619-450-6195

Services began: 1989.

Frequent services: Real estate audits, public records research of environmental compliance and enforcement violations.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 130; 20 environmental professionals; one attorney.

Clients: 2,000 environmental consulting clients; 500 corporate/institutional clients.

Branch offices: Edina, Minn.; Glensville, N.Y.; Exton, Pa.

Service area: Nationwide.

Compensation: By the project.

1996 gross revenues: \$8.4 million; 95% from unbundled environmental risk management consulting.

Officers: Thomas R. Gay, president/CEO; E. Steven Hamilton, CFO; Howard Shuster, vp-sales; Don Coley, vp-marketing.

Contact: Don Coley.

**R.A. West Associates Inc.**

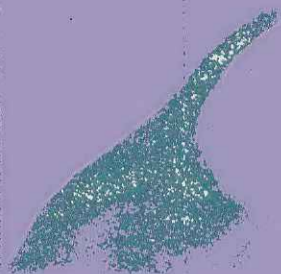
2865 S. Eagle Road, Suite 359,
Newtown, Pa. 18940;
215-860-5026; fax: 215-860-0883

Services began: 1991.

Frequent services: Real estate audits, design and analysis of remediation plans, litigation support, UST management and removal.

Occasional services: Manufacturing plant audits, design of waste minimization

Continued on page 44



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Attn: Joseph F. Scognamiglio, President

Continued from page 42

plans, public health risk assessment, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: Three; one environmental professional, a principal consultant; one CHMM, one REA.

Clients: 70 environmental consulting clients; 50 corporate/institutional clients.

Specialties: Petrochemical and chemical manufacturing, distribution and sales; manufacturing; construction.

Service area: Nationwide.

Compensation: By the project; by the hour: \$55 to \$110.

1996 gross revenues: \$700,000; 60% from unbundled environmental risk management consulting.

Officers: Robert A. West, president; Maureen A. West, secretary.

Contact: Pamela Eutsler.

Roy F. Weston Inc.

1 Weston Way, West Chester,
 Pa. 19380; 610-701-3000;
 fax: 610-701-3186

Services began: 1957.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, public health risk assessment, UST management and removal, occupational health consulting, process safety management consulting.

Occasional services: Litigation support, regulatory and public policy analysis.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 2,300.

Branch offices: Auburn, Ala.; Hartford, Conn.; Vernon Hills, Ill.; Boston; Philadelphia; Houston; Seattle.

Service area: Worldwide.

Compensation: By the project; by the hour.

1996 gross revenues: \$2.6 million; 10% from unbundled environmental risk management consulting.

Officers: William J. Marrazzo, president/CEO; M. Christine Murphy, executive vp/CFO; Peter J. Marks, executive vp/COO; Patrick G. McCann, executive vp-strategic development; W. Dennis Moran, vp/president-Weston International.

Willis Corroon Corp.

26 Century Blvd., Nashville,
 Tenn. 37214; 615-872-3200;
 fax: 615-872-3333

Services began: 1985.

Frequent services: Environmental risk identification, loss prevention and control, risk finance planning, balance sheet management strategies, property transfers.

Occasional services: Manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 19; 18 environmental professionals, including four principal consultants, 12 consultants; 2 PEs, four ARMs, three CP-CUs, one CHMM, four attorneys.

Clients: 112 environmental consulting clients, all corporate/institutional clients.

Specialties: Environmental services vendors, manufacturers, real estate developers.

Branch offices: Phoenix; San Francisco and Santa Ana, Calif.; Atlanta; Chicago; Boston; New York; Radnor, Pa.; Knoxville, Tenn.; Seattle; Milwaukee; Toronto, Canada.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: \$100 to \$240.

1996 gross revenues: \$1.1 billion; 1% from unbundled environmental risk management consulting.

Officers: Ken Pinkston, chairman/CEO; Brian D. Johnson, vice chairman/COO; James V. Davis, chairman/CEO-ARMS; David J. Dybdahl, managing director; Rodney J. Taylor, senior vp/senior consultant.

Contact: David J. Dybdahl or Rodney J. Taylor.

Woodward-Clyde Consultants

4582 S. Ulster St., Denver,
 Colo. 80237; 303-694-2770;
 fax: 303-694-3946

Services began: 1950.

Parent: Woodward-Clyde Group Inc.

Frequent services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, financial risk assessment and management plans.

Occasional services: Design of waste minimization plans, regulatory and public policy analysis, UST management and removal.

Other services: Remediation activities, environmental consulting to insurers and policymakers, general risk management consulting.

Staff: 2,525; 92 environmental professionals, including 11 principal consultants,

81 consultants; 21 PEs, five CPGs, 13 CHMMs, five CIHs, four CGWPs, 22 REAs, eight attorneys.

Branch offices: 90 locations worldwide.

Service area: Worldwide.

Compensation: By the project; by the hour.

1996 gross revenues: \$320 million; 15% from unbundled environmental risk management consulting.

Officers: Woodward-Clyde Group Inc.: Frank Waller, chairman; Jean Yves Perez, president/CEO; Robert K. Wilson, CFO. Woodward-Clyde International: Jim Miller, president/COO. Woodward-Clyde Federal Services: J.E. McCarthy, president.

Addendum

The following company was not included in the alphabetical section because the questionnaire was received late.

EMG

11011 McCormick Road,
 Baltimore, Md. 21031;
 410-785-6200; fax: 410-785-6221

Services began: 1986.

Frequent services: Commercial real estate due diligence services, architectural environmental/engineering site assessments.

Other services: Environmental consulting to insurers and policymakers.

Staff: 154; 51 environmental professionals, including 58 consultants; two PEs, two CPGs, six REAs.

Clients: 3,000 environmental consulting clients.

Specialties: Financial services, investment banking.

Service area: Nationwide.

Compensation: By the project.

1996 gross revenues: \$15.6 million; 95% from unbundled environmental risk management consulting.

Officers: Hank Post, CEO; Michael Logsdon, president; Michael Lynn, executive vp.

BI

Designations include Professional Engineer (PE), Certified Professional Geologist (CPG), Associate in Risk Management (ARM), Chartered Property/Casualty Underwriter (CPCU), Certified Hazardous Materials Manager (CHMM), Certified Industrial Hygienist (CIH), Certified Ground Water Professional (CGWP), Registered Environmental Assessor (REA), and Attorney.

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Book summarizes comp laws in all states

SCHAUMBURG, Ill.—A new book summarizing workers compensation laws for every state is available from the Alliance of American Insurers.

The 1997 edition of "Survey of Workers Compensation Laws" contains comprehensive information on benefits, provider choice restrictions, cost containment, second-injury funds, vocational rehabilitation, statutory provi-

Inc. The package includes a sexual abuse sublimit of \$100,000 per occurrence, and a \$300,000 aggregate limit. Higher limits are available.

Corporal punishment liability and professional liability are included in the general liability limit of \$1 million. A \$5,000 medical payments limit covering treatment of children also is provided.

Products & Services

sions for insurance, self-insurance and state funds, and coverage and administration provisions.

The 84-page book is free to members, \$15 to reinsurer affiliates and \$20 to non-members, plus \$5 for shipping. State tax should be added if applicable.

For more information, contact Rane Strawn at the Alliance, 847-330-8530.

Disaster recovery

NEWTON, Mass.—The new edition of the Disaster Recovery Yellow Pages, published by The Systems Audit Group Inc., is available.

The 320-page source book lists more than 3,000 vendors of disaster recovery services in the United States and Canada. Its 350 categories include listings for 3,000 vendors in classifications such as drying and dehumidification of paper and microfilm records, smoke odor counteracting, trauma counselors and emergency rentals of computer equipment.

The book has sections on restoration services, mobile buildings, computer and emergency equipment, planning and data recovery software, as well as training publications and videos. The book also has a tutorial for preparing disaster recovery plans.

The book costs \$98 plus \$3 shipping. For more information, contact The Systems Audit Group, 617-332-4358.

MSA products

RICHMOND, Va.—Medical savings account products for employers with two to 50 eligible employees are now available from Trigon Blue Cross/Blue Shield.

Two new products permit members to take advantage of premiums 15% to 20% below comparable fully insured group plans while using MSA money to cover deductibles and other expenses not covered by the health plan.

One of the two new MSAs has an individual deductible of \$1,500 and a family deductible of \$3,000; the other has a deductible of \$2,250 for an individual and \$4,500 for a family.

The products are part of a national pilot program to test MSAs under the authority of the Health Insurance Portability and Accountability Act that Congress passed last year.

For more information, contact Roberta O'Shea, product development consultant, 804-354-2612.

Child care program

ATLANTA—A new insurance package designed to meet the needs of child care providers is being marketed by Atlanta-based Thompson Insurance Enterprise

A preferred property extension, which is included as well, provides up to \$50,000 to protect the income of child care program owners if their facilities must close because of fire or another cause.

The program is available to preschools, Montessori schools, 24-hour centers, latch-key programs, sick child facilities and Operation Headstart programs.

For more information, contact Greg Thompson, president, 800-476-9940.

Abduction cover

NEW YORK—New protection against child abduction liability is available through Morefar Marketing Inc., a subsidiary of New York-based American International Group Inc.

The coverage applies to insured camps or private schools, paying them for expenses incurred in relation to the abduction of a child 13 or younger while attending camp or school.

Covered expenses include investigative fees, forensic analysts, public relations consultants, informant rewards, lost salary of parents, and travel and accommodation costs for parents during the search and after a child's recovery.

Also covered are medical services and hospitalization costs for the abducted child and psychiatric counseling for the child and relatives.

The endorsement, an option within Morefar's Children's Camp and Private Schools Insurance Program, is available with liability limits of \$50,000 per abduction and \$100,000 aggregate.

For information, contact Morefar Marketing, 302-761-5600.

Accelerated benefits

PORTLAND, Ore.—In a series of enhancements to its group term life insurance coverages, Standard Insurance Co. now is allowing terminally ill members to receive up to 75% of their coverage in advance.

The remaining portion of the life insurance benefit is reserved for the insured's beneficiary.

The Portland, Ore.-based mutual life insurer also has raised its maximum accelerated benefit amount to \$500,000 from \$250,000.

Standard has no restrictions on how the accelerated benefits may be used. For example, terminally ill insureds may use the payments for experimental medical treatments or to take their families on a memorable vacation.

For more information on Standard's accelerated group life benefit, contact Shellie Gillard, 503-321-7309.



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FREE LITERATURE FOR READERS

Issue Date: JUNE 9, 1997

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 - L TPA
 - M Health care
 - N Other _____
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 - 5 5,000 or more
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ERISA

Continued from page 1

favor of the fund, and the state appealed to the U.S. Supreme Court.

Writing for the majority, Justice John Paul Stevens said: "There is nothing in the operation of the HFA that convinces us it is the type of state law that Congress intended ERISA to supersede. This is not a case in which New York has forbidden a method of calculating pension benefits that federal law permits, or required employers to provide certain benefits. Nor is it a case in which the existence of a pension plan is a critical element of a state law cause of action, or one in which the state statute contains provisions that expressly refer to ERISA or ERISA plans.

"A consideration of the actual operation of the state statute leads us to

the conclusion that the HFA is one of 'myriad state laws' of general applicability that impose some burdens on the administration of ERISA plans but nonetheless do not 'relate to' them within the meaning of the gov-

ernment statute. "The HFA is a tax on hospitals. Most hospitals are not owned or operated by ERISA funds. This particular ERISA fund has arranged to provide medical benefits for its plan beneficiaries by running hospitals di-

rectly, rather than by purchasing the same services at independently run hospitals. If the fund had made the other choice and it had purchased health care services from a hospital, that facility would have passed the

higher rates," he wrote. "Any state tax or other law that increases the cost of providing benefits to covered employees will have some effect on the administration of ERISA plans, but that simply cannot mean that every state law with such an effect is pre-empted by the federal statute," read the opinion.

In a dissent in which he was joined by Justice Clarence Thomas, Justice Antonin Scalia did not raise the question of pre-emption but rather questioned whether the Supreme Court even has any jurisdiction in the matter, holding that question must be resolved "before reaching the merits of respondent's ERISA pre-emption claims."

Observers say the court's decision in *De Buono* is simply the most recent example of the high court's willingness to take a narrow rather than expansive view of ERISA's pre-emption of state law. The court's retreat

Observers say the *De Buono* decision is simply the most recent example of the high court's willingness to take a narrow view of ERISA's pre-emption of state law.

erning statute.

expense of the HFA onto the fund and its plan beneficiaries through the rates it set for the services provided. The fund would then have had to decide whether to cover a more limited range of services for its beneficiaries or perhaps to charge plan members

from a broad reading of ERISA pre-emption became evident two years ago, in *New York Conference of Blue Cross & Blue Shield Plans vs. Travelers Insurance Co.* (BI, May 1, 1995). In that case, the court upheld New York's right to impose a surcharge on commercially insured health plans despite ERISA pre-emption.

Before that decision, Supreme Court justices had given the broadest possible ERISA pre-emption of state laws that "relate to" health care plans. With the *De Buono* decision, the justices have further narrowed that pre-emption, say observers.

"I'm not really sure it's a narrow decision. It really does further limit the pre-emption doctrine" in regard to how "relate to" is defined, said John Piro, a consultant with Hewitt Associates L.L.C. in Rowayton, Conn.

"It's not a surprise. I think the scales are tipping increasingly in favor of taxes being something ERISA doesn't pre-empt," said Mary Case, a principal with The Kwasha Lipton Group in Fort Lee, N.J.

"It's a narrow case, but it basically is just another weight on the side of states' ability to tax things that are being paid out of employee benefit plans," she said. She pointed out that few health plans own and operate their own hospitals.

"It does seem to be somewhat of a trend toward reining in the most expansive reaches of pre-emption. Many people thought that this case might be different from its predecessors because the plans were in essence hospitals. But the Supreme Court declined to use that distinction," said Henry Saveth, a principal at William M. Mercer Inc. in New York.

"The impact will be limited in the sense that there aren't that many plans that own and operate hospitals. At the same time, there is a legal trend in that the Supreme Court seems to be drawing a circle around the pre-emption and keeping broad pre-emption within parameters," he said.

The decision "seems to ignite a lot of further state activity, particularly in tax law," predicted Mr. Piro. "There's some confusion as to what you can do here," he said.

"Where's the dividing line" between what is permissible and where a state law's economic impact is so great that the pre-emption is triggered? asked Mr. Piro.

In the other ERISA pre-emption decision handed down by the court last week, a narrow majority of the justices ruled that ERISA pre-empts Louisiana's community property law.

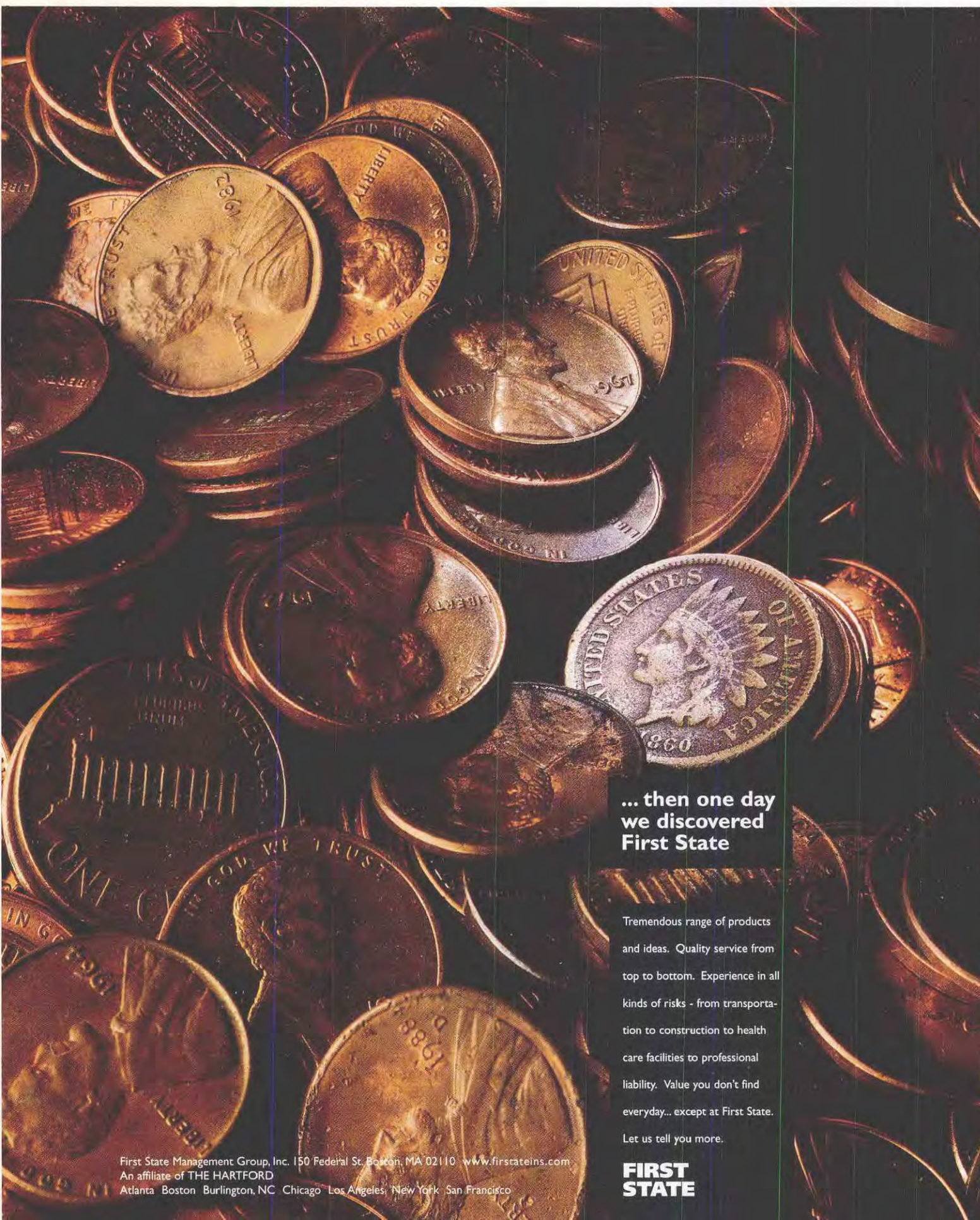
The case, *Boggs vs. Boggs*, involved an attempt by the children from a deceased telephone company employee's first marriage to collect their deceased mother's portion of benefits from their father's estate.

The sons of Isaac Boggs sued in Louisiana state court under the state's community property law and their stepmother, whom their father had married a year after their mother's death, countersued, holding that ERISA pre-empted the sons' claims.

By a 5-4 margin, the high court upheld the ERISA pre-emption. The majority, in an opinion written by Justice Anthony Kennedy, found that ERISA's objective is to provide income to the surviving spouse. In a dissent, Justice Stephen Breyer questioned whether Congress intended ERISA to become involved in state matters of "family, property and probate."

De Buono vs. NYS-ILA Medical and Clinical Services Fund, U.S. Supreme Court; No. 95-1594. Decided June 2, 1997.

Boggs vs. Boggs, U.S. Supreme Court; No. 96-79. Decided June 2, 1997.



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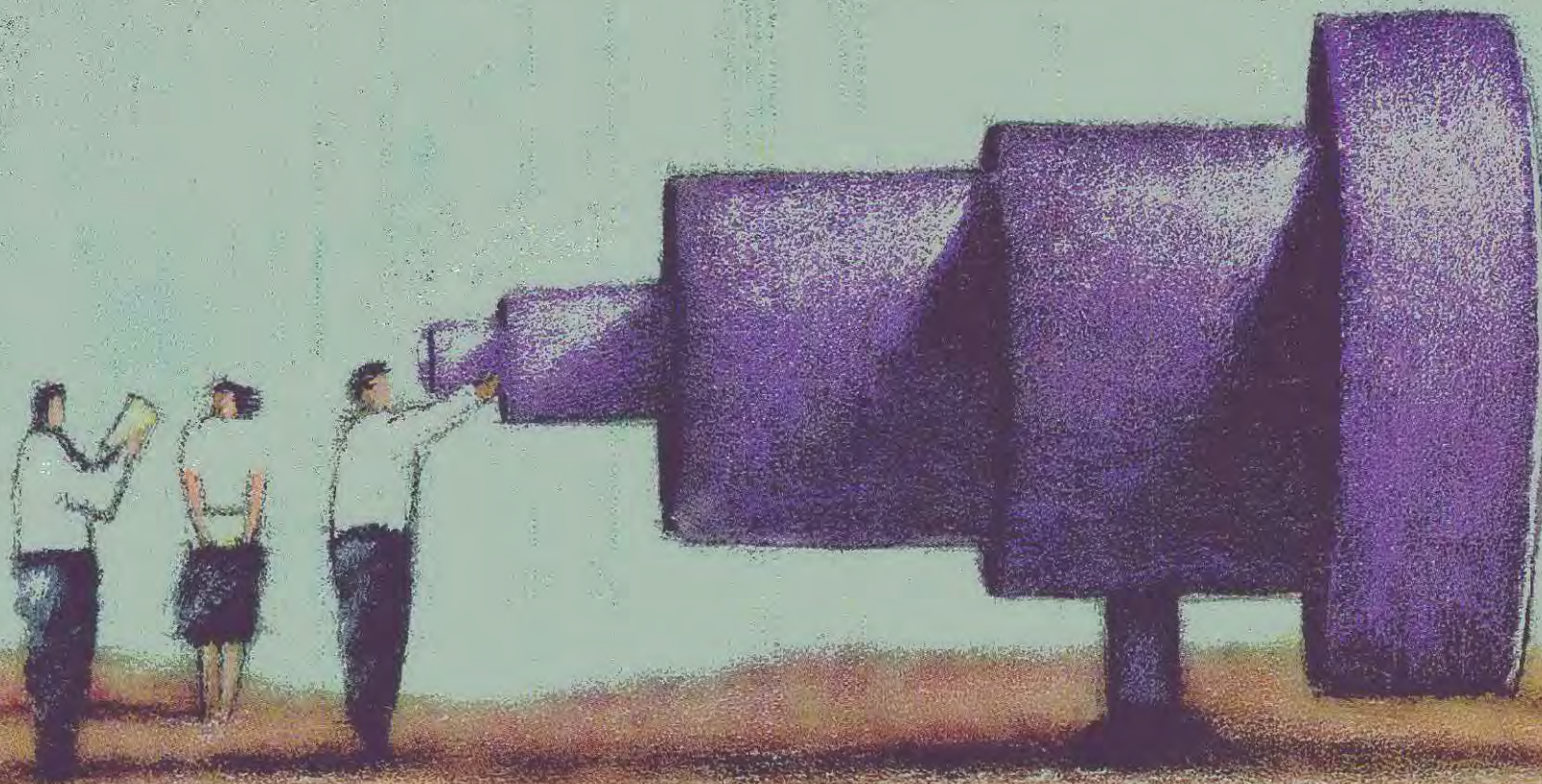
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Jun 9	Specialty Risks: Environmental & Professional ^{RS} <i>Directory: Environmental Risk Management Consultants</i> <i>Distribution: NAIC</i>		May 28
Jun 16		IT Reinsurance Recoveries	Jun 4
Jun 23	Benefits: Balancing Work & Family ^{RS,SS} <i>Directory: EAPs & Dependent Care Resources & Referral Services</i> <i>Distribution: AAHP; SHRM</i>		Jun 11
Jun 30			Jun 18
Jul 7	Midyear Market Report: Property/Casualty & Health Care ^{RS} <i>Information Resource: Property/Casualty & Health Care</i> <i>Distribution: IIS</i>	ABT Advertising & Promotion	Jun 24
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Aug 11			Jul 30
Aug 18	Property Loss Control ^{RS} <i>Directory: Property Loss Control Consultants</i>	IT Government Relations	Aug 6
Aug 25	Ward's 50 Benchmark Results		Aug 13

RS: Reader Service, SS: Search Study

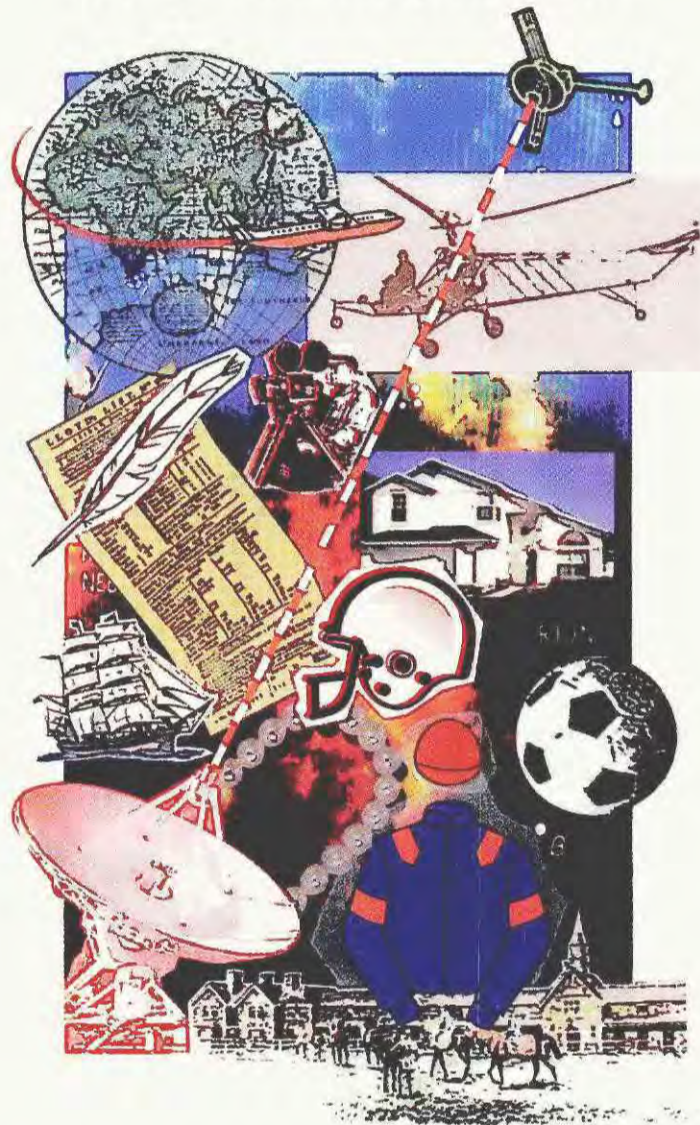
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INTERNATIONAL

Global Briefs

Philip Marcell is retiring as chairman of Unionamerica Holdings P.L.C. at the end of June. He also will end his two-year term as chairman of the London International Insurance & Reinsurance Market Assn. at that time. In anticipation of Mr. Marcell's retirement, Ian Sinclair was appointed chief executive of the operating company, Unionamerica Insurance Co. Ltd., effective Jan. 1, and Peter Cooper as managing director for finance and administration. Robert Spass has been appointed non-executive chairman of Unionamerica Holdings P.L.C. LIRMA will announce Mr. Marcell's successor at its June 25 annual general meeting. . . **EXEL Ltd.**, the holding company for Bermuda liability insurer X.L. Insurance Co. Ltd., is buying a 20% stake in Venton Holdings Ltd. for \$34.5 million. Venton manages three syndicates at Lloyd's of London which have a combined capacity of £225 million (\$384.8 million). X.L. Europe, X.L.'s Dublin subsidiary, started a joint underwriting agreement with Venton syndicate 1207 in January. . . **LIRMA** released its 1997 renewal season survey showing that insurance rates are continuing to fall, with property and casualty catastrophe rates down by approximately 10% to 15%. Brian Cragg, chairman of LIRMA's statistics subcommittee, warned reinsurers to look carefully at rating levels, saying that at next January's renewals "it would be difficult to justify the level of rates we are seeing today". . . **Hiscox P.L.C.**, which manages three Lloyd's of London syndicates, reported 1996 pretax profits of £14.3 million (\$24.4 million), sharply up from a 1995 profit of £1.9 million (\$2.9 million). The improvement came from high earnings in 1994—the latest completed year under Lloyd's three-year accounting system—when there was also a markedly reduced need compared with previous years to reserve for open years in runoff. The group's chairman, Robert Hiscox, used the occasion to call for an end to the traditional system of investment in Lloyd's by individuals bearing unlimited liability for claims. He also advocated an end to syndicates raising fresh capital each year. He said that Lloyd's needs the lowest possible cost structure, which can best be achieved by "ridding itself" of these two anomalies. . . **Zurich Group** has raised \$1 billion through a private placement of capital securities in the United States. Zurich said proceeds will be used for "general purposes, including the funding of any potential acquisitions," but declined to comment on rumors that it is interested in acquiring U.S. money manager Scudder Stevens & Clark. . . **Hannover Re** Chairman Wilhelm Zeller said the company's pretax profit for 1996 grew by 36% to a record 158 million deutsche marks (\$102.4 million). Gross premiums increased 7% to 6.4 billion deutsche marks (\$4.15 billion), with most of the increase coming from life and health business and from a 20% increase in North American business. However, Mr. Zeller said a 38.5% increase in underwriting losses to 385 million deutsche marks (\$249.4 million) "is related mainly to significant investments in strategic priorities such as life and health and financial reinsurance. . . **The U.K. P&I Club** is to offer extended cargo coverage for items specifically excluded from normal protection and indemnity coverage. Members may either increase the level of coverage under their standard membership or arrange coverage for additional risks or additional cargoes, such as rare and valuable items. There will be a scale of rates for the extra coverage, but fleets and vessels will also be individually assessed according to the owners' requirements and other risk factors. . . Richard Reddaway, group insurance manager for Glaxo Wellcome P.L.C., was elected last week to succeed Derek Brighton as chairman of the U.K.'s Assn. of Insurance & Risk Managers.

French industry wary of new regime

By MARIA KIELMAS

PARIS—The victory of a Socialist-led coalition in the French legislative elections earlier this month has left the insurance industry concerned about financial burdens and restriction of its ability to expand into private pension and health care products.

The Socialists have made economic pledges that ultimately are contradictory, such as promising to create jobs while increasing the minimum wage. During the campaign, the new government also pledged to curtail the private pension fund legislation introduced under the previous administration and to cut back on the privatization program. The latter pledge leaves a question mark over the future of troubled

Paris-based insurer Groupe des Assurances Nationales.

Insurers in France could be badly affected by the new government's policy on employment. There have been suggestions by Socialist leaders since the elections that they may prevent employers from trimming staff.

"This will have a major effect on insurance mergers such as UAP-AXA and Assurances Generales de France with GAN. The success of these relies on cutting costs through reducing staff," said Michael Lindsay, an insurance analyst at investment house Lehmann Brothers in London.

The AXA-UAP merger produced a combined French workforce of some 55,000. The merged company was



AP/WIDE WORLD PHOTOS
Insurers fear France's new prime minister, Lionel Jospin, will implement policies detrimental to business.

Canadian insurers expect good year

By MICHAEL BRADFORD

CHARLOTTETOWN, Prince Edward Island—If the weather cooperates, Canadian insurers may well have a prosperous 1997, despite falling interest income, an economist predicts.

"There are a lot of strengths in our industry," said Paul J. Kovacs, chief economist at the Insurance Bureau of Canada in Toronto. "I think this will feel like a pretty good year. I'm fairly upbeat about where we are and where we are going to go."

Mr. Kovacs, who spoke at a session at the Canadian Insurance Conference on Prince Edward Island last month, said that if insurers escape large catastrophe losses

like those rung up last year, they should end 1997 in good financial condition.

Canadian property/casualty insurers in 1996 were hammered by unusually high catastrophe losses of more than \$500 million Canadian (\$366.5 million), whereas the industry historically has paid out about \$100 million Canadian (\$72.7 million) annually in such losses.

"I don't think we should expect \$500 million in catastrophic losses" this year, Mr. Kovacs said. "But the trend of around \$100 million is probably now low, and we're on our way to higher numbers."

Catastrophes aside, the Canadian

insurance industry is seeing improved performance, he said. "The fundamentals of the industry are very, very sound. Except for the bad weather, the basic numbers for our industry are simply the best we've seen in 20 years."

Canadian insurers recorded a net profit of \$1.74 billion Canadian (\$1.28 billion) last year, a 21.6% rise from \$1.43 billion Canadian (\$1.05 billion) in 1995. Return on equity reached 13%, up from 11.7% the year before.

The industry posted a combined ratio in 1996 of 104%, not ideal, Mr. Kovacs acknowledged, but a slight improvement from 104.7% in 1995. Mr. Kovacs expects the indus-

try's combined ratio will decline in 1997, and the "improvement will be most evident in the personal property side because the catastrophic losses won't be what they were before."

First quarter 1997 figures indicate that insurers' loss ratio fell to 73.1% from 76.8% in 1996. The expense ratio climbed to 32.5% from 30.7%.

Insurers are concerned about rate adequacy in the commercial property insurance market in Canada, Mr. Kovacs noted. In contrast, "personal property is a very profitable piece of business right now."

The personal lines market in Canada is profitable partly because

See Canada on next page

Insurer covers campaign-trail risks

By MARIA KIELMAS

BOGOTA, Colombia—Candidates in Colombia's local elections in October will be able to buy insurance to cover them against any campaign-season injury, disability, assassination and burial expenses.

State-owned insurer La Previsora Cia. de Seguros is offering the policy over a two-month period before the elections for city mayors, city councils and departmental governors.

The coverage offer comes as a result of threats from leftist guerrilla groups and paramilitary organizations operating

throughout Colombia to disrupt the elections and kill candidates and voters.

La Previsora is offering insurance coverage with limits of 50 million Colombian pesos (\$50,000) for a premium of 70,000 Colombian pesos (\$70) to all of the candidates, says Augusto Jimenez, vp of La Previsora in Bogota. The insurance also includes a sublimit of 3 million Colombian pesos (\$3,000) for burial expenses.

For the past three months, Colombia's two main guerrilla groups, Fuerzas Armadas Revolucionarias Colombianas and Ejercito de Liberacion Nacional, have said they will not permit any election campaigns in the ar-

reas of their influence and will shoot all candidates.

The paramilitary organizations, which are fighting the guerrillas throughout Colombia, replied that they will shoot any leftist candidate who stands for election in the areas they control.

About 30,000 homicides are reported in Colombia annually, a murder rate four times that of the United States. According to the Presidential National Security Council, in recent years guerrillas, on average, have assassinated one city mayor and three council members every three months and

See Colombia on page 53

German buyers question rates

By DON LEWIS KIRK

BONN, Germany—A lack of information about property insurance rate setting is making it difficult to know whether insurers are fairly pricing their products, contends an association of German insurance buyers.

More obscure rating adds to a long list of complaints with German property/casualty insurance by Deutscher Versicherungs-Schutzverband e.V., or DVS, an association of German insurance buyers.

Other concerns, which were set forth in a DVS issue paper, include a perceived lack of innovation in dealing with new risks, limited but expensive casualty coverages and new premium tax burdens from the German government.

Guenter Schlicht, managing director of the

Bonn-based DVS, noted that several insurers last year suspended the practice of adhering to advisory property rates. Without those rates and the rate-setting information that accompanies them, many buyers find that they have no basis on which to compare insurers. Therefore, buyers will begin to abandon long-term relationships and focus instead on shopping for the lowest price, he warned.

"It's forcing companies away from their traditional insurers to the open market," he said. "You can't judge what you are getting if all the facts aren't known."

Those "facts" include details of rating factors used to set the cost of commercial property insurance for individual risks in Germany.

Ironically, the issue arose as a result of changes in the market last year designed to give

German companies their lowest property rates in almost a decade. The move to depart from advisory rates published by the Assn. of German Property & Casualty Insurers, or VdS, was led by Allianz Holding A.G., Gerling A.G. and Colonia A.G. (BI, Sept. 23, 1996). The insurers introduced new, proprietary rating mechanisms and an increased emphasis on loss prevention that enabled them to dramatically cut rates for their better property risks and be more competitive with foreign insurers entering the market.

"While nothing compels insurers to publish statistics, it's still in the best interest of business. After all, it's the companies' own risks we're talking about," contends Mr. Schlicht.

Insurers insist the general rating mechanisms are not secret—only details of individual

See Buyers on next page

INTERNATIONAL

Buyers

Continued from previous page
accounts and other information, such as expense data, that comes into play.

"VW doesn't tell me how they come up with their prices either," said Manfred Illner, a member of the executive board of Allianz A.G. Holding in Munich. "Every price is the result of several factors, including claims history, costs and other factors," he said.

"Why should we divulge every aspect of the business? It would only profit the competition. But we do publish general statistics, and our rate mechanism is not a secret," he said.

Nebulous rating is not the only problem confronting German buyers.

"Liability insurance has become

buyers' biggest expense, but it is also an area where coverage is limited and innovation slow," DVS' Mr. Schlicht said.

The situation has worsened for companies seeking coverage for environmental impairment liability.

"We're confronting more risk and finding less insurance available," Mr. Schlicht said. "Not only that, but many feel their premiums are too high for what they are getting."

Insurers counter it's impossible to say whether rates are appropriate for long-tail risks.

"Our current loss ratio is 78%" for casualty lines, said Alexander Mack, director of liability claims settlement for Gerling A.G. in Cologne. "We're not earning premium for some undetermined future claim. The premium we earn is going for claims. The reserves we are building cover claims we already have."

Mr. Illner said there have been no "exorbitant" EIL claims to date, but noted the coverage has only been offered in Germany since 1994.

Buyers insist that is not the case. "We have the impression insurers don't have the kind of claims that would warrant the kind of premiums

we're paying," said Mr. Schlicht. "Especially considering insurers' limited coverage and minimum potential for loss," he said referring to restrictions and exclusions in German EIL coverage (BI, May 27, 1996).

While criticizing high rates, the DVS says the market has made improvements. Last year, for example, American International Group Europe A.G. introduced coverage for cleanup of pollution damage to a policyholder's own facility (BI, March 11, 1996). Such coverage had been excluded since Germany introduced mandatory EIL insurance in 1993. Most major German insurers are following AIG's lead and offering similar coverage.

Despite that improvement, German buyers worry about stricter environmental liability laws that could emerge as a result of proposals to introduce strict liability throughout the European Union (BI, Feb. 24).

"Legislators have to look at the insurability of what they propose," urged Mr. Schlicht.

The DVS also has identified other liability concerns, including government proposals to reform the German court system to broaden the types of

cases in which damages for pain and suffering can be claimed. Currently, German courts can only grant pain and suffering in criminal cases.

One recurring problem for German buyers is a perceived lack of innovation in insurance products.

"We're finding insurers are not moving fast enough to meet our needs as they arise," Mr. Schlicht said. One need the group has identified is for multiline, multirisk coverages. "We need new solutions that include deductibles that work for several lines of insurance at once," he said.

Insurers, though, contend that few large companies are interested in multirisk coverages that combine limits for property and liability risks.

"We do offer all-risk solutions that incorporate casualty and property insurance needs of our clients, but our larger clients don't really want them," said Mr. Illner of Allianz.

The DVS also blasted the government for raising to 15% the premium tax on individual life insurance.

Both corporate buyers and insurers worry that existing group life insurance policies—which often form the basis of company retirement plans—could be subject to new taxes. **BI**

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Canada

Continued from previous page
insurers have latched onto telemarketing, according to another panelist at the session.

"Direct response is taking the property/casualty industry by storm," said Edward F. Belton, director of research at RBC Underwriting Management Services Inc. in Toronto.

He forecasts telephone sales of personal lines coverages will account for as much as 20% of the market by the end of this year and could amount to 30% or more by 2000.

Mr. Kovacs pointed out that property/casualty insurers in Canada are turning their focus to profitable underwriting in the face of falling inter-

est rates that are leading to lower investment income.

IBC figures show property/casualty companies' investment income totaled \$638 million Canadian (\$460.8 million) in the first quarter of this year, compared with \$755 million Canadian (\$555.5 million) in the same period in 1996.

Along with that drop came a decline in net income to \$265 million Canadian (\$191.4 million) in the latest quarter, down from \$331 million Canadian (\$243.5 million) in 1996.

Investment gains are going to be harder won in coming months, he said, predicting interest rates will edge up—but only slightly. "I'm looking for interest rates to move by half a percentage point. . . I think it's going to stay very hard to make the strong investment returns that the industry got used to in the '70s and '80s."

Panelists in another session agreed that double-digit investment returns that insurers have realized in recent years may be gone for a while. They suggested insurers consider broadening their portfolios to boost investment yields.

"Too many (property/casualty) companies invest only in bonds," said Warren Laing, chairman of Yield Management Group Inc. in Toronto. Adding a mix of equities can reduce portfolio risk and increase returns, he suggested.

"This is pretty basic," Mr. Laing said. "Yet it's quite surprising how

many companies don't do it."

"Bond returns this year will be on the disappointing side," said Cameron Laird, vp of bond investment at Zurich Canada Investment Management Ltd. in Toronto. Returns on Canadian government bonds have been trending downward in recent years, he pointed out.

Mr. Laird agreed that insurers need to adjust their asset mix in order to overcome sluggish returns on bond-heavy portfolios.

"The two best substitutes for bonds, we believe, in terms of earning high investment yields, are preferred shares and high-yielding common shares," he said.

Preferred shares carry a preferential tax treatment on dividends, and high-yielding common shares "can often rival preferred shares in terms of the yield they are providing," Mr. Laird said. The holdings should be considered a substitute for bond holdings "in this period of low interest rates," he added.

Donald G. Smith, president of Canadian Insurance Consultants Inc. in Toronto, moderated the session on the outlook for the Canadian market.

Daniel P. Towle, vp at General Re-New England Asset Management Inc. in Farmington, Conn., moderated the session on investing.

Richard Rooney, senior vp at Burgundy Asset Management Ltd. in Toronto, also spoke at the investment session. **BI**

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R K Carvill
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attracts 350 attendees

CHARLOTTETOWN, Prince Edward Island—It was a hot news week in a small Canadian province during the 7th Canadian Insurance Congress.

About 350 attendees were on Prince Edward Island for the May 25-27 conference and found local headlines centering on two major events: The opening of a new bridge that would link the island with the rest of Canada and a fire that damaged the Anne of Green Gables House, the area's largest tourist attraction.

The controversial link to New Brunswick was opened a few days after the conference ended, and tourism officials have vowed to quickly restore the historic

home of Lucy Maud Montgomery's fictional character.

Insurance experts from across the globe attended the conference, which covered topics that included an outlook for the Canadian insurance industry for 1997, reinsurance trends, regulatory directions and best practices among insurers.

Next year's congress will be held May 2-6, 1998, at the Empress Hotel in Victoria, British Columbia. Information is available from Hilary Farrugia at Canadian Insurance Consultants Inc., 133 Richmond St. West, Suite 600, Toronto, Ontario M5H 2L3; 416-363-6103; fax: 416-363-7454.



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France

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seeking to cut this by 10% at least, Mr. Lindsay said. In addition, AGF's plans to purchase the insurance operations of GAN may fall through if the former is unable to cut costs by trimming the staff.

The principal election pledge of the new government was to increase employment. France's unemployment rate is 13%, according to government statistics, but the real unemployment figure could be 2% or 3% higher, according to analysts. France has one of Europe's highest payroll taxes and a very high minimum wage of 6,000 francs (\$1,030) per month.

The new government has said that it will create 700,000 new jobs over the next five years, half in the public sector and half in the

private sector; cut the workweek from 38 hours to 35 hours; and increase the minimum wage.

"How can you force the private sector to employ people it does not want?" asks Claude Vela, managing director of the Paris office of Buck Consultants. Even if the government provides tax incentives to persuade businesses to keep people, "it will have a bad effect on the economy at large. It's a way of disguising unemployment. Instead of having people unemployed outside, you have them unemployed inside," Mr. Vela said.

The government's need for resources could persuade it to back-track on its pledge to halt future privatizations, which include the sale of GAN and its banking affiliate Credit Industriel du Commerce, but there are doubts as to how far it will be able to maneuver.

"Privatization either won't hap-

pen or will be severely delayed," according to Nicholas Davenport, managing director of Willis Corroon France in Paris. Mr. Davenport noted that the Socialists do not have an outright majority in

government to fight the creation of pension funds on a point of principle ingrained in the French.

"This is the principle of solidarity between generations," says Mr. Davenport. This means that the

a new product which will look like a pension fund but without the name. We are looking at this as inevitable," says Mr. Vela.

But a draft European directive that still has to be approved by E.U. member states, advocating the free sale of pensions within the European Union, could harm French insurers even further, as foreign companies could sell pensions to the French market while French firms would not be able to compete, Mr. Bonnaud said. "So it is clear" that the debate about pensions "is a stupid debate," he said.

Proposals of insurers such as AXA-UAP to develop private health care plans are also in doubt.

In France, health care costs over and above the level covered by the state social security system are insured through mutual companies, many of which are controlled by labor unions. Private sector insurers sell group health policies to companies, but they are subject to a 7% charge on premiums while the mutuals are exempt.

"When a company signs a group health insurance contract, it has to have the formal agreement of its labor union," said Mr. Bonnaud. So inevitably the unions choose a mutual insurer where unions are represented on its board of directors.

Mutual insurers hold 70% of the health care market, while private sector companies hold the remaining 30%.

Not everyone in the industry seems concerned about the election of a left-wing government.

"When the Socialists were elected in 1981 everyone was worried," remembers Patrick Lucas, chairman of Paris-based Gras Savoye & Co. This was the first government of Socialist President Francois Mitterrand, which immediately nationalized banks and insurance companies.

"But that was 16 years ago and my business has continued to grow," Mr. Lucas says. "We would like to see better economic growth. I cannot see why with this government we will have a different growth," he said.

Mr. Davenport would welcome more growth.

"We would like to see some stimulation to the economy. Companies have cut back on consultancy budgets and risk management budgets. Our business has never suffered from inflation, but a little less deflation would be welcome," he said. **BI**

The debate on implementing private pension funds has been won intellectually, but there will be a big political fight to delay their application, says Jean-Jacques Bonnaud.

the National Assembly and must govern in coalition with the Communist and Green Parties. For now, the future of GAN lies in the hands of the European Commission, which is examining a 20 billion franc (\$3.43 billion) recapitalization by the government. The Commission is due to issue its ruling on the recapitalization by June 20, says Jean-Jacques Bonnaud, former chairman of GAN who resigned from his post last October. A "yes" from Brussels means that the bailout also can be approved by shareholders at a planned general assembly on June 30.

"If Brussels does not give its approval, then GAN will have 8 billion francs (\$1.37 billion) of assets. This is enough if it stays as a public sector company, because there is an unwritten (government) guarantee," Mr. Bonnaud said.

He said he doesn't expect an announcement on the future of GAN until August or possibly September.

The future of the previous government's private pensions legislation is another hot topic for debate.

"The most important issue is whether the new government goes on to apply the pension law," Mr. Bonnaud said.

Legislation to set up funded private pension plans was approved by both houses of the French Parliament. But side regulations to implement the law have not been issued, so the legislation is not yet in effect. And in a June 3 radio interview, the new prime minister, Lionel Jospin, said that his government would repeal the legislation.

"The (pension funds) project is probably stalled for a long time," said Mr. Vela.

Insurers expect the strict ideologues of the left in the new gov-

current workforce pays for the pensions of current retirees, rather than each individual saving for his or her own pension. "Everyone gets poor together," Mr. Davenport said.

"Pension funds on the Anglo-Saxon model are deemed to harm the power of the Caisses de Retraite" retirement funds, said Mr. Bonnaud. The Caisses de Retraite are pay-as-you-go retirement plans that are run jointly by the labor unions and the French employers federation, Confederation Nationale du Patronat Francais. There are about 600 of these in existence, covering certain professions or certain labor unions, and employing mainly labor union officials among their 3,000 directors. The Caisses "have found an ideological reason to oppose pension funds. They say that if pensions are based on individual savings or individual companies, then they will cause inequality among the savers," Mr. Bonnaud said.

France still has to address its looming state pension deficit. "The pension situation in France is a catastrophe in the making," said Mr. Davenport.

The solution so far advanced from the Socialist coalition and the retirement funds is to levy more charges on employers. "The Caisses de Retraite have advocated that it is better to impose additional charges on employers to meet the deficits. But this will make unemployment even worse," said Mr. Bonnaud "The debate about pension funds has been won intellectually, but there will be a big (political) fight to delay its application."

Insurance companies that have been planning to take advantage of the pension legislation may have to change their plans, at least for the short term.

"They will have to try some creative fiscal engineering to develop

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INTERNATIONAL

Lloyd's to demand more member assets

By SARAH GODDARD

LONDON—Lloyd's of London soon will strengthen its capital base by demanding that unlimited liability members put up more assets to back their underwriting exposures.

At the same time, underwriters will have the option of limited liability participation on the syndicates they represent.

In a move to improve policyholder confidence and equalize the funding requirements for individual names, unlimited liability members by the year 2000 will need to hold at Lloyd's at least 50% of the overall premium limits they write each year—and more if their underwriting is of a particularly risky nature.

In addition, Lloyd's has ruled that the minimum total means—the personal wealth investors must show to join Lloyd's—will

rise in increments to £350,000 (\$571,620) as of 2002, compared with the current level of £250,000 (\$408,300).

"The whole purpose of the exercise is to strengthen Lloyd's chain of security," said Andrew Duguid, director of strategic planning and secretary to the Council of Lloyd's. Mr. Duguid spoke last week at the release of a working party report on Lloyd's security.

The report took into account "what constitutes strong security for policyholders" and fairness between different categories of members, he added.

The changes will be implemented gradually. Whereas now names must hold funds at Lloyd's equal to between 20% and 30% of the total business they back, next year that will increase to 32.5% of their overall premium limit plus 7.5% in other personal wealth they must demonstrate, bringing

the total to 40%. In 1999, the levels rise to 35% of underwriting commitment and 10% in other personal wealth, and in 2000, 40% of underwriting commitment and 10% in other wealth.

"The 50% margin stands us in very good stead with our competitors," increasing the security of Lloyd's policies, explained Mr. Duguid.

At the same time, requirements for both the minimum total means to back underwriting commitments and other demonstrated wealth will increase incrementally. Because there currently are a number of starting levels for minimum means, depending on a member's type of underwriting, the first three years will eliminate most of those differences.

Next year, most unlimited liability members must post at Lloyd's a minimum funding of £150,000 (\$244,980). An addition-

al £50,000 (\$81,660) will be added to the equation in 1999 and again in 2000, bringing most forms of members into line. The next two years after that will see £50,000 increases so that the final level of £350,000 in minimum funds will be in effect as of 2002.

Certain categories of members, particularly those working at Lloyd's, will be allowed to show nominal means if they continue to post assets representing at least 50% of their underwriting commitments with the market.

Currently, unlimited liability members fall into several categories:

- Members underwriting on a bespoke, or traditional, basis. These members must hold 30% of their underwriting commitments at Lloyd's and have a minimum means of £250,000.

- Members underwriting through members' agents pooling arrange-

ments, known as MAPAs. Because the spread nature of a MAPA distributes members' risk exposure, the minimum means is £100,000 and members have to hold just 25% of their underwriting commitment with Lloyd's.

Lloyd's introduced the concept of MAPAs three years ago, when it was expecting a marked fall in its capacity.

Members whose funds had been eroded by large losses or falls in asset values were encouraged to keep underwriting by the less stringent demands.

- High-liquidity members. These members underwrite at least £1 million (\$1.6 million) and in recognition of their high commitments need to post just 20% as their funds at Lloyd's.

- Members who work at Lloyd's need only show nominal means. However, if they are writing through a MAPA, they must hold 40% of their underwriting commitments with the market, 50% if they are traditional members.

See Securities on next page

Colombia

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have kidnapped two mayors and a council member every two months.

This year, however, six mayors have been killed, and 20 have been killed over the past year and a half.

The conflict between the leftist rebels and the paramilitary groups has brought the country to the brink of civil war, said Alfredo Rangel Suarez, an academic and former member of the National Security Council.

Speaking last month in London at a conference on Colombia organized by the University of London, Mr. Rangel said that in Colombia there are now four types of municipalities: those under the guerrillas' control, those in the control of the paramilitary organizations, those controlled by the national military and those under dispute.

La Previsora traditionally has insured public transport vehicles, a frequent target for the armed groups, and has provided life insurance for the armed forces. Insurance execu-

tives in Bogota noted, however, that the coverage is made possible with the help of government subsidies rather than as a commercial venture.

Mr. Jimenez was unable to say whether the present life insurance will be in place for the presidential and congressional elections next year.

Three candidates were assassinated in Colombia's 1990 presidential elections, including the front-runner, Luis Carlos Galan. The late Mr. Galan's cousin, Alfonso Valdivieso, until recently the country's prosecutor general, is a front-runner for the 1998 presidential elections. The other front-runner is Horacio Serpa, who until recently was the country's interior minister.

Messrs. Valdivieso and Serpa resigned their posts in May to fight the presidential elections.

A campaign fund-raising scandal arising from President Ernesto Samper's 1994 election has plunged Colombia into a political and economic crisis and resulted in a deterioration of the country's internal security, speakers at the London conference said. **BI**



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Securities

Continued from previous page

Corporate capital members, also introduced three years ago when the Lloyd's authorities anticipated a capacity squeeze, from the outset have been required to hold at least 50% of their overall premium limit with Lloyd's. Also, they have been scrutinized through risk assessments and asked to lodge more funds if warranted by their spread of risk and exposures. In 1997, the ratio of corporate members' funds at Lloyd's to their overall premium limits, on average, is just under 60%. The risk profile of four of the 100 corporate members means they have to lodge 100% or more of their underwriting commitments.

This risk-based approach to assessing the levels of funds lodged with the market is to be extended to all members from the beginning of next year and will prevent a return to "the dark days of 1989 and 1990" when many members ended up on all the high-risk—and high-loss—syndicates, Mr. Duguid said. "This method of risk assessment will detect that pattern of underwriting," he explained.

Lloyd's has introduced these changes in light of responses made to a consultative document issued in April (BI, April 21). Lloyd's has backed off original proposals that membership requirements reach parity over two years, particularly after hearing complaints from the Assn. of Lloyd's Members and the

High Premium Group, which represents high-liquidity members.

The Council of Lloyd's also let fall its proposal that bank letters of credit raised on members' main residences no longer be accepted as assets backing underwriting. Although Lloyd's has always banned the use of main residences as collateral for underwriting exposures, there has been no similar exclusion of bank guarantees or letters of

'The whole purpose of the exercise is to strengthen Lloyd's chain of security,' says Andrew Duguid.

credit raised on the properties. In recent years, as the mega-losses worked through the market, many members faced the prospect of losing their homes as Lloyd's called on the guarantees and banks in turn demanded the properties be sold to recoup their funds.

Letters of credit and guarantees issued on principal residences before the end of 1994 will continue to be accepted to back underwriting commitments. If unlimited liability members with letters of credit or guarantees wish to convert to limited liability status, they will have to replace them with other assets by the end of next year.

With regard to the changes, Mr.

Duguid said, "Overall, we don't expect this to have an adverse effect on capacity."

Another feature of the changes is that underwriters no longer will be required to have unlimited liability participation on the syndicates. Already, underwriters are not necessarily able to be unlimited liability members of the syndicates they represent because the capital base is exclusively made up of corporate members.

Further reform was called for by a Market Interests Group last week, as it published a report commissioned from Mercer Consulting Management looking at the role of the unlimited liability member in the future.

Sir Adam Ridley, deputy chairman of the ALMP, said the report showed Lloyd's "successes over very many years," which were the result of its unique capital structure.

But reform in certain areas was needed, according to the report. The report cited consolidation in the administration and servicing of members' business in members agents, rather than spread between both members and managing agents as it is now. It also suggested that the premium trust funds, which hold the premiums paid to syndicates, should be consolidated and invested collectively to get better returns.

The report also proposed giving underwriters a choice of supplying capital annually, as they do now, or over a longer term. **BI**

Analysts question C.E. Heath buyout

By EDWIN UNSWORTH

LONDON—Analysts are not convinced that a proposed management buyout at London-based broker C.E. Heath P.L.C. is the right course at a time when other brokers are merging.

C.E. Heath made public the buyout negotiations on May 30 after a surge in its share price on the London Stock Exchange. C.E. Heath disclosed that management and executive directors of the brokerage firm would get the venture capital for the takeover bid from London-based DLJ Phoenix Private Equity Ltd., the fund management arm of DLJ Phoenix Securities.

Heath said negotiations are advanced, and an offer is expected to be made by mid-June at a price of 143 pence per share, valuing the company at about £98 million (\$160.2 million). While this price is more than 63% higher than Heath's opening share price on May 30 of 87.5 pence, shares have since traded around 130 pence.

The broker had 1995 gross revenues of \$309.5 million (BI, July 22, 1996).

John Mackenzie Green, Heath's chairman, said the offer is a demonstration of management's confidence in the group's business and prospects.

He added that making C.E. Heath's executives partners will help bring about the necessary change in culture to enable the group to be one of the

leading international brokering firms.

However, Roman Cizdyn, insurance sector analyst at Merrill Lynch Pierce Fenner & Smith Ltd. in London, said he did not think Heath's management buyout—the first for a publicly held U.K. broker—was necessarily the right response to the current changes within the global brokering community. "The true solution is consolidation or merger," as the other major brokers are doing, he said.

Despite the MBO team's claim that the takeover would enable it to bring in new brokering talent, it would actually make C.E. Heath smaller, as staff likely would leave in considerable numbers in the face of salary cuts that are inevitable with the downsizing of the brokering market due to megamergers, Mr. Cizdyn said. Heath would not comment on the issue.

Another broker, who preferred not to be named, said an MBO "makes a lot of sense" for shareholders but is not necessarily the best strategy to ensure Heath's future as a brokerage.

With the management buyout team offering 60% above the share price prior to the announcement, there is little doubt shareholders will accept the offer, "but in the longer term it will be a mistake" for the company. If it succeeds, the MBO would lock in key staff but also would result in job cuts, he said. **BI**

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Proposals are due on or before 3:00 pm July 18, 1997. Proposals received later than the above date and time will be rejected and returned to the proposer unopened.

You may obtain a copy of the RFP or further information by faxing Jerome Johnson at (213) 922-1005.

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Send resume and salary history to:

Phil Rosenberg, Director
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Resumes will be accepted until 5:00 P.M. on Friday, July 18, 1997. Resumes are subject to public disclosure in accordance with Florida's Public Records Act.

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NOTICE OF HEARING

Pursuant to Massachusetts General Laws, Chapter 175, Section 206B, an application has been made to the Massachusetts Commissioner of Insurance by Mutual Group Ltd., a Delaware corporation, and Mutual Risk Management, Ltd., a Bermuda corporation (together "Mutual") for approval of a proposal to acquire control of American Policyholders' Insurance Company, a Massachusetts stock insurance company ("API"). API is a wholly-owned subsidiary of American Mutual Liability Insurance Company ("AMLICO"), a Massachusetts mutual insurance company in receivership under Massachusetts law. Such acquisition of control would occur pursuant to a stock purchase agreement wherein Mutual would acquire all of the outstanding stock of API from Linda L. Ruthardt, Massachusetts Commissioner of Insurance, solely in her capacity as the duly appointed Permanent Receiver of AMLICO.

Mutual's application to acquire control of API is available for public inspection at the Division of Insurance, 5th Floor, 470 Atlantic Avenue, Boston, Massachusetts 02210-2223 under Docket No. F97-2.

A hearing will be conducted pursuant to Massachusetts General Laws Chapter 175, Section 206B, to determine whether to approve the proposed acquisition of control. The hearing will commence on June 20, 1997 at 10:00 a.m. at the Division of Insurance, Hearing Room A, 470 Atlantic Avenue, Boston, Massachusetts.

The purpose of this hearing is to afford all persons whose interests may be affected by the acquisition of control the opportunity to present evidence, examine and cross-examine witnesses, offer oral and written arguments, and in connection therewith, to conduct discovery proceedings in the same manner as in the superior court department of the trial court. All discovery proceedings shall be concluded no later than 3 days prior to the commencement of the public hearing.

Any person who wishes to testify, or to participate in the hearing in any manner, may do so by submitting a Notice of Intent to Participate to the Division on or before June 18, 1997, specifying whether he or she intends to make an oral statement, present evidence or cross-examine witnesses. All other persons will be heard subsequent to those who submit such notice. Written argument may be submitted at any time prior to the conclusion of the hearing. All submissions must be sent to: Docket Clerk, Division of Insurance, 470 Atlantic Avenue, Boston, Massachusetts 02210-2223 and must refer to Docket No. F97-2.

Linda Ruthardt
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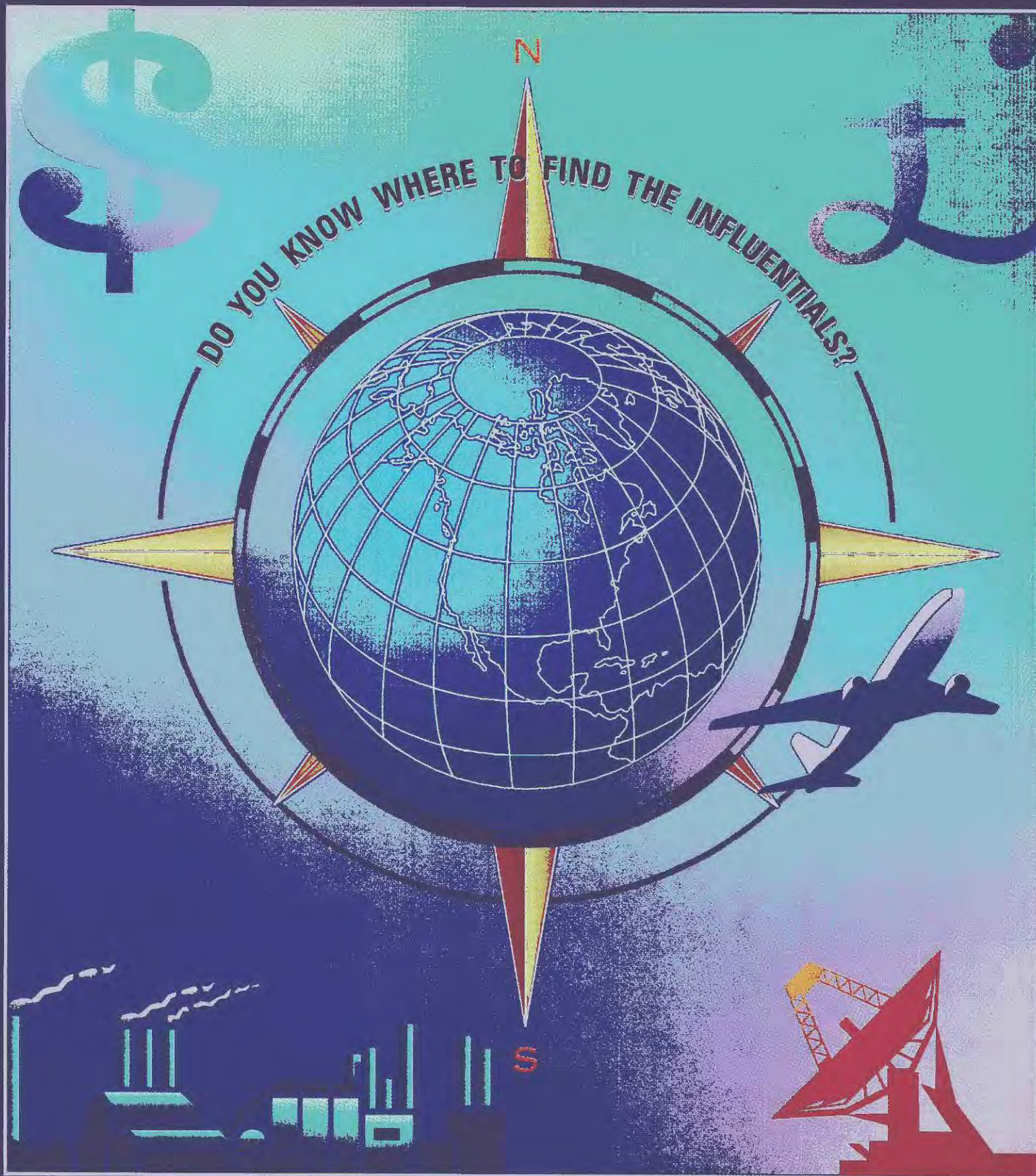
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JUNE

JUNE 15-17. The Expense Management Exchange conference in San Diego, Calif., sponsored by LOMA; \$595 for members, \$1,190 for non-members. Greg Storey, LOMA, 2300 Windy Ridge Parkway, Suite 600, Atlanta, Ga. 30339-8443; 770-984-6453.

JUNE 16. The Pension Seminars Series: ERISA Update in Denver, sponsored by Accountant's Education Services; \$200. Also Dec. 8 in Denver, June 26 in St. Louis, Aug. 7 in Honolulu, Sept. 25 in Chicago, Oct. 20 in Tampa, Fla., Nov. 6 in Washington, Nov. 20 in Minneapolis. AES, 1900 Olive St. #F-102, Denver, Colo. 80220; 800-426-8802.

JUNE 16. 1997 Human Resources and Benefits Forum in Orlando, Fla., sponsored by American Payroll Assn.; \$290 for members, \$330 for non-members. Also June 17 in Washington, June 18 in New York, June 19 in Boston, June 20 in Chicago, June 23 in Dallas, June 24 in Denver, June 25 in Las Vegas, June 26 in Los Angeles, and June 27 in San Francisco. American Payroll Assn.; 711 Navarro St., Suite 100, San Antonio, Texas 78205-1721; 210-224-6406.

JUNE 16-17. Corporate Legislative Benefits Forum in Washington, D.C., sponsored by the Corporate Benefits Institute of the International Foundation of Employee Benefit Plans and the International Society of Certified Employee Benefit Specialists; \$560 for members, \$660 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 888-33-IFEBP.

JUNE 16-17. Insurance: Opportunities in a

Global Industry in New York, sponsored by The College of Insurance Center for Professional Education; \$895. The College of Insurance Center for Professional Education, 101 Murray St., Room 426, New York, N.Y. 10007-2165; 212-815-9201.

JUNE 16-19. The Disease Management Congress in New York, sponsored by The National Managed Health Care Congress Inc.; \$995 for members, \$1,595 for non-members. NMHCC Inc., P.O. Box 360034, Boston, Mass. 02241-0634; 617-505-8000.

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JUNE 17-20. Managing Ergonomics in the 1990's: A Discussion of the Science and Policy Issues conference in Cincinnati, sponsored by American Automobile Manufacturers Assn. Center for Office Technology; \$495. Managing Ergonomics Conference Secretariat, The Pearson Group, 1150 S. Washington St., Suite 210, Alexandria, Va. 22314; 703-683-6334.

JUNE 17-20. Measurement, Design, and Analysis Methods for Health Outcomes Research seminar in Boston, sponsored by Center for Continuing Professional Education; \$1,995. Harvard School of Public Health, Center for Continuing Professional Education, 677 Huntington Ave., LL-23, Department B, Boston, Mass. 02115-6096; 617-432-1171.

JUNE 18. Educational Outreach Programs in Association with the U.S. Department of Labor in Philadelphia, sponsored by the International Foundation of Employee Benefit Plans; \$200. Also July 8 in San

Diego, July 9 and July 10 in San Francisco, July 15 in St. Louis, July 22 in Chicago, July 29 and July 30 in Tarrytown, N.Y., Aug. 4 and Aug. 5 in Cincinnati, Sept. 9 in Boston. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 8257.

JUNE 18-19. Captive Insurance Company workshop in London, sponsored by Risk & Insurance Research Group; £790. RIRG Ltd., 44 Maiden Lane, Covent Garden, London, WC2E 7LJ; 171-836-0614.

JUNE 18-19. Third Annual Environmental Sampling, Onsite Analysis and Sample Preparation Conference in Pittsburgh, sponsored by PACS Inc.; \$495. PACS Inc., 409 Meade Drive, Coraopolis, Pa. 15108; 412-457-6576 or 800-367-2587.

JUNE 18-20. Fourth Annual Congress on Natural Hazard Loss Reduction in Irvine, Calif., sponsored by Insurance Institute for Property Loss Reduction; \$100 for members, \$150 for non-members. 1997 Congress, Insurance Institute for Property Loss Reduction, 73 Tremont St., Suite 510, Boston, Mass. 02108-3910; 617-722-0200.

JUNE 19-20. Advanced Premium Fraud seminar in Houston, sponsored by PAAS; \$325 for PAAS subscribers, \$390 for non-subscribers. Also Sept. 9-10 in Hartford, Conn. PAAS, c/o AISG, 85 John St., New York, N.Y. 10038; 212-669-0435.

JUNE 22-25. The Trustees and Administrators Institute in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; \$675 for members, \$750 for non-members. IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

JUNE 22-25. 1997 AAHP Institute and Display Forum in Seattle, sponsored by the American Assn. of Health Plans; \$1,175 for

members, \$1,325 for non-members. AAHP, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3200.

JUNE 22-25. American Society of Appraisers International Appraisal Conference in Houston, sponsored by ASA; \$495 for members, \$545 for non-members. ASA Headquarters, P.O. Box 17285, Washington, D.C. 20041; 800-272-8258.

JUNE 22-27. FICC Litigation Management College program in Evanston, Ill., sponsored by the Federation of Insurance & Corporate Counsel; \$995. Paul N. Steingage, Wausau Insurance Cos., 2000 Westwood Drive, Wausau, Wis. 54401; 715-842-6147.

JUNE 23-24. Health Care Stop Loss: Innovative Strategies for Risk Contracting and Carve-Out Negotiation conference in Chicago, sponsored by Infoline; \$1,295. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

JUNE 23-25. Selling Physical Therapy and Occupational Rehabilitation Services in the Workers' Compensation Market: An Executive Seminar in Strategic Planning, Service Differentiation and Building Relationships in San Antonio, sponsored by Work Injury Management News & Digest and Advantage Health Systems Inc.; \$695. Work Injury Management, 8704 Bourgade, Lenexa, Kansas 66219-1400; 888-621-2382.

JUNE 23-27. Managing Operations: The College of Insurance Management Program seminar in New York, sponsored by The College of Insurance Center for Professional Education; \$1,995. NMHCC, 101 Murray Street, Room 426, New York, N.Y. 10007; 212-815-9201.

JUNE 23-27. Fundamentals of Industrial Hygiene conference in Atlanta, sponsored by American Industrial Hygiene Assn.; \$955 for members, \$1,095 for non-members. Also Oct. 6-10 in Seattle. AIHA, Continuing Education Department, 2700 Prosperity Ave., Suite 250, Fairfax, Va. 22031; 703-849-8888.

JUNE 24. Insurance Industry Secondary Market Research in New York, sponsored by The College of Insurance; \$350. The College of Insurance, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201.

JUNE 24. Insurance Industry Secondary Market Research in New York, sponsored by The College of Insurance; \$350. The College of Insurance, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201.

JUNE 24-25. The Seventh International Conference on Catastrophe Exposure: Alternative Risk Transfer Including Securitization in London, sponsored by IQPC Ltd.; £945. IQPC Limited, 1st Floor, West Wing, Chancery House, 53-64 Chancery Lane, London WC2A 1QU, U.K.; 171-831-9249 (outside of U.K.), 0500-821057 (within the U.K.).

JUNE 25-27. The ERISA Basics: A Primer on ERISA Issues program in New York, sponsored by the American Bar Assn.; \$700 for ABA members, \$800 for non-members; Diane L. Nickolson, ABA, Center for Continuing Legal Education, 541 N. Fairbanks Court, Chicago, Ill. 60611; 312-988-6205.

JUNE 25-28. The 57th Annual National Assn. of Insurance Women Convention in San Antonio, sponsored by NAIW; \$300 for members. NAIW, P.O. Box 4410, Tulsa, Okla. 74159; 800-766-6249.

JUNE 26-27. Insurance Coverage and Practice Seminar in San Francisco, sponsored by Defense Research Institute Inc.; \$535 for members, \$585 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

JUNE 26-27. Professional Liability Management: Explore Emerging E&O Product Opportunities and Minimize Costly Exposures conference in New York, sponsored by the Institute for International Research Risk Management Division; \$1,295. IIR, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 800-999-3123.

JUNE 26-27. Global Risk Management Solutions: Advanced Risk Financing Strategies for Canadian and U.S. Companies conference in Toronto, Ontario, sponsored by International Business Communications; \$1813.65 Canadian. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

JUNE 29-JULY 3. 1997 Annual National Institute seminar in Orlando, Fla., sponsored by Healthcare Financial Management Assn.; \$185 for members, \$285 for non-members. HFMA/EF, Department 77-6063, Chicago, Ill. 60678-6063; 708-531-0032.

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Liability

Continued from page 1

Another turn-off for risk managers was that the limits offered by the defunct programs were to be shared among the policyholders, said Richard Reddaway, group insurance manager at Glaxo Wellcome P.L.C. in Greenford, England.

"We felt that there was a need for the coverage, but as soon as it was put to us that there was a mutualization of risk, we had reservations," he said.

The surviving J&H/M&M program, PharMed, still has a high price tag, Mr. Reddaway said.

PharMed likely will cost less than half of the highest premiums quoted by the other facilities, said Robert Redmond, a managing director at J&H Marsh & McLennan in New York.

But it also is offering less than half the limits. The proposed program would be led by Swiss Reinsurance Co. Other insurers that have been approached to back the program are ACE Ltd., X.L. Insurance Co. Ltd., Munich Reinsur-

The current proposal would supply \$500 million in limits excess of \$500 million in conventional insurance capacity over a five-year term, Mr. Redmond said.

Now, the possibility of a movable attachment point is under

posed by Capital Risk Strategies, finally was abandoned late last month, said Andrew W. Potash, president of the insurance broker/corporate finance company in New York.

The facility was first launched in December 1995 (*BI*, Dec. 11, 1995) and then modified in October 1996 (*BI*, Oct. 21, 1996).

The facility proposed to offer \$4 billion in shared limits and \$2 billion for each policyholder aggregated over 10 years. It included conventional insurance capacity as well as capacity from the capital markets.

Mr. Potash said the main problems policyholders had with the program were: price; mutuality of risk; a lack of variable attachment points; and the exclusion of exposures such as chemical and agricultural risks.

"I think these were solvable issues, but the problem was that

with three companies offering different solutions there wasn't enough urgency among the clients to do anything," he said.

The price of the product could be brought down, Mr. Potash said. Specifically, pharmaceutical companies might be prepared to pay the following premiums if insurers would accept them, he said: \$5 million to \$7.5 million for \$500 million in limits; \$8 million to \$12 million for \$750 million in limits; and \$12 million to \$16 million for \$1 billion.

The other program, PharmaCa, was launched by Johnson & Higgins last summer and offered \$1.1 billion in limits over five years renewable for five years, provided by American International Group Inc. and Berkshire Hathaway Inc. (*BI*, Aug. 19).

The program was withdrawn shortly after the merger of J&H and M&M, said Mr. Redmond. **BI**

'We felt that there was a need for the coverage, but as soon as it was put to us that there was a mutualization of risk, we had reservations,' says Richard Reddaway.

ance Co. and Zurich Insurance Group, Mr. Redmond said.

The program was marketed initially last fall and has been significantly modified since, Mr. Redmond said.

consideration, Mr. Redmond said.

"We are trying to close the gaps, and we think the positions will come into focus by July 1," he said.

MedExcess, the program pro-

Industry mergers set a record in 1996: Study

By MICHAEL PRINCE

Travelers Corp. did it. So did General Re Corp., Munich Reinsurance Co. and ACE Ltd.

What they did was participate in a merger in 1996, the most active year of M&A activity on record in the insurance industry.

According to a newly released study, 382 mergers or acquisitions were completed in 1996, totaling \$41 billion, breaking the previous record set in 1995.

"Spurred on by a robust economy, a rising stock market and relatively low interest rates coupled with available credit, M&A activity again reached new heights in 1996 in the broader markets, as well in the insurance industry," the study by Hartford, Conn.-based insurance research firm Conning & Co. states.

"Not only is deal activity at an all-time high, but the average transaction size increased dramatically in 1996, as reflected in the insurance industry, where the total reported deals jumped from 349 in 1995 to 382 in 1996, while aggregate dollar volume rose from \$27 billion in 1995 to \$41 billion in 1996," the study states. "In fact, many companies now treat M&A as a business line rather than a strategic option."

Insurers' desire to grow is the driving force behind the mergers. With premiums relatively flat, companies have looked to other avenues for growth.

"Without organic growth, the next alternative is to purchase companies and to grow that way," said Gerard Vecchio, a partner in Conning's Private Equity Group and an author of the study.

Also, Mr. Vecchio added, many insurers are shedding peripheral lines of insurance and focusing on their core business, contributing to the number of deals. Aetna Inc., for example, sold its property/casualty business to Travelers and then bought U.S. Healthcare Inc., he noted.

Some of the largest mergers, along with sheer volume of deals, have involved reinsurers, he said.

"The forces affecting primary property/casualty companies have been compounded in the reinsurance industry," the study states. "Primary companies had at their disposal the option of increasing retentions to achieve growth, to the detriment of reinsurers' top line. At the same time, achieving global scale has become more important. As a result, the direct writing reinsurers in the U.S. are now all global organizations."

"If you're a reinsurer, you're buying or being bought," Mr. Vecchio added.

In addition to mergers, 1996 set a record for initial public offerings and secondary stock offerings. These 49 transactions in 1996 raised \$6.6 billion compared with 42 transactions and \$4.6 billion in 1995.

But rather than plow this money into the company, the companies are using much of it to liquefy shareholders, the study states.

One third of the money raised in IPOs in 1996 went to liquefy shareholders, while half of the money from secondary offerings was used to liquefy shareholders.

Also, a large chunk of the money raised has gone to repay debts.

Of the money raised from IPOs, 37% went to repay debts in 1996, up from 12% in 1995.

"Of \$6.6 billion, only \$1.3 billion went to insurance companies to support additional writing," Mr. Vecchio said. "That's a small number compared to what is raised."

The bulk of the stock offerings involved specialty property/casualty insurers, which generally are growing faster than the industry as a whole.

One effect of returning the money to shareholders, Mr. Vecchio pointed out, is that because little of the money is used for writing policies, it won't add capacity to the already soft market.

The study is available from Conning & Co. for \$495 by calling 860-527-1131 or writing Tina Tierney at CityPlace II, 185 Asylum St., Hartford, Conn. 06103.

Three state pollution rulings unfavorable to policyholders

By GAVIN SOUTER and DAVE LENCKUS

The Delaware Supreme Court has joined 14 other state high courts in ruling that the pollution exclusion used in policies first issued in the 1970s is unambiguous.

The court ruled that the contract language involving "sudden and accidental" pollution is clear and not subject to regulators' objections.

Supreme courts in Minnesota and Maine also handed down decisions that included rulings that were unfavorable to policyholders late last month.

In *E.I. du Pont de Nemours & Co. vs. Allstate Insurance Co.*, the Delaware Supreme Court upheld a Superior court ruling that the pollution exclusion in commercial general liability policies is unambiguous.

"The Superior Court held that the term 'sudden' in context has only one meaning—abrupt. We agree," court papers say.

The decision denies coverage for pollution incidents at several DuPont sites.

Delaware's Supreme Court also ruled on contract issues that it previously returned to trial court for consideration.

"Contract language is not ambiguous simply because the parties disagree on its meaning," the high court ruled.

The clarity of the contract language also means that regulatory estoppel should not be applied, the court ruled.

"Regulatory estoppel is inapplicable where, as here, the contract language is clear and unambiguous," court papers say.

Eleven state high courts have found the pollution coverage wording ambiguous, finding coverage for policyholders that insurers say they did not intend to provide.

In another ruling, Minnesota's Supreme Court ruled that insurers are not liable for pollution cleanup costs that are attributed to uninsured periods.

In *Domtar Inc. vs. Niagara Fire Insurance Co.*, the Minnesota Supreme Court affirmed lower court rulings that Domtar must pay cleanup costs attributable to the years 1933 to 1956, for which it has no record of insurance coverage. The company's insurers have to pay for

cleanup costs attributable to the years 1956 to 1970, when insurance policies were in force.

Domtar owned and operated a coal tar processing plant in Duluth between 1924 and 1948. It closed the plant in 1948 and sold it in 1955. The company started polluting the site through spills and dumping in 1933. In 1987, the Minnesota Pollution Control Agency investigated the site and in 1991 named Domtar as a responsible party.

Domtar sought insurance coverage for the entire period it polluted the site, arguing that the insurers agreed to pay "all sums which the assured shall become legally obligated to pay."

'A policyholder cannot expect that a loss attributable to a 60-year period can be foisted onto insurers that provided coverage for only 14 years,' says Thomas W. Brunner.

But the court ruled that "insurers are consecutively, not concurrently, liable," court papers say.

The court properly recognized that a polluter must be held responsible for uninsured periods, said Thomas W. Brunner, a partner at Wiley, Rein & Fielding in Washington, which represents the Insurance Environmental Litigation Assn.

"A policyholder cannot expect that a loss attributable to a 60-year period can be foisted onto insurers that provided coverage only for 14 years," he said.

Meanwhile, the Maine Supreme Court on May 15 refused to reconsider a decision that allows about two dozen domestic insurers for Central Maine Power Co. to deny coverage for the cost of a government-ordered pollution cleanup.

Its earlier decision, though, found that London market policies covered those costs.

Under settlements with federal and state environmental authorities, the Augusta, Maine-based utility has agreed to clean up land where a salvage company for 25 years recycled used electrical equipment it purchased from the utility. During the recycling process on the property, which the salvage company owned, polychlorinated biphenyls, or PCBs, drained into the ground.

The utility, which was held liable for the cleanup under the Comprehensive Environmental Response,

Compensation and Liability Act of 1980, has incurred \$20 million in costs, said policyholder attorney Joan L. Lewis, a partner with Anderson Kill & Olick P.C. in New York.

In a summary judgment that relied on a 1990 Maine Supreme Court ruling, a lower court ruled that none of the utility's insurance covered those costs.

In its April 22 decision, the state Supreme Court overturned a portion of the lower court's decision. The Supreme Court ruled 6-0 that the utility's London market policies and some others that followed form cover those costs. The utility has about \$38 million of coverage under those policies.

The court noted that those policies, written from 1951 through 1962, stated they covered sums the policyholder is held liable to pay "by reason of damage to or destruction of property."

It pointed out that the policy at issue in its 1990 ruling, which barred coverage for government-ordered cleanups, covered sums the policyholder was liable to pay "as damages." The court reiterated that such language means the policy covers only third-party property damage and bodily injury claims.

The utility's two dozen other policies, most of which were written by U.S. insurers from 1968 through 1972, provided coverage for "damages," "expenses" and "ultimate net loss." More than \$50 million of coverage was at stake under those policies.

Because the Maine Supreme Court was evenly split on how those policies should respond to government-ordered cleanups, it did not comment on them in its April 22 decision. Instead, it affirmed the lower court's summary judgment in favor of the insurers.

The high court last month refused to reconsider that portion of its decision. Ms. Lewis argued that the fact the court was split showed the policy language is ambiguous and should be construed in favor of the policyholder.

The case heads back to the trial court, which will decide issues such as whether the utility expected the recycling operations would pollute the property. **BI**

Louisiana

Continued from page 2

issue, said C. Noël Wertz, a senior attorney at the department.

Although the letter does not state it does not apply to cleanup cost coverage, case law in the state generally precludes such coverage. Therefore, the department did not intend to mandate such coverage, she explained.

Instead, the intention of the advisory Mr. Brown issued last week is to "strongly" advise insurers to stop denying coverage for routine bodily injury and third-party property damage claims that only incidentally involve contaminants.

A perfect example of the kind of "absurd consequences" for policyholders that the department is attempting to prevent occurred in a recent Colorado case, Ms. Wertz said.

A Colorado appeals court agreed with insurers that the ammonia gas

a printer allegedly emitted in an office building constitutes a pollutant under the absolute pollution exclusion. As a result, the court ruled, the third-party bodily injury loss the accident caused

is not covered, even though the incident did not cause any environmental damage (*BI*, May 12).

Specifically, Mr. Brown's advisory letter discourages insurers from invoking the absolute pollution exclusion when:

- A loss does not involve environmental damage.
- A policyholder is not an "intentional active industrial polluter."
- A loss results from a malfunctioning product that had been used properly.
- A loss results from exposure to asbestos or lead.

The letter also encourages insurers to offer three new pollution exclusion endorsements to policyholders that pose little pollution risk.

The endorsements, which the New York-based Insurance Services Office Inc. introduced earlier this year, restore coverage for bodily injury and third-party property damage caused by pollutants regardless of whether the loss also involved environmental damage (*BI*, May 19). But, they do not provide cleanup cost coverage.

ISO drafted the endorsements at the Louisiana department's prompting.

Mr. Brown was unavailable for comment last week because of a death in his family.

But, Ms. Wertz warned insurers that they will find the advisory has "teeth" if they do not follow the department's suggestions. The Insurance Department may revoke its approval of the pollution exclusion for an offending insurer and seek fines for unfair claims-handling against the company, she said.

The department expects insurers to begin applying the four outlined claims-handling criteria to pending claims, Ms. Wertz said. She urged policyholders whose claims are not handled in accordance with the advisory to seek the department's help.

The advisory "has gone a good ways toward preventing the horror stories we've discussed at RIMS and among risk managers," said Denis Julien, a member of Mr. Brown's task force and the chairman of the environmental committee for the Risk & Insurance Management Society Inc.

Mr. Julien, director of insurance for PCS Nitrogen Inc. of Memphis, Tenn., called the advisory "very even-handed."

The American Insurance Assn. found some solace in the advisory, considering the department a few years ago toyed with revoking its approval of the absolute pollution exclusion altogether.

Regulators abandoned that idea because they feared it could dry up the CGL market for many policyholders and embroil the department in lengthy and expensive litigation with the insurance industry, Ms. Wertz explained.

Still, Mark Skinner, an assistant vp with the AIA and a member of Mr. Brown's 18-member task force on this issue, was troubled by the four criteria the department suggested insurers use when deciding whether to apply the exclusion. He said the task force, which also included policyholder and agent representatives, did not spend much time on that issue. The bulk of the group's work led to the new pollution exclusion endorsements, he said.

The advisory 'has gone a good ways toward preventing the horror stories we've discussed at RIMS and among risk managers,' says Denis Julien, a task force member.

Insurer attorney Edward Zampino of Cozen & O'Connor P.C. in New York had similar mixed feelings about the advisory letter. "While it isn't a model of clarity, it pretty much reserves what the pollution exclusion was meant to do": bar coverage for all pollution cleanup costs.

He was "disturbed," though, that Mr. Brown seemed to rely on policyholders' version of the exclusion's regulatory history and a 1994 Louisiana Supreme Court ruling that since has been vacated.

Like the ISO pollution exclusion endorsements, Mr. Brown's advisory letter stems from a stunning policyholder victory in the state's Supreme Court in 1994. The court ruled that the absolute pollution exclusion does not bar coverage for non-environmental claims (*BI*, June 12, 1994).

It also found that insurers that breached their fiduciary duty to policyholders when the insurers added the absolute pollution exclusion to CGL policies could not enforce the exclusion against third-party environmental claims. Insurers breached that duty if they did not cut premiums to reflect the reduction of pollution coverage and did not inform policyholders that some of the coverage the exclusion barred was available through endorsements.

But, the insurer in the case then raised questions over whether the Insurance Department had approved the use of a pollution exclusion endorsement at issue in the case by the time the policy was written. The court vacated its decision and remanded the case. The litigating parties now are trying to settle.

However, the ruling still is precedent in Louisiana because the case has not been depublished, Ms. Wertz and other attorneys explained.

Louisiana regulators stepped into the scene when the insurer raised the exclusion endorsement issue. The department determined it would not have approved the endorsement if it had known insurers would use it to deny coverage of non-environmental losses, Ms. Wertz has said.

The department, though, has "never taken the position that the industry has an exposure for cleanup costs," Ms. Wertz said.

She explained that unlike courts in many other states, Louisiana courts have determined that government-ordered cleanups are not cov-

ered damages under the CGL.

The Louisiana Supreme Court has somewhat clouded that issue, though, with the fiduciary duty portion of its 1994 ruling, Ms. Wertz said.

Regardless, the advisory "still will have wide-ranging ramifications for insurers," predicted policyholder attorney John A. MacDonald, another member of Mr. Brown's task force.

Since the exclusion was drafted in the mid-1980s, ISO has maintained that the exclusion does not bar coverage of liabilities resulting from malfunctioning products, completed operations and certain off-premises discharges.

During the regulatory approval process, insurer officials concurred, said Mr. MacDonald, a partner with Anderson Kill & Olick P.C. in New York.

At that time, insurers also promised they would not invoke the absolute pollution exclusion to bar coverage for routine bodily injury or third-party property losses that only incidentally involved contaminants, he said.

While the exclusion's language seemed to bar such coverage, insurers assured regulators that the exclusion was overdrafted only to protect themselves from the kind of judicial misinterpretations that befell their earlier sudden and accidental pollution exclusion, he said.

However, insurers routinely have denied pollution losses resulting from all of those events, costing policyholders billions of dollars in coverage, policyholder attorneys said.

Because of that, "the industry is lacking credibility with regulators," said policyholder attorney William Greaney, a partner with Covington & Burling in Washington. Mr. Brown's advisory letter "is a result of that," he said.

"It is hoped that the National Assn. of Insurance Commissioners and the insurance commissioners of other states will soon follow (Mr. Brown's) lead and take affirmative action to protect both policyholders and the integrity of their own regulatory activities," Mr. MacDonald said.

He expects that policyholders will press regulators to take that action.

The advisory letter also may help policyholder attorneys persuade courts to examine the regulatory history of the pollution exclusion rather than rely solely on the policy language, Mr. Greaney said.

When the New Jersey Supreme Court did that in a case involving the sudden and accidental pollution exclusion, it agreed with insurers' interpretation of the policy language but ultimately accepted policyholders' interpretation. The court sided with policyholders because it found that during regulatory approval hearings on the exclusion, insurers had misled regulators about the exclusion's meaning (*BI*, July 26, 1993).

At least one regulator, though, will not follow Mr. Brown's lead. Michigan Insurance Commissioner D. Joseph Olson said he has no authority to interpret insurance contract language. Courts have to resolve disputes over policy language interpretations, he said.

Mr. Olson also said he does not see much merit in examining the regulatory history of policy language.

Regulators who find contract language troublesome but approve it anyway because they rely on the claims-handling promises made by an organization like ISO or even insurer representatives are "naive," he said. **BI**

Updates

Park accident spurs inquiry

Continued from page 2

ing the students to fall more than 30 feet.

Premier Parks has liability insurance underwritten by Chicago-based Coregis Group Inc., a unit of GE Capital Services, said sources who asked not to be named. The insurer and GE Capital declined comment.

Entertainment analysts for Smith Barney Inc. said Premier Parks is insured to \$25 million per occurrence with a \$50,000 deductible. The analysts said in a statement that they think the amount "is adequate to cover Premier's liability in this case."

Water park liability rates are not expected to rise significantly due to the accident.

"If you had a rash of them, then yes" said Ron Stone, senior vp and branch manager in San Francisco for Swett & Crawford Group. But several insurers underwrite the coverage and a number of specialty programs, he added. Swett & Crawford places coverage for amusement parks but not for Waterworld.

Water park liability rates have been extremely competitive in the past few years, said Philip Coulson, president of Hass & Wilkerson Inc. in Shawnee Mission, Kan.

FSA to insure bond issue

SAN FRANCISCO—A promise by financial guarantee insurer Financial Security Assurance Co. in New York to provide bond coverage may well have played a crucial role last week when voters narrowly approved two measures needed for a new football stadium for the San Francisco 49ers, an FSA official says.

FSA has agreed to guarantee \$100 million of lease revenue bonds to be issued by the city and county of San Francisco for the 49ers Stadium Expansion Project, including \$50 million to \$100 million in interest. The total depends on how the bonds are structured and interest rates, said Suzanne Finnegan, FSA's chief municipal underwriting officer, who noted the policy will be issued simultaneously with the bonds.

FSA's involvement, which means that bond revenues will not have to be secured by San Francisco's general fund, received heavy publicity during the often heated public debate over the stadium.

Class denied in tobacco suit

PHILADELPHIA—Plaintiffs suing the tobacco industry in Pennsylvania cannot sue as a class because managing the litigation would pose significant problems, a federal judge has ruled.

The Pennsylvania suit attempted to certify as a class residents of the state who began smoking before age 19. The suit sought damages to be used for health monitoring and smoking-cessation programs.

In a 58-page decision issued last week, U.S. District Court Judge Clarence C. Newcomer in Philadelphia wrote: "The reality of this litigation is that there are simply too many individual issues and class members to try this case efficiently. The manageability problems which would be encountered in litigating and trying this case are staggering."

This ruling is consistent with others, such as last year's New Orleans federal court ruling in what is known as the Castano case that refused certification of all addicted smokers. Other suits, however, have been allowed to proceed as class actions.

The Pennsylvania suit sought to avoid a ruling like the one in the Castano case by narrowing the class.

Rowland maps Lloyd's future

LONDON—Lloyd's of London's future will be defined by several principles, according to Sir David Rowland.

Sir David addressed the issues he thought would outline the future of the market while speaking last week at the last annual general meeting he will chair before his retirement at the end of this year.

Although he said he will change his own underwriting strategy—from unlimited to limited liability—when he leaves his post as chairman of Lloyd's, Sir David still is looking forward to the market's future.

Foremost in Lloyd's thinking will be the needs of the policyholder, said Sir David. Additionally, Lloyd's will address its regulatory, cost and security issues, as well as maintaining the facets of the marketplace that have secured its individual characteristics over the last 309 years.

Lloyd's central management needs to keep control over the market, though without hindering the effect of market forces in the evolution of Lloyd's, he said. "Our vision of the future... must be rooted in serving our customers, not in nostalgia about our past or our success in dealing with our problems," said Sir David, referring to the establishment of reinsurer Equitas Ltd. last year.

Briefly noted

Washington state Insurance Commissioner Deborah Senn filed an appeal June 2 with the 9th U.S. Circuit Court of Appeals seeking to reverse a lower court order that struck down the state's law requiring employer-sponsored health plans to provide access to all categories of health professionals including naturopaths, acupuncturists and chiropractors... Xerox Corp. has completed the sale of Coregis Group Inc. to GE Capital Services for \$375 million in cash and \$75 million of debt assumption (*BI*, Jan. 27, 1997). Coregis specializes in public entity coverage, and in 1996 its gross written premiums were \$423 million... Sedgwick Group P.L.C., which trades on the London Stock Exchange, also began trading on the New York Stock Exchange June 2 at a share price of \$10.375... The U.S. Equal Employment Opportunity Commission filed a motion in St. Louis federal court to join a class action discrimination lawsuit against United Parcel Service of America Inc. A group of African-American managers sued the Atlanta-based company in 1994 alleging its pay and promotion policies discriminate against lower-level black managers... Judge Jack B. Weinstein of the U.S. District Court in Brooklyn, N.Y., cut to \$2 million a \$3.5 million jury verdict reached last December for one of three plaintiffs in a keyboard injury case against Digital Equipment Corp.

AIG

Continued from page 1 ruled.

AIG has filed a notice of appeal in the California Court of Appeal, the first step in AIG's planned challenge to Judge Cahill's decision. AIG also will file objections to Golden Eagle's rehabilitation plan at a scheduled July 8 hearing, according to Roxani Gillespie, AIG's outside counsel with Buchalter, Nemer, Fields & Younger in San Francisco.

The acquisition of Golden Eagle would make Liberty Mutual the second-largest underwriter of workers compensation insurance in California, surpassing AIG, which holds the No. 4 spot.

Based on 1996 direct written premiums, Golden Eagle was the third-largest comp insurer, while Liberty Mutual was the fifth-largest (see chart, page 1). The State Compensation Insurance Fund is the largest underwriter of workers compensation in California.

AIG's bid for Golden Eagle was challenged in May by Liberty Mutual, which presented a sweetened offer to the court overseeing the insurer's rehabilitation. The new offer included a \$20 million payment and a settlement that would drop charges against Golden Eagle's deposed owner and chairman, John Mabee (BI, May 26; April 14). AIG subsequently amended its bid to match Liberty Mutual's.

Originally, both Liberty Mutual and AIG had closely followed the department's request for proposal outlining a rehabilitation plan for Golden Eagle, according to Karl Rubinstein, deputy conservator and interim president of the San Diego-based insurer.

However, the new Liberty Mutual bid added the settlement agreement in which Mr. Mabee relinquishes all rights to his company and is banned from ever conducting any type of insurance business in California again.

In addition, Liberty Mutual will pay \$20 million in cash up front to a liquidating trust and reinsure up to 135% of Golden Eagle's liabilities up to \$420 million beyond the company's estimated \$1.2 billion in assets, according to Gary L. Countryman, chairman and chief executive officer of Boston-based Liberty Mutual Group.

The California Insurance Guaranty Fund will be available to pay any claims exceeding that cap, according to Mr. Rubinstein.

By comparison, AIG's original rehabilitation plan had called for it to put \$200 million into a new company to write new and renewal business. It then would have reinsured 100% of the company's business.

In addition, Golden Eagle's \$1.2 billion in assets would have been transferred into a runoff operation supported by American Home Assurance Co., an AIG unit, to run off the insurer's

older claims, which were believed to have been underreserved.

AIG also would have supplied additional capital depending on the amount and quality of assets Golden Eagle turned over.

Ms. Gillespie pointed out that "nobody gave us a reason for Liberty Mutual's selection. There was no analysis of the bids" in the court's opinion.

Judge Cahill's opinion suggests that Liberty initially may have lost to AIG because the RFP did not provide for evaluation of bids that exceeded the department's specifications.

"By the terms of the RFP, no 'over-bids' were to be accepted and, in fact, Liberty Mutual tried to over-bid but was rejected by the commissioner," the opinion states.

AIG officials and Ms. Gillespie criticized the Insurance Department for not enforcing its bidding process.

The department should have defended its statutory bidding process and its contractual obligation with AIG as the winning bidder rather than knuckle under to Judge Cahill, said Robert M. Sandler, executive vp of AIG.

"AIG has been working for months to ensure that Golden Eagle's policyholders, employees and independent producers were not hurt by the DOI's rehabilitation proceedings," he said.

"If the DOI will not stand by its own commitments and deal in good faith with responsible bidders, Californians will pay a stiff price because responsible bidders will not help save troubled companies and protect policyholders," said Ms. Gillespie, AIG's attorney and also a former California insurance commissioner.

"This is not the finest hour for state regulation," said David J. Walsh, general counsel for AIG's domestic brokerage group. Mr. Walsh was previously Alaska's director of insurance and is a former president of the National Assn. of Insurance Commissioners.

"The department changed its position with no notice to AIG. Policyholders, the industry and legislators have to be able to rely upon a commissioner's word," Mr. Walsh continued.

"How can the department reverse its position with no prior notice and without any explanation? AIG had faith in the process and invested substantial resources based on the commissioner's contractual commitments," he said.

Golden Eagle was seized Jan. 31 after Insurance Department auditors determined it was underreserved by some \$138.5 million. The department also charged that Mr. Mabee, among other things, had obtained \$69 million in unsecured loans from Mesa Reinsurance Co., Golden Eagle's Turks & Caicos-based reinsurance affiliate.

Under terms of the agreement with Liberty Mutual, Mr. Mabee and his wife, Betty Mabee, will execute personal guarantees to repay the loans taken from Mesa Re. In addition, Mr.

Mabee will provide for Golden Eagle to receive the benefit of \$30 million in assets as security for policyholder and creditor claims and all of the other assets of Mesa Re, including future loan payments by Mr. Mabee.

Mr. Mabee also has agreed to drop all challenges to the commissioner's conservation of Golden Eagle, and, in turn, Mr. Quackenbush has agreed to drop the department's suit against Mr. Mabee.

If Liberty Mutual takes over Golden Eagle, it will operate under the direction of local management and maintain its headquarters in San Diego, according to Mr. Countryman. No name change is planned.

Fred Marziano, a senior vp in Liberty Mutual's home office, is in charge of assembling the new management team.

Even though Liberty Mutual is a direct writer, distribution of Golden Eagle's products to customers would continue through Golden Eagle's network of independent agents and brokers, Mr. Countryman assured.

"Our objective as we move forward is to help Golden Eagle realize its enormous potential here in California," he said. "We bring our exceptional financial strength, our 85 years of experience in workers compensation and other property and casualty insurance, and our belief in Golden Eagle."

"For our part, we will benefit from Golden Eagle's substantial market position, its California-focused expertise and its highly valued distribution relationships in California's insurance market," Mr. Countryman added.

The bitter contest for Golden Eagle and Fremont Compensation Insurance Co.'s recent announcement that it will acquire Industrial Indemnity Co. show how competitive California's workers compensation market has become since the 1995 introduction of open rating, observers say.

"What's driving this consolidation is the fight for market share," said Art Christoffersen, senior vp in the Los Angeles office of J&H Marsh & McLennan Inc.

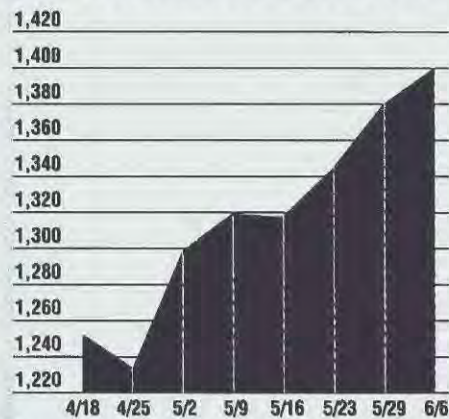
"It's hard to grow business with the competition as hot as it is," he said. "As a result, insurers need to 'buy' market share."

Mr. Christoffersen compared the situation to the California Gold Rush at the turn of the century.

"A lot of Easterners came to California looking for gold. Maybe that's what the folks from Boston are doing" by acquiring Golden Eagle, he said.

While it would seem that such consolidation could eventually stifle the newfound competition, California Insurance Commissioner Chuck Quackenbush said he thinks the interest these insurers are taking in the state's workers compensation market will benefit buyers. **EI**

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of June 6

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1997			
40/60	3.2/3.8	60/80	-1/8
60/90	-7/5	70/90	5/1.5
80/100	1.9/2.1		
National Annual 1997			
80/100	3.5/6.0		
12C/140	-4/5		
June Midwestern 1997			
10/20	4/1.3		
California Annual 1997			
40/60	1.0/3.0		
70/90	.7/1.6		
Western Annual 1997			
40/60	2.5/3.5		
60/80	2.0/2.5		
80/100	.5/1.9		
Southeast September 1997			
40/60	2.5/3.5		
60/80	2.0/2.5		
80/100	.5/1.9		

Total volume: 40 Total open interest: 12,273
For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

June 6	Price	P/E	Div.	Yield	1 week
Companies	pence	pence	%	%	high-low
Comm Union	673	10.6	30.3	5.6	764-550
Genl Accident	894	6.4	34.3	4.8	978-614
Genl Royal Exch	272	5.6	10.0	4.6	311-227
Independent	808	10.1	13.3	2.1	809-456
Royal & Sun	464	13.8	19.0	5.1	529-357

Brokers

Bradstock	78	11.1	6.4	10.6	85-54
CE Heath	129	15.6	4.5	4.4	135-74
Lmbrt Fenchurch	110	12.8	8.4	9.5	146-101
Lloyd Thompson	164	NA	10.0	7.6	206-163
Nelson Hurst	136	12.4	8.6	7.9	206-121
Sedgwick Grp	124	10.7	8.9	7.2	150-115
Steel Bri Jones	28	9.7	1.5	6.7	46-22
Willis Corroon	132	11.3	6.6	6.3	138-117

Source: Nordby International Inc.

BI Industry Stock Report JUNE 2, 1997, THROUGH JUNE 6, 1997

BROKERS

	Price	Weekly % change	Year to date % change	Year to date			
				High	Low	Vol.(000)	
Accordia Inc.	NYS	39.75	11.97	37.07	39.75	27.25	494
E.W. Blanch Holdings Inc.	NYS	25.38	2.53	26.09	25.38	17.75	82
Gallagher Arthur J. & Co.	NYS	31.50	-0.79	1.61	35.00	29.13	97
Hild, Rogal & Hamilton	NYS	15.13	2.54	14.15	15.63	11.38	148
Keye Group Inc.	NDO	5.00	0.00	-4.76	7.00	4.38	5
Marsh & McLennan	NYS	134.88	2.37	29.69	135.25	88.00	1044
Poe & Brown	NDO	31.25	4.17	17.92	31.25	23.50	16
BROKERS	AVERAGE		3.26	17.40			

INSURERS/REINSURERS

ACE Ltd.	NYS	65.13	2.16	8.32	66.38	40.88	803
Acceptance Insurance Cos.	NYS	21.50	2.38	8.86	23.13	16.63	49
AEGON N.V.	NYS	75.13	1.69	18.77	75.38	42.25	96
Aetna Life & Casualty	NYS	105.25	4.21	31.56	105.25	55.38	3878
AFLAC Inc.	NYS	50.13	-1.72	17.25	51.38	28.25	1332
Allied Group Inc.	NYS	40.38	1.57	23.75	40.63	22.38	118
Allmerica Prop. & Casualty	NYS	32.25	1.18	6.17	32.25	25.50	329
Allstate Corp.	NYS	71.00	-3.07	22.68	73.63	40.88	4722
AMBAC Indemnity Corp.	NYS	77.25	3.00	16.38	77.25	47.00	522
American Bankers Ins.	NDO	58.06	2.31	13.57	59.50	38.75	494
American Financial Group	NYS	39.63	4.28	4.97	39.63	28.63	548
American General	NYS	44.38	0.28	8.56	44.88	34.00	3732
American Heritage Life Ins.	NYS	28.88	0.00	10.00	29.13	19.00	27
American Indemnity/Fin'l	NDO	12.63	1.00	23.17	14.00	9.50	10
American International	NYS	139.13	2.77	28.52	139.13	90.13	2896
Aon Corp.	NYS	49.00	0.51	18.31	49.13	31.75	601
Argonaut Group	NDO	28.00	-5.08	-8.94	32.25	26.75	52
AVEMCO Corp.	NYS	26.63	2.90	70.40	27.38	11.75	67
Baldwin & Lyons Inc.	NDO	17.63	0.71	-4.08	20.75	17.38	46
Berkley W.R. Corp.	NDO	55.00	6.02	8.37	55.00	40.25	442
Berkshire Hathaway Inc.	NYS	45400.00	5.59	33.14	45400.00	30100.00	1
Capital RE Corporation	NYS	47.63	8.55	2.14	48.00	32.50	111
Capital Transamerica Corp.	NAS	21.75	2.96	-29.27	27.38	12.13	14
CapMac Holdings Ltd.	NYS	30.25	8.04	-8.68	36.88	22.50	208
Capture Holdings Corp.	NYS	12.63	1.00	9.78	18.88	8.00	31
Centris Group Inc.	NYS	20.13	6.62	2.55	20.50	14.88	50
Charwell Re	NYS	27.38	1.86	2.34	28.50	20.75	102
Chubb Corp.	NYS	61.38	0.61	14.19	62.75	40.88	2034
CIGNA Corp.	NYS	177.50	2.16	29.92	179.38	105.50	847
CNA Financial Corp.	NYS	103.50	1.10	-3.27	114.75	95.88	200

	Price	Weekly % change	Year to date % change	Year to date			
				High	Low	Vol.(000)	
EMC Insurance Group Inc.	NDO	12.25	2.08	2.08	13.50	10.13	512
Enhance Financial Services	NYS	41.50	-0.60	13.70	45.00	26.13	140
Everest Reinsurance	NYS	33.88	-0.37	17.83	35.13	22.50	1168
Executive Risk Inc.	NYS	54.00	3.60	45.95	54.00	33.38	130
EXEL Ltd.	NYS	45.00	1.69	18.81	45.13	31.75	1002
Fremont General Corp.	NYS	35.38	0.71	14.11	35.88	21.50	426
Frontier Insurance Group	NYS	59.88	9.11	56.54	59.88	32.63	618
Gainco Inc.	NYS	8.88	7.58	-7.79	10.88	8.13	130
GCR Holding Ltd.	NDO	26.81	0.23	20.51	27.38	20.25	299
General RE Corp.	NYS	177.25	1.14	12.36	177.75	140.75	994
Gryphon Holdings	NDO	15.25	2.52	7.96	18.63	12.00	99
Guaranty National Corp.	NYS	23.13	7.56	38.06	23.13	13.50	99
Harleysville Group	NDO	37.06	1.54	21.52	37.06	24.50	51
Hartford Steam Boiler	NYS	52.13	2.21	12.40	52.13	42.75	182
HCC Insurance Holdings	NYS	26.50	1.44	10.42	32.75	19.13	346
IPC Holdings Ltd.	NDO	25.50	0.00	13.97	26.38	19.13	141
ITT Hartford Group	NYS	78.00	0.00	15.56	81.00	50.50	1814
LaSalle Re Ltd.	NDO	27.88	0.45	-4.70	29.50	21.00	514
Lincoln National	NYS	62.88	3.29	19.76	62.88	40.75	1304
MAIC Holdings Inc.	NYS	39.50	3.95	16.61	39.50	28.25	81
Market Corp.	NDO	121.00	-2.42	34.44	125.00	83.00	22
MBA Insurance Group	NYS	110.00	2.44	8.64	110.00	73.00	349
Meadowbrook Insur. Group	NYS	24.00	-2.04	14.29	34.13	15.25	45
Mid Ocean Ltd.	NYS	51.00	12.40	-2.86	55.38	38.13	640
MMI Cos. Inc.	NYS	24.00	1.05	-25.58	33.38	20.75	245
Mutual Risk Mgmt. Ltd.	NYS	42.25	2.11	14.19	42.38	26.88	184
NAC Re Corp.	NYS	41.63	4.39	22.88	42.75	30.25	903
Navigators Group	NDO	17.88	0.00	-2.05	20.25	15.75	106
Nobel Insurance Ltd.	NDO	12.69	1.50	1.00	14.00	10.88	49
NYMag Inc.	NYS	20.00	3.23	11.11	21.13	17.00	11
Ohio Casualty Corp.	NDO	39.69	-4.37	11.80	42.63	30.00	295
Old Republic Int'l	NYS	29.50	-2.07	10.28	30.38	20.63	645
Oxford Health Plans	NYS	70.63	5.61	15.54	70.63	46.63	97
Partner Re Ltd.	NYS	32.88	-4.78	-3.31	36.50	25.63	772
Rean-America Group Inc.	NDO	15.00	-0.83	39.53	15.13	9.63	2
Philadelphia Cons. Holding	NDO	34.75	1.83	49.46	35.25	16.75	13
PXRE Corp.	NYS	28.50	5.56	15.15	28.50	22.25	38
Reliance Group Holdings	NYS	12.00	-2.04	31.51	12.75	6.50	1121
Reliastar Financial Corp.	NYS	67.50	5.26	16.88	67.50	40.00	429
RenaissanceRe Holdings Ltd.	NYS	38.00	2.36	15.15	41.25	26.75	51

	Price	Weekly % change	Year to date % change	Year to date			
				High	Low	Vol.(000)	
Risk Capital Holdings	NDO	18.25	-3.95	-5.81	20.75	15.88	13
RLI Corp.	NYS	31.13	-2.55	-6.74	36.63	23.38	204
St. Paul Companies	NYS	75.38	5.24	28.57	75.38	50.63	1131
SCOR	NYS	40.50	-1.52	17.82	43.50		

EMLICO

Continued from page 1

Sen. Wilkerson's committee grilled Ms. Ruthardt last year during a hearing on the EMLICO debacle (*BI*, Nov. 4, 1996).

EMLICO, a longtime GE liability insurer, won Insurance Division approval to move to Bermuda in 1995 after spinning off all of its business except decades of loss-plagued GE general liability policies. Within four months of the move, EMLICO declared itself hugely underinsured for pollution and asbestos losses and insolvent by more than \$500 million.

In a barrage of litigation that followed, EMLICO reinsurers charged that the insurer knew it was insolvent and plotted its redomestication with GE to take advantage of Bermuda liquidation statutes that would speed up reinsurance recoveries.

The House Post Audit & Oversight Bureau, an investigative arm of the legislature, launched its own inquiry, subpoenaing thousands of pages of documents and taking sworn testimony from Kevin McAdoo, an assistant insurance commissioner who was involved in reviewing the redomestication and later investigating the alleged EMLICO fraud.

The bureau's preliminary report found the Insurance Division's handling of the redomestication was "fundamentally flawed and failed to achieve the level of oversight necessary to protect... the integrity of the insurance and reinsurance industry in Massachusetts."

House investigators "found no evidence to suggest that this type of corporate reshuffling with an ultimate change of domicile to Bermuda had ever been attempted by a United States-based insurer," the report says. "Nonetheless, the (In-

urance Division) treated this extraordinary move as if it were a change from Springfield to Hartford."

Among other things, the report says that:

- Regulators "apparently chose to ignore precedent" in Massachusetts law that provisions allowing redomestication to another "state" do not intend "state" to include a foreign country like Bermuda.

Reinsurers have charged that the Insurance Division relied on an opinion of EMLICO's own lawyers on this issue.

- The Insurance Division's financial review of EMLICO before the redomestication "appeared limited and routine, despite the fact that the ultimate end of the EMLICO affiliated group was a corporate restructuring transaction that had never been undertaken by a domestic insurer."

GE and EMLICO documents dat-

ed in 1994 include a GE demand for payment from EMLICO of more than \$500 million in environmental claims and indicate the existence of more than 500 contaminated sites that could produce claims, the report says.

An Insurance Division official told House investigators, though, that "he had not seen such documents or anything like them."

"As it now stands, there are no easy answers to the myriad of legal issues that have been raised by this redomestication. The only way to expeditiously resolve them is to reopen the issue of whether the Commissioner had the authority to let EMLICO leave the country," the report says, calling for an effort to repatriate the insurer to Massachusetts "if legally possible."

The report adds that "if, as the Commissioner has indicated, a number of serious questions about the actual timing of EMLICO's solvency

remain, then no settlement should be considered until those questions are answered."

The House bureau also recommends changes in state law that would:

- Require a redomesticating property/casualty insurer to post a bond equal to 20% of loss reserves, with release of the bond dependent on two years of solvent operation after the move.

- Require regulators to hold public hearings on any significant insurance company restructuring. Such hearings are not currently required.

Investigators prepared the preliminary report so that members of the House Post Audit & Oversight Committee could decide whether further inquiry was necessary, according to Thomas W. Hammond Jr., director of the Post Audit bureau.

The committee voted May 28 to continue the EMLICO investigation, Mr. Hammond said. **BI**

LaSala

Continued from page 2

a driver, driver," he said.

People relish working with Ms. LaSala because of her thorough understanding of insurance issues, general business issues and her ability to work well with people, Mr. Keyser said.

She has also impressed the people she works for, and in 1992 she was made the first, and ultimately only, woman director of Johnson & Higgins.

But other factors drove Ms. LaSala to the insurance business—namely, it was the only job offer she got after graduating from the College of New Rochelle in New York as a philosophy major.

The offer came from Chubb & Son Inc., which she joined as property/casualty underwriter in 1972.

After two years at Chubb, she left to join J&H and moved into the bro-

kering side of the insurance business.

"It was really not a particularly considered career move. I was just getting a little impatient at Chubb. I hadn't really considered the difference between underwriting and broking," she said.

But Ms. LaSala soon began to enjoy her different role as a broker, she said.

"The direct interaction with clients has been the most exciting part of my career," she said.

Although the business has changed, 20 years ago there were more opportunities for brokers than for underwriters to create their own opportunities, Ms. LaSala said.

Having embarked on a brokering career, Ms. LaSala began a steady and determined climb through the ranks at J&H.

In 1985, she was made head of the New Jersey office in Parsippany; in 1991, she was made deputy manager of the New York office and then manager of the office in 1993; then in

1995, she was appointed manager of J&H's Tri-State operations in New York, New Jersey and Connecticut.

Her latest appointment is as manager of J&H Marsh & McLennan's operations in New England and its property/casualty operations in New York.

As a woman in the male-dominated insurance industry, Ms. LaSala says there is still a long way to go before women and men are treated on an equal basis.

"The progress has been substantial and the number of women in senior positions continues to grow, but progress has been slow and faltering and it often comes to a standstill at the highest levels," Ms. LaSala said.

Those women who have managed to make it to senior levels have an obligation to help other women make the same progress, but individuals too must strive to climb the corporate ladder, she said.

"There should be much more aggressive mentoring by women who are there, but on the other side of

that, individuals must take ownership of their careers and make it a mutual process," Ms. LaSala said.

Men also should encourage the promotion of women, she said. Companies that don't will lag behind as they are, in effect, choosing leaders from a pool of talent that is half the size of that used by more progressive companies, she said.

Ms. LaSala's own ability to use and develop the talent available to her is one of the main reasons that she is an outstanding brokerage executive, said Mike Rubenstein, vp-risk financing at American Express Co. in New York, which is a client of J&H Marsh & McLennan.

By concerning herself with the needs of her teams of client executives, Ms. LaSala is able to help those teams provide exceptional service, he said.

"She serves her team and she sees her job as to help them do what they do. If she drew an organizational chart, she would put the teams at the top," Mr. Rubenstein said. **BI**

Another crucial attribute is her ability to carry out her promises, he said.

"All you need out of Christine is to hear her say that she'll take care of it, then you can hang up the phone," he said.

Ms. LaSala's ability to listen and explain also wins respect for her among insurers, said Sue Kesselman, assistant general manager of the Manhattan branch of Royal Insurance Co.

"She always puts the clients first, but I always feel that I'm dealing with someone who understands the issues for everybody that is involved," she said.

Even when tough negotiations are necessary, Ms. LaSala has the knowledge and the personal skills to make everybody feel good about a deal, Ms. Kesselman said.

"You can come away from a meeting with her knowing that you've been squeezed, but you don't come away feeling bad about yourself," she said. **BI**

Acordia

Continued from page 2

said Keith A. Maib, Acordia's executive vp and chief financial officer.

Anthem announced in February that it had retained Credit Suisse First Boston to help explore the possible sale of Acordia's property/casualty brokerage business and the possible reorganization of Acordia's health business (*BI*, Feb. 10).

A little more than half of Acor-

dia's \$661 million in 1996 revenues was generated by its property/casualty brokerage business. The remaining came from the sale and servicing of Anthem's health insurance products.

Mr. Maib confirmed Anthem is still in discussions with a third party about the possible sale of Acordia's brokerage business.

Acordia will not comment on marketplace rumors that a management buyout is in the offing (*BI*, May 26).

Buying Acordia's stock "paves the way for the process to occur," Mr. Maib said of a possible sale. In addition, it makes organizational and operational changes at Anthem easier and more efficient, he explained.

By buying Acordia first and selling its brokerage business later, Anthem "has one less constituency to deal with," suggested Jay Cohen, an analyst with Merrill Lynch Inc. in New York.

Timothy J. Cunningham, a principal with Insight Management Con-

sulting Group in Westchester, Ill., noted that "fundamentally, if Anthem owns 100% of Acordia, it potentially gives them more strategic options."

The tender offer for Acordia's shares commenced June 6 and must remain open for 20 business days, which puts the completion date at July 7, Mr. Maib said.

If a deal to sell the brokerage business is in the offing, "it is unlikely it will occur before the completion of the tender offer," he said. **BI**

IIE

Continued from page 2

organize under the Illinois Insurance Code.

"While existing syndicates would not have to reorganize, new syndicates would have to organize under the Illinois Insurance Code," said Arnold Dutcher, chief deputy director of the Illinois Department.

This provision is designed to enhance the Insurance Department's authority over any IIE syndicate by banning future syndicates organized under the Illinois business code or other states' insurance codes, he said.

Other provisions of the bill, which was sponsored by State Rep. Frank Mautino, D-Spring Valley, give the Insurance Department responsibility for examining the financial records of the exchange, which it previously reviewed annually.

The bill imposes new financial reporting requirements on syndicates, which will have to file quarterly statements, actuarial opinions and audited financial reports with the department.

The bill also creates an Executive Committee, which will consist of three of five public trustees on the IIE's 13-member board. That committee will oversee IIE operations, though it will be subject to a nine-member majority of the board.

Insurance Department regulators are currently reviewing the bill, Mr. Dutcher said. He said he expects the department will ask the governor to sign it, because the IIE appears to have included all the solvency-related measures regulators sought.

—By Meg Fletcher

Managed care survey notes savings

By ROBERT KAZEL

Single workers with managed care health coverage take home an average of \$191 to \$252 per year more than they would if they weren't in managed care, though the savings vary widely from state to state, a new survey says.

The survey, commissioned by the American Assn. of Health Plans, estimates that savings were highest where the greatest number of people were enrolled in managed care plans. In areas where individual employees or families could take advantage of reduced premiums and out-of-pocket health care costs and presumed increased wages, gains were substantial. A married couple saved \$408 to \$549 on average through managed care, the survey said.

The Washington-based AAHP

is the nation's leading trade organization for managed care networks.

The study, by Fairfax, Va.-based The Lewin Group, estimated that enrollment in health maintenance organizations will continue to grow for the rest of the decade and that 85% of workers will be in managed care by the year 2000—up from 75% now. Enrollment is expected to remain steady in preferred provider organizations and point-of-service plans.

The study estimates managed care savings for families for 1997 through 2000 will be \$125 billion to \$202 billion, similar to the savings achieved between 1990 and 1996.

The impact of managed care on families differs markedly by state. In California, where more than a third of the population is in man-

aged care, the average savings per family ranged from \$577 to \$770 in 1996, or 14.7% as a percent of premiums. Oregon families saved \$512 to \$684, and Massachusetts families saved \$775 to \$1,035.

The lowest-ranking states in terms of family savings included Idaho, North Dakota, Alaska and South Dakota, where access to managed care is virtually non-existent and estimated value to a family is often less than \$25 annually.

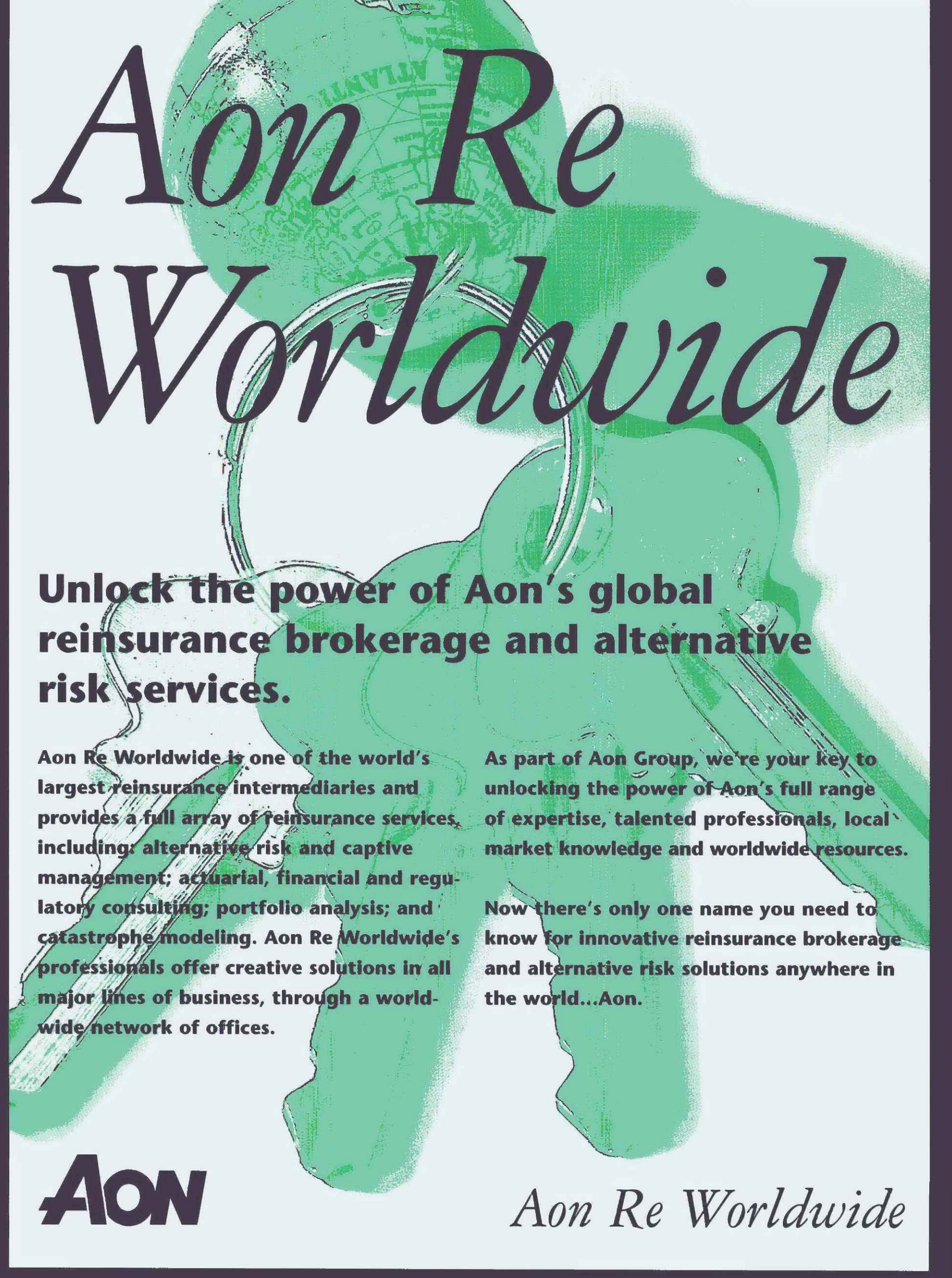
The study also contains these findings:

- The hypothetical wage gain for a worker enrolled in managed care was \$226 to \$356, representing a wage increase of between 0.7% and 1%. The thinking behind these statistics is that in the absence of managed care, wages would have to be reduced by the cost-conscious employer.

- Because of lower out-of-pocket premium costs and premium payments and higher wages under managed care, families with children last year saved \$375 to \$500.

The study was based on actual spending data for 1990 through 1996 and anticipated future spending for 1997 through 2000. The analysis was built on surveys of private employer health plans done by KPMG Peat Marwick, Hay-Huggins and A. Foster Higgins & Co. Inc., which has since merged with William M. Mercer Inc.

To receive a free copy of the report, "Managed Care Savings for Employers and Households: 1990 through 2000," fax a request to Paul Cummins, AAHP, 202-331-7487. The study also is available over the AAHP's Web site, <http://www.AAHP.org>



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