NEWSPAPER

MARCH 11, 1996

Business Insurance®

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

© Entire contents copyright 1996 by Crain Communications Inc. All rights reserved

Updates

Product liability reform bill lacks broad tort changes

WASHINGTON—House and Senate conferees are expected to release a narrowly focused compromise product liability bill in a matter of days, perhaps even this week.

House Republicans have decided to back away from their earlier insistence that the measure contain broad tort reforms, such as those contained in a bill the House passed nearly a year ago (*BI*, March 13, 1995). Instead, the reform will look much more like a bipartisan Senate measure passed last spring (*BI*, May 15, 1995).

See **Updates** *on next page*

Future clouded for health care reform

Opposition to broad bills may imperil even modest ones

By JERRY GEISEL

WASHINGTON—Legislation that would curb pre-existing condition exclusions, which cleared a big hurdle in the Senate last month, now faces two new obstacles:

• Strenuous state opposition to an expanded health care bill, H.R. 995, that the House Economic and Educational Opportunities Committee passed last week. The bill would pre-empt state authority to set benefit requirements on group plans sold by commercial insurers and HMOs. And it would make it easier for small companies to provide coverage through multiple employer welfare arrangements, which primarily would be federally regulated.

• Certain opposition from the Clinton administration to an even broader bill GOP leaders will pursue that would add medical malpractice changes and medical savings accounts to the MEWA provision in H.R. 995.

Until now, congressional interest in health care reform has focused almost exclusively on curbing pre-existing condition exclusions, which enjoys overwhelming support in Congress. Many legislators fear that broadening the effort will trigger enough opposition to kill any chance of passing health care legislation this year.

A curb on pre-existing medical condition exclusions is at the heart of a modest health care bill, S. 1028, that the Senate Labor and Human Resources Committee unanimously approved last year. The full Senate is expected to approve the bill next month after several GOP senators stopped blocking Senate action last week.

While the Senate proposal has attracted little opposition, the measure passed by the House committee already has triggered significant opposition.

State insurance regulators, recalling the wave of MEWA failures that took place over the last 15 years, leaving hundreds of thousands of employees stuck with millions of dollars in unpaid medical bills, vehemently oppose provisions that would expand MEWAs.

The MEWA provision "opens up an opportunity for scam operators to operate in a 'nether world' of loose federal standards with little or no meaningful oversight," warned Josephine Musser, vp of the National Assn. of Insurance Commissioners and insurance commissioner of Wisconsin, in a letter to the committee.

If state laws setting benefit requirements

See **ERISA** *on page 4*

Turning around Tennessee comp

Broad package of reforms would streamline system

By MEG FLETCHER

NASHVILLE, Tenn.—Tennessee employers, insurers and employees are hopeful that the state's workers compensation environment will soon improve, following the planned introduction this week of wide-ranging legislative reforms.

Employers and insurers particularly favor proposed reforms that would require insurers to use loss cost rather than fully developed rates, streamline the rate approval process and require mandatory benefit review conferences in some cases.

A labor union spokesman said employees especially favor proposed reforms to cut delays in paying benefits, enhance safety and tighten fraud rules for all participants in the system.

The proposed "Workers' Compensation Reform Act of 1996" consists of 72-pages of amendments, which were developed over the past six months by a 14-member, joint legislative study committee.

Legislators plan to add the amendments to S.B. 2539 and H.B. 2425, which already were introduced as a vehicle for these amendments. Both bills are expected to be passed and combined before the legislature adjourns in mid-April, so a single bill can be sent to the governor for approval.

The most active opposition is expected from attor-

See **Tennessee** *on page 21*

Tennessee remedy

- Streamline rating so that only the insurance commissioner's approval would be needed for advisory prospective loss costs, and any residual market rates.
- Deny claimants access to the courts until after a benefits review conference, so long as such conferences could be scheduled within 30 days of a request. Settlements would be subject to approval by the commissioner of labor.
- Cap attorneys fees for each party in some cases resolved before trial at the lesser of 20% of any award, or $10,000.

GRAPHIC BY KYLE LOCKWOOD

New heights for satellite risks

Rising demand will test capacity

By GAVIN SOUTER

1996 is set to be a big year for satellite owners and their insurers.

The debut of the Ariane 5 launch vehicle, which has a greater cargo capacity than other launch vehicles, could test the insurance market's capacity by taking as much as $600 million of hardware into space in a single shot.

And the first launches of Western commercial satellites on the Russian Proton launch vehicle will clear a backlog of launches while adding a new twist for insurers as they evaluate the compatibility of Western and Russian technology.

Complementing the increase in available launch vehicles is an increase in demand for satellite launches.

Many insurers are betting that the opportunities in 1996 will be as profitable as 1995 and are increasing capacity and lowering rates.

Some of their initial optimism, though, was tempered by the loss of a $218 million Intelsat 708 satellite after its launch vehicle, a Chinese Long March rocket, exploded last month (*BI*, Feb. 19). That loss already outstrips earned premium for satellite insurers in the first two months of the year (see chart).

And pending claims from three partial losses last year could drag down the outstanding underwriting results of 1995, underwriters say.

Among these is a $41.6 million claim filed last week for a Palapa C1 satellite that was launched last November and has four failed transponders, which send electrical signals back to Earth.

Despite the pending claims, 1995 was an exceptionally profitable year for satellite insurers after a disastrous

See **Satellite** *on page 12*

Satellite insurance market heading into orbit

($ in millions) 1992–1996

Year	Earned premium	Paid and incurred losses	No. of satellites lost	Insured satellites	No. of launches
1992	$329.9	$273.5	2	19	15
1993	319.6	195.5	2	18	17
1994	587.6	757.2	4	22	18
1995	809.8	230.0	2	26	24
1996*	147.7	218.7	1	6	5

* As of March 1
Source: Space Risks International

GRAPHIC BY KIM ROME

Experts see dire fallout from finite risk programs

By RODD ZOLKOS

Some buyers of finite risk insurance programs may be in over their heads, several industry experts fear.

Executives with companies that underwrite the programs and other firms that help arrange them are concerned that some companies entered into the increasingly popular programs without fully understanding their exposures to catastrophic losses and that some risk managers have simply overestimated their organizations' appetite for risk.

The executives say that some companies have already "blown through" finite risk coverages and expect other embarrassments in the future. They declined to discuss specific cases.

Those concerns are by no means universally shared, though. Other executives with companies that underwrite the programs, and several risk managers—including those with complex finite risk programs in place—contend that most buyers understand and adequately manage the risks they are assuming.

"Most risk managers will not enter into a contract without a full understanding," said Richard M. Inserra, assistant treasurer of Union Carbide Corp. in Danbury, Conn. "I think any underwriter and risk manager and intermediary who is working on a program like this has a pretty good understanding of it."

"I think before a risk manager would approach the marketplace with an idea like that, they would've done their own analysis and once they did go to the market they would benefit from the analysis of their broker and the underwriter," said K.C. Kidder, vp and risk manager at Norwest Corp. in Minneapolis.

"I don't know how you'd miss the

See **Finite** *on page 11*

Updates

Product liability compromise

Continued from previous page

That bill, S. 565, calls for, among other things, a cap on punitive damages in product liability cases at $250,000 or double compensatory damages, a uniform evidence standard for punitive damages, replacement of joint and several liability with proportional liability and a limit on the liability of sellers who did not alter goods that were the subject of a product liability suit.

The compromise bill will be reported out of the conference committee in a "matter of days rather than weeks," said one source close to the negotiations. Proponents believe a narrow product liability bill would be better able to withstand a Senate filibuster than would a broader tort reform measure (*BI*, Jan. 1).

Turf war over Lloyd's suits

LOS ANGELES—In a turf battle with other state officials, California's insurance commissioner is urging a federal judge to dismiss a securities lawsuit against Lloyd's of London brought by the state's Department of Corporations on behalf of aggrieved members.

Those members "are not 'investors,' they are insurers," said Chuck Quackenbush, who asserted his authority under the McCarran-Ferguson Act to regulate insurance business in the state. Also, the members' "insurance undertakings are not subject to the Corporations Code and are not 'securities' within the meaning of the Corporations Code."

"The insurance commissioner's regulatory reach is considerably broader than and superior to that of the corporations commissioner," Mr. Quackenbush contends.

In the suit against Lloyd's, which is similar to actions brought by six other states, corporations regulators charged that Lloyd's membership constitutes an investment and that Lloyd's violated state securities laws by recruiting members in California without regulatory approval.

The suit, filed in U.S. District Court in Los Angeles, seeks to stop Lloyd's from drawing down on members' letters of credit and to freeze the $10 billion in the Lloyd's American Trust Funds (*BI*, March 4). Freezing the LATF would stop payments to insurance and reinsurance policyholders in California, Mr. Quackenbush said.

Judge slashes attorneys' fees

CINCINNATI—A federal judge's cutting of plaintiff's attorneys' fees in a class-action settlement over alleged defects in the Bjork-Shiley heart valve could signal a trend toward giving plaintiffs a larger share of similar settlements in the future.

But, Stanley Chesley, a partner at law firm Waite, Schneider, Bayless & Chesley in Cincinnati, said the ruling won't affect future suits and that he will seek clarification of U.S. District Judge John F. Nangle's dramatic reduction of attorneys' fees from the amount requested.

The 1992 settlement, estimated at $165 million, involves about 50,000 recipients of the Bjork-Shiley heart valve manufactured by Shiley Inc. of Irvine, Calif., a subsidiary of New York-based Pfizer Inc.

Although the plaintiff's attorneys requested $30 million in fees, the judge last week awarded them $10.2 million, plus $6.3 million over the next 10 years, Mr. Chesley said.

Some see the ruling as part of a trend toward changing the way fees are set. "I think it's another example of a move toward ensuring that fees are provided on the merits, not simply on a mechanical percentage," said Victor Schwartz, a defense attorney with Crowell & Moring in Washington, who was not involved in the Bjork-Shiley case.

But Mr. Chesley disagrees. "It's crazy. Judges make fee determinations all the time," he said. "What, lawsuits aren't going to be filed anymore? Corporate America fascinates me—'Oh, my gosh! Nobody's going to file a lawsuit anymore!' "

Best downgrades The Home

OLDWICK, N.J.—A.M. Best Co. has downgraded the rating of The Home Insurance Co. to B- from B+, saying it is one of the weakest large insurance companies to recently go into runoff.

"Home is clearly one of the weakest large runoff companies," said Eric Simpson, vp in the property/casualty department at Best.

In particular, he said, The Home has been slow to establish adequate asbestos and pollution reserves, though the company is substantially adding to its reserves from its surplus.

Zurich Insurance Group took over The Home's profitable business last year and placed the remaining business into runoff after promising to pay up to $1.59 billion through a reinsurance program if The Home ran out of cash to pay claims (*BI*, June 19, 1995).

"Economically, Home's situation has not changed much (since the runoff)," Mr. Simpson said. But, he said, Best has compared its restructuring to several other recent plans and found that "The Home stacks up pretty poorly."

Briefly noted

Centre Cat Ltd. has changed its name to CAT Ltd. to differentiate it from Centre Reinsurance (Holdings) Ltd. . . . Gilles Laporte has been named president and CEO of **SOREMA International Holding**, replacing Pierre D. Croizat, who has left the reinsurer. Mr. Laporte is director general of GROUPAMA of Paris, SOREMA's parent.

Errors & omissions

• In the March 4 directory of risk management consultants, T.E. Brennan Co. was incorrectly listed as having begun risk management consulting in 1985. The company actually began consulting in 1895.

• Due to an editing error, CIGNA Property & Casualty Insurance Co.'s premiums-to-surplus ratio was misstated in a March 4 Perspective. The ratio is actually 1.3-to-1.

OSHA overhaul less likely

Scaled-back reforms may still emerge from Congress

By MARK A. HOFMANN

WASHINGTON—The chances for significant reform of the Occupational Safety and Health Administration this year are growing slimmer as the chief House sponsor of reform legislation admitted that he does not have the votes to override a promised presidential veto.

Reform proponents, however, are refusing to throw in the towel and hold out some hope that a milder reform proposal could win congressional approval. Such a proposal won the approval of the Senate Labor and Human Resources Committee last week on a 9-7 strict party line vote. Among other things, S. 1423—the OSHA Reform and Reinvention Act—would significantly reduce penalties for minor OSHA violations, codify a number of ongoing OSHA initiatives and prohibit the use of quota systems for OSHA inspections and citations.

But the vote came only after days of confusion over whether the necessary quorum had earlier approved or defeated specific amendments when it first considered the bill on Feb. 28.

In fact, the committee couldn't muster a quorum twice last Monday, as its chairman—Sen. Nancy L. Kassebaum, R-Kan.—tried to get a vote on S. 1423. But when the committee finally did convene the following afternoon, the Republican majority held firm and defeated all but one Democratic amendment to the bill, while reaffirming its support for two GOP amendments.

In a somewhat unusual maneuver, the bill's chief sponsor—Sen. Judd Gregg, R-N.H.—moved that the committee reconsider an amendment it approved a week earlier. That amendment, offered by Sen. Paul Simon, D-Ill., would have disqualified employers that have a "pattern or practice" of serious health and safety violations from receiving federal contracts for up to three years (*BI*, March 4). The amendment was defeated the second time around, though the committee did approve another Simon amendment that would extend the Occupational Safety and Health Act's purview to include federal, state and local government employees.

But such action is unlikely in the House of Representatives this year, said Rep. Cass Ballenger, R-N.C., chairman of the House Economic and Educational Op-

See **OSHA** *on page 22*

States eye CIGNA plan

Missouri stance sparks calls for deals

By DAVE LENCKUS

Two more state regulators are in the hunt for a deal similar to the one the Missouri department got from CIGNA Corp., which the department says would allow Missouri policyholders to decide whether their long-tail liabilities will be covered by CIGNA's new runoff operation.

However, CIGNA denies that Missouri policyholders will have any more rights than other policyholders and continues to meet with state regulators to explain its restructuring plan.

Oregon Insurance Director Kerry Barnett last week sent a letter to CIGNA stating, "Oregon's policyholders deserve no less than Missouri's."

A week earlier, the Mississippi department reserved its right for a similar deal. But, Mississippi may not spend limited department resources to pursue that request if it determines there are an "insignificant" number of policyholders with long-tail claims in the state, said Deputy Commissioner Ron Hanna.

CIGNA already faces a Tuesday deadline to respond to Michigan's request for deal that would provide similar policyholder choice, plus additional protection.

Regulators in Colorado, Georgia and North Carolina also say they are trying to negotiate various policyholder protections with CIGNA.

Regulators in Michigan and North Carolina say their actions are fueled in part by notices from their state guaranty funds that they probably would not respond if the runoff entity fails.

A CIGNA spokesman in Philadelphia said the insurer continues "to work with regulators to resolve any difficulties they have with the plan approved by Pennsylvania and the domiciliary states."

The Pennsylvania department approved CIGNA's reorganization

See **Missouri** *on page 22*

Superfund reform vote may be near

By MARK A. HOFMANN

WASHINGTON—The House Commerce Committee could vote as early as this week on a revised Superfund reform bill that would eliminate retroactive liability for the overwhelming majority of potentially responsible parties.

The measure, a revised version of H.R. 2500, the Reform of Superfund Act sponsored by Rep. Michael Oxley, R-Ohio, is winning praise from business and insurance groups. The reforms were first outlined by Commerce Committee Chairman Thomas Bliley, R-Va., in January (*BI*, Feb. 19).

Environmental groups, however, oppose the measure, and House Democrats—and the Clinton administration—have not signed off on the proposal, which was formally unveiled last week.

"We want bipartisan Superfund reform in 1996. It's the top priority of the Commerce Committee," said a congressional staff source who did not wish to be identified. "We have hopes of going forward (the week of March 12)."

But the committee has other pending business that could slow the schedule. In addition, Republicans on the Commerce Committee have not yet received any specific counterproposals from their Democratic colleagues or the White House, the source said.

The source stressed that the proposal was not final and could be altered if Democratic members or the administration offered

See **Superfund** *on page 6*

Directory deadlines near

Business Insurance will publish its annual directory of captive management companies in the April 22 issue, which also will contain a Spotlight report on domestic and foreign captive domiciles.

To be listed, organizations must complete a *BI* questionnaire. The questionnaire also includes a section for companies that would like to appear in a June 3 directory of policyholder-owned alternative risk financing facilities and rent-a-captives.

If your company provides captive insurance company management services, manages an alternative risk financing facility or offers rent-a-captives and you have not received a questionnaire, please request one from Assistant Directory Editor Richard Trout by calling 312-649-5483. The deadline for returning questionnaires is March 20.

Inside

• Congress should find another vehicle for a proposal that would pre-empt state benefit mandates, this week's editorial says. **PAGE 8**

• A managing agency's acquisition of a U.K. insurer reverses a trend in the London market. **PAGE 17**

• Insurers' "magic show" is entertaining—so far, writes columnist Myron Picoult. **PAGE 23**

Departments

Advertiser Index 20
Benefit Beat 6
Classifieds 18
Comings & Goings: Buyers 7
Datebook 20
For the Record 10
Insurance Services Guide 19
International 17
Letters 8
Opinions 8
Perspectives 15
Ticker 23

Business Insurance (ISSN 0007-6864) Vol. 30, No. 11, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $85 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A.
Copyright 1995 by Crain Communications Inc.

Investing in employee wellness

Companies see big returns from offering preventative benefits

By DEBORAH SHALOWITZ COWANS

CHICAGO—You've got to spend money to make money.

That's the approach two suburban Chicago companies are taking in their wellness programs. Thinking that participation ultimately reduces health care costs and produces other benefits, Superior Coffee & Foods and Fel-Pro Inc. are offering employees monetary rewards to participate.

Superior Coffee has had wellness programs since the early 1980s, Lee Ahsmann, vp of human resources, said late last month at a conference sponsored by The Wellness Planning Coalition, a group of several health associations.

Executive physical exams were the first wellness benefit the Bensenville, Ill.-based company offered.

Since then, the company has broadened its efforts, adding health risk appraisals, smoking cessation programs, exercise rooms with equipment at plants, flu shots, nutritional information programs, educational programs on medical self-care, training in emergency medical procedures, prostate screenings, pap smears and mammography exams, sponsorship and support for local employee sports teams and prenatal care programs.

Over the past three years, the average annual tab for the programs has been about $125,000.

The wellness initiatives have cut health care costs considerably, according to Mr. Ahsmann.

From 1994 to 1995, health care costs per employee fell 17%—without any changes in the health plan. In that same period, he said, hospital admissions were off 22%, the average length of stay was down 29%, and long-term disability claims fell 40%.

See Wellness on page 13

GRAPHIC BY KYLE LOCKWOOD

Engineering new methods to manage risks

Financial services meet insurance

By JOANNE WOJCIK

SAN FRANCISCO—The bridging of the insurance and financial services industries to open a new arena called "financial engineering" is increasingly changing the structure of risk management, experts say.

Today, "the spectrum of risk is much broader than we traditionally deal with in the insurance industry," said Tobey Russ, president of New York-based AIG Global Risk, during a session on alternative risk financing at the annual National Insurance Leadership Symposium last week, hosted by Russell Miller Inc.

Companies face exposures in a variety of areas that go beyond pure risk, including credit, interest rates, liquidity, currency, derivatives, commodities and raw materials, as well as the capital markets.

By marrying financial and insurance services into financial engineering, insurers can create new products tailored to these types of risks, he said.

This engineering combines corporate finance, commercial banking, investment banking, risk management and insurance into a single discipline designed to reduce a company's pure, financial and business risk, to reduce the cost of financing, to gain some tax or accounting benefit or to exploit a market inefficiency.

Financial engineering, which produced revolutionary products like zero coupon and junk bonds in the commercial finance arena, will have a similar effect on insurance products, Mr. Russ said.

"It also has impacted the retail world quite a bit," he said, pointing to adjustable rate mortgages, cash management accounts and individual retirement accounts.

Many companies already are adapting to a more sophisticated risk management playing field.

"We've got a lot of new risks at Microsoft," said Scott Lange, director of risk management for Redmond, Wash.-based software giant Microsoft Corp. "The result is that maybe 30% of the risks my company faces are risks that I'm unable to do something about in the insurance market."

As a publicly traded company, earnings risk is perhaps the biggest one Microsoft faces. "From a corporate standpoint, you've got a limited number of options," he said. "Really, there's not too many risk financing alternatives out there."

See Engineer on page 11

Speculating on court appeals

Investor gives plaintiff immediate funding to continue appeal

By JUDY GREENWALD

SAN FRANCISCO—The practice of buying shares of winning lawsuits that are on appeal could lead to higher settlements in civil cases, observers warn.

Although legal observers say only one company is known to be doing it today, they expect copycats to appear if it is successful.

San Francisco-based Judgment Purchase Corp., which has been in operation for about a year, gives plaintiffs money in exchange for an agreement to collect a portion of any eventual award or settlement. For instance, Judgment Purchase may pay $100,000 for a 25% share of a $1 million award that is being appealed.

Assuming the award is either ultimately upheld or there is a settlement, Judgment Purchase pockets the difference, if any, between the $100,000 and the 25% share of whatever amount is eventually distributed.

Of course, if the award is overturned or settled for less than the firm anticipated, it loses all or part of its investment.

Its president, attorney Alan Zimmerman, says the company already operates in California, Connecticut, New Jersey, New York and Pennsylvania and is setting up operations in Florida.

So far, it has invested in about 20 cases, of which two have been settled for undisclosed amounts.

The company selects cases where: awards are at least $300,000; the defendant has deep pockets or posted an appeal bond; and the winning plaintiff is committed to defending the judgment and to earmarking funds for qualified appellate counsel. Consultants in each state help select the cases.

So far, Judgment Purchase Corp. has not invested in greater than a 25% share of any lawsuit.

The cases it has taken to date "run the gamut" of civil litigation, said Mr. Zimmerman, explaining that Judgment Purchase does not actively defend the cases itself.

Judgment Purchase Corp. is owned by Mr. Zimmerman, another lawyer and additional investors.

Supporters say the company helps financially strapped plaintiffs who may not be able to afford to wait the year or two it generally takes to appeal a case. The possibility of having outside investors step in allows them to refuse what they may regard as unreasonable settlement offers from wealthy defendants. It also helps them afford to hire qualified appellate lawyers, who normally do not work on a contingency fee basis.

"They're not pressured to settle for a nominal or less than fair value settlement because they need cash," said Mr. Zimmerman. Instead, he said, cases can be settled on their merits

See Settlement on page 19

Guaranty plans to fund sale of defunct insurer

MetLife to assume book of business

By DOUGLAS McLEOD

NEW YORK—State life and health guaranty associations are about to take the biggest one-year hit in their history to fund the takeover of a defunct life insurer's business.

Guaranty funds in 23 states have agreed to put up $402 million to back Metropolitan Life Insurance Co.'s assumption of more than 24,400 annuity contracts and life policies of National Heritage Life Insurance Co.

National Heritage collapsed in 1994 and was ordered into liquidation last November amid charges that former officers and others looted it in a variety of fraudulent schemes.

Other failures have produced larger long-term losses for the guaranty funds. But none has created a bigger one-time liability than National Heritage, which has virtually no liquid assets to contribute to the assumption plan, said the National Organization of Life and Health Insurance Guaranty Assns.

The insurer's liquidator, meanwhile, is charging in several lawsuits that tens of millions of dollars of National Heritage assets were siphoned out by former officers and numerous other companies and individuals.

One of those officers, former Treasurer David L. Davies, was recently indicted on charges that he engineered fraudulent loans from National Heritage to companies he secretly controlled, including loans used to purchase stock in the insurer's parent.

A federal investigation of National Heritage continues, and more indictments are expected.

Founded in 1981 and licensed in 23 states, National Heritage was a Delaware-domiciled unit of Lifeco Investment Group Inc.

See Collapse on page 21

ADA compliance without cost

Study catalogs Sears' cost-effective accommodations

By ROBERT KAZEL

A woman applies for a job at Sears, Roebuck & Co. and is told that to help maintain the company's drug-free workplace, all workers must undergo a pre-employment urinalysis.

But the job applicant is a kidney dialysis patient and tells Sears she is unable to complete the drug screen. Company officials have a choice: adhere closely to policy, make no exceptions and turn her application down—and risk a citation under the 1990 Americans with Disabilities Act—or hire her.

Sears hired her.

Such decisions should not be viewed as weakness or capitulation, a new report by a University of Iowa law and psychology professor says. Rather, Peter D. Blanck extols Sears, which cooperated with his study, as a company that not only has complied with the ADA's requirements but has "transcended" them—and come out way ahead financially in the process.

Hotel contests ADA charges.......Page 21

The ADA requires companies to make reasonable accommodations to hire and keep qualified employees.

Based on 1993 to 1995 data, Mr. Blanck found that most accommodations under the law cost Sears nothing (see chart) and the average workplace accommodation for a disabled person cost only $45. That compares with an average of $121 for accommodations made from 1978 to 1992, before employers were required to follow ADA's Title I.

The study is the second of two on Sears' ADA accommodations done by researchers at Northwestern University. As an example of a low-cost accommodation, Mr. Blanck cites the job applicant who needed dialysis, an accommodation which required nothing of Sears but flexibility.

"This may sound like a no-brainer, but for a large company to modify its core business principles is not a simple thing," Mr. Blanck said. "The simplicity of

See ADA on page 21

GRAPHIC BY KIM ROME

ERISA

Continued from page 1

were pre-empted, individuals in group plans sold by commercial insurers would lose important coverages, several committee Democrats said last week.

Rep. Gene Green, D-Texas, noted that until the Texas Legislature took action several years ago, health insurers in the state would not provide coverage to infants until they were at least 14 days old.

"Insurance policies that help consumers would be pre-empted" under the bill, Rep. Green said.

Rep. Harris Fawell, R-Ill., the chief sponsor of the legislation, dismissed both those criticisms. He said MEWAs would have to meet a number of conditions, such as be set up by bona fide trade associations, to be exempt from state regulation.

Exempting fully insured plans from state mandated benefit laws would make health insurance more affordable for small companies. Employers large enough to self-insure their benefit programs are exempted from state benefit laws by the Employee Retirement Income Security Act, while small employers purchasing policies from insurers are not.

That system "discriminates against the little guy. . . .It makes no sense," said Rep. Fawell. And, he said, many state-mandated benefit laws are the result of special interest lobbying rather than sound public policy.

Besides state opposition to Rep. Fawell's bill, the other new obstacle to scaled-back health care legislation is even broader opposition to a more ambitious plan by GOP leaders.

Rep. J. Dennis Hastert, R-Ill., announced last week that the GOP leadership will seek a bill that would include the MEWA provision from the Fawell bill, medical malpractice reforms and tax-favored medical savings accounts.

If the House does pass such a broad bill, it could complicate the chances of any health care reform legislation being enacted into law this year. That is because:

- If the Senate passes the scaled-back pre-existing medical conditions bill, a stalemate could develop when congressional negotiators try to iron out differences in the Senate and House bills.
- If conferees agree on a bill resembling that of the House, it could face a presidential veto. While President Clinton has embraced the Senate's pre-existing medical conditions legislation, the administration is opposed to MSAs and is cool to medical malpractice changes.

In addition, as a former governor, President Clinton could be sympathetic to the concerns of state regulators over a dilution of their authority to regulate MEWAs or pre-empting state-mandated benefit rules.

"Things have been really muddied up," said Stuart Brahs, vp-federal government relations in Washington for The Principal Financial Group.

Still, despite the potential roadblocks, business lobbyists believe Republicans and Democrats can come together and pass a reform bill.

"No one wants to be blamed this year for scuttling health care reform," said Leslie Pryor, senior director of government relations for the National Assn. of Wholesaler-Distributors in Washington.

Like the bill awaiting action by the full Senate, the Fawell bill would curb pre-existing condition exclusions. Group health care plans would be allowed to exclude coverage for up to 12 months for a pre-existing condition, which is defined as one that is treated within six months of an individual joining a health plan. However, the 12-month period would be offset by the amount of time a new employee was covered under previous health care plans.

Unlike the Senate measure, though, the Fawell bill would not also curb pre-existing condition exclusions for employees who lose group coverage and purchase individual policies.

Under the MEWA provisions of the Fawell bill, self-funded MEWAs—a mechanism for groups of small employers to jointly finance health care benefits for their employees and dependents—would be exempt from state regulation as long as they received a special exemption from the Labor Department.

To receive this exemption, a MEWA sponsor, among other things, would have to be operating for at least three years and would have to be a trade association, chamber of commerce or similar organization. The purpose of these trade groups would have to be other than providing health insurance. Collectively bargained multiemployer plans also would have to meet new requirements to be exempt from state regulation.

That requirement is aimed at reducing a repeat of earlier MEWA problems in which individuals, often with insurance sales backgrounds, set up MEWAs for members of a trade association that the salesmen themselves helped to organize.

Under the Fawell bill, the Labor Department would set regulatory standards for these MEWAs, though federal officials could call on state insurance departments to enforce those requirements. BI

SOME RISKS CAN ONLY BE HANDLED BY AN EXPERT. THAT'S WHY YOU NEED A HORSE OF A DIFFERENT COLOR.

Sometimes inland marine and ocean marine risks demand special attention. That's when you need Wm. H. McGee & Co.

THE EXPERIENCE TO ANTICIPATE NEEDS

Because we're specialists, our underwriters have a different way of looking at things and an uncanny ability to come up with innovative solutions you don't get from your average insurance market.

FLEXIBILITY YOU WON'T FIND JUST ANYWHERE

Take a policy we put together for a gallery specializing in Far Eastern art. We designed a single policy that combined ocean marine, inland marine and property coverages. It covered the artwork from the time it left the Far East until it arrived and was hanging at the gallery. We built in a special feature that extended coverage for the artwork if it was on loan to a museum.

So the next time you need special handling on inland marine or ocean marine coverages, don't take chances. Get a horse of a different color. And discover the difference a specialist makes. To find out more about what we can do for you, call 1-800-235-6029.

WM. H. McGEE & CO., INC.

WORLD WIDE COVERAGE · UNDERWRITING MANAGERS SINCE 1887 ®

CORPORATE HEADQUARTERS
FOUR WORLD TRADE CENTER
NEW YORK, NY 10048
1-800-235-6029
OFFICES IN THE US AND CANADA
CORRESPONDENTS THROUGHOUT THE WORLD

PBGC to enforce law requiring disclosure

WASHINGTON—The Pension Benefit Guaranty Corp. this fall will survey employers with underfunded pension plans to see if they are complying with a federal law that requires companies to provide participants certain information.

Under that 1994 law, employers with pension plans that are less than 90% funded have to provide an annual disclosure statement to participants explaining the funding level of their plans and the federal benefit guarantees if the plans are terminated.

Employers will have to explain: The percentage of promised benefits that are funded; that if the plan terminates, some participants may lose benefits; the maximum monthly benefit that the PBGC guarantees.

Employers with underfunded plans will have to explain that the PBGC does not guarantee certain benefits, such as health and life insurance. They also will have to explain that benefit increases promised by them are only partly guaranteed.

About 3,000 large employers—companies with at least 100 participants in pension plans—began sending out disclosure notices last December. About 4,000 underfunded plans with fewer than 100 participants will begin distributing notices later this year. These plans cover about 4 million participants.

The PBGC survey will be sent to about 600 employers. The PBGC will ask plan administrators if they have sent out the required notices and to send the agency a copy.

Beginning in September, employers with underfunded plans will certify whether or not they have distributed the disclosure statement by checking a box on the forms they use annually to pay PBGC termination insurance premiums. If companies fail to provide disclosure notice, the PBGC can impose fines ranging from \$25 per day to as much as \$1,000 per day, depending upon the reasons for non-compliance.

—*By Jerry Geisel*

If We Can't Help You One Way, Maybe We Can Help You Another.

For businesses that employ alternate risk management methods including self insurance, there are ways Wausau can be of service. For instance, you can benefit from our expertise in high deductible workers compensation, third party reimbursements, SIR/excess, and captives. Consider our experience in loss control consultation. In claim handling, our state-of-the-art, on-line computer system, DIAL Wausau,SM gives you direct access to electronic mail and claim records. With Wausau, you have the flexibility to custom-make a risk management program that fits your needs. And Wausau has an A+ A.M. Best Rating. something else you can take comfort in down the line.

RISK MANAGEMENT SERVICES

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (800) 269-7771
Nationwide® Insurance Enterprise

Study eyes priorities in choosing health plan

By ROBERT KAZEL

Benefit Beat

Large employers increasingly are using more sophisticated measures to judge the value of health care plans, but companies with fewer than 1,000 employees still focus mainly on price, a new survey says.

Research by consultant Watson Wyatt Worldwide found that while 46% of large companies—those with at least 10,000 employees—had adopted criteria for health plans based on accreditation, among small companies—those with fewer than 1,000 workers—the proportion was only 15%. While half of the companies used performance measures to evaluate plans, six out of 10 small companies did not.

Virtually all the companies said plan cost was important. Also cited most frequently as key selection criteria were services to employees, services to the employer, utilization data and access for employees.

Employers overall were more concerned with routine issues, such as ease of changing primary care physicians or getting a membership card and how quickly plan operators answered telephones, than with clinical qualifications such as the number of board-certified doctors in a network.

Some companies reported using state-of-the-art health plan measurement techniques, but this was mainly the case among large firms. HEDIS, or Health Plan Employer Data & Information Set, a system used to evaluate the relative value of health plans, was identified by 81% of large employers as useful but only by 10% of small companies.

"The big guys are just more sophisticated," said Dr. David Friend, global director of Watson Wyatt's health care consulting practice. "It was shocking that eight times the number used HEDIS among large companies than smaller."

The survey, which was co-sponsored by the Washington Business Group on Health, may persuade some benefit managers to consider criteria besides price when choosing a health plan or else risk overpaying for a lesser product, Dr. Friend said. Alternatively, companies should offer employees more than one health plan from which to choose, he said.

"If you only buy based on cost, then the only car that you'd ever be sold would be a Yugo," he said. "Our message to the typical benefit manager is just don't pick the plan with the lowest cost. That's doing your employees a disservice. We want the buyers to start demanding more from their health care providers."

The report, "Is Cost Everything? Getting Value for Your Health Care Dollar," is available for $100 from Watson Wyatt; call 800-243-1349.

Prescription drug use

CYPRESS, Calif.—A prescription benefit management company says it succeeded in persuading doctors in two large medical groups to recommend over-the-counter medications instead of certain prescription drugs, saving an estimated $15,600 over the past six months.

The company, Cypress, Calif.-based Prescription Solutions, says the program was unique because it focused exclusively on the substitution of over-the-counter drugs for prescription drugs and enlisted the close cooperation of physicians.

In the program, physicians in two medical groups affiliated with Prescription Solutions' HMO parent, PacifiCare Health Systems Inc., were asked to recommend over-the-counter antihistamines for conditions like seasonal allergies, and non-steroidal anti-inflammatory agents for acute pain like muscle sprains.

Doctors who agreed were provided with manufacturers' "starter kits" of the over-the-counter remedies so they could give patients free quantities of the drugs during office visits.

"Since so many products have gone from prescription to OTC in the last few years, there are some very effective products that can be offered without a prescription," said Jeff Herzfeld, vp of marketing and business development at Prescription Solutions.

The pilot program, which covered some 29,000 patients in Southern California, showed that the writing of prescriptions at both medical groups declined while prescriptions written by doctors at other locations within the HMO network—those not in the trial—increased.

Doctors who cooperated with the program earned financial incentives through the HMO, Mr. Herzfeld said.

An internist who participated in the trial, Dr. Gil Putnoky of Beaver Medical Group in Redlands, Calif., praised the project. "I really do believe it's good medicine to treat with these (OTC) medicines first. It really hasn't been part and parcel of the education of doctors until recently. And of course, it's very cost-effective." BI

Superfund

Continued from page 2

acceptable counterproposals.

Superfund reform efforts got another boost last week from Sen. John Chafee, R-R.I. Sen. Chafee, who chairs the Senate Environmental and Public Works Committee, said he is "determined" to get a bipartisan reform measure through Congress this year. In fact, he told an audience at the National Assn. of Professional Insurance Agents' Federal Legislative Conference in Arlington, Va., that he'd like the Senate to vote on such a bill by the middle of next month.

Sen. Chafee praised reform legislation, S. 1285, drafted by Sen. Robert Smith, R-N.H., as a "tremendous improvement over the status quo." He warned, however, that any bill that stands a chance of receiving Senate approval will have to be a bipartisan measure or face the possibility of dying in a filibuster.

The revised House measure would eliminate pre-1987 retroactive liability for generators and haulers of waste to sites on Superfund's National Priorities List, provided that they acted within the law. According to congressional staff sources, this would eliminate liability for roughly 90% of all PRPs.

Owners and operators of single-party sites would receive no liability relief under the measure.

Owners and operators of multi-party sites on the National Priorities List would remain subject to retroactive liability, though they would not necessarily be held liable for the entire cost of cleanup. The measure would create a "fair share" allocation mechanism for determining who pays how much for sites with two or more potentially responsible parties and a total cleanup tab of more than $1 million.

The PRPs could choose a neutral allocator from a list prepared by the Environmental Protection Agency or by agreement among themselves. But the EPA could reject the allocator or the allocation.

If PRPs agreed to the allocation process—which would have to be completed within 24 months—they would be held liable only for what the allocation determined was their share. If the entire cleanup cost exceeded the allocated amount, the cleanup trust fund set up by the Superfund law would pick up the remaining so-called orphan shares. The trust fund also would pay for cleanup costs allocated to unknown parties.

Potentially responsible parties that refused to accept their allocation and subsequently lost their case in court could be held liable for the cost of cleaning up any orphan shares as well as their own allocation, a threat that a congressional staff source said would encourage acceptance of the allocation.

The proposal is being embraced by business and insurance groups as a significant improvement over Superfund's current liability scheme.

"I find this proposal encouraging. It re-establishes the elimination of retroactive liability—though not completely, it certainly treats it more fairly. And the allocation appears to be more fair in that the fund would pick up the orphan share," said David R. Haight, vp-government affairs for the Risk & Insurance Management Society Inc. in New York and director-risk management for CF Industries Inc. in Long Grove, Ill.

"The new proposal moves the process forward and may serve to unify the business community and we look forward to working with Rep. Bliley and Democrats to move forward a bipartisan solution on Superfund, recognizing that the ideal solution is a complete repeal of retroactive liability," said David Farmer, senior vp-federal affairs for the Alliance of American Insurers in Washington.

"It really is an improvement. This really is a proposal that will provide cost savings and is an equitable way to address these liability problems that have slowed down cleanup," said David Pratt, senior vp-federal affairs for the American Insurance Assn. in Washington.

"By and large, this is going to unite the business community. The last six or eight months have been frustrating when you have industries turn on industries. I think that is behind us," said Joel Wood, vp-government affairs for the Council of Insurance Agents & Brokers in Washington. "It deserves strong support from our industry."

Disagreements over liability reform had split the business community, notably pitting the chemical manufacturers against insurers. But a spokesman for the Chemical Manufacturers Assn. in Alexandria, Va., said that "If Congress can fully and fairly fund this plan, we can support it." The spokesman added that while CMA members feel strongly about continuing to meet our obligations under the current system," they also believe they are "paying more than our share under the current system."

Special taxes on the petrochemical industry—which would remain in place under the new Superfund proposal—currently pay to clean up the orphan share at sites on the National Priorities List.

Mr. Wood added he is "mildly nervous over the fact that this is the starting point now and we certainly want this to be the end point" of the reform process, both in terms of time and of the proposal itself.

"Will the administration be able to overcome the political urge to demagogue this as a polluter bailout?" he asked.

That is just how some environmental groups view the proposal.

Rick Hind, legislative director of Greenpeace Toxics Campaign in Washington, called the proposal "more business than usual," and a "complete betrayal of claims by polluting industries" that they want to clean up the environment.

"If that's the case, then why do they want to go back to creating hazardous waste sites circa the 1960s and '70s, because that's the end result of this legislation," he said. "They're killing the best free-market regulator of risk—Superfund liability and cleanup standards." BI

Does your business card tell people that you specialize in Professional Liability?

It should. And now there's a designation that will do just that: RPLU (Registered Professional Liability Underwriter). It's an important designation for anyone whose business is impacted by Professional Liability issues. You can earn your RPLU by completing a five-course program that will make you even more technically competent and productive in the ever-changing field of Professional Liability. So call for more information today. Because if you're into Professional Liability, your business card should say so in a big way.

A credential you can use.

Call (800) 845-0778 for more information.

Public entity emergency planning sounds alarm

Survey finds areas needing attention

By DEBORAH SHALOWITZ COWANS

While most public entities have adequate emergency plans, several areas can be improved, a new survey says.

More than 75% of 386 public entities surveyed by New York-based Stone & Webster Management Consultants Inc. have emergency plans that address media relations, emergency drills and exercises, search and rescue operations, damage assessment and short-term recovery.

The public entities surveyed included towns, cities, counties and school districts in the United States and Canada and one in Australia.

However, more than one-quarter of the public entities' emergency plans did not address the use of volunteers in emergency situations or how to protect damaged and abandoned buildings, the survey found.

"I was impressed with the amount of foresight and planning that has gone in (to these plans) yet surprised that there were still gaps in coverage," said Michael Colin, assistant manager-client services and author of the survey report.

However, the fact that 48% of the public entities had updated or were in the process of updating their emergency plans last year "indicates that there is an increased concern in this area," Mr. Colin explained. "So it looks like people are working on these gaps."

And the public entities seem to realize they have room for improvement; when evaluating their own emergency plans, they gave themselves an average rank of five on a scale from a low of one to a high of seven.

The vast majority of the public entities—89%—have written emergency plans. Seventy-five percent also have a separate emergency preparedness department.

Three-quarters or more of the emergency plans cover situations such as hazardous materials spills, major fires or explosions, major transportation accidents or bomb threats.

However, only 58% of respondents' plans addressed terrorism or hostage situations and only 46% of the plans addressed nuclear attacks.

Nearly every public entity's emergency plan called for coordination with local police and fire departments; more than three-quarters also called for coordination with local medical facilities, relief organizations, local utilities, schools and local emergency planning committees.

•

Individual copies of "Benchmarking Survey—State and Local Government Emergency Plans" are available free of charge by contacting Michael A. Colin, Stone & Webster Management Consultants Inc., 250 W. 34th St., New York, N.Y. 10119; 212-290-7000; fax: 212-290-7033.

Hatcher named risk manager

Comings & Goings: Buyers

Donald J. Hatcher has been appointed director of risk management in the department of finance at the United States Enrichment Corp., a Bethesda, Md.-based government nuclear energy company that is in the process of being privatized.

Mr. Hatcher, 47, is responsible for implementing and managing risk management and insurance programs in this new position. He reports to Sarah Van Lierde, treasurer.

Mr. Hatcher previously was director of risk management at Arbor Acres Farm Inc., a supplier of breeding stock to the poultry industry. He gained experience in the nuclear power industry as assistant director of risk management for Asea Brown Boveri Inc., a U.S. unit of ABB Asea Brown Boveri Ltd. of Zurich, Switzerland, which is active in power generation and distribution and other services.

Mr. Hatcher has an associate degree in business administration from Lackawanna Junior College in Scranton, Pa., and a bachelor's degree in business administration from Bethel College in McKenzie, Tenn. He holds the associate in risk management designation from the Insurance Institute of America.

* * *

John Wirch is the new vp of human resources at American Medical Security Inc., a Green Bay, Wis., marketer of group health plans.

Mr. Wirch, 42, will be responsible for such areas as employee benefits, training and strategic planning. He replaces **Patricia Capanna**, who now owns an executive search firm in Madison, Wis.

Mr. Wirch will report to Wally Hilliard, president of American Medical Security.

Before joining the company, Mr. Wirch worked as vp-human resources at Little Rapids Corp. in Green Bay. He had served as that company's personnel manager from 1980 to 1989 and as director of human resources until 1993.

Mr. Wirch earned an master of business administration and bachelor of arts degree in personnel management from the University of Wisconsin-Oshkosh. He also completed the strategic human resources management executive development program at the Harvard University Graduate School of Business. He is a member of the Society for Human Resource Management, the American Compensation Assn., the Bureau of National Affairs Personnel Policy Forum and is a certified senior professional in human resources.

•

We'd like to report on staff changes in your company's risk management, safety and employee benefit departments. Contact Michael Bradford, Associate Editor, Business Insurance, Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; 214-361-2295; fax: 214-696-1936. Please include a photograph.

Peace of mind has a new name.

Introducing NYLCare from New York Life. Helping millions of Americans feel at ease about health care.

There's a new name for a trusted partner in employee health benefits. NYLCare Health Plans.

NYLCare (pronounced "nile-care") unifies into a single organization New York Life's Group Operations and New York Life's Sanus and HealthPlus managed care subsidiaries. The result? A health benefits company that is national in scope and capability, yet local in operations and responsiveness.

NYLCare offers employers a full range of quality, cost-effective health plan choices from traditional managed indemnity plans and market-leading HMOs to innovative PPO, POS, and Multi-option products. Plus, our ancillary coverages and programs make NYLCare the single source for all health and related employee benefits. And for individuals eligible for Medicare, NYLCare 65 means peace of mind in locations across the country.

In fact, NYLCare now serves more than 16,000 employer groups and 3.5 million Americans nationwide. Businesses from the corner flower shop to Fortune 500 giants count on NYLCare. You can count on us, too.

So if you are an employer seeking innovative alternatives and responsive relationships, call your agent, broker, or insurance consultant, or your local NYLCare office, or call NYLCare at 1-800-445-5015.

Confidence in health care

HMO benefits provided by subsidiaries of NYLCare Health Plans Inc., a subsidiary of New York Life Insurance Company, New York, New York.
Indemnity benefits provided by New York Life Insurance Company or one of its affiliated insurance companies.
In North Carolina, NYLCare and Duke University Medical Center and Health System are strategic partners in Wellpath Community Health Plans, offering a range of health benefit products. ©NYLCare Health Plans, Inc., New York, New York.

Opinions

Take one benefit issue at a time

IT WOULD BE TEMPTING to support a new proposal—approved by a House committee last week—that would effectively eliminate state benefit mandates on group health care plans sold by insurers and health maintenance organizations.

Indeed, we have long said that state-mandated benefit laws have much more to do with the clout of special interest groups than they do with sound public policy. Our view is that mandated benefit laws are, in fact, counterproductive. They raise the cost of health insurance, discouraging small employers from purchasing coverage.

Employers that self-fund their health care plans already are exempt from mandated benefit laws, and fairness dictates that insured plans should enjoy that same exemption.

While we heartily endorse pre-emption of mandated state benefit laws, tacking on this provision to a broader bill that would curb pre-existing medical condition exclusions—an action that the House Economic and Educational Opportunities Committee took last week—is a bad idea.

The momentum behind the broader pre-existing medical conditions exclusion legislation is strong. The measure was unanimously approved by the Senate Labor and Human Resources Committee last summer, and a Senate floor vote is expected next month.

The measure has attracted not only overwhelming congressional support, but it also has the support of numerous business groups.

However, that support rests on a shaky foundation. Business groups have warned that they will abandon their support if backers of several amendments—such as mandating lifetime health care plan coverage limits—are successful in tacking those amendments onto the bill.

Much as business groups want Congress to intervene to pre-empt state mandated benefit laws, the pre-existing medical conditions legislation is not the place to do it.

Once one amendment is added, who is to say that other amendments wouldn't be added? And who is to say that once the dust settles, amendments that business groups want would be killed by congressional negotiators while amendments damaging to employers would remain?

On this legislation, Sen. Edward Kennedy—a legislator with whom we don't often agree—has it exactly right. The Massachusetts Democrat says he and Labor and Human Resources Committee Chairman Nancy Kassebaum, R-Kan., will resist all attempts to add amendments to the bill when the Senate votes on it. That is a remarkable concession for a senator who has spent more than three decades in Congress fighting for passage of sweeping health care reform legislation.

Sen. Kennedy, we think, recognizes that he failed on earlier reform efforts because he overreached and backed proposals that were out of step with what the public wanted and what really was needed.

Right now, all the ingredients are there for passage of the pre-existing medical conditions legislation. It is good public policy, it enjoys bipartisan support in Congress and the legislation will, if passed, be signed into law by President Clinton.

A golden opportunity to pass the legislation, though, could be lost if the mandated state benefit laws provision is added to it.

As desirable as that provision may be, the wisest course of action would be for it to be dropped from this legislation.

If Congress does pass the pre-existing medical conditions legislation, it will make it easier for employees to move from job to job without worrying about whether they will lose their health care benefits for what they really need it for: coverage for existing medical conditions.

The enactment of the legislation this year can set the stage for congressional consideration next year of an equally worthy goal: pre-emption of mandated state benefit laws to make health insurance plans more affordable.

Letters

Lead hazard is not as prevalent as portrayed

To the editor: The Jan. 29 article, "Lead Liability Stakes High," is insightful, but certain points need clarifying.

The National Paint & Coatings Assn. continues to be concerned about the unnecessary panic that occurs when lead hazards are associated with *all* housing built before 1978. That year is cited because, as you mention, 1978 was the deadline for federal regulations banning lead as an ingredient in household paints. In fact, paint manufacturers had begun to phase out lead as early as World War II.

Recent U.S. Department of Housing and Urban Development guidelines on lead paint hazards acknowledge "there is a significant chance that lead-based paint will not be present, especially in housing built after 1960."

The *BI* article also points out that most of the lawsuits alleging poisoning from lead-based paint focus on "injury to children who eat the sweet-tasting paint." Contrary to this common perception, direct ingestion of deteriorated, old lead-based paint—usually by children chewing on paint chips—is rare and is not the primary source of lead exposure. Common household dust is the most frequent source of exposure. Lead in household dust can come from old lead-based paint, as well as soil and dust tracked in from outside the home that has been contaminated by years of exposure to leaded gasoline.

Ongoing research shows the mere presence of lead-based paint does not always indicate a hazard that would result in lead poisoning. The HUD guidelines stress that paint which is not deteriorated, i.e. chipping, peeling, etc., does not present a hazard and can be managed by following certain essential maintenance practices.

And, recent data from the Centers for Disease Control indicates lead poisoning has declined dramatically since 1981 but remains persistent in inner-city area with older, deteriorated housing. To address this concern, the NCPA has helped form the Community Lead Education & Reduction Corps, or CLEAR, aimed at reducing lead exposure in those at-risk neighborhoods.

Robin Eastman Caldwell
Associate Director-
Research & Communications
National Paint & Coatings Assn.
Washington

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: 76735.3045@compuserve.com.

Business Insurance®

Reporting weekly on corporate risk, employee benefit and managed health care news

Vice President/ Publisher/Editorial Director:	Kathryn J. McIntyre, ARM *(Chicago)*
Editor:	Paul D. Winston *(Chicago)*
Editor-at-Large:	Jerry Geisel *(Washington)*
Managing Editor:	Timothy Stanton *(Chicago)*
International Editor:	Stacy Shapiro *(London)*
Senior Editors:	Meg Fletcher, ARM *(Chicago)*
	Judy Greenwald *(San Jose)*
	Dave Lenckus *(Chicago)*
	Douglas McLeod *(New York)*
	Joanne Wojcik *(Los Angeles)*
Assistant Managing Editor/News:	Roseanne White *(Washington)*
Washington Editor:	Mark A. Hofmann *(Washington)*
Bureau Chief:	Michael Schachner *(New York)*
Graphics Editor:	Eric J. Williams *(Chicago)*
Copy Editors:	Regis J. Coccia *(Chicago)*
	Sara J. Harty *(Chicago)*
Assistant Copy Editor:	Lee Velker *(Chicago)*
Associate Editors:	Michael Bradford *(Dallas)*
	Deborah Shalowitz Cowans *(Chicago)*
	Roberto Ceniceros *(Los Angeles)*
	Sarah Goddard *(London)*
	Robert Kazel *(Chicago)*
	Sally Roberts *(Chicago)*
	Gavin Souter *(New York)*
	Rodd Zolkos *(Chicago)*
Directory Editor:	Sandra L. Budde *(Chicago)*
Assistant Directory Editor:	Rich Trout *(Chicago)*
Editorial Assistant:	Ovie M. Dent *(Chicago)*
Assistant to the Publisher:	Karen Brown Tucker *(Chicago)*
Editorial Cartoonist:	Roger Schillerstrom *(Chicago)*
Advertising Director:	Martin J. Ross III *(New York)*
Eastern Advertising Manager:	Stephen P. Lincoln *(New York)*
Midwest Advertising Manager:	Robert L. Niesse *(Chicago)*
District Managers:	Cynthia Bykowski *(New York)*
	Blake Delany *(New York)*
	Barrie Harmelin *(New York)*
	Deborah D. Neale *(Chicago)*
	James Patten *(New York)*
Sales Assistant	Lori Lieberman *(Los Angeles)*
Classified Advertising Manager:	Cheryl Butler *(Chicago)*
Production Manager:	Elmer Kerstowske *(Chicago)*
Director of Communications:	Ronnie I. Drachman *(New York)*
Promotion Coordinator:	Barbara O'Brien *(New York)*

EDITORIAL:	Chicago:	312-649-5398
	Dallas:	214-361-2295
	London:	171-608-1172
	Los Angeles:	213-651-3710
	New York:	212-210-0100
	San Jose:	408-379-1790
	Washington:	202-662-7200
ADVERTISING:	New York:	212-210-0228
	Chicago:	312-649-5276
	Los Angeles:	213-651-3710
COMMUNICATIONS:	New York:	212-210-0132
SUBSCRIPTIONS:	Detroit:	800-678-9595

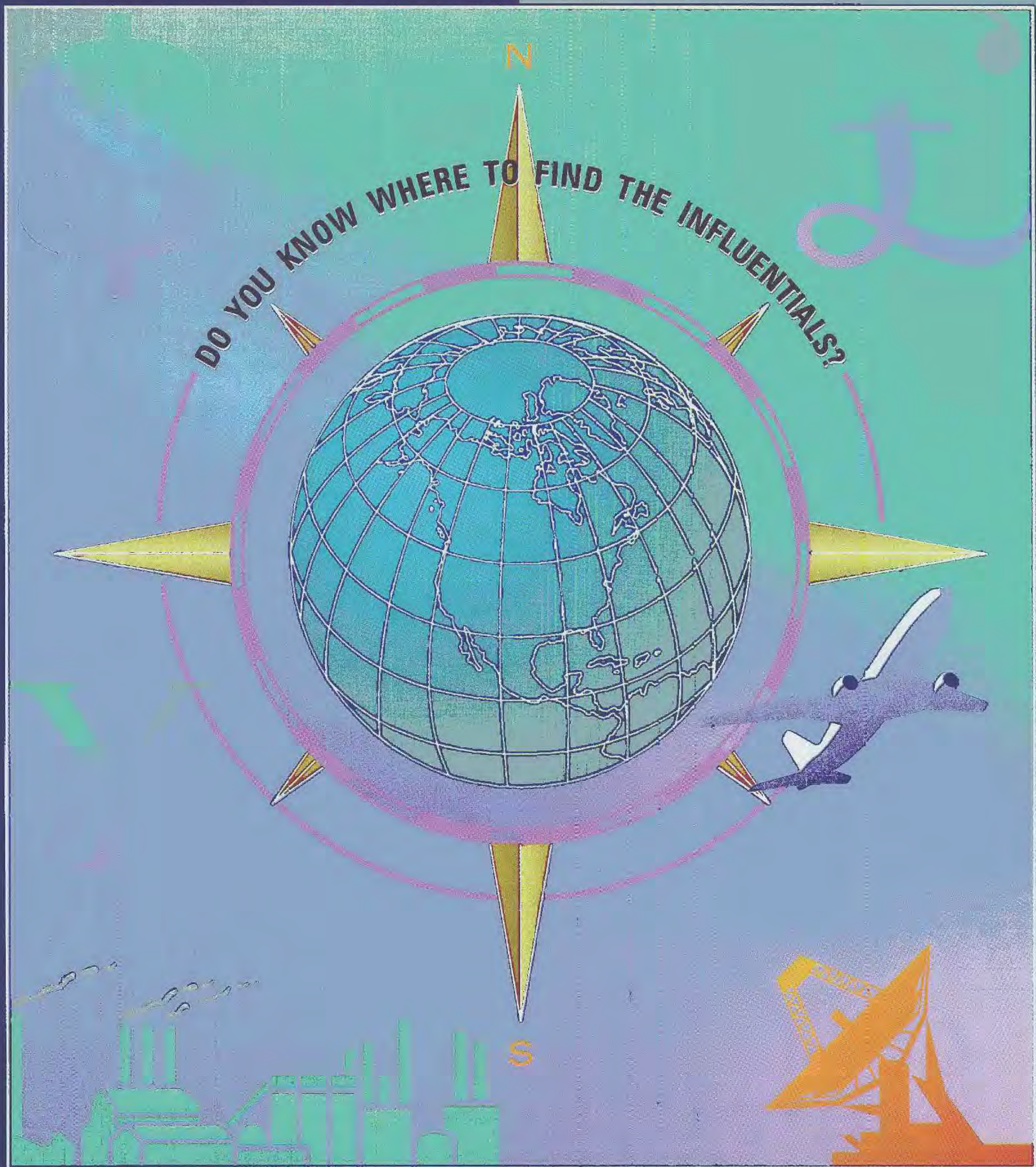
Published by Crain Communications, Inc., Chicago

Founder	G.D. Crain Jr. (1885-1973)
Chairman	Mrs. G.D. Crain
Vice chairman	Keith Crain
President	Rance Crain
Chairman-executive committee	S.R. Bernstein (1907-1993)
Treasurer	Mary Kay Crain
Secretary	Merrilee P. Crain
Executive Vice president-operations	William A. Morrow
Vice president-production	Robert C. Adams
Circulation director	Peter J. Johnson

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312/280-3174, E-Mail 76735.3045@CompuServe.com, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212/210-0704, CRAIN COM NYK; Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; Fax 214-696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 540 Latimer Circle, Campbell, Calif. 95008, Fax 408/379-3257; Cowcross Court, 2nd Floor, 75-77 Cowcross St., London EC1M 6BP, England, Fax 71/608/1173. $4 a copy and $85 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313/446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312/280-3174.

TO SUBSCRIBE TO THE WORLD'S LEADING COMMERCIAL INSURANCE PUBLICATION, CALL
800-678-9595
313-446-0450 outside of the United States

BPA INTERNATIONAL® ABP



1995/96 DIRECTORY OF BUYERS 1995/96

When you want to reach corporate influentials who matter most in purchasing commercial insurance, risk management, employee benefits and related products and services, you'll want to reach for the most comprehensive reference tools from the publishers of *Business Insurance*.

In the U.S.-based edition you'll find more than 16,000 executives from nearly 3,200 companies. Listings include company address, telephone and fax numbers, plus vital statistics on:

- primary type of business
- revenue or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for employee benefits . . . pension/retirement plans . . . personnel . . . risk & insurance management . . . property/casualty insurance . . . international employee benefits and/or risk management.

In the non-U.S. edition you'll find over 3,000 executives in approximately 500 companies from 20 countries based outside the United States. In addition to providing address, telephone and fax numbers, listings include:

- primary type of business
- currency of the country
- revenue/sales reported in the currency of the country
- name and title of chief financial officer
- names and titles of executives directly responsible for risk management . . . security . . . benefits and health care . . . and finance.

The thirteenth edition of *BI's* Directory of U.S.-Based Corporate Buyers is only $95*. *BI's* second edition of the International Directory of Corporate Buyers Based Outside the U.S. is $125*. You'll get a 15% discount on orders of 5 or more copies. Both Directories are also available on disk for the PC. For information about the BID Software, or to order your printed editions, call: 313-446-1623.

*Plus tax where applicable.

Business Insurance
a publication of Crain Communications Inc

For the Record

O.J. denied coverage under firm's CGL policy

LOS ANGELES—If speculation and rumors are to be believed, O.J. Simpson could end up a plaintiff in a policyholder dispute.

But so far, Mr. Simpson's attorneys have not taken action following a denial of coverage under a commercial general liability policy written by CNA Financial Corp., said a spokesman for CNA in Chicago. Mr. Simpson filed the claim against policies issued to his business last October, seeking to defray legal costs in the wrongful-death lawsuits filed against him by the families of Nicole Brown Simpson and Ronald Goldman.

CNA sold a CGL policy with a personal rider to Mr. Simpson's company, Orenthal Productions. CNA would not confirm reports in Newsweek and other publications that the policy has a $4 million limit and a personal rider with a $1 million cap.

CNA did confirm that Mr. Simpson's representatives sought coverage under the policy's personal rider, but the insurer declined to say why it rejected the claim.

Newsweek also reported that "sources close to the civil case" claim Mr. Simpson will ask a judge to determine if coverage is due, though no such request has been filed.

"We respectfully denied the claim in late October and as far as formal activity that was the end of it," the CNA spokesman said. "There have been discussions, but no action. They questioned (the denial), we explained it, they questioned it and we explained back and forth. There is no new claim. There is no lawsuit. There has been speculation that he could sue."

Probe of ex-regulator continues in Alabama

MONTGOMERY, Ala.—A federal investigation into possible illegal activities conducted under former Alabama Insurance Commissioner James Dill continues in Montgomery, Ala., with the hiring of two retired Federal Bureau of Investigation agents by the Insurance Department.

U.S. Attorney Redding Pitt said the investigation into possible federal charges comes from the request of Gov. Fob James Jr. and is focusing on Mr. Dill's former Birmingham, Ala.-based insurance agency, Jadil Inc., "and other matters during his stewardship."

While Mr. Pitt would not comment on specifics of the investigation, other press accounts report allegations of agents at Mr. Dill's company receiving commissions when they were unlicensed to operate in Alabama.

The two retired FBI agents will work with Mr. Redding and his office as "additional resources" for the investigation. In addition to the U.S. Attorney's office, the State Attorney General, the state's Ethics Commission and a unit from the state's Department of Public Safety are helping in the investigation.

Mr. Dill was Alabama's insurance commissioner from April 1993 until January 1995.

Michigan's regulator proposes rating change

LANSING, Mich.—Changes supported by Michigan's insurance commissioner would eliminate advance screenings of insurance rate proposals by the state and end required continuing education for insurance agents.

Michigan Insurance Commissioner D. Joseph Olson said he wants to amend the state insurance code so that rate filings need not be individually approved before taking effect. Instead, rates for property/casualty and life/health insurance would be audited retroactively, on a case-by-case basis, if challenged by the public, buyers or competitors, said Kurt Gallinger, deputy insurance commissioner. No legislation has been proposed yet.

"On the face of it, I think the Insurance Bureau spends a lot of time, money, effort and other resources reviewing policies that isn't necessary," said Lawrence D. Herron, associate vp of insurance and risk management of Farmington Hills, Mich.-based Mercy Health Services.

The planned legislation also would scuttle a requirement that insurance agents take 30 hours of continuing education a year. The rule ought to be eliminated by the end of 1996 because the state spends $375,000 a year administering the program, Mr. Gallinger said, even though it is "unwieldy and ineffective and guarantees nothing."

In addition, the commissioner intends to ask lawmakers to adopt the National Assn. of Insurance Commissioners' interstate insurance compact model to coordinate complex insurer liquidations. The compact has been adopted by California, Illinois, Nebraska and New Hampshire.

Oregon ballot proposals target managed care

SALEM, Ore.—Proposed anti-managed care ballot initiatives are in the works in Oregon.

One proposed initiative would ban capitation and the other would forbid health plans from excluding any willing providers.

The initiatives are a response to the rapid growth of managed care, said Dell Isham, a petition coordinator for The Public in Health Care Coalition, whose members include chiropractors, naturopaths, midwives and consumers.

The group's initiative would amend Oregon's constitution so that health plans could not restrain consumers' choice of providers or refuse to pay for treatment provided by naturopaths, chiropractors and others.

The capitation initiative is sponsored by a lone ophthalmologist, Dr. Gordon Miller of Salem. It would restrict the basis on which providers could be paid; essentially allowing any method except capitation. Providers violating the ban could lose their professional licenses.

Supporters of the initiatives have until July 5 to submit the required number of signatures to be on the November ballot.

Blues review treatment for breast cancer

CHICAGO—A Blue Cross & Blue Shield Assn. medical advisory panel says bone marrow transplants are as good a treatment for late-stage breast cancer as other therapies.

The statement is an important revision of opinion by the panel of the BC/BS Assn.'s technology assessment center. In a 1994 evaluation, the panel said studies hadn't proved that bone marrow transplants helped women at any stage of breast cancer.

The Chicago-based center's opinions often influence the policies of Blues plans and other health care payers.

The latest statement applies only to women with metastatic breast cancer, or cancer that has spread. The assessment was prompted by two recent studies that tracked women up to five years after transplants. Use of the therapy on women with earlier stage disease was not evaluated by the panel.

Many health insurers have considered bone marrow transplants an experimental therapy for breast cancer and refused coverage (*BI*, June 6, 1994). Their decisions have drawn a flood of lawsuits in courts across the country.

In the treatment, high-dose chemotherapy is used to destroy cancer cells. Because it also destroys bone marrow, patients then are injected with cells previously drawn from their bone marrow or blood.

An estimated 1,000 to 2,000 women with metastatic breast cancer have received the treatment since 1988. Its cost now ranges from $60,000 to $120,000, the BC/BS Assn. said.

The panel warned that the therapy wasn't appropriate for all women with metastatic breast cancer. It also said there isn't evidence that bone marrow transplantation is more effective than other treatments.

PBGC's interest rate to affect plan funding

WASHINGTON—The Pension Benefit Guaranty Corp. will use an interest rate assumption of 5.3% this year to calculate liabilities of the 50 companies with the most underfunded pension plans in 1995.

That 5.3% interest assumption is a significant decrease from the 7.15% interest rate assumption the agency used last year to calculate which employers had the most underfunded plans in 1994.

A lower interest rate assumption has the effect of boosting plan liabilities and could result in some companies ending up on the Top 50 list that did not expect to do so.

The new interest rate assumption reflects the cost of purchasing an annuity at the end of 1995, the PBGC said. The Top 50 list generally is released in early December.

Federal agency issues new train safety rules

WASHINGTON—Commuter trains leaving stations will be subject to a new speed limit after the Federal Railroad Administration issued enhancements to emergency rail safety orders late last month.

Under the rules, trains cannot increase their speed to more than 40 mph after they leave a station until the engineer can see the next signal, provided that no more stringent speed limits apply.

The new orders also require that warning signs be posted at stations and designated signals to remind engineers of the speed limit. The rules also set standards for inspections of emergency exits and for communication among members of a train crew.

The new rules came in response to the Feb. 16 collision of a Maryland Rail Commuter Service train with an Amtrak train in Silver Spring, Md., that killed 11 people on the MARC train (*BI*, Feb. 26).

N.J. agent admits bribing union official

CAMDEN, N.J.—A New Jersey insurance agent is facing a jail term after admitting that he paid bribes to a Teamsters official to obtain the union's business.

Robert Feinberg, the owner of Feinberg Financial Group of Matawan, N.J., pleaded guilty to conspiracy and bribery charges in U.S. District Court in Camden.

Between 1988 and 1993, Mr. Feinberg paid a total of $70,000 in cash bribes to Charles V. Giordano, a former president of Local 125 of the International Brotherhood of Teamsters in Little Falls, N.J., and administrative manager and trustee of its benefit plan.

Mr. Feinberg admitted paying the bribes to get Local 125's pension plan to buy annuities and other products from his agency. The two men agreed that Mr. Feinberg would split commissions he earned on the purchases, giving Mr. Giordano a one-third share.

Mr. Giordano separately pleaded guilty last July to federal bribery, embezzlement and tax evasion charges, and is awaiting sentencing.

Mr. Feinberg faces a maximum of five years in prison on the conspiracy charge and three years each on two counts of bribery, along with $250,000 in fines on each count. He is scheduled for sentencing April 12.

The guilty plea follows similar admissions last December by the owners of a third-party administrator working for Local 125's health and welfare plans.

Alan I. Gitlin and George P. Mahler, co-owners of Plandata Inc., a Union, N.J., TPA, each pleaded guilty to conspiracy and bribery charges on Dec. 15. The two men admitted paying Mr. Giordano more than $250,000 to maintain service contracts with the Local 125 plans.

Mr. Gitlin and Mr. Mahler are awaiting sentencing.

Information in brief

Former **NAIC Exec Vp David Simmons** is joining the Kansas City, Mo., law firm of Polsinelli, White, Vardeman & Shalton. . . .**Christian Excoffier**, formerly chief executive officer of AXA Reassurance in Paris, retired in January. **Jean-Marie Nessi**, president and chief operating officer of AXA Re since 1990, will also assume the CEO's position. . . .The Securities and Exchange Commission has barred a former BT Securities Corp. **derivatives salesman** from the securities business for allegedly misleading Cincinnati-based Gibson Greetings Inc. on the size of its derivatives losses. Mitchell A. Vazquez neither admitted nor denied wrongdoing in a settlement with the SEC, which included a $50,000 fine. . . .The Ohio House recently approved and sent to the Senate H.B. 350, a **tort reform bill** which would cap economic and noneconomic damages in tort cases and restrict joint and several liability. BI

Carvill
Reinsurance Intermediary
INDEPENDENCE
INTEGRITY
SERVICE
CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977
Atlanta Bermuda Chicago London Stamford

Engineer

Continued from page 3

To illustrate his point, he listed the currently available options for corporate risk financing in order of their sophistication:

"First of all, you can take the loss, let it happen" he said. "But we've all been trained in this room that we can't let that happen. It's bad."

Then there's "accounting magic," such as establishing reserves, he said. "That might buy you a little bit of time, you may be able to fudge something between one accounting period and the next," he noted.

"Then you might move onto the next step of traditional insurance," which has a "longer-term benefit," Mr. Lange said.

The next level of risk management sophistication is alternative risk transfer, such as captives and self-insurance.

"Now, we find ourselves with these capital market solutions," he said.

"Risk financing activity is an optional thing, depending on the organization. If there's a loss that won't have a lingering effect on stock price, then we don't care," Mr. Lange said of Microsoft. "So unless I'm being driven by management, I can be a fickle buyer of these products."

Beyond these financial risks, there are also many business risks, including those associated with new ventures, acquisitions, competition, market, legal and regulatory changes, new technology, patent infringement, intellectual property, even employee integrity and dishonesty.

While today's risk manager still responds to four basic questions—What can go wrong? How much can it cost? How can it be avoided? What's the best way to pay for it?—the answers are quite different, according to Mr. Russ of AIG.

"Does it really matter to an organization if the loss was from fire. . .or being on the wrong side of a currency hedge? It all has the same effect to them," he said.

Among the trends driving the creation of these new corporate risks are the globalization and increasing complexity of business and finance, a greater concentration of exposures due to consolidation in industries and new technology, worldwide competition and the value placed on handling functions quickly.

"Things are happening more rapidly than they ever have before," Mr. Russ said.

"The world is becoming a much more complex place where these emerging business and financial risks may be more significant than pure risks," he said. "We need to consider how we, as an industry, are going to address these sorts of exposures."

For example, some insurers may want to link the financial services side of their business with the insurance side, to create an "individual who understands not only the insurance business, but who understands the financial business," Mr. Russ suggested.

Financial engineering first made its mark on the insurance world with the development of financial and finite risk reinsurance, according to Mr. Russ. "The next generation of risk management products will be much more a function of linking financial markets with the insurance marketplace," he said.

"The companies that get there will have the opportunity to take advantage of capital markets in a lot of neat ways," suggested Andrew Potash, president and founder of New York consulting firm Capital Risk Strategies. "They will be accumulators, packagers, and sellers of risk."

And, in some cases, "they'll sell off inventory just as the banks sell mortgages," he predicted. "Returns will be a function of how many times you can turn your inventory."

But while much of the discussion has focused on accessing capital markets to finance risk, other vehicles also will be used, predicted Mr. Russ.

For example, AIG Global Risk has a client who does business in South Africa, where the currency is controlled. As a result, it can't be traded on the financial markets. But the company wanted to provide five-year warranties on its products. Since the parts come from countries outside of South Africa, it had a currency exposure.

Since the South African rand has been devalued 10% to 15% every year, the client was concerned about going forward without the ability to hedge that exposure.

"In the finance and insurance world, this seemed an insoluble problem," Mr. Russ said.

But not in the world of financial engineering.

The warranties were issued, and the company effectively converted its South African currency by buying a reinsurance policy that paid out in deutsche marks. When losses are paid out under that policy, the company converts the marks back into rands to pay the losses.

Among the other products that AIG Global Risks has developed to enable companies to better protect themselves from business and financial exposures are:

• Combined risk insurance, which makes the right to file a claim contingent on some other financial exposure.

For example, while today a company may be able to sustain aggregate losses of $50 million, its financial condition may deteriorate. With combined risk insurance, stop-loss coverage would be triggered whenever the policyholder company's stock price drops off at the same time that the company experiences a loss, thus bringing the $50 million retention down to a more manageable level, Mr. Russ explained.

• Bidding hedge.

This is to protect companies that bid on foreign projects from currency or interest rate fluctuations that occur between the time they place the bid and the time they are awarded the job.

Earnings volatility is an especially critical issue for publicly traded companies, Mr. Russ said. They need balance sheet protection, cash flow enhancement and liquidity to keep earnings stable and predictable.

Mr. Potash already is working with Centre Reinsurance Co., Aon Corp., Ernst & Young L.L.P. and Salomon Bros. Inc. on a new facility for financing the catastrophic product liability exposures of the pharmaceutical and medical device industries (*BI*, Dec. 11, 1995).

Since the early 1960s, those industries have had five major individual catastrophic events, he said: thalidomide; DES; the Dalkon shield; Shiley heart valves; and now silicone breast implants.

"As a result, companies have had difficulty getting limits even close to what they need," he said.

Furthermore, traditional insurance didn't adequately respond to long gestation claims, which can take as long as 20 to 30 years to surface, Mr. Potash added.

So Capital Risk has assembled a long-term program—10-years—with limits of $4 billion in shared capacity over the aggregate. The capital markets are involved as is the reinsurance market, and members will purchase the policy from a Bermuda-domiciled risk retention group to ensure tax deductibility, Mr. Potash said. The facility is about a month away from completion, he said. BI

What the Internet has in store

SAN FRANCISCO—Though much of the insurance industry's old guard sees the Internet as a threat to traditional distribution, a few executives see it as a way to cut costs and boost profits.

"The Internet offers tremendous potential for operating cost reduction," said Doug Helm, president of property/casualty operations for Burlingame, Calif.-based Strategic Concepts Inc., which is creating an insurance marketplace on the World Wide Web (*BI*, Dec. 4, 1995).

"Nobody in this room's going to make a lot of revenue out of the Internet in 1996," Mr. Helm told industry executives last week at a conference sponsored by Russell Miller Inc.. "The Internet's not going to create more companies or more cars (to insure)."

But, quoting technology guru Steve Jobs, Mr. Helms added, "things don't have to change the world to be real important."

By some industry estimates, electronic sales will account for as much 10% of the personal lines market by the end of decade. Even that estimate may be too low, said Mr. Helm, because "we will force consumers to use it because of cost control."

The Internet offers tremendous potential savings by cutting out middlemen and paperwork and speeding up transactions, he said.

Insurance also is becoming a commodity-type business in which buyers are more interested in price than in service, agreed James E. Little, president and chief executive officer of Fremont Pacific Insurance Group Inc. of Glendale, Calif.

He cited a recent letter from a California client. While praising the work of a claims adjuster and safety engineer on its workers comp program, the employer concluded: "We hope to return to be a Fremont policyholder when your price matches the one we got in the market."

"There isn't anything we could have done," Mr. Little said. "Customers are moving for as little as $1,000 in savings" on annual premiums of $100,000 or more.

Pointing to a recent Wall Street Journal article on banks competing with independent agents, he said: "The insurance agents and banks really shouldn't be concerned with one another. The threat will come from the fast-moving software makers that will allow the sophisticated 20th century consumer to bypass all of us."

Fortunately, what many industry experts view as a threat may end up being their salvation, said Mr. Little.

Internal "intranets"—networks linking employees—will let companies expand at low costs. "I would like to see claims adjusters working at home," he said. "I'd like to see a virtual insurance company."

Technology also will speed up transactions, said Donald K. Morford, president and chief operating officer of Sedgwick James Inc. in San Francisco. "The culture of the future is based on speed," he said. "Young people today want fast cars, fast faxes, fast e-mail, fast computers."

—*By Joanne Wojcik*

Finite

Continued from page 1

boat," Ms. Kidder said.

Overly optimistic assumptions about loss exposures are one primary concern about some finite risk programs—a term that refers to a range of arrangements in which investment income is an acknowledged component of underwriting and an underwriter's ultimate liability is capped.

Finite risk programs can be used to fund property and casualty risks, and some companies like Norwest are using finite risk insurance to create comprehensive risk management programs (*BI*, Jan. 9, 1995).

"From an insurance underwriting standpoint, you've got a range of situations of foolishness," said William Smith, senior vp of domestic general insurance at New York-based American International Group Inc. "In some insurance companies' minds, these will be a tainted product in the next couple of years because they will blow up and they won't know why they blew up."

Like the other executives quoted in this report, Mr. Smith was careful to say that he foresaw no problems with the contracts written by his own company.

"Some of these deals are very well put together in that people have thought a great deal about the nature of their loss experience, their appetite for assuming risk and the nature of the risk they're trying to treat," Mr. Smith said.

Other times, though, policyholders look at their experience, see major losses occurring at certain intervals, then draw the wrong conclusion about their exposure, he said.

"What I've seen quite a bit of is to take all of that and say, 'We had $200 million in serious losses in the past 20 years, so that's $10 million a year,' " Mr. Smith said. Those companies then base their finite risk programs on average losses of $10 million a year, not fully realizing "that $200 million in losses could occur any given Monday, Tuesday or Wednesday," he said.

"That's really important when you look at how some of these policies are put together." The solution to that problem, he said, is "the careful analysis of the randomness of loss and the risk appetite of the customer."

But such analysis is already a natural part of creating a finite risk program, said Dominic Frederico, executive vp at ACE Ltd. in Hamilton, Bermuda.

"In terms of the insured not understanding his risk, obviously if the insured is out looking for a program to address his exposure I'd assume he's pretty confident with what the nature of his exposure is because that's one of the questions we're going to ask," said Mr. Frederico, who came to ACE last year to direct its new finite risk division. "Everyone should understand the risk going in because for the insured to make a sound judgment he's got to balance cost vs. risk."

But many companies considering the programs do need to be educated about the workings of finite programs, said Jeremy Hitzig, a principal with risk management consulting firm Capital Risk Strategies in New York.

That involves instructing risk managers on how finite risk might work for them and "where the holes are," he said.

Beyond initial exposure assessments, the other primary area of concern about finite risk programs is buyers overestimating their appetite for risk. This problem emerges after a big loss, when companies suddenly could face substantial coverage shortfalls and steep reinstatement premiums.

In some cases, sizable losses have been followed by disputes between the customer and the insurer over the finite program's reinstatement provision, AIG's Mr. Smith said.

Many finite risk arrangements provide for the payment of a reinstatement premium following a major loss to meet tax and accounting requirements, he said.

"The reinstatement premium makes the insurance company whole if the loss occurs," Mr. Smith said. But, in each case he knows of where a sizable loss "blows out" the program, "there have been horrible disagreements over the nature of the reinstatement," he said.

"In the ones that I'm aware of that have blown up, that's where everything breaks down," Mr. Smith said.

ACE's Mr. Frederico agreed that most multiyear financial approaches to insurance coverage rely on reinstatement premiums "because it's very effective as a method to call back premium, as a way to balance out unfavorable experience."

"At the same time, you see it as a means to deal with accounting regulations," he said.

But, he noted, those provisions are clearly spelled out in the program's contract. What's more, insurers like ACE provide spreadsheets to potential clients explaining the reinstatement premium situation under a variety of loss scenarios.

Union Carbide's Mr. Inserra also sees little reason for disagreement over reinstatement premiums.

"I think it's pretty simple to understand what's going to trigger the reinstatement and how much it's going to cost and that sort of thing. That's just a matter of understanding the product and working with your underwriters," he said.

Besides overestimated appetite for risk and overly optimistic exposure assessments, a related problem some experts see is unneeded complexity in programs.

"I think a lot of finite risk programs are discussed but not ultimately bought or sold because the products, from our point of view, are more complicated than they need to be," said John Stites, vp in Warren, N.J.-based Chubb Corp.'s risk management group.

"If you don't understand the risk inherent and the potential for loss, then you're just putting together a financial transaction," Mr. Stites said.

At Chubb, experience has taught that the insurer will be successful with blended finite programs that combine an appropriate amount of risk transfer with a financial structure that serves the customer's needs, he said.

For example, the insurer might look at underwriting a directors and officers program for a customer with traditional coverage. If Chubb wants to take on the business, said Mr. Stites, it might also examine using a finite structure "to see if we're providing the customer with a genuine risk/reward scenario." BI

Satellite

Continued from page 1

1994. And despite more launches planned for 1996, greater capacity is driving down rates, which will reduce premium income.

Insurers already writing satellite coverage, which generally comes as either launch coverage or in-orbit coverage, account for most of the new capacity.

ACE Ltd. in Bermuda is doubling its capacity to $50 million from $25 million; Assicurazioni Generali S.p.A. in Trieste, Italy, to $90 million from $87.5 million; International Technology Underwriters Inc. of Bethesda, Md., to $55 million from $50 million; and the Marham Space Consortium, which consists of 23 syndicates at Lloyd's of London, to $70 million from $66 million.

Among the few new names in the market is Berkshire Hathaway Inc., which has taken a small, unspecified line on a few risks this year, brokers say. Berkshire would not comment.

The total "theoretical" capacity in the market is now about $650 million, brokers and underwriters say. But most underwriters do not commit their full capacity for every launch they insure.

That may be put to the test this year, when the Ariane 5 rocket completes its test launches and begins taking satellites into space. The new launch vehicle can carry up to three satellites or two very large satellites—neither of which can be done on current vehicles.

"The capacity is sufficient now, but in the next couple of years there will be projects that demand a large amount of capacity. The Ariane 5 may need $600 million or more" for a single launch, said Paul O'Connor, vp in the space group at Johnson & Higgins in Washington.

With underwriters generally only committing 75% to 80% of their capacity on any one launch, the market could not currently support a fully laden Ariane 5, he said.

The first Ariane 5 launch is scheduled in May. The first two are expected to be demonstrations; however, due to the large backlog of satellites, the second launch may carry a commercial satellite worth about $150 million for a discounted fee, said an underwriter who asked not to be identified.

When the Ariane 5 rocket begins carrying large commercial satellites later this year, coverage will be available but expensive, the underwriter said.

Some of the demands on the insurance market will be alleviated for the first several Ariane 5 launches because Ariane is offering a re-launch warranty in the event of a failure, said Brigitte Vienne, risk manager for Arianespace in Paris.

Consequently, about $130 million of the launch cost will be covered by the warranty, which is written by Ariane's France-based captive, Space Related Risk Reinsurance Co., she said.

This year will also see the first launching of Western satellites aboard the Russian Proton launch vehicle. Three launches are scheduled for 1996, with the first coming later this month.

The Proton rocket has been tested by several launches of Russian orbiters and its commercial launch program is well supported by insurers. Nevertheless, satellite underwriters still will be anxious to see how well the Russian rockets and Western satellites will work together.

"But everybody is very optimistic about it and glad that it has come into the market," said Gerard Burke, vp at Reliance National Insurance Co. in New York.

The arrival of the Proton also could help put off the need for more underwriting capacity, said Simon Clapham, underwriter for Lloyd's Marham Space Consortium.

"Owners prefer to have the satellites on single launches rather than multiple launches, and with the Proton launch vehicle starting this year, the owners will have more choice. They can now be launched by Long March, Ariane, Atlas, Delta or Proton," he said.

The demand for launch vehicles is increasing as the satellite industry grows, said J&H's Mr. O'Connor.

Previously, telecommunication satellites had dominated the market, but now a greater variety of industries require satellite technology, including direct-to-home broadcasting systems and remote sensing systems used in geophysics or traffic monitoring, Mr. O'Connor said.

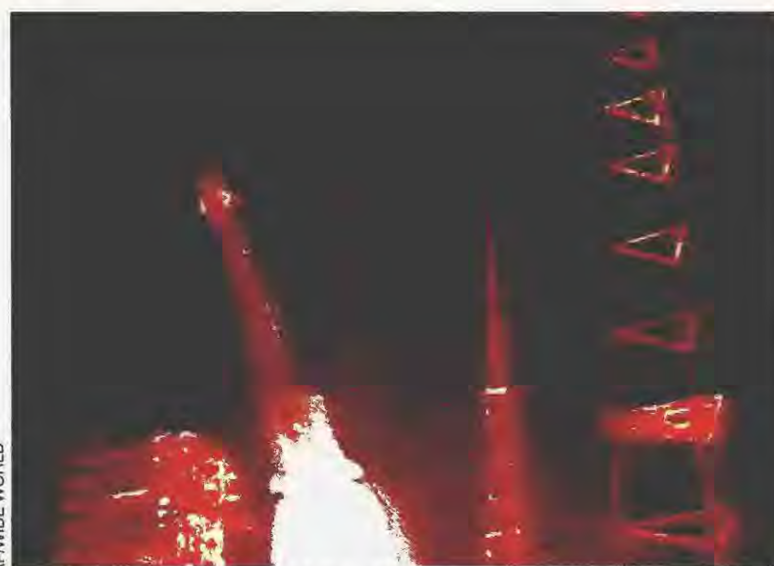
The first payload for the Proton will be a direct broadcast satellite owned by Societe European Satellites of Luxembourg valued at $260 million. Its coverage was written at the higher range of current rates, or about 18% of insured value, several sources said.

Currently, launch rates run from 14% to 20% of insured values, Mr. Burke said.

"Rates are very dependent on the kind of launch vehicle. At the higher end, you will have Long March and at the other end there's Ariane and Delta and Proton somewhere in between," he said.

The variation can be huge. Last November, an AsiaSat satellite was charged a rate of 27% for coverage of a satellite that was the same model as one that had failed in 1994 and was launched on a Long March rocket by China's space agency, the sources said.

However, earlier this year, a satellite and launch vehicle with an exceptionally good loss history was covered for less than 13%, said Bill Smith, managing director of Space Risks International, an Aon Group specialty unit in London.


AP/WIDE WORLD

The February explosion of this Chinese Long March rocket carrying an Intelsat satellite cost insurers at least $218 million.

"Over the past three or four months, there has been a dramatic change in underwriters' attitude in providing more competitive terms to clients," he said.

The Long March loss in February—which was the second loss in 13 months for the Chinese launch vehicle—did not upset the overall market, Mr. Smith said. "The loss may affect the rates for Long March, but the market is now mature enough to cope with the loss and not increase rates for other launches."

Earlier this year, rates were falling, agreed Mary Ann Curnan, a managing director at Marsh & McLennan Inc. in New York.

"There were some signs of rates softening and some of the placements we were putting into the market were oversubscribed," she said, meaning more underwriters were interested than were needed to participate.

Projects in the next couple of years will 'demand a large amount of capacity,' says Paul O'Connor.

However, the fall in rates was halted by the Long March explosion, Ms. Curnan said.

Insurers still have an optimistic view of the satellite market, said Giovanni Gobbo, head of the space insurance department at Generali, the world's largest satellite insurer. "People are granting longer periods of (in-orbit) cover and at cheaper rates than they would a year ago."

Rates have fallen 2% to 3% in a year, yet insurers' appetite for the business seems to be growing, Mr. Gobbo said.

"In package placements you see people insuring satellites that have not yet been built and launch vehicles that have not been tested. They are fighting for the business," he said.

And underwriters are more willing to commit packaged coverage for future launches on satellites and launch vehicles that have been built and tested, said Charles R. Rudd, senior vp at ACE in Hamilton, Bermuda.

A package would cover multiple launches, such as one that may be in two months and the next more than a year away, he explained. "If you have a launch in two months and another in 14 months, two years ago you would only get coverage for the first one. Now there is more willingness to cover both."

Another sign of a competitive market is insurers' willingness to grant longer coverage periods for in-orbit coverage, M&M's Ms. Curnan said.

"We've been pushing the envelope a little bit, going from launch plus 90 days to 180 to 365 and sometimes two years," she said.

Demand for in-orbit coverage after the launch period also is growing and insurers are more willing to offer coverage, said Mr. Rudd.

"In-orbit coverage used to be done in one-year segments, but now the market is allowing 24-month and 36-month policies, with a health review (of the satellite) after each year," he said.

Rates can be adjusted after the review only if there is a change in the satellite, said Marham's Mr. Clapham.

"You can only adjust the rate if there is a change in the health of the satellite, not if there's a change in the health of the market," he said.

Part of the increase in demand for in-orbit coverage is due to an increase in the number of publicly traded companies involved in the satellite market, Mr. Clapham said. Unlike governments, they are concerned about the potential stock market fallout from a big loss.

Previously, some underwriters had been less willing to write in-orbit coverage as the rate is usually around 2%, which would mean that on such a low volume of risks, the payback period is very lengthy, said one underwriter, who asked not to be identified.

However, the increase in competition in the market has also increased in-orbit capacity, he said.

Financiers of satellite projects also are increasing the demand for in-orbit coverage, J&H's Mr. O'Connor said.

"They are providing the finance and they want to make sure that the asset risks are well managed and insured. They are demanding higher standards from satellite operators in procuring insurance and they are demanding that the launch risks and the in-orbit risks are insured," he said.

Banks and other lending institutions always insist on adequate launch, in-orbit and third-party liability insurance, said Peter Nesgos, a partner at Winthrop, Stimson, Putnam & Roberts, a New York law firm that advises banks on satellite projects.

While companies with excellent credit records may be allowed by their financiers to have less comprehensive coverage, most in-orbit coverage would have to be for at least the term of the loan, he said.

"There is an increased focus on in-orbit coverage because it is supporting companies that are not as creditworthy as other companies that historically have been involved in this business," he said.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

Petition of Gareth Howard Hughes, Nigel James Hamilton and Jacqueline Barbara Stephenson, as Joint Provisional Liquidators of Municipal General Insurance Limited, :

Debtor in Foreign Proceedings

Case No. 94-B-41329 (CB)

PRELIMINARY INJUNCTION ORDER

This matter has come before the Court on the above Petitioners' request for a Preliminary Injunction Order pursuant to Bankruptcy Rule 7065 and Federal Rule of Civil Procedure 65(b). The Court (a) has considered and reviewed the Petition filed in this case, the Affidavit of Ronald DeKoven, Petitioners' former counsel, the Declaration of Gabriel Moss, Q.C., the Declaration of Gareth Howard Hughes, the Affidavit of Jacqueline Barbara Stephenson, one of the Petitioners herein, and the Memorandum of Law in support of the application, and any responses filed thereto, and (b) the Court has further considered and reviewed the Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated November 17, 1996, the Supplement to Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 30, 1996 and all other pleadings or other materials filed or submitted in this case; and the Court has held hearings and heard arguments by counsel on the 29th day of March, 1994, the 27th day of July, 1994, the 8th day of December, 1994, the 11th day of April, 1995 and the 31st day of January, 1996, and based on the foregoing, the Court finds and concludes as follows:

1. Petitioners have demonstrated a substantial likelihood of success or have raised serious questions on the merits of the contentions that: (a) Municipal General Insurance Limited ("MGI") is subject to "foreign proceedings" within the meaning of Sections 101(23) and 304(a) of the United States Bankruptcy Code (the "Bankruptcy Code"), 11 U.S.C. § 101 et seq.; (b) Petitioners are the "foreign representatives" of MGI within the meaning of Sections 101(24) and 304(a) of the Bankruptcy Code; (c) (i) the commencement or continuation of any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof, (ii) the enforcement of any judicial, administrative or regulatory judgment, assessment or order, and the commencement or continuation of any judicial, administrative or regulatory action or proceedings, to create, perfect or enforce any lien, set-off or other claim against MGI, any of its property in the United States, or any proceeds thereof, and (iii) the drawing down of any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established, should be enjoined' pursuant to Section 304(b) of the Bankruptcy code to permit the expeditious and economical administration of the foreign estate in the pending proceedings brought under foreign law (except as otherwise expressly provided in the decretal paragraphs of this Order); and (d) the relief provided herein will not cause hardships to parties that are not outweighed by the benefits.

2. Unless an injunction is issued, it appears to this Court that one or more parties in interest will transfer, relinquish or dispose of assets of MGI in the United States, or proceeds thereof, commence or continue the prosecution of judicial, administrative or regulatory actions against MGI, its assets, or proceeds thereof, or draw upon letters of credit established by MGI in excess of the amount to which such parties are contractually entitled, thereby interfering with, and causing harm to, the Petitioners' efforts to administer the MGI estate pursuant to the foreign proceedings, and that, as a result, the Petitioners will suffer immediate and irreparable injury for which they will have no adequate remedy at law (except that the authority to continue certain litigation only as set forth in the decretal paragraphs below will not cause such harm).

3. Unless the injunction (to the extent provided below) is issued, Petitioners will be unable to acquire sufficient information about pending and potential litigations against, and U.S. assets of, MGI to properly protect the interests of MGI in the United States, resulting in the further depletion of MGI's limited assets.

4. The interest of the public will be served by this Court's grant of the relief provided herein.

5. Venue is proper in this district pursuant to 28 U.S.C. § 1410.

NOW, THEREFORE, IT IS:

ORDERED that all persons (except as provided in the New York Superintendent Order) are hereby enjoined and restrained from:

(1) transferring, relinquishing or disposing of any property of MGI in the United States, or any proceeds thereof, to any persons or entities other than Petitioners;

(2) commencing or continuing any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof;

(3) enforcing any judicial, administrative or regulatory judgment, assessment or order, or commencing or continuing any act or any judicial, administrative or regulatory action or proceeding, to create, perfect or enforce any lien, set-off or other claim, against MGI, any of its property in the United States, or any proceeds thereof; and

(4) drawing down any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established; and it is further

ORDERED that nothing in this Preliminary Injunction Order shall in any respect prevent the continuance or commencement of proceedings against or involving other London Market insurers of any other insurance company defendant; and it is further

ORDERED that, pursuant to Bankruptcy Rule 7065, the security provisions of Fed. R. Civ. P. 65(c) be, and the same hereby are, waived; and it is further

ORDERED that, notwithstanding any other term of this Order, the action entitled Michigan Municipal Risk Management Authority v. Municipal General Insurance Company, Wayne County Circuit Court Case No. 94-400330-CK, is permitted to proceed, but this provision shall not be construed to permit enforcement of any judgment obtained by Michigan Municipal Risk Management Authority ("MMRMA") in the immediately above-referenced Michigan action against MGI or any of MGI's property located in the United States; and it is further

ORDERED that this Order shall be served (A) by hand delivery or U.S. mail, first class postage prepaid, on or before February 29, 1996 upon the parties in interest appearing in this case (or their counsel, where known),; (B) by publication of a summary of this Order in Business Insurance Magazine on or before March 15, 1996; and that service pursuant to this paragraph shall be deemed good and sufficient service and adequate notice; and it is further

ORDERED that the time to answer or move with respect to the Petition is extended sine die, but that parties wishing to move for modification of or relief from this Preliminary Injunction Order or otherwise may do so in accordance with the schedule set forth by the Court herein and in any subsequent Scheduling Order entered by the Court in this case; provided, however, that, notwithstanding any other provision of this Order, MMRMA shall have the right to a hearing on a motion in this Court for modification of or relief from this Preliminary Injunction Order on ten (10) days' notice to the MGI attorney specified in the last decretal paragraph hereof; and it is further

ORDERED that this injunction shall remain in effect pending further order of the Court after a hearing to consider whether the injunction shall be continued, which hearing is scheduled to be held in Room 601 of the Alexander Hamilton Custom House, One Bowling Green, New York, New York on January 31, 1997 at 2:00 p.m.; and it is further

ORDERED that all papers submitted for the purpose of controverting the Petition or opposing a continuation of the relief provided for in this Preliminary Injunction Order shall be filed with the Court with a copy to Chambers and delivered by overnight mail or so as to be received by Peabody & Arnold, 50 Rowes Wharf, Boston, MA 02110 (attention: Deborah S. Griffin), Attorneys for Petitioners, on or before January 10, 1997 at 5:00 p.m.

Dated: New York, New York
February 16, 1996

CORNELIUS BLACKSHEAR
United States Bankruptcy Judge

Wellness

Continued from page 3

Last year, Superior Coffee began offering a free health risk screening program to employees and spouses. It includes an overall health rating and measures cholesterol and glucose levels, blood pressure and a height/weight ratio.

Employees who meet standards in those areas have 5%—or about $300 for family coverage in its traditional indemnity plan—taken off the amounts they pay for health insurance. Employees who do not meet the standards pay the standard contribution. Those who do not even participate in the screening are assessed a 5% penalty on contributions.

If an employee's spouse passes the screening, the family receives one month of free insurance; if the spouse does not pass, there is no effect.

Mr. Ahsmann said that while screening about 300 people at Superior Coffee's headquarters, health care workers immediately sent three people to the hospital for treatment because their blood pressures were so high.

Participation has been growing for several years and is now at a high of 87%, said Mr. Ahsmann.

This year, Superior Coffee is running a contest it calls a "Wellness Olympics 1996." Regional offices are competing with each other for the most improvement among employees in screened risk factors. Employees in the region with the most improvement will receive two months' free health insurance; employees in the second-place region will receive one month's free health insurance; and employees in the third-place region will receive two weeks' free health insurance.

Superior Coffee predicts the Wellness Olympics will cost $20,000.

Fel-Pro, a manufacturer of automotive gaskets and other automotive products, also recently added a monetary incentive to its wellness program.

Like Superior Coffee, the Skokie, Ill.-based company has been involved in wellness for some time, said Sharon A. Chausow, director of health services.

Beginning in 1980, it offered several wellness benefits, including an exercise center, risk factor screening, health education, recreational sports leagues and nutrition programs. Some were free and some carried fees.

Fel-Pro, which figures it spent $200 to $300 annually per employee on the programs, discovered that users of the programs were absent from work fewer days per year and had health care costs an average of $1,000 less than non-users in 1987.

Four years later, the company introduced wellness credits. Fel-Pro gave employees a $50 credit for pledging not to smoke, a $50 credit for having a risk factor assessment and a $50 credit for pledging to wear a seat belt and helmet when appropriate. The credits are cash payments that employees receive in their monthly paychecks.

Two years later, Fel-Pro decided to require a risk factor screening and health risk assessment to receive any wellness credits, Ms. Chausow said. "We're asking people to do something now" instead of just signing a paper.

Last year, Fel-Pro took the program one step further.

Employees now need to document wellness activities in writing in an 11-page "WellAware Passport to Good Health." The $150 wellness credit has been restructured and requires both a health screening and ongoing physical activity. And, Fel-Pro began charging smokers an additional $10 per month for health insurance. Approximately 60% of Fel-Pro's 1,800 employees completed a passport last year.

Based on 1994 data, Fel-Pro found that wellness program participants had lower cholesterol levels than non-participants, weighed less and had a lower body mass index, Ms. Chausow noted.

Improving employees' mental wellbeing, too

By DEBORAH SHALOWITZ COWANS

Physical wellbeing is only part of the wellness picture.

Mental health initiatives can help employers reduce health care costs a great deal, said Daniel J. Conti, vp and director of the employee assistance program for First Chicago NBD Corp. in Chicago.

For example, the bank holding company discovered that depression accounted for 52% of the mental health costs incurred by its self-insured indemnity plan from 1988 through 1991, far outpacing claims for anxiety-related disorders—12%—and chemical dependency—7%. Various other disorders accounted for the remaining 29%.

"Depression is really the common cold of mental illness," Mr. Conti said, adding that it is most prevalent among women 25 to 40 years old—a description fitting many bank employees.

Mr. Conti recommended that EAPs be prepared to treat depression, not just chemical dependency, and that benefit plans be restructured to encourage early intervention.

Include mental health in health risk assessments, he advised. At First Chicago, he noted, new hires fill out a questionnaire that covers both physical and mental health risk factors. Employees are then encouraged to attend follow-up classes that address these risk factors and forego the EAP.

First Chicago managers are trained in managing the troubled employee. Those managers, said Mr. Conti, are the most effective way of getting people into the assistance program.

In 1994, the company restructured its mental health benefit so that outpatient treatment for the first 12 sessions is reimbursed at a much higher rate than previously, Mr. Conti said. As a result, the cost per case has dropped significantly, he said.

And, over the last 10 years, First Chicago has cut its mental health costs to 7% from 15% of total medical plan costs, despite the enrichment of outpatient mental health benefits. How? By "finding out what our problems were and using early intervention," he said.

"Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription. Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of loss prevention, risk financing and benefit management every week.

To subscribe, use the card in this issue or Call 1 (800) 678-9595 Toll-Free.

Ask about our special 20%-off group subscription rate for five or more subscriptions. A great way to save money. And avoid pass-along problems.

Subscription Rates in U.S. Dollars for 1 year, 52 Issues.

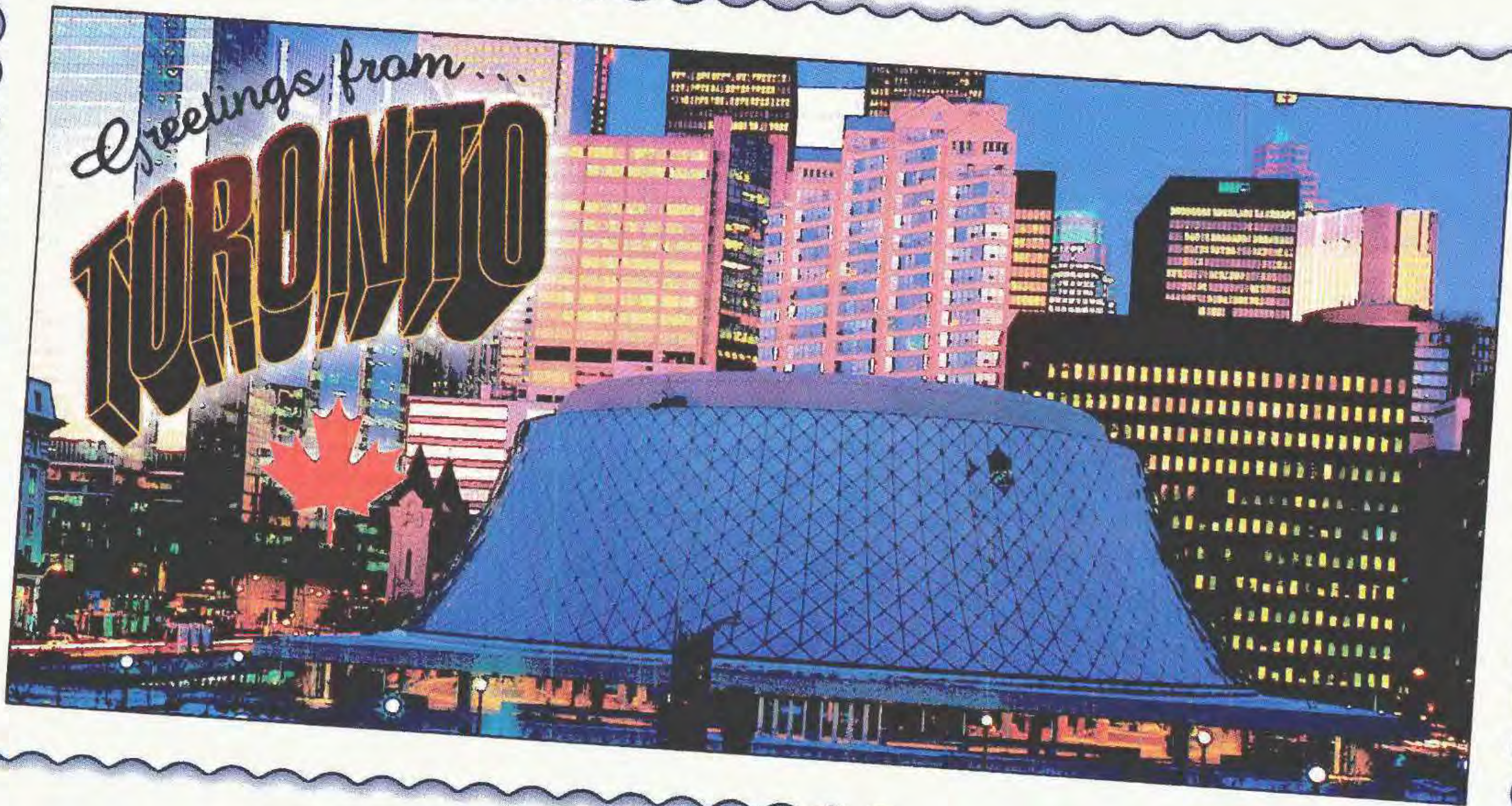
USA	$85
Canada/Mexico	$105*
All other countries by expedited air.	$205

*Price includes Candian GST.

Business Insurance.
Subscription Dept.
965 E. Jefferson
Detroit, MI 48207
Outside the USA
Call (313) 446-0450

USA Health Network
The National Network of Choice
Integrated Actions Control the Game.
More Than Strategy...
...Solutions.
1-800-USA-3121
Phoenix • Austin • Denver • Dallas • Houston
San Diego • Nashville • Baltimore • Birmingham

Most Aspiring Conductors Would Give Their Right Arm to Perform at Toronto's Roy Thomson Hall.



Only *BI's* Readers Would Advise Them to Check Their Workers Comp and Health Care Coverage First.

No one takes in a musical performance at Toronto's most important concert hall in quite the same manner as *BI's* employee benefits decision-makers, risk managers, brokers, and insurance and reinsurance executives. While most members of the audience allow themselves to drift away on the musical strains of the Toronto Symphony, *BI's* readers are always alert — ever mindful that, in any workplace, injuries and illnesses are out of harmony with an employer's business performance.

Because of their dedication to their profession, many of *BI's* 155,000* readers will be in Toronto this April for the annual meeting of the Risk and Insurance Management Society. Still others will remain at home looking for the most effective ways to provide their workers with employee benefits and protect their companies and clients from exposures. But no matter where they are, they will all rely on *BI* to provide them with the news, insights and attractions from the conference's seminars and exhibits.

So while they're perusing our RIMS coverage, make sure these buyers of workers comp, employee benefits, health care services, insurance and reinsurance are also focused on the protective coverage and services you provide. Call to reserve space today. You won't want to risk missing any of these issues.

Put your sales message center stage.

Hope to see you in BI soon!

RIMS PREVIEW ISSUE:
Publishing: April 15, Ad Closing: April 3

CAPTIVES/RISK MANAGER OF THE YEAR:
Publishing: April 22, Ad Closing: April 10

RIMS REPORT:
EMPLOYEE BENEFITS & WORKERS COMP
Publishing: April 29, Ad Closing: April 17

RIMS REPORT:
RISK MANAGEMENT
Publishing: May 6, Ad Closing: April 24

New York
[212] 210-0133
Fax: [212] 210-0704

Chicago
[312] 649-5276
Fax: [312] 649-7799

Los Angeles
[213] 651-3710
Fax: [213] 655-8157

Business Insurance®
Coverage Guaranteed

*Includes pass-along readership

Demographic changes call for new benefits

As the shape of American family and workforce evolves, health benefits must do the same

By Martin B. Rosen

AS WE MOVE INTO 1996 and the second half of the 1990's, changing American demographics make it clear that a "one size fits all" approach to health benefits planning is no longer workable.

More and more organizations are offering a series of different plans to fit the needs and lifestyles of the many different segments of their employee population. But, to be truly effective, benefit managers must examine the ways in which changing attitudes toward life and work situations have caused employees and prospective recruits to think differently about themselves and their futures.

To gain insight into these issues, I recently examined some of the most significant trends that have emerged in recent year, and informally surveyed some insurance professionals on how they are helping benefit managers cope with this fast-changing environment. I discovered three trends in particular that will have a profound impact on the workplace of tomorrow: the changing family unit, a better educated workforce and an increase in the number of working women.

Non-traditional households

The American family unit is changing. In the 1980s, Americans created 16% more new households, yet population rose just 10%. That means households are getting smaller—the average family size is down 5%.

And the fastest growing household segments from 1990 to 2000 are going to be married couples with no children, single father households and non-traditional households. Families, in the traditional sense, still account for 71% of households, but the number is shrinking. Meanwhile, household income will rise 40% more in the 1990s than in the previous decade.

These changes have spurred employers to push their insurance providers to move beyond the traditional system of offering just single or family rates. Although there is clearly a cost benefit in a parent and child or husband and wife rate vs. a family rate, it's not simply a financial issue.

Beyond the issue of cost, these trends have both social and financial implications. The non-traditional households—grandparents raising children, unmarried couples or same-sex couples—are seeking symbols of acceptance, and that may come in the form of dependent benefits for those who previously were not considered eligible.

While it's still not common, the decision by companies to offer benefits to same-sex couples has not proved to be a major problem, as some industry observers originally predicted.

To understand how these demographic shifts are playing out in the marketplace, I asked several insurance producers for their perspective. They offered these observations:

Sherri Gorelick, of Progressive Plan Administrators in New York, says employers find parent and child or husband and wife rates easier to sell to employees who are asking why they should subsidize the cost of insuring another employee's family with four children.

Richard Bass, of The Kaye Group Inc. in New York, says that, initially, there was wild speculation about how same-sex couples would adversely affect benefits and insurance costs. Now it's largely a non-event. Costs of coverage for these couples, when offered, are being absorbed into the pricing of a benefit plan without difficulty.

More formal education

At the same time family units are getting smaller and more diverse, another key trend to watch is the dramatic increase in the level of formal education. By the year 2000, more than half of all adults in the United States will have some college education, compared to about 30% in 1970; 45% of all college students will be over age 25; and more than half of all college degrees are going to be awarded to women.

These trends mean satisfying a more talented and competitive workforce. Surveys indicate that this group is control-oriented toward home, work and entertainment issues—interested in value if they can be assured of quality.

One of the ways employers are offering more control is with increased use of triple option products. These are single-priced products that give the individual employee the option to use indemnity, health maintenance organization or preferred provider organization coverage when they seek medical care. Companies like it because they can provide flexibility while still paying only one premium. The cost difference is paid by the individual, which employees generally accept in return for the opportunity to customize the benefits plan to their individual needs.

Responding to working women

Women are also joining the workforce at a rate twice that of men. Today, 58% of women are working or out looking for jobs, compared to 76% of men. Ten years from now, the percentage of women working or looking for work is projected to increase to between 61% and 65%.

A number of managed care organizations have responded by offering "expectant mother" and "well

See **Benefits** *on next page*

Federal insurance regs have advantages

U.S. business is sometimes harder to write than foreign business

By Robert F. Rosenkoetter

DESPITE WASHINGTON'S CURRENT penchant for deregulation and the insurance industry's infatuation with state regulation, consider for a moment the overall value of federal regulation of insurance.

Too often, the industry's response to change is "That's the way we've always done it." It's about time we recognize we are moving into a new era and view our industry from a truly global perspective. Rhetoric and trade journal headlines may scream about entering the 21st century, but in the trenches, business is still conducted as if it were the 19th century.

We have welcomed NAFTA and GATT and recognize them as opportunities. But, at the same time, we fail to recognize the disorder and complexity of doing business within our country.

Consider this example.

Agent A is the principal of a midsize agency. His largest commercial client's president referred his sister-in-law, who owns a small service organization, to his agency. She needs package coverage for small office locations in Boston, Los Angeles, Miami, Chicago and New York.

The agent should have been able to place a business owners policy quickly, satisfy two customers and move on to other things. Instead, if Miami wasn't the problem, Los Angeles was, and the few insurers that could overcome those obstacles either couldn't or wouldn't write in Massachusetts.

The end result was two dissatisfied clients and much wasted time.

The next week, the same agent received two more referrals, this time from manufacturers located in California and upstate New York.

Product liability was the critical need and the loss potential required that the surplus lines market be tapped.

A meeting was called with a surplus lines broker who acknowledged that there were numerous markets available for the two potential policyholders and satisfactory terms could be arranged. However, the surplus lines broker was prohibited from doing business in California and New York because of protectionist legislation.

While the placements were eventually arranged with local surplus lines brokers, the process was time-consuming, more costly and cumbersome.

Meanwhile, an agent two floors below was placing coverages for European and Pacific Rim clients with U.S. insurers with little to no resistance.

A uniform set of regulations should apply to all brokers, agents and insurance companies on a countrywide basis.

The latter example strongly suggests it may be simpler to do business outside this country than it is to do business inside.

Fifty to 100 years ago, it may have been an accepted practice that agents service clients solely within their own states. Technological breakthroughs in communication and transportation along with mergers and acquisitions have allowed the typical independent agent to seek and service clients on a national level. But, the combination of protectionist and antiquated legislation has made daily routines cumbersome and in some situations next to impossible.

Indirectly, the various states are supporting the growth of the national broker and the extinction of the small regional agent, when in reality both offer valuable services to the policyholder. Both have strengths and weaknesses, but it should be the policyholder who decides which distribution method is in his or her best interest.

No doubt the New York and California laws were passed with the best interests of the consumer in mind.

Among other things, the laws are designed to provide policyholders protection against fraud. Unfortunately, those whose intentions are fraudulent have little regard for the law. When their intention at the outset is to break the law, it is hard to imagine them curtailing their activities due to the existence of a state statute.

One of the net effects of this protectionist legislation is to reduce capacity. Brokers and agents throughout the country are familiar with the limited market availability of California earthquake and coastal wind coverage. If an agent in South Dakota, for example, finds capacity and provides relief to the market, the actions should be encouraged, not legislated against.

Of course, these types of arrangements must be regulated and policyholder protection also must be in place.

But, are the policyholders of California entitled to more protection than those in Louisiana? Shouldn't the same high standards protect all policyholders? A uniform set of regulations should apply to all brokers, agents and insurers on a countrywide basis.

Brokers and agents should be licensed within their state of domicile and then be allowed to purchase a countrywide non-resident's license.

See **Regulations** *on next page*

Benefits

Continued from previous page

baby" programs that have proved particularly popular with busy working mothers who find the risk screening, ongoing education and preventive care that is built into these programs attractive. And, benefit managers like the positive feedback wellness programs get from employees, and the cost benefit that early diagnosis and treatment provides.

There is no question that benefit managers need to play a key role in helping their organizations compete effectively for talent, and keep their best employees. But, what will it take to achieve this objective?

One of the real keys is the ability to offer—and effectively explain—very flexible benefit plans. Equally important is for benefit managers to learn their employees' needs first hand. We see more and more mid-size and small companies doing satisfaction studies, which is critically important to making the right plan design choices. Then, once the hard decisions have been made, they are focusing on clearly communicating the information employees need to make informed choices about their plan and the costs involved.

Larger corporations, which are perceived to be less attractive employers today due to waves of downsizing, must pay particular attention to benefits to keep and recruit talent. From 1987 to 1992, 5.6 million workers with more than three years of experience were laid off—half of them white-collar employees. And today, Fortune 500 companies employ just 10% of America's workforce, down from 20% in 1970.

Large company leverage

A number of large corporations have counteracted this problem by using their purchasing leverage and creativity to offer flexible, attractive benefit plans that are also cost effective to their employees. Large companies have the infrastructure to support the management of cafeteria-style product options and that gives them a competitive advantage over smaller firms. Bigger firms use that clout to their advantage with plans that set an expenditure limit for the year, but offer flexibility within the parameters for employees to use those dollars for medical, dental or even dependent care. Other attractive employee-funded benefits can include voluntary life insurance and short-term disability coverage.

There is no question that benefit managers need to play a key role in helping their organizations compete effectively for talent.

There are also some profound regional differences that bear watching.

Larry Kachler, of Kachler Corp. in Houston, points out that larger employers in Texas are still quite cautious about giving additional benefits—a view that is colored by the difficult experience of taking benefits away to reduce costs during the downturn in the oil and gas industry several years ago. In businesses like engineering, where the supply of experienced people is quite limited, many firms in Texas offer better benefit packages as a tool to attract and keep employees. But, in general, employers are more apt to offer voluntary, employee-paid programs to supplement their benefit packages. This can often be done on a pretax basis to the employee.

Meanwhile, smaller companies with three to 50 people in their plans are picking up leverage in the benefits competition with larger firms thanks to the creation of community rating systems in states such as New York. This system of standardized benefits plans and costs allows smaller companies to offer their employees a range of flexible product options without incurring burdensome financial penalties.

In the next five years, we will experience dramatic changes in demographic trends and employee attitudes. Benefit managers who are successful in understanding the implications of those changes for their health plans, and responding with flexible approaches that offer choice as well as cost control, will be integral to their company's efforts to recruit and keep talented employees. BI

Martin B. Rosen is a senior vp and chief marketing officer of New York-based NYLCare Health Plans Inc., a subsidiary of New York Life Insurance Co. that provides health and related employee benefits services.

Regulations

Continued from previous page

Hasn't anyone stopped to think about the aggravation and idiocy associated with purchasing 49 different non-resident licenses with 49 different expiration dates and 49 different continuing education requirements?

The states perform a number of functions very well. It is their charge to protect their special interest group, the citizens and policyholders of the state.

Very simplistically, why not leave states in charge of areas of intrastate activity such as: policyholder complaints, ratemaking, FAIR plans and auto assigned risk plans, along with regional necessities like the Illinois mine subsidence pool and the Florida windstorm pool.

Another form of regulation that works very well on the state level is state surplus lines associations.

While various state surplus lines laws require that surplus line filings and tax payment be made by a resident surplus lines broker, restricting interstate surplus lines placements to resident agents only appears to be in vogue.

It is suggested that increased competition and additional capacity is very much in the policyholder's interest. Considering the geographics of policyholders' needs on a national level, this policy is a step backward. Instead, why not enact a national, uniform surplus lines law/requirement and create 50 surplus lines associations? Allow brokers and agents to purchase a nationwide non-resident surplus lines license. Then allow anyone holding either a resident or non-resident surplus lines license to make the appropriate filing and pay the taxes to the appropriate state.

Too often, brokers and agents have been forced to circumvent the law only because compliance is impossible. Bear in mind that 99.99% of out-of-state placements with non-admitted insurers are legal transactions made in the best interest and with the full knowledge of the policyholder. Increased competition creates additional capacity, new products, broader coverages and market-driven pricing.

By definition, the non-admitted market is more susceptible to fraud and unscrupulous transactions.

Instead of overregulating and punishing the honest majority, why not direct the resources at identification and prosecution of the guilty parties?

Enter the federal government again. Doesn't it stand to reason that one uniform body is better positioned to monitor and regulate the multinational financial institutions that our larger companies have evolved into? And what about the groups consisting of a number of companies domiciled in different states? Can one state auditing team pick its way through the maze of intercompany and international agreements and definitively state that a company is solvent? Wouldn't a federal team be more suited to the challenge? Shouldn't there be a uniform set of financial and capitalization requirements to conduct interstate commerce?

Another recent trend is for some of our largest insurers to reallocate their assets among their member companies, consolidating long-term liabilities—pollution and asbestos, to name two—within one or two of these companies. This type of restructuring has been taking place when the group's superior financial rating is challenged. Thus, instead of all member companies sharing a financial rating, two tiers of companies evolve within the group. Companies of the top tier, whose long-term liabilities have been transferred to another company, are funded to meet superior financial rating requirements and continue as the current risk-bearing companies of the group.

Some functions may be better performed on a national level. State regulation isn't working now, and its prospects for the future are bleak.

On the other hand, the companies assuming the long-term liabilities are funded to meet their current reserve obligations.

Like most insurance topics, this approach can be convoluted and is illustrated best by a simple example.

The Fictitious Group comprises Fictitious Fire of Illinois, Fictitious Fire of California, Fictitious Casualty of New York and Fictitious Casualty of Wisconsin.

All companies carry a group pooled rating of A+, or superior. Rating organizations assess the group's ability to meet its long-term commitments, and, based upon projected ultimate payouts in the pollution and asbestos areas, downgrade the group rating to "good."

Policyholders react and start moving their business to competitor companies enjoying the "superior" rating.

The Fictitious Group reorganizes and transfers all long-term liabilities to the two Fictitious Casualty companies, funding them adequately to meet the long-term obligations. It then announces that these companies are now dormant. Business will be written only in one of the Fictitious Fire companies, which are now funded to meet the qualifications needed to regain the superior rating.

While today's policyholders of the newly organized superior-rated companies are adequately protected, what becomes of the dormant companies? What if their current reserves are inadequate? What if the Fictitious Group declares the Fictitious Casualty companies insolvent? Will the Fictitious Group be held responsible to meet its policyholder obligations or will the state guaranty funds be tapped? Is this practice a sound financial vehicle for meeting long-term obligations, or is it a smoke-and-mirrors attempt to maintain market share?

There are a host of issues that haven't been addressed and numerous functions that state insurance commissioners perform. New markets and new challenges require new and innovative approaches. The dynamics of doing business in today's fast-paced and ever-changing environment require that all aspects of the industry be brought under scrutiny. One of these is state regulation. Some functions may be better performed on a national level. State regulation isn't working now, and its prospects for the future are bleak. Exploring the options and reducing the waste and inefficiency in our industry is in our best interest.

Wouldn't it be nice if we could reduce the overall costs associated with putting an insurance policy in the hands of the consumer?

Did you ever stop to wonder why the consumer views our product with a jaundiced eye? The dynamics of change require that we change our mind-set, our attitudes and our way of doing business. BI

Robert F. Rosenkoetter is vp of Kelly & Elliott Ltd., an excess and surplus lines broker in Chicago.

INTERNATIONAL

Lloyd's investor buying insurer

Purchase by Hiscox fund reverses a trend in market

By SARAH GODDARD

LONDON—Corporate capital at Lloyd's of London is spreading its wings into the wider insurance market, with the first purchase of a U.K. insurance company by a corporate capital provider last week.

Hiscox Dedicated Insurance Fund P.L.C., which provides capacity to the three syndicates managed by the Hiscox Group, has signed an agreement to acquire Economic Insurance Holdings Ltd. for £35.5 million ($54.3 million), subject to approval by the U.K. Department of Trade and Industry. The company will fund the acquisition with an issue of shares.

Hiscox Dedicated owns 25% of Hiscox Holdings, the managing agency branch of the Hiscox Group, and also announced its intention to purchase the remaining Hiscox Holdings shares, subject to Lloyd's consent. The Trident Partnership owns 28% of the issued equity of Hiscox Dedicated, with a further 28% held by Hiscox Holdings, its directors, staff and family.

The acquisition of Economic Insurance will bring Hiscox's market capitalization to £150 million ($229.5 million). Gross premiums written by the insurer and Hiscox syndicates last year totaled £525 million ($803.3 million).

Hiscox Dedicated Chairman Robert Hiscox said the deal is particularly exciting since it is the reverse of the recent trend of insurers buying into Lloyd's.

At the end of last year, Bermuda-based Mid Ocean Ltd. invested $78 million into the Brockbank Group, giving the insurer a 51% controlling interest in the business (*BI*, Dec. 18, 1995). More recently, at the beginning of this month, the parent company of Venton Underwriting Agencies Ltd. was acquired by Bermuda-based Venton Holdings Ltd. Venton Holdings' largest shareholder is the Trident Partnership, and Risk Capital Reinsurance Co. also has a stake.

Mr. Hiscox said Hiscox Dedicated had been interested in buying Economic Insurance because it wanted "to control our own destiny." For the past six years, the agency had been trying to build up business outside Lloyd's, in overseas markets as well as in the United Kingdom. About 10% of its business now comes from outside the Lloyd's market.

The product ranges of the two insurers are "complementary," said Mr. Hiscox. Although personal lines business makes up the lion's share of Economic Insurance's mix, it also writes substantial commercial lines and professional indemnity business.

Peter Cullum, managing director of Economic Insurance, said a number of parties had been interested in buying the insurer, which was bought by its management from Danish insurer Hafnia Insurance Co. Ltd. in 1993. But "the overriding consideration was to create a situation where we go forward as Economic," he said.

Mr. Hiscox said that Hiscox had "flirted with major companies" and considered starting an insurer itself. But with Economic Insurance it was "love at first sight" and the company was the largest Hiscox could afford.

As for already owning an insurance company in the event that Lloyd's reconstruction and renewal plan fails and the market goes into runoff, Mr. Hiscox described the situation as "nice icing on the cake."

In a response to calls from names to put Lloyd's into runoff, the DTI had warned that if that occurred, it would take between six and 12 months to authorize new insurance companies to pick up the business (*BI*, Jan. 29).

Mr. Hiscox said, however, that several Lloyd's agencies already are in discussions with the DTI about this. BI

1995 claims total $150 billion

Worst losses caused by storms, Swiss Re finds

Natural and man-made catastrophes accounted for nearly 10% of worldwide insured losses of $150 billion, according to Swiss Reinsurance Co.'s 1995 global statistics.

Last year, more than half of the $14.6 billion in insured catastrophe losses were a result of the Kobe quake, Hurricane Opal, hail in Texas and winter storms and floods in Northern Europe.

Swiss Re estimates total damage from the Jan. 17 Kobe, Japan, quake and its aftershocks totaled $82.4 billion. Insured damage from the Kobe quake totaled only $2.5 billion, though, because earthquake insurance was relatively uncommon in Japan.

The highest insured catastrophe losses were incurred in the United States. Since 1970, average annual U.S. insured losses have been $3.9 billion compared to $1.9 billion in Europe and $400 million in Japan.

Overall insured losses were nearly one-third the amount recorded in 1994 but 73% higher than the annual average for the period 1970-1994. Natural disasters alone caused insured losses of $12.4 billion.

Swiss Re's listing of natural catastrophes by size from 1970-1994, shows an increase in the number of losses exceeding $1 billion.

A long-term look at the cause of major catastrophe losses show that 21 of the 30 worst events that occurred since 1970 resulted from storms. They were also the most costly for insurers. From 1970 to 1994, insured storm damage worldwide amounted to $3.5 billion a year, and during the period 1989-1995 it was $9.3 billion a year.

In addition to a chronology of all 291 catastrophes recorded, the report also contains tables listing the most costly disasters since 1970 and analyses of global trends in disasters.

Copies of the report, Sigma No. 2/1996, will be available after mid-March, For a free copy, call 49-41-1-285-2239, or fax 49-41-1-285-4749.

—By Don Lewis Kirk

Most expensive 1995 catastrophes

Insured damage	Catastrophe
$2.47 billion	Kobe earthquake
2.1 billion	Hurricane Opal
1.14 billion	May hailstorms and floods in U.S.
1 billion	February storms and floods in northern Europe
875 million	Hurricane Marilyn
666 million	March floods in U.S.
470 million	January blizzards in U.S.
390 million	Hurricane Erin
360 million	May tornadoes in U.S.
360 million	May storms and floods in U.S.
327 million	April hailstorms in U.S.
241 million	Hurricane Roxanne
240 million	December freeze, storms, power outages in U.S.
230 million	Fire in U.S. carpet factory
174 million	Fire in Swiss watch factory

Source: Swiss Reinsurance Co.

LIRMA adding members

Association hopes move will strengthen London market

LONDON—In a bid to strengthen London's position as a major insurance center, the renamed London International Insurance & Reinsurance Market Assn. is extending full membership to European insurers and reinsurers that do not have a physical presence in the city.

To help London compete with other markets like Bermuda and the United States, more than 80% of LIRMA members voted last month to give "ordinary membership" to insurers and reinsurers licensed in the European Economic Area—which includes the 15 European Union nations as well as Iceland, Liechtenstein and Norway. Effective March 1, these companies are now able to underwrite business in the London market without a London office.

"Ordinary" members have full access to the London Processing Centre—a joint venture between LIRMA and the Institute of London Underwriters that provides computer systems to the London company market—and are licensed to write insurance and reinsurance in the London market.

This extension of ordinary membership takes into account changes brought on by the E.U. third non-life directive, which came into force July 1, 1994, and allows insurance business transactions across E.U. member state borders. LIRMA will continue to offer associate memberships, which provide access to LIRMA research but not processing facilities, to companies around the world.

Already, Skandia Insurance Corp. Ltd. of Stockholm, Sweden,

See **LIRMA** *on page 19*

AP/WIDE WORLD

The MV Braer sank off the coast of Scotland's Shetland Islands in 1993, spilling 24.7 million gallons of light crude oil. Negotiations to settle final claims from the spill are continuing.

Can £80 million in claims be settled with £10 million?

Yes, says fund for spill claims

By EDWIN UNSWORTH

LONDON—The International Oil Pollution Compensation Fund expects to pay only a fraction of the £80 million ($122.4 million) of outstanding liability claims from the 1993 MV Braer oil spill.

With a combination of negotiation and legal victories, the fund predicts that it will be able to slash claims to a level within the remaining £10 million ($15.3 million) it has allocated for the loss.

To date, protection and indemnity clubs and the IOPCF have paid £47 million ($71.9 million) in liability claims from the spill, which occurred when the tanker ran aground in a storm off the Shetland Islands on Jan. 5, 1993 (*BI*, Jan. 18, 1993; Jan. 11, 1993). The tanker sank in heavy seas, spilling 24.7 million gallons of Norwegian light crude oil. The spill limited fishing along a 47-mile stretch of coastline around the wreck.

Of the £47 million paid, the shipowner's insurer, Norwegian protection and indemnity club Assuranceforeningen Skuld, contributed about £5.5 million ($8.4 million)—the maximum it was liable to pay under the 1969 Civil Liability Convention. The IOPCF paid £41.5 million ($63.5 million).

The IOPCF has 68 member countries and is funded by contributions from oil companies in proportion to the volume of oil they receive by ship. In any oil pollution incident involving fund members, it will make a contribution sufficient to take liability payments up to a maximum of 60 million Special Drawing Rights ($87.8 million) per incident, including what a shipowner's insurer has paid. This means the fund it still liable for about £10 million to meet outstanding Braer claims.

However, as a three-year time limit for submitting claims drew to a close in January, a flood of last-minute claims pushed the total of outstanding liability claims to £80 million.

As she was leaving last week for the Shetland Islands to meet with claimants, Sally Broadley, an IOPCF claims negotiator, said she was confident the level of claims would be greatly reduced.

"The idea of us running out of funds is unlikely. We don't expect that to happen," she said.

The P&I club and the tanker's U.S. owner, B&H Ship Management Co., believe many of the last-minute claims are without merit and were submitted in haste to beat the deadline. They expect, like Ms. Broadley, that negotiations will eliminate or greatly reduce many of the claims before they go to court in Edinburgh, Scotland. Most of the new claims have come from local Shetland fishermen, salmon farmers and property owners.

INTERNATIONAL

U.K. companies may face new uninsurable risk

Government panel proposes reform of corporate manslaughter charge

By EDWIN UNSWORTH

LONDON—Proposed reforms of Britain's corporate manslaughter laws that would make it easier to charge companies with the offense would create an uninsurable liability for companies, say risk management and insurance groups.

A recommendation to create a new criminal offense of "corporate killing" came last week from the British government's legal reform body, the Law Commission. The commission said the change is needed because the current corporate manslaughter statutes, which stem from laws dating to the 19th century, have resulted in only four prosecutions and one conviction despite dozens of cases involving deaths.

According to the commission, corporate killing would be "broadly comparable to killing by gross carelessness." A company could be prosecuted for the crime if death resulted from a management failure that fell below what could "reasonably" be expected of a company.

That differs from the current corporate manslaughter statute, which applies only in cases where one person can be identified as a "controlling mind" of the company tied to a death.

Those companies found guilty of the new corporate killing charge would face unlimited fines. They also could be ordered to ensure that there is not a recurrence of the situation that caused the death. Fines would be fixed according to the circumstances of each case. Fines imposed under existing environmental laws for injuries or death caused by corporate activities could be one benchmark, the commission suggested.

However, these fines would be uninsurable risks on two counts: Fines, in general, are not insurable and penalties imposed under criminal charges, as opposed to civil verdicts, also are uninsurable.

Reg Brown, who underwrites directors and officers liability insurance at Lloyd's of London, said the only likely insurable element under the proposed reform would be defense costs. He pointed out that directors and officers coverage applies to individuals, whereas the new law is likely to result in charges against a company as a whole.

Stuart Hyslop, spokesman for the Assn. of Insurance & Risk Managers in Industry & Commerce, agreed that penalties under the proposed law would be uninsurable. Because risk managers would not be able to financially plan for losses, their likely approach would be to try to convince management to avoid any situation that could put them at risk, he added.

The Assn. of British Insurers also said the proposal is not likely to widen commercial policyholders' liability exposures. "In practice, it probably won't have a large impact," the ABI stated.

An ABI spokeswoman explained that while the proposed change would make it easier to bring criminal charges against a company, anyone with a negligent wrongful death claim already can pursue it under civil law. So, while the proposed law change would expand the avenues of redress for negligence, there already is a "substantial" exposure for businesses, she said.

Charges of corporate manslaughter are rarely brought because of the narrow definition under current law. In fact, there has been only one conviction.

In that case, recreation company OLL Ltd. and its managing director, Peter Kite, were found guilty of negligence contributing to the deaths of four young canoeists on a trip arranged by the company. Mr. Kite was sentenced to three years in prison and the company was fined £60,000 ($91,800) in late 1994 (*BI*, Jan. 16, 1995).

In that case, it was relatively easy to identify the "controlling mind" because the business had a single owner.

Several other notorious cases have not been prosecuted on corporate manslaughter charges because no single manager could be singled out for fault. These include the 1987 Herald of Free Enterprise ferry disaster in the English Channel, in which 187 people died, and the 1987 King's Cross subway fire in London, which killed 31 people.

The Law Commission said disasters like these have been followed by various inquiries that found corporate entities likely at fault, but the narrow definition of corporate manslaughter prevented successful prosecution.

The commission submitted its proposals to the government, which has said it will consider them as part of its long-term objective of creating a new criminal law code. BI

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $153.00 per column inch, minimum of one inch. Straight classified is $13.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $22.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

Closing: *Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Cheryl Butler, Classified Advertising, 740 North Rush Street, Chicago, Illinois 60611. For more information call 312-649-5340 or FAX 312-649-7799.*

WANTED

SPECIALTY AGENTS

A Rated national company seeks admitted or surplus lines programs, with track record. Send outline to:
East West Connection, Inc.
273 Pascack Rd. Suite 416
Westwood, NJ 07675

HELP WANTED

ACTUARIAL ANALYST

West Coast opportunity for 2-5 exam cas. actuary. Commercial lines experience for 2-6 yrs. Both reserving & pricing a must. Programming savvy critical. Delightful location.
Call Joel Spangler
(847) 304-8899

INSURANCE AGENTS

Tired of producing business and not getting paid for it? We will pay up to 75% new and renewal commission for your commercial property and casualty business. Licensed nationally. Contact Larry Cushman at 1-800-833-7090.

DEPUTY INSURANCE COMMISSIONER FOR COMPANY REGULATION

The Pennsylvania Insurance Department is seeking a Deputy Insurance Commissioner for Company Regulation to oversee solvency monitoring, on-site financial examinations, company admissions, merger approvals and agent licensing. This is the key executive management position responsible for directing financial solvency activities.

Preferred requirements include substantial experience in the insurance industry or in insurance regulation, including 10 years of statutory insurance accounting, GAAP, or other similar relevant financial management experience at the executive or senior management level. Salary range is in the $70s. Excellent benefits. Resumes must be submitted by April 5, 1996 to:

Tracey Pontius, Director
Bureau of Administration
1326 Strawberry Square
Harrisburg, PA 17120
(717) 787-6469
Equal Opportunity Employer M/F/D

WANTED

SHELL COMPANY WANTED

Reinsurer seeking clean corporate shell holding valid and current property/casualty insurance licenses in a number of states, including CA, Del, IL, Neb, NJ, NY, PA & TX. Please call Louis at 203-861-2509.

PROGRAMS WANTED

Aggressive Michigan surplus lines agency, which has contact with over 450 agents, is looking to market some additional programs in our state. We will pay necessary overrides.

Please contact us at Business Insurance, Box 2979, 740 N. Rush St., Chicago, IL 60611.

REQUEST FOR PROPOSALS

REQUEST FOR PROPOSALS

It is the intent of The University of Texas System to issue the following request for proposals on March 11, 1996 for the employee group health program:

1. Administration of a self-insured, free standing HMO to provide service to the San Antonio, Texas area.
2. Administration of a self-insured, free standing HMO to provide service to the Houston, Texas area.
3. Administration of either a self-insured or fully insured HMO to provide service to the Edinburg and McAllen, Texas area.

The deadline for submission of each of the proposals is Thursday, April 11, 1996 by 5 PM (CST). A pre-bid conference for all proposals will be held on March 20, 1996.

The University of Texas System includes both academic and health care components located at fifteen campuses throughout the state. Over 65,000 employees and retirees are currently covered by the group health plan. There are approximately 6,000 employees in the San Antonio area, 15,000 in the Houston area, and 2,300 in the Edinburg and McAllen area. For more information or to request an RFP, contact:

Employee Group Insurance Program
The University of Texas System
702 Colorado Street, Suite 630
Austin, Texas 78701
(512) 499-4616
FAX: (512) 499-4620

REQUEST FOR PROPOSALS

REQUESTING SEALED OFFERS

William M. Mercer, Incorporated, acting as broker of record for Dallas Area Rapid Transit (DART), is requesting sealed offers from qualified firms or individuals interested in providing payment administration/insurance and case management for disability benefits. Copies of the solicitation documents (inclusive of the specifications) may be obtained from William M. Mercer, Inc., Attn: Jeff Ries, 3500 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, or by phoning William M. Mercer, Inc. at (214) 220-3532. Offers received after the deadlines specified will be returned to the sender unopened.

REQUEST FOR PROPOSALS

INSURANCE COVERAGE OFFICE
STATE OF DELAWARE
TOWNSEND BUILDING
DOVER, DELAWARE
BIDS

Sealed bids will be received by the Insurance Coverage Office, P.O. Box 1401, Townsend Building, Dover, Delaware, 19903, for **BOILER AND FURNANCE EXPLOSION** for all state locations, including public education, public higher education and the Port of Wilmington, until 11:30 A.M., D.S.T., May 17, 1996, at which time they will be publicly opened. Interested parties may inspect any and all bids after they are opened.

The Risk Manager reserves the right to reject any and all bids.

The insurance will be awarded or all bids rejected by June 28, 1996. All proposals must come from a capital stock company or a strong non-assessable mutual company. The company must have financial rating and furnish source of rating. Company must outline service facilities available.

All bids submitted will be a net cost to the State of Delaware. Property schedules and other information can be secured from the Insurance Coverage Office.

Keith Barron
State Risk Manager

REQUEST FOR PROPOSALS

INSURANCE COVERAGE OFFICE
STATE OF DELAWARE
TOWNSEND BUILDING
DOVER, DELAWARE
BIDS

Sealed bids will be received by the Insurance Coverage Office-State Personnel, Townsend Bldg., P.O. Box 1401, Dover, Delaware 19903, for **All Risk Property Coverage and Boiler and Machinery Coverage** for the Governmental Civic Center Complex until 2:00 pm EST May 24, 1996, at which time they will be publicly opened.

Interested parties may inspect any and all bids after they are opened.

All bids submitted will be at net cost to the State of Delaware. Within the Request for Bid are the property schedules and other information which can be secured from the Insurance Coverage Office.

The incumbent agent shall have right to the incumbent carrier American Protection Insurance. Other interested agencies should provide a prioritized list of markets you wish to pursue by March 29, 1996.

The Insurance Coverage Office for the State of Delaware shall contact each agent with the approved markets for that agency to approach. The timing of the date stamp on the mail or facsimile shall determine the right of agent/broker to contact selected markets/carriers. All agents/brokers shall be notified by phone within 5 days. Final submission are due by May 24, 1996.

Four copies of bid proposal should be submitted in a single sealed envelope clearly marked **"PROPERTY INSURANCE BID. DO NOT OPEN TILL MAY 24, 1996."**

The Risk Manager for the State of Delaware reserves the right to reject any and all bids.

The Insurance will be awarded or all bids rejected by May 24, 1996. All proposals must come from a capital stock company or a strong non-assessable mutual company. The company must have financial rating and furnish source of rating.

Mailing address:
Keith Barron
Insurance Coverage Office
State Personnel
P.O. Box 1401, Townsend Building
Dover, DE 19903
Phone: (302) 739-3651
Fax: (302) 739-3000

REQUEST FOR PROPOSALS

INSURANCE COVERAGE OFFICE
STATE OF DELAWARE
TOWNSEND BUILDING
DOVER, DELAWARE
BIDS

Sealed bids will be received by the Insurance Coverage Office-State Personnel, Townsend Bldg., P.O. Box 1401, Dover, Delaware 19903, for **AIRCRAFT INSURANCE** until 2:00 pm DST May 31, 1996, at which time they will be publicly opened.

Interested parties may inspect any and all bids after they are opened.

All bids submitted will be at net cost to the State of Delaware. Within the Request for Bid are the property schedules and other information which can be secured from the Insurance Coverage Office.

The incumbent agent shall have right to the incumbent carrier America Eagle Insurance Company. Other interested agencies should provide a prioritized list of markets you wish to pursue by April 5, 1996.

The Insurance Coverage Office for the State of Delaware shall contact each agent with the approved markets for that agency to approach. The timing of the date stamp on the mail or facsimile shall determine the right of agent/broker to contact selected markets/carriers. All agents/brokers shall be notified by phone within 5 days. Final submission are due by May 31, 1996.

Three copies of bid proposal should be submitted in a single sealed envelope clearly marked **"AIRCRAFT INSURANCE BID. DO NOT OPEN TILL May 31, 1996."**

The Risk Manager for the State of Delaware reserves the right to reject any and all bids.

The Insurance will be awarded or all bids rejected by June 14, 1996. All proposals must come from a capital stock company or a strong non-assessable mutual company. The company must have financial rating and furnish source of rating.

Mailing address:
Keith Barron
Insurance Coverage Office
State Personnel
P.O. Box 1401, Townsend Building
Dover, DE 19903
Phone: (302) 739-3651
Fax: (302) 739-3000

WANTED

DAILY AUTO RENTAL PRODUCERS WANTED

Competitive, national program for daily auto rental franchises seeking producers. Comprehensive product available in all states. Contact Chris at 800-214-5808.

Business Insurance

Circulation Breakdown
Commercial Consumers

Administrative:	
CEO's, Presidents, and Owners,	1,790
Vice Presidents, General Managers and Other Administrative Personnel	4,961
Financial:	
Chief Financial Officers and Vice Presidents of Finance	3,172
Secretaries, Treasurers, controllers and other Financial Personnel	3,028
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	17,213
Sub-total	**30,164**
Associations	311
Government, Unions and Educational Institutions	881
Commercial Consumers Sub-total	**31,356**
Insurance Agents and Brokers	8,013
Insurance Companies	7,685
Accountants, Actuaries, Attorneys & Consultants	3,586
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,858
Others Allied to the Field	1,091
Total Qualified	**53,589**
Non-qualified	7
TOTAL CIRCULATION	**53,596**

★ *Source Business/Occupational breakdown of qualified circulation, Novermber 27,1995 Issue, as submitted to BPA for December 1995 BPA Publisher's Statement*

Policy covers gap in pollution cover

AIG offering coverage in Germany for cleanup of policyholder's property

By DON LEWIS KIRK

FRANKFURT, Germany—American International Group Europe S.A. is offering new pollution coverage to German companies, which until now have had to absorb losses from pollution damage to their own facilities.

Such exposures generally have been excluded from pollution coverage since Germany's Assn. of Liability & Casualty Insurers introduced standalone environmental impairment liability insurance in 1993. At that time, German insurers excluded coverage for cleanup costs to a policyholder's own property from pollution coverage as a reaction to stringent pollution laws.

Before standalone EIL coverage existed in Germany, companies' own environmental risks were covered.

The lack of coverage for that risk has proved costly for companies with soil pollution exposures on their own property, says Dirk Grote, a pollution liability expert with broker Jauch & Huebener KGaA. "The refusal of insurers to carry risks seriously endangered company earnings in some cases."

Insurers' refusal to cover a policyholder's own cleanup costs meant that a risk that was typically insured before EIL coverage was introduced was now excluded from coverage, Mr. Grote said. Before standalone EIL coverage existed in Germany, companies' own environmental risks were covered by so-called water pollution coverage.

The introduction of the AIG coverage may give buyers relief from such coverage gaps, he said.

Using what it calls a building-block system, AIG can individually adapt coverage to a policyholder's needs using 12 different "blocks" of coverage. The blocks include:

- Inherited pollution risks that the policyholder discovers on its property but did not cause. The coverage would reimburse cleanups that the policyholder makes without government intervention.

Coverage could also be extended to cover unknown, inherited environmental exposures.

- New pollution to a company's own property. This covers contamination that the policyholder discovers and cleans up without government intervention.
- Inherited pollution that a policyholder has been ordered to cleanup by the government.
- New pollution that a policyholder is required to cleanup by a government order.

Limits of 50 million DM ($33.91 million) are available under the claims-made policy, with a minimum deductible of 100,000 DM ($67,820) and a minimum premium of 30,000 DM ($20,346), said Mr. Grote of J&H.

AIG Europe Vp Daniel Walsh, based in Frankfurt, Germany, says underwriting limits will be guided by individual exposure and, in some cases, may contain a self-insurance component.

"Insurance applies to risks AIG deems to be clean" after an inspection, Mr. Walsh noted. "If a company sees a potential claim or has an inherited exposure, then it may take a risk management approach" to limiting that risk or, in some cases, it can take a higher retention before insurance is provided or finance the risk via a captive.

AIG believes most of Germany's industry has made a great commitment to environmental issues and plans to seek "clients that demonstrate thorough property loss control," Mr. Walsh said.

Combining risk transfer and risk management will help companies reduce their pollution exposures, according to Mr. Walsh, who said he believes a broad range of clients, from midsized to large companies, could benefit from the new EIL coverage.

"Ideal is the gas station on the corner that has recently replaced its holding tanks," he said. "The client knows the consistency of the ground. In that case, risk transfer is a solution."

"This has closed the coverage gap created by the introduction of environmental liability insurance three years ago," according to J&H's Mr. Grote. BI

LIRMA

Continued from page 17

has announced that it will use the LPC facilities to process Skandia International business outside its London market operations. Last October, Skandia converted its London-based subsidiary into a U.K. branch regulated from Sweden (*BI*, Sept. 18, 1995).

Skandia International's president, Marie-Louise Wenander, said: "Access to LIRMA's central processing and settlement facilities will considerably enhance the handling of international insurance and reinsurance business, both for Skandia and our clients."

A LIRMA spokesman confirmed that approximately a dozen European companies have expressed an interest in becoming LIRMA members through the amended rules, and he said that several have visited the LPC.

Although the move is seen as a way of strengthening the competitive role of the London market, both through reduced bureau processing costs and increased access to European brokers, it could ultimately lead to a greater globalization of insurance business. The new LIRMA regulations will give outside insurers that own businesses inside the European Economic Area access to London market business through those subsidiaries.

Also, insurance brokers and intermediaries within the economic area also can gain access to the LPC systems and the London Insurance Market Network, subject to certain requirements. These include maintaining a separate client account and providing LIRMA with an irrevocable letter of credit of £250,000 ($383,250).

—By Sarah Goddard

Michigan tax not pre-empted by ERISA

By SALLY ROBERTS

CINCINNATI—A Michigan tax on employee benefit plan payments is not pre-empted by the Employee Retirement Income Security Act, a federal appeals court has ruled.

The ruling stems from lawsuits filed by Morton Thiokol Inc.—part of which has since become Chicago-based Morton International Inc.—and Chicago-based Akzo America Inc. seeking "declaratory relief" from the state's tax under the pre-emption provisions of the federal benefits law. Those provisions pre-empt state laws that relate to employee benefit plans.

Morton was joined by one other employer, while Akzo's suit included about 20 other companies.

The Michigan Single Business Tax is a 2.35% levy on businesses' adjusted tax base, which the statute defines as the sum of a business' compensation to officers and employees, depreciation, interest payments and profits. The compensation component of the tax base includes in its definition employers' contributions to both ERISA and non-ERISA retirement and health benefit plans.

Both Morton and Akzo sponsor benefit plans in the state governed by ERISA and both file Michigan SBT returns.

In its consolidated Feb. 23 ruling, a three-judge panel of the 6th U.S. Circuit Court of Appeals in Cincinnati reversed an earlier district court ruling in favor of Akzo, which had found ERISA pre-empted the state tax on the benefits, and affirmed another district court ruling against Morton, which had found ERISA did not pre-empt the SBT. Using a previous case, *Shaw vs. Delta Air Lines Inc.*, as a guide, the 6th Circuit said the U.S. Supreme Court carved out an exception to ERISA that saves state laws from pre-emption if they "affect employee benefit plans in too tenuous, remote or peripheral a manner to warrant a finding that the law relates to the plan."

The appeals court found that Michigan's SBT falls within the *Shaw* exception because the tax constitutes a traditional exercise of state authority, has only a peripheral effect on an ERISA plan and does not affect relations among the principal ERISA entities because it applies to all employers doing business in Michigan whether or not they contribute to ERISA plans.

If the mere reference to an ERISA plan in a state law were enough for pre-emption, "ERISA would preempt a non-binding resolution passed by a town board declaring February 1996 as 'ERISA Awareness Month.' Surely Congress did not intend such a broad and unreasonable pre-emption doctrine," the 6th Circuit panel's unanimous decision said.

"We don't know at this point" if the consortium of taxpayers involved in both cases will appeal to the U.S. Supreme Court, said Michele Halloran, a partner at Howard & Howard Attorneys P.C. in Lansing, Mich.

"We are certainly dismayed" by the 6th Circuit's reluctance to determine a state statute that specifically refers to an ERISA plan is pre-empted on that basis alone, said Howard & Howard partner Patrick R. Van Tiflin, who tried the case. The court also failed to address evidence that Michigan's SBT "has a direct and significant impact on the ERISA plans" at issue, he said.

Michigan is the only state with such a single business tax, according to attorneys familiar with the case.

•

Thiokol Corp., Morton International Inc. and Bee Chemical Co. vs. Douglas B. Roberts (treasurer of the state of Michigan) and Thomas M. Hoatlin (commissioner of revenue of the state of Michigan). No. 94-1903

Akzo America Inc., et al, vs. The Revenue Division and Department of Treasury in the state of Michigan; Douglas B. Roberts (treasurer of the state of Michigan); and Thomas M. Hoatlin (commissioner of revenue of the state of Michigan). No. 95-116/95-1171

Settlement

Continued from page 3

and the willingness of both parties to either negotiate a settlement or go through the courts.

One case in which Judgment Purchase invested involved a client of San Jose plaintiff attorney William Keegan. Before the company invested, the defendant insurance company had made only "ridiculously low" settlement offers, he said. The invested money went to hiring an experienced appellate attorney, and the case resulted in a satisfactory settlement, said Mr. Keegan, who would not provide details.

Such litigation speculation could lead other defendants to make higher settlements offers, some insurer attorneys say.

"It gives the plaintiffs more staying power and, with that, the ability to demand more money in settlements," said Jonathan Bank of Chadbourne & Park in Los Angeles.

"I think it's innovative and will probably make it a bit more expensive to settle cases to the extent that they are involved," he said.

"I don't think insurance defense lawyers would be too happy about it," though plaintiffs' lawyers may think that potential investments would help level the playing field with insurance companies when pursuing judgments won at trial, said Donald Hilliker of McDermott, Will & Emery in Chicago.

Others, though, caution that investing in litigation can be a difficult proposition.

"Litigation is an extremely speculative investment, and I think if people are interested in taking those kinds of risks, there are areas where they can get a much higher award," said David Spector of Mayer, Brown & Platt in Chicago.

"I think a lot of people are going to lose a lot of money," Mr. Spector said of the investment concept.

"Appeals are often difficult to second-guess," according to Nick Pearson of Carter, Ledyard & Millburn in New York. "I think it is a kind of crap shoot."

Mr. Pearson said this kind of practice may "make judgment holders who are required to defend their judgment on appeal more likely to resist a potentially favorable settlement and therefore create a greater burden on the appellate court."

"However, whether or not this will ultimately benefit judgment holders is difficult to say. There are times that judgment holders should accept reasonable settlement offers rather than risk reversal on appeal, so I find it difficult to anticipate the actual benefit or detriment that this may have for relatively strapped judgment holders. It could result in unwise pursuits of appellate decisions," he said. BI

Services Guide

FOR 1996 SERVICES GUIDE ADVERTISING INFORMATION CALL 312-649-5340

CPCU® and IIA candidates
I guarantee you will learn more in less time with The Burnham System — or your money back
Ray Burnham, CPCU, CLU, ARM
19 Everett Street, Southbridge, MA 01550
Call 1-800-GET-CPCU Now!

Start Planning Now For These Upcoming Issues:

RIMS Preview
Publishing April 15th
Ad Closing April 3rd

Captives & Risk Manager of the Year
Publishing April 22nd
Ad Closing April 10th

For Services Guide advertising call Cheryl Butler (312) 649 - 5340

For advertising information contact: Cheryl Butler,
Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340 • Fax (312) 649-7799

Datebook

MARCH

MARCH 18-19. Are Health Care Costs Really Contained. . .What's Next for Employers? conference in Rosemont, Ill., sponsored by Midwest Business Group on Health; $475 for members, $595 for non-members. MBGH, 8303 W. Higgins Road, Suite 200, Chicago, Ill. 60631; 312-380-9090.

MARCH 18-19. Mastering New Markets: Business Opportunities in Environmental Insurance conference in Exton, Pa., sponsored by The Center for Environmental Risk Management; $295. **Also April 17-18**. The Center for Environmental Risk Management, Jacque Kakareka, 520 Eagleview Blvd., P.O. Box 636, Exton, Pa. 19341-0636; 800-ECS-1414.

MARCH 19. OSHA Compliance for Small Business and OSHA Safety & Health Program Requirements seminars in Binghamton, N.Y., sponsored by Safety Excellence Resources; $79 for one seminar, $149 for both. **Also March 20** in Newburg, N.Y., **March 21** in Saratoga, N.Y. Safety Excellence Resources, 300 Erie Blvd. West, Syracuse, N.Y. 13202; 315-460-1286.

MARCH 20-22. Workers' Compensation and Occupational Medicine Seminar in San Francisco, sponsored by Worker's Compensation Monthly; $495. Seak Inc., P.O. Box 729, Falmouth, Mass. 02541; 508-548-7023.

MARCH 20-22. The 20th Annual IIAA National Legislative Conference in Washington, sponsored by Independent Insurance Agents of America; $130. IIAA's Convention Department, 127 S. Peyton St., Alexandria, Va. 22314; 1-800-296-0578.

MARCH 21-22. New Alternatives in Risk Financing conference in New York, sponsored by the Institute for International Research; $1,295. Conference Coordinator, Institute for International Research, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 212-661-8740 or 800-999-3123.

MARCH 21-22. Mealey's Toxic and Mass Torts: New Exposures Conference in Philadelphia, sponsored by Mealey Publications Inc.; $695. Mealey Publications, P.O. Box 446, Wayne, Pa. 19087-0446; 610-688-6566 or 800-MEALEYS.

MARCH 22. Leadership in Insurance Organizations course in New York, sponsored by the College of Insurance; $175. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

MARCH 23. Continuing Legal Education Seminar: Federal Pre-emption of State Insurance Laws in Detroit, sponsored by the National Assn. of Insurance Commissioners; $100 for state insurance department staff, $175 for others. NAIC, Education and Training Department, 120 W. 12th St., Suite 1100, Kansas City, Mo. 64105-1925; 816-374-7192.

MARCH 24-28. Assessing Clinical Quality in Managed Care Organizations: Using Clinical Practice Guidelines for Quality Improvement course in Boston, sponsored by Harvard School of Public Health; $1,295. Harvard School of Public Health, Office of Continuing Professional Education, 677 Huntington Ave., LL-23, Dept. B, Boston, Mass. 02115-6023; 617-432-1171.

MARCH 25-26. Litigating Bad Faith Claims and Punitive Damages conference in New York, sponsored by American Conference Institute; $995. American Conference Institute, 175 Fifth Ave., Suite 2182, New York, N.Y. 10010; 416-927-7936.

MARCH 25-27. Pension Basics Seminar in Baltimore, sponsored by Corbel; $595. **Also May 8-10** in Indianapolis, Education Services, Corbel, P.O. Box 47720, Jacksonville, Fla. 800-326-7235.

MARCH 25-27. Orientation to Indoor Air Quality course in Boston, sponsored by Harvard School of Public Health; $225. Harvard School of Public Health, Office of Continuing Professional Education, 677 Huntington Ave., LL-23, Dept. B, Boston, Mass. 02115-6023; 617-432-1171.

MARCH 25-28. Quantitative Industrial Hygiene course in Cleveland, sponsored by American Industrial Hygiene Association; $855 for members, $995 for non-members. **Also July 29-Aug. 1** in Cleveland. AIHA Continuing Education Department, 2700 Prosperity Ave., Suite 250, Fairfax, Va. 22031; 703-849-8888.

MARCH 25-29. Occupational & Environmental Radiation Protection course in Boston, sponsored by Harvard School of Public Health; $1,295. Harvard School of Public Health, Office of Continuing Professional Education, 677 Huntington Ave., LL-23, Dept. B, Boston, Mass. 02115-6023; 617-432-1171.

MARCH 25-29. Fundamentals of Industrial Hygiene course in Boston, sponsored by Harvard School of Public Health; $1,095. Harvard School of Public Health, Office of Continuing Professional Education, 677 Huntington Ave., LL-23, Dept. B, Boston, Mass. 02115-6023; 617-432-1171.

MARCH 25-29. Practicing Property Conservation seminar in Norwood, Mass., sponsored by Factory Mutual Engineering Corp.; $995. Factory Mutual Engineering Corp., Attn. Insured Education, Training Resource Center, P.O. Box 9102, Norwood, Mass. 02062; 617-255-4606.

MARCH 26-28. Funding Catastrophe Protection: Using Securitization to Enhance Capacity forum in New York, sponsored by Insurance Advisory Council; $1,295. International Quality & Productivity Center, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07424; 800-882-8684.

MARCH 27-28. Administering an Employer's Workers Compensation Program seminar in Livonia, Mich., sponsored by Ed Welch on Workers' Compensation; $545. **Also April 9-10** in Los Angeles; **April 24-25** in East Lansing, Mich.; **April 25-26** in Portland, Ore.; **May 2-3** in San Francisco; **May 7-8** in Minneapolis. Michigan State University's Human Resources Education and Training Center, 4990 Northwind Drive, Suite 230, East Lansing, Mich. 48823; 517-355-9591.

MARCH 27-29. The Primary Care/Behavioral Healthcare Summit in San Diego, sponsored by CentraLink; $795. CentraLink, 1110 Mar West St., Suite E, Tiburon, Calif. 94920; 415-435-9092.

MARCH 28. Applied Ergonomics in the Office Setting: Work Station Boot Camp in Seattle, sponsored by University of Washington; $159 for non-profit organizations, $199 for profit. Northwest Center for Occupational Health and Safety, Department of Environmental Health, University of Washington, 4225 Roosevelt Way N.E., Suite 100, Seattle, Wash. 98105-6099; 206-543-1069.

MARCH 28. The Second Annual Educational Outreach Program in Association with the U.S. Department of Labor in Dallas, sponsored by the International Foundation of Employee Benefit Plans; $125. **Also March 29** in New Orleans, **April 29** in Atlanta, **April 30** in Greensboro, N.C. IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710

MARCH 28-29. Using Health Services Research to Improve Plan Performance conference in San Diego, sponsored by Group Health Assn. of America/American Medical Care Review Assn. and the Agency for Health Care Policy and Research; $400. GHAA/AMCRA, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036-3403; 202-778-3269.

APRIL

APRIL 1-2. The 1996 Annual Workers Compensation Issues Symposium in Orlando, Fla., sponsored by the National Council on Compensation Insurance; $595 for attendees, $1,000 for exhibitors. James Wolfe, NCCI, 750 Park of Commerce Drive, Boca Raton, Fla. 33487; 407-997-4749.

APRIL 3. Minimizing Environmental Risk in Real Estate: An Opportunity conference in Exton, Pa., sponsored by The Center for Environmental Risk Management; $195. The Center for Environmental Risk Management, Jacque Kakareka, 520 Eagleview Blvd., P.O. Box 636, Exton, Pa. 19341-0636; 800-ECS-1414.

APRIL 8-9. Insurance Company Financial Statements—Property/Casualty seminar/workshop in New York, sponsored by the College of Insurance; $595. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

APRIL 8-10. The NCOIL Summit in Salt Lake City; sponsored by the National Conference of Insurance Legislators; $250 for member legislator, $275 for non-member legislator, $400 for industry advisory committee and $650 for industry non-member. NCOIL, 122 S. Swan St., Albany, N.Y. 12210; 518-449-4698.

APRIL 9-12. Information Systems for Managed Care and Integrated Delivery Networks course in Boston, sponsored by Harvard School of Public Health; $995. Harvard School of Public Health, Office of Continuing Professional Education, 677 Huntington Ave., LL-23, Dept. B, Boston, Mass. 02115-6023; 617-432-1171.

APRIL 10-11. Insurance Company Financial Statements—Life/Health seminar/workshop in New York, sponsored by the College of Insurance; $595. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

APRIL 11. Influencing Behavior for Good Health seminar in Chicago, sponsored by The Wellness Planning Coalition; $100 for members, $125 for non-member. Midwest Business Group on Health, 8303 W. Higgins Road, Suite 200, Chicago, Ill. 60631; 312-380-9090.

APRIL 11. 70th Annual Insurance Club of Pittsburgh I-Day in Pittsburgh, sponsored by the Insurance Club of Pittsburgh; $52 in advance, $57 at the door. Insurance Club of Pittsburgh, 1710 Investment Building, Pittsburgh, Pa. 15222; 412-471-7488.

APRIL 14-19. The 23rd International Workers' Compensation College in Phoenix, sponsored by the International Association of Industrial Accident Boards and Commissions; $550 for members, $650 for non-members. International Worker's Compensation College, 8643 Hauser, Suite 200, 87th Street Parkway, Shawnee Mission, Kan. 66215; 913-541-1131.

APRIL 15-16. The Fourth Annual Property & Casualty Claims Litigation Management forum in New York, sponsored by the Institute for International Research; $1,295. IIR, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 800-999-3123.

APRIL 15-16. Reinsurance Seminar in Charlotte, N.C., sponsored by the Society of Insurance Receivers and the National Assn. of Insurance Commissioners; $300 for state insurance department staff, $500 for others. NAIC, Education and Training Department, 120 W. 12th St., Suite 1100, Kansas City, Mo. 64105-1925; 816-374-7192.

APRIL 17-19. The 17th Annual Petroleum Insurance and Environmental Protection Conference in Houston, sponsored by the Professional Development Institute, University of North Texas and Self-Insurance Resource Inc.; $545 for conference only, $195 for April 17, workshop only, $645 for both. Mary Ann Crow, Conference Center, Professional Development Institute, P.O. Box 13288 NT Station, Denton, Texas 76203-6288; 800-433-5676 or 817-565-2483.

APRIL 17-19. Environmental and Chemical Exposure Seminar in San Francisco, sponsored by the Defense Research and Trial Lawyers Assn.; $495 for members, $545 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

APRIL 18. APIW Luncheon in New York, sponsored by APIW; $35 for members, $40 for non-members. Paula Gould, 212-345-6526.

APRIL 18-19. Challenges in California Workers' Compensation Symposium in San Francisco, sponsored by the California Commission on Health and Safety and Workers' Compensation; $150. CHSWC, 30 Van Ness Ave., Suite 2122, San Francisco, Calif. 94102; 415-557-1304.

APRIL 18-20. Mealey's Insurance Insolvency & Reinsurance Roundtable in Scottsdale, Ariz., sponsored by Mealey Publications Inc.; $925. Mealey Publications Inc., P.O. Box 446, Wayne, Pa. 19087-0446; 610-688-6566 or 800-MEALEYS.

APRIL 21-26. The 34th Annual Risk & Insurance Management Society Inc. conference in Toronto; full-week until Feb. 16: $695 for RIMS members; $795 for non-members; after Feb. 16: add $100. Risk & Insurance Management Society Conference Department, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292.

APRIL 22. The Benefit Communication Institute in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; $685 for members, $775 for non-members. IFEBS, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 257.

APRIL 23. 401(k) Plans From A to Z workshop in Fort Lauderdale, Fla., sponsored by Corbel. $235. **Also April 25** in Orlando, **May 21** in Philadelphia, **May 23** in Syracuse, N.Y. Education Services, Corbel, P.O. Box 47720, Jacksonville, Fla. 800-326-7235.

APRIL 23-24. The Flexible Benefits Course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $510 for members, $570 for non-members; Registrations Department, IFEBS, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 257.

APRIL 23-25. The Fundamentals of Purchasing Reinsurance Seminar in Dallas, sponsored by the Reinsurance Management Institute at the University of Dallas; $595. Reinsurance Management Institute, University of Dallas Station, 1845 E. Northgate Drive, Irving, Texas 75062-4799; 214-721-5360.

APRIL 23-26. Implementing Job Modification in a Comprehensive Work Injury Management Program in Kansas City, Mo., sponsored by Advantage Health Systems Inc.; $500. Advantage Health Systems, 920 Main St., Suite 700, Kansas City, Mo. 64105; 800-279-0491.

APRIL 24. Securities Litigation Loss Prevention seminar in Chicago, sponsored by PRMS Inc.; no charge. PRMS Inc. 3401 Enterprise Parkway, Suite 430, Beachwood, Ohio 44122; 216-766-5416.

APRIL 24-26. Worksite Marketing: Mass Marketing Insurance Institute 1996 Annual Meeting in Orlando, Fla., sponsored by Mass Marketing Insurance Institute; $300. MMII Headquarters, 3101 Broadway, Suite 585, Kansas City, Mo. 64111; 816-561-1920.

APRIL 26. Ocean Cargo Insurance workshop in New York, sponsored by the College of Insurance; $95. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

APRIL 26. Inland Marine Insurance workshop in New York, sponsored by the College of Insurance; $95. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

•

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the cost, if any, to attend the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

Looking to reach the executives in the U.S. or in non-U.S. corporations who are responsible for risk management, employee benefits and finance?

Look no farther!

Now, *BI's* two Directories of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services are available on disk.

Now Available
Directories of Corporate Buyers
... ON DISK ...
from
Business Insurance
call:
313-446-1623
ask for the 1995/96 BID Software

In the U.S.-based edition you'll find nearly 3,200 companies with more than 16,000 executives listed. In the non-U.S. edition, 3,000 executives from more than 500 companies outside the U.S. are listed.

The 1995/96 BID Software costs only $595 each edition. Buy both and save $195. Available for the PC only.

ADVERTISER INDEX

Issue of March 11

ADVERTISER	PAGE #
Burnham Systems	19
Business Insurance	9,14
Carvill America, Inc.	10
Duncanson & Holt	24
Wm. H. McGee & Co., Inc.	4
NYL Care	7
Peabody & Arnold	12
RPLU	6
State Comp. Ins. Fund	9CA
USA Health Network	13
Wausau Insurance Company	5

Collapse

Continued from page 3

operating from offices in Maitland, Fla. Writing mainly personal annuity and life contracts, the insurer in 1993 reported premiums of $112.5 million, total assets of $453.3 million and policyholder surplus of $36 million.

The Delaware Insurance Department, increasingly worried about its assets, first placed the insurer under confidential supervision and then, in May 1994, ordered it into rehabilitation. Ultimately charging that $200 million of the company's assets were missing, regulators obtained a liquidation order in 1995.

Regulators and Met Life last week announced plans for Met Life to take over 20,595 annuity contracts and 3,888 life policies with a retro-active assumption date of Jan. 1.

Since National Heritage has no assets to transfer along with the assumed liabilities, state guaranty funds effectively will be funding Met Life's reserves with an immediate payout of $402 million.

The plan was awaiting Delaware court approval last week but is expected to close in May, at which time the guaranty funds will have to kick in. The biggest contributions are to come from: Florida, $147.4 million; Michigan, $73.5 million; and Texas, $72.2 million.

"This is the largest amount we have ever had to come up with in one year," said Dana Carroll, manager-insurance services at NOLHGA.

Other life insolvencies have been bigger, but those estates had at least some assets to cover claims and guaranty fund payouts have been spread over several years. Guaranty funds, for instance, will pay out $2.73 billion from the Executive Life Insurance Co. collapse. But that will be spread over seven or eight years and the initial 1992 payout was only $100 million, NOLHGA said.

The guaranty funds may ultimately recover some of their National Heritage payout, if liquidators can dispose of some $200 million in illiquid assets and win lawsuits now pending in several states.

The National Heritage collapse triggered an intensive investigation by the FBI, Internal Revenue Service, U.S. Postal inspectors and the U.S. Attorney in Orlando, Fla.

Mr. Davies was the first person indicted in the probe. According to the indictment, he defrauded National Heritage after gaining control of its parent in 1990 with partners Patrick Smythe and Lambert G. Aloisi, who are not named defendants.

The three men were owners of Tri-Atlantic Holdings Ltd., which offered to contribute $4 million in new capital to the then-troubled insurer in exchange for Lifeco stock, the indictment says.

At the closing, Mr. Davies turned over a check for $4 million drawn on an account set up by Michael D. Blutrich, Tri-Atlantic's New York lawyer. The account actually contained only $1 million, though, including $525,000 in allegedly stolen funds, the indictment says.

Once Tri-Atlantic had control of Lifeco, Mr. Davies became treasurer, Mr. Aloisi president and Mr. Smythe secretary of National Heritage. Mr. Davies and Tri-Atlantic then arranged to transfer $3 million in National Heritage money to the Blutrich account to cover the $4 million check, prosecutors allege.

Mr. Davies later arranged another $14.1 million in fraudulent loans to companies he secretly controlled or to companies that then forwarded the proceeds to Mr. Davies' firms, prosecutors allege.

Delaware regulators forced Mr. Davies to sever his links to Lifeco in 1991 after learning that he had been convicted on firearms charges in the United Kingdom.

Mr. Davies is to be arraigned later this month, and was expected last week to be released on bond.

Meanwhile, Delaware regulators are suing many of those allegedly involved in National Heritage's demise for fraud and negligence. Lawsuits include:

• A complaint filed in federal court in Orlando against Mr. Smythe, Mr. Aloisi, Mr. Blutrich, Houston lawyer Richard M. Plato and several others.

It charges the defendants conspired to swindle National Heritage by arranging for it to swap more than $100 million in securities for a block of mortgages worth far less than Mr. Plato had represented. In the process, the defendants siphoned off $15.8 million through a trust company controlled by Mr. Plato.

None of the defendants or their lawyers could be reached.

• A suit in federal court in New York against National Housing Exchange Inc., from which National Heritage bought its largest single asset, $126 million in mortgage-backed debentures.

Keith Pound, president of a Lifeco mortgage unit, told Delaware regulators in 1994 that the debentures were "highly overcollateralized" and would yield 12.5%, according to findings by a federal magistrate.

In fact, though, mortgages backing the debentures had been acquired at a Resolution Trust Corp. auction using National Heritage's own money, and up to 90% were non-performing at year-end 1993, the magistrate found. Delaware regulators allege the debenture sale was fraudulent; the defendants generally deny that.

• A complaint in federal court in Orlando against Standard Chartered Bank P.L.C. of England, which allegedly loaned $35 million to two "shell" firms represented by Mr. Blutrich and Mr. Smythe using assets of National Heritage as collateral. The two firms defaulted and the bank liquidated the assets, the suit alleges. BI

Tennessee

Continued from page 1

neys, who face proposed restrictions, including a $10,000 cap on legal fees in some claims resolved before trial.

Tennessee and Alabama are the only two states in which contested workers comp cases go directly to the courts, rather than through a separate administrative hearing system. The litigious system expands the duration of disagreements and drives up attorneys' fees, critics say.

"With a few minor corrections, it is 93% assured of passage," said Carter Witt, president of the Tennessee Assn. of Business, which has more than 1,700 members with between three and 20,000 employees.

"This is a good start," said Steve Millikan, vp of workers comp for the Schaumburg, Ill.-based Alliance of American Insurers, which participated in a broad-based coalition that developed reform goals.

Employers particularly favor moving to a loss-cost system from prior approval of fully developed rates, which include an insurer expense component. They believe it will create a more competitive market for workers comp insurance and, thus, help depopulate the residual market pool, where 52% of all premium is currently written.

"The marketplace, and not government officials in Nashville, should determine rates," said David Goetz, executive director of the Tennessee Business Roundtable, which represents 200 employers. "Competition best serves the interests of businesses in the state and will, over time, hold down rates and reduce the size of the assigned risk pool," he said in a statement.

Employers also favor streamlining the rate approval process to allow the commissioner of commerce and insurance to decide on advisory prospective loss costs. The current system requires three state officials—the insurance commissioner, secretary of state and governor—to give prior approval to fully developed rates.

Charles Fentress, state director of the National Federation of Independent Business in Nashville, which represents mostly small businesses, endorses the streamlining, too. "It's better market-driven than politically driven."

"The rate approval process is unique and lends itself to delays in final resolution of rate cases," explains Peter Burton, senior vp of the National Council on Compensation Insurance in Wayne, Pa. The NCCI files rates on behalf of workers comp insurers and manages the assigned risk pool in Tennessee.

Some employers hope a more competitive market may help lower workers comp premium rates, too.

Bill Weigel, owner of Weigel Stores in Knoxville, told a legislative committee recently that the workers comp costs for his small dairy and several convenience stores increased nearly 25% in the last 2½ years. It now amounts to 60% of his total $500,000 insurance bill. "If this continues, we won't survive," he said.

Overall, though, rate increases in Tennessee have been relatively low during the past several years, though employers there have not had the rate decreases several other states enjoyed after passing reforms.

The NCCI is still seeking a 4.8% rate increase, which the secretary of state rejected recently, but did not kill, Mr. Burton said.

Despite its many positives, the reform proposal, "doesn't go far enough," said the NFIB's Mr. Fentress, echoing the sentiments of some other business groups. Legislators are failing to address two knotty problems, they say.

One is that a formula is needed to determine appropriate benefit levels for injured workers, considering factors such as their age, education and skills, said the roundtable's Mr. Goetz. That will solve the problem of judges sometimes ordering "wildly different" levels of benefits for similar injuries, particularly permanent partial disabilities, he said.

Clearer definitions of what constitutes a compensable injury are needed to ensure that workers comp benefits are being used to pay only work-related disabilities, he added.

The Legislature is expected to discuss such changes next year.

The roundtable wants to see greater use of independent medical exams to replace "dueling doctors" in contested cases, Mr. Goetz said.

For their part, employees generally favor reform proposals, especially beefing up the commissioner of labor's authority so he can enforce existing laws that require initial benefits be paid within 14 days, instead of the 30 or more days it usually takes, said Jim Neeley, president of the Tennessee AFL-CIO.

Slow payments are a tactic insurers use to "starve (claimants) out," said Brian McGuire, state director of Tennessee Citizen Action, a consumer group in Nashville. BI

ADA

Continued from page 3

these and the common sense of these strike me."

In other instances, Sears permitted an employee whose head was shaved due to brain surgery to wear hats at work, allowed an employee to sit all day on a stool after foot surgery, and gave a flexible work schedule to a worker with mild cerebral palsy to facilitate use of public transportation. None of the actions cost Sears anything.

It can be great for companies willing to make such accommodations to retain disabled workers; firing and replacing a Sears employee cost $1,800 to $2,400 on average in the period covered, the report said.

Sears seldom had to spend several hundred or thousands of dollars to accommodate a disabled employee, but instead follows a corporate ethic in which the company is "literally making hundreds of accommodations a day that they don't document," Mr. Blanck said.

Despite its workforce of 300,000, Sears keeps official ADA claims low by encouraging employees to solve their problems informally. For example, the company has a toll-free telephone number on which Sears workers can discuss confidential ADA-related questions. That phone line, which is part of the Sears Ethics and Business Policy Assist Program, is staffed by employees who are trained to handle ADA-related questions. Supervisors and employees are encouraged to find remedies to work-related difficulties without reporting them to superiors.

"The corporate culture and the business goals are more important, I believe, than any corporate dog-and-pony show," Mr. Blanck said.

Sears had 141 formal cases of ADA-related dispute resolution between 1990 and 1995, and, unlike at many other companies, few have gone to court.

"Virtually all of them (would) have been the subject of litigation in other corporate settings," Mr. Blanck said.

Nearly half—61 cases—were orthopedic cases, and Mr. Blanck said he believes one improvement Sears can make to its risk-prevention program is a better back-injury prevention program.

Sears executives were not available for comment last week.

Mr. Blanck made these conclusions about corporations generally:

• Despite the protestations of some businesses, the ADA has not placed an undue burden on corporations to accommodate the disabled.

• Companies must develop ways to measure how much time they actually spend planning accommodations for people with disabilities. Doing so, he said, would enable companies to determine if they are dealing with such cases efficiently and also help generate a pool of data through which corporate America can analyze the costs of ADA compliance.

• More data on companies' accommodations for disabled workers is needed, even if some companies fear violating workers' privacy and risking a lawsuit.

•

For a free copy of "Communicating the Americans with Disabilities Act—Transcending Compliance: 1996 Follow-up Report on Sears Roebuck & Co.," write to the Annenberg Washington Program, Willard Office Building, 1455 Pennsylvania Ave. N.W., Suite 200, Washington, D.C. 20004-1008."

Days Inn disputes liability for franchisees' ADA duties

By ROBERT KAZEL

WASHINGTON—A guest using a wheelchair arrives at a hotel, only to discover a steep access ramp without handrails, cramped space in the bathroom and clothes rods in the closet too high to reach.

If the hotel was built within the last three years, its owner could face stiff penalties under Title III of the 1990 Americans with Disabilities Act. But who is liable for correcting violations if the hotel is run by an independent franchisee, and the franchiser disclaims all responsibility?

That question may be answered by a legal clash between the U.S. Justice Department and the Days Inn of America Inc. hotel chain.

In suits filed in federal district courts last month, the Justice Department claims that five Days Inn franchisees failed to comply with the ADA. The five suits seek $50,000 fines for each hotel and ask Days Inn, its parent company, Parsippany, N.J.-based Hospitality Franchise Systems Inc., the franchise owners, architects and general contractors to bring the hotels into compliance.

The Justice Department said it has found ADA violations in 28 new Days Inn hotels in the last 18 months. Most owners have agreed to cooperate in correcting violations, but the department said the five who were sued refused.

Days Inn has 1,700 franchise hotels.

Title III of the ADA requires that public accommodations built and designed after January 1993 conform to architectural guidelines ensuring safety and access for the disabled.

Days Inn is partly culpable because it helped plan the hotels and sometimes reviewed designs and inspected facilities, the Justice Department says. But the franchiser cannot be held responsible for its franchisees, said Jeanne Murphy, vp and corporate counsel of Days Inn. "The franchisee owns the hotel," she said. "We don't operate them. We don't control what goes on there. We can't fix these hotels. We don't have the right to do that. From a business standpoint, we have no choice."

Although Days Inn requires new franchisees to agree to abide by a set of standards and to sign a licensing agreement, and though hotels must pledge to comply with the ADA rules, Days Inn has no power to police the franchisees to correct violations, Ms. Murphy said. Although Days Inn offered to work with the franchises to correct the ADA violations, the Justice Department refused to accept any arrangement unless Days Inn accepted at least some liability for the infringements, she said. Doing so would create a dangerous precedent for future dealings with franchisees, she said.

"We don't believe we have any liability and the Justice Department apparently thinks we have 100% liability," she said.

Several days before the Justice Department filed suit, Days Inn filed its own suit against the department in U.S. District in Pecos, Texas, asking a judge to clarify the hotel chain's responsibility for franchisees under the ADA.

Missouri

Continued from page 2

into active and runoff operations on Feb. 7, and seven states where CIGNA subsidiaries are domiciled approved portions of the plan shortly afterward (*BI*, Feb. 12).

The potential impact of the regulatory maneuvering on the A- solvency rating that CIGNA's active operation has received from A.M. Best Co. is unclear. The rating was the prime motivation behind CIGNA's reorganization into active and runoff operations.

Best may have to reassess the rating if a significant number of policyholders move back to the active operation, but it will wait until the regulatory action plays out, said Eric Simpson, a vp with Best's property/casualty division in Oldwick, N.J.

The A-, or excellent, rating is crucial for CIGNA. It is the lowest one that will still attract quality business, CIGNA has said. Without it, CIGNA's property/casualty operations could face financial peril as policyholders opt for higher-rated insurers, they said.

CIGNA earned the rating by moving 80% of its asbestos and environmental liabilities to the runoff operation and backing them with a sizable addition to reserves, capital contributions and reinsurance protection.

CIGNA officials say the plan fully funds the insurer's long-tail liabilities three times over.

The active company retains the remaining 20% of those liabilities, but they are 100% reinsured by the runoff operation. If the runoff facility fails, which CIGNA and its supporters say is extremely unlikely, the active operation would be contingently liable for only that 20%.

But, the side deals that regulators are seeking, if successful, could significantly boost the percentage of long-tail liabilities that the active operation ultimately would be obligated to cover.

If the regulators get the deals they want with CIGNA and those deals affect an aggregate of 5% or more of the policyholders that would have been moved to the runoff facility, California could seek a similar deal as well.

California was one of seven states that had to sign off on the reorganization plan, and it quickly did so. But, the approval letter to CIGNA contained that 5% threshold provision.

A Feb. 10 letter from Steven C. Divine, director of Missouri's financial division, to James F. Meehan, CIGNA's assistant general counsel, spells out the timetable for CIGNA to notify its Missouri policyholders with long-tail claims about the company's plan to move their coverage into the runoff facility.

The letter states that if policyholders dispute this move and CIGNA cannot reach a settlement with them within a specified time, the department will "adjudicate the rights of the parties."

Mr. Meehan signed a postscript acknowledging he received the letter and agreed to the department's terms.

A CIGNA attorney has asserted that the Missouri deal provides policyholders in that state no greater protection than policyholders in other states have.

Ed K. Ota Jr., assistant general counsel for CIGNA Property & Casualty Insurance Co., also suggested that California regulators would take no further action.

Mr. Ota expressed his views in a letter published in *Business Insurance* late last month (*BI*, Feb. 26).

In addition, a CIGNA spokesman blasted *Business Insurance*'s coverage of the company's reorganization plan and the efforts by some policyholders and rival insurers to derail it. "We believe that *Business Insurance* is moving from reporting the story to taking an active role in creating the story," a CIGNA spokesman said.

But, Mr. Divine reiterated last week that his interpretation of the Missouri deal is that it gives the state's CIGNA policyholders the opportunity to decide whether they will be covered by the active or runoff operation. No other CIGNA policyholders have that right.

And, California Deputy Commissioner Norris W. Clark states in a Feb. 21 letter to CIGNA that the deal Missouri claims it struck could trigger the 5% provision if policyholders receive "additional or alternative benefits."

Missouri regulators pressed CIGNA for their deal because they believed CIGNA's plan violated the state's assumption reinsurance law, Mr. Divine explained.

That law, based on a National Assn. of Insurance Commissioners model law, prohibits insurers from moving policyholders into unlicensed companies without their prior consent.

CIGNA's lead runoff company, Century Indemnity Co., is licensed in all states. But, CIGNA first moved policyholders through a new entity, which it created for literally moments by dividing INA in two under a unique Pennsylvania law. Regulators in Missouri and some other states considered the new entity unlicensed.

Some state guaranty funds, as well as the National Conference of Insurance Guaranty Funds, agree. The NCIGF informed the Pennsylvania department in a December hearing on the plan that guaranty funds probably would take that position (*BI*, Dec. 11, 1995).

CIGNA officials have said regulators and the NCIGF do not understand its reorganization plan. Policyholders remain covered by their original insurer or its legal successor, CIGNA has said.

Eight states have adopted assumption reinsurance regulations, noted Mr. Divine, who contacted all of them about the Missouri deal. Those states are Oregon, Colorado, Georgia, Maine, Nebraska, North Carolina, Rhode Island and Vermont.

North Carolina regulators are studying whether CIGNA's reorganization complied with the state's assumption reinsurance law and, more importantly, whether North Carolina policyholders would have guaranty fund protection if the runoff facility fails, said Deputy Commissioner Ray Martinez.

Colorado regulators have not completed analyzing whether CIGNA's reorganization plan violated the state's assumption reinsurance regulation, Deputy Commissioner Maryellen Waggoner said. Colorado has asked CIGNA to submit by Wednesday a plan for communicating an explanation of its reorganization to policyholders.

Georgia is reviewing the Missouri deal. Regulators in Maine, Nebraska, Rhode Island and Vermont could not be reached.

Michigan does not have such an assumption reinsurance regulation. But, Insurance Commissioner D. Joseph Olson said he has concerns about the adequacy of the runoff operation's reserves, which he has called "doubtful," (*BI*, Jan. 22).

Besides giving policyholders a choice of which operation they are in, Mr. Olson would like the active operation to provide additional reinsurance for the runoff facility and to guarantee that it will respond if the runoff company fails and the state guaranty fund refuses to cover claims. BI

Florida agent convicted of fraud

Mason sentenced to 10 years in prison for issuing bogus policies

By DOUGLAS McLEOD

TALLAHASSEE, Fla.—A state judge has sentenced a Florida insurance agent to 10 years in prison for collecting more than $2 million in premiums on phony policies he issued in the name of Assicurazioni Generali S.p.A. of Italy.

Michael T. Mason, former head of International Assurance Underwriters of Maitland, Fla., was convicted of racketeering and organized fraud charges for issuing more than 170 bogus policies covering hundreds of millions of dollars of commercial property in Florida and seven other states.

The conviction followed a lengthy investigation and a one-week trial in which prosecutors were assisted by convicted felon John V. Goepfert.

Leon County Circuit Judge L. Ralph Smith Jr. also sentenced Mr. Mason to 30 years probation, barred him from the insurance business in the state and ordered him to pay $791,090 in fines and restitution.

Mr. Mason is appealing the conviction.

Starting in 1991, Mr. Mason's IAU was one of several agencies producing small commercial risks for Generali under a program managed by two London brokers.

Leslie & Godwin Ltd., an Aon Group unit now known as Nicholson Leslie Group Ltd., acted as lead broker on the hospitality program underwritten by Generali, documents show.

Leslie & Godwin in turn drew business from Citadel Insurance Services Ltd., another London broker that itself acted as a conduit for risks generated by IAU and other U.S. agents.

Citadel's managing director, Maurice Rutty, hired Mr. Goepfert as a consultant on the Generali program, documents show.

Mr. Rutty formerly headed Accolade Underwriting Agency Ltd., manager of a now-defunct reinsurance pool that was hit with scores of lawsuits over unpaid claims in 1988 (*BI*, Dec. 5, 1988).

Accolade also acted as a reinsurance intermediary for Kenilworth Insurance Co. of Illinois, which collapsed in 1982 and which Mr. Goepfert later pleaded guilty to defrauding, Illinois Insurance Department documents show (*BI*, Aug. 16, 1993).

While IAU's Mr. Mason initially produced business following guidelines established for the program, he also started issuing Generali policies and collecting premium without reporting it to the other brokers or Generali, according to David Audlin, Florida chief assistant statewide prosecutor.

Eventually, the bad policies numbered more than 170, on which Mr. Mason collected more than $2 million in premiums and taxes, Mr. Audlin said. Mr. Mason offered several false explanations for the bogus policies as the scheme unraveled, first blaming an IAU employee, then saying former Leslie & Godwin Director Barrie West had approved them and later maintaining that Mr. Goepfert had approved them, Mr. Audlin said.

Mr. Goepfert and others involved with the program cooperated with a Florida Insurance Department investigation and later aided prosecutors in the criminal case, according to Mr. Audlin. Mr. Goepfert, Mr. Rutty and Mr. West all testified for the prosecution at Mr. Mason's trial.

State investigators recovered about $1.1 million of the diverted premium from Mr. Mason's bank accounts.

Generali also issued valid policies covering most of the businesses Mr. Mason had defrauded with bogus policies. BI

Lloyd's notifying names of likely Equitas premiums

LONDON—Lloyd's of London members will receive an indication this week of the cost of the reinsurance premium to close all of their 1992 and prior liabilities into Equitas Ltd.

Approximately 34,000 members will have a chance to assess what a Lloyd's spokesman described as "the last element in the bridge structure" between the old and new Lloyd's. The statements provide each member with an estimate of individual liabilities, credits, personal stop-loss recoveries, litigation settlement amounts and debt credits, based on results through Dec. 31, 1994.

In a letter to members accompanying the four-page statement, Chairman David Rowland points out that the figures "could change in a number of ways before we make the final offer."

Uncertainties that could affect the final premium for each member include possible errors in the data being used. Members are asked to inform their agents of any inaccuracies.

Also, the Equitas reserving work is still under way, though a spokesman said that variations across a member's spread of syndicates would probably even out changes. Litigation settlement sums and debt credits may also change, and discussions with personal stop-loss underwriters are not expected to be concluded before May. If aggregate Equitas figures—which stand at £13.2 billion ($20.2 billion)—do not change, Lloyd's estimates that the indicative figures will vary by no more than £15,000 ($22,950) for 95% of members.

Lloyd's has moved back the date of its annual general meeting more than a month to July 15 to give members more time to review the plan.

—*By Sarah Goddard*

OSHA

Continued from page 2

portunities Subcommittee on Workforce Protection and sponsor of H.R. 1834, the Safety and Health Improvement and Regulatory Reform Act.

The act, which Rep. Ballenger introduced last year, would, among other things, require that at least half of OSHA's budget be spent on non-enforcement activities and that the Mine Safety and Health Administration merge with OSHA.

The Clinton administration has "essentially stopped the chances for comprehensive OSHA reform this year" by threatening to veto both the House bill and the less-sweeping Senate bill, Rep. Ballenger said last week during a conference sponsored by UBA Inc., a Washington-based employer group.

"This year is an election year and due to the fact that the president and vice president have a commitment to the labor unions," there aren't going to be any major changes" to OSHA, he said.

He said he decided not to push ahead with his bill in the House because he did not want to jeopardize the re-election chances of the 73 freshman GOP House members in the face of a certain veto that he would have no chance of overriding.

He promised, however, that even though H.R. 1834 "may not do anything but rattle cages this time," he would continue to push for reform in the future. He also held out the possibility that very limited legislation containing only reforms that the administration supports might be introduced this session.

Joseph Dear, the U.S. assistant secretary of labor who heads OSHA, outlined what would be acceptable to the White House in remarks later in the day at the same conference.

These initiatives include codifying OSHA's Voluntary Protection Program and providing a defense for employers when trained employees deliberately disobey safety regulations. But he made clear that the administration would not support any reform legislation as it currently exists. Enactment of either bill would result in increased deaths and injuries in the workplace, he said.

Reform proponents dispute Mr. Dear's contention.

Tom O'Day, associate vp-federal affairs for the Alliance of American Insurers in Washington, said: "I do not think that the safety and health of this nation depends on the future of OSHA. OSHA has contributed to that and will continue to contribute to that, but there are dynamics in the marketplace that have contributed to safety and health."

Mr. O'Day said it was "unfortunate" that the Ballenger bill is apparently dead, "but it happens, this is the political year that arrives every four years and that makes it as partisan as it can possibly be, as gridlocked as it can possibly be, and issues like this one unfortunately get caught in that."

Rep. Ballenger's decision to stop pushing his reform bill was not unanticipated, said Paul Brown, director of government affairs for the Risk & Insurance Management Society Inc. in New York.

"It doesn't come as a surprise to us. We've always viewed Chairman Ballenger's bill as a little too extreme to get through the Senate," he said.

One observer said the House might still act on reform.

"I think they're watching the Senate and determining what members want and are willing to support in a bill," said June D'Zurilla, associate director-employee relations for the National Assn. of Manufacturers in Washington. "I don't want to give a false sense of hope, but I don't think admitting there needs to be a substantial reworking of the bill is a throwing up of the arms in defeat," she said. BI

There's less magic in this year's market

By MYRON M. PICOULT

Special to *Business Insurance*

PRIMARY property/casualty companies and reinsurers have posted several good earnings years, including still-to-be-reported 1995 results. In addition, the stock market performance of many individual property/casualty equities outpaced the Standard & Poor's 500 Index for 1995 and those of most others were not far off the mark. In contrast, reinsurance equities posted stock price increases that averaged about 75% of the S&P 500 advance. We believe 1996 is likely to be a more challenging year for both primary and reinsurance equities in both stock market and earnings performance.

We believe there will be disappointments in both the premium growth and operating earnings—excluding capital gains or losses—of some insurers as 1996 progresses. The projected slowdown in premium growth is likely to mirror what is becoming an increasingly competitive pricing environment, particularly in casualty coverages. This trend is likely to be exacerbated by what appears to be a rush to gain market share by many of the participants, notwithstanding their commentary about "newfound disciplines." Yet actions clearly speak louder than words.

Moreover, as net investment income growth is pressured by decline in the yield curve, insurance companies will seek to offset this pressure by raising their retentions, which constrains reinsurance premium growth, and seeking market share through price cuts. In good times and bad times, there have always been war stories about individual price reductions on certain policies in certain geographic areas. However, while competition is endemic to the business, we believe the increase in this phenomenon is symptomatic of the more aggressive postures by purveyors to attract business. Some anecdotal evidence suggests policies being written that could be described as "one-loss policies": in essence, one loss literally offsets the premium.

Over the past few years, many insurance companies have buttressed their earnings by either reducing absolute reserve levels or increments to reserves, based on the exiting of some lines of business from certain jurisdictions and improved paid-loss trends. With respect to the former, in some instances, underwriters were adjusting reserve postures well ahead of average tails. Paid-loss trends have clearly been affected by the slowed pace of inflation, cost containment on medical care and some apparent positive changes on the tort front. Nevertheless, the industry's reserve history has at best been checkered. Hence, notwithstanding improvement in some of the components, we are skeptical of the reserve moves by many insurers. Our view is based on history, some evidence that retentions are being increased and the potential of looming potholes for some reinsurance recoverables.

In 1996, we believe earnings visibility and effective capital management in this group will become increasingly important, though not to the exclusion of strong balance sheets and strong cash flows. The earnings visibility factor is likely to become more important as evidence of shortfalls in corporate earnings and specific insurance company earnings surface. A strong balance sheet is important because it permits an insurer to walk away from deficiently priced business or to write more business at the appropriate time, while strong cash flows practically offset the pressure on net investment income. Last but not least is capital management: there are times in the insurance business when it makes more sense for management to buy back the company's stock than to "invest" in deficiently priced business.

It will be very interesting to see which insurers choose what options. Indeed, everybody loves a magic show until the money disappears. BI

Myron M. Picoult is a managing director and senior insurance analyst at First Manhattan Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

Employers have time to put 401(k) plans in order

WASHINGTON—Most employers that are delinquent in placing contributions into 401(k) plans can do so until Sept. 7 without facing any penalty under a new Department of Labor amnesty program.

To avoid fines, employers must tell the department that they have failed to deposit employee contributions on time.

Among the companies ineligible for amnesty are: those that fail to make timely deposits after April 5; those that have been notified by any federal agency that the government intends to investigate their plan; and those that have unpaid participant contributions that exceed the total amount of employee contributions received or withheld in 1995.

To get amnesty, employers must contribute the greater of the plan's actual returns during the time of delinquency or the amount of interest the contributions would have generated. The interest is calculated with the rates used for calculating interest on underpayment of taxes.

"This six-month grace period will, I believe, encourage employers who wittingly or unwittingly have misused their workers' savings to come clean," said U.S. Labor Secretary Robert Reich.

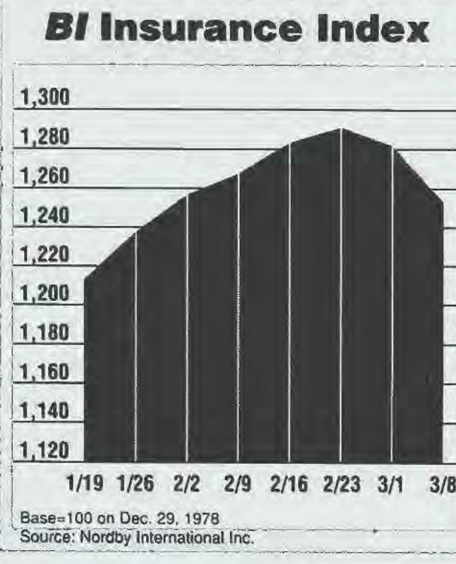
"Basically, they're just saying, 'put employees in the position they would have been in if things would have been done right to begin with,'" said Seth Tievsky, a principal of Ernst & Young L.L.P. in Washington.

The Labor Department's grace-period announcement follows by several months its announcement that it was tightening the rules on employer transfers of employee contributions. Under a 1988 regulation, transfers must be made as soon as possible and not more than 90 days after employees make contributions (*BI*, Dec. 18, 1995).

The department investigated some 300 employers for failing to follow the transfer rules. About 100 employers have already settled. Most of the companies investigated are small. Most large companies already transfer contributions very quickly.

—By Mark A. Hofmann

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of March 8

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1996		**West Annual**	
40/60	5.4/6	30/50	—/4.8
50/70	4/6	40/60	3.5/4.5
80/100	2.5/4	80/100	1.8/2.5
Southeast Sept. 1996		**Texas June 1996**	
40/60	4/5	10/20	1/1.8

Total volume: 100 Total open interest: 2,140

For information on PCS cat options, call 312-435-3674.

Source: Chicago Board of Trade

British Issues

March 7 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Comml Union	604	11.6	35.3	5.8	606—602
Genl Accident	653	9.8	38.8	5.9	653—648
Gdn Royal Exch	249	9.2	11.3	4.5	252—249
Independent	474	9.5	14.1	3.0	475—440
Royal	371	7.0	20.0	5.4	375—371
Sun Alliance	392	8.1	21.6	5.5	392—389
Brokers					
Bradstock	68	11.3	7.1	10.4	68—68
Fenchurch	125	8.4	10.6	8.5	126—125
CE Heath	166	10.4*	12.5*	7.5	170—166
JIB Group	106	11.2*	9.4*	8.9	107—105
Lloyd Thmpson	176	10.8	11.3	6.4	176—172
Lowndes Lmbrt	150	8.1*	11.0*	7.3	150—150
Nelson Hurst	170	11.3*	9.5*	5.6	170—170
Sedgwick Grp	135	10.5	8.1	6.0	136—135
Steel Brl Jones	44	5.5*	5.6*	12.7	44—44
Willis Corroon	162	14.6	8.3	5.1	162—157

Source: Philip Olsen, London * Actual. Others estimated.

BI Industry Stock Report MARCH 4, 1996, THROUGH MARCH 8, 1996

Company	Exch.	Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	28	0.45	-5.88	33.88	23.50	31	0.8	2.86	17	14.00	2.00
Alexander & Alexander	NYS	18.375	-1.34	-3.29	26.44	18.00	273	0.1	0.54	13	19.17	0.96
E.W. Blanch Holdings Inc.	NYS	25.25	0.00	8.02	25.50	16.50	90	0.4	1.58	19	4.93	5.12
Gallagher Arthur J. & Co.	NYS	37.75	-3.82	1.34	39.50	32.50	62	1.16	3.07	15	6.48	5.83
Hilb, Rogal & Hamilton	NYS	13.5	-1.82	0.93	14.38	10.50	106	0.6	4.44	16	1.21	11.16
Kaye Group Inc.	NDQ	7.25	-3.33	9.38	10.75	6.75	25	0.1	1.38	10	NA	NA
Marsh & McLennan	NYS	94.75	-3.81	6.76	101.63	76.13	800	3.2	3.38	17	19.95	4.75
Poe & Brown	NDQ	24.25	-3.00	-2.51	25.50	21.00	442	0.48	1.98	14	5.15	4.71
BROKERS	AVERAGE		-2.1	-0.5					2.7	17		
INSURERS/REINSURERS												
ACE Ltd.	NYS	45.875	-3.93	15.41	50.38	23.00	1431	0.00	0.00	0	22.45	2.04
Acceptance Insurance Cos.	NYS	14.5	0.00	-2.52	17.50	13.13	93	0.3	2.07	30	10.76	1.35
AEGON N.V.	NYS	42.625	-2.57	-3.13	46.75	27.50	95	1.08	2.53	16	17.28	2.47
Aetna Life & Casualty	NYS	75.625	0.50	9.21	78.75	53.13	2139	2.76	3.65	34	48.85	1.55
AFLAC Inc.	NYS	47.125	-1.05	8.33	49.50	36.50	816	0.52	1.10	13	17.58	2.68
Allied Group Inc.	NDQ	42.75	-0.58	18.75	44.25	26.50	222	0.88	2.06	9	21.81	1.96
Allmerica Prop. & Casualty	NYS	26.625	1.43	-1.39	27.25	18.25	1116	0.16	0.60	12	19.87	1.34
Allstate Corp.	NYS	42	-4.00	2.13	46.00	26.13	3927	0.85	2.02	10	18.75	2.24
American Financial Group	NYS	31.625	-1.56	3.27	34.50	22.88	883	1	3.16	8	24.94	1.27
American General	NYS	35.875	-3.04	2.87	39.13	30.38	1368	1.3	3.62	14	17.03	2.11
American Heritage Life Ins.	NYS	22.625	5.85	-1.09	23.88	16.25	11	0.72	3.18	11	12.51	1.81
American Indemnity/Fin'l	NDQ	10	0.00	0.00	13.25	9.00	1	0.3	3.00	-4	15.92	0.63
American International	NYS	95.125	-3.43	2.84	103.38	66.88	4316	0.34	0.36	18	34.66	2.74
American Re Corp.	NYS	36.5	-5.81	-10.70	45.00	32.75	1399	0.32	0.88	-20	16.77	2.18
Aon Corp.	NYS	51.75	-1.19	3.76	55.38	34.25	784	1.36	2.63	15	18.30	2.83
Argonaut Group	NDQ	33	0.76	1.54	35.00	28.88	46	1.32	4.00	14	29.91	1.10
AVEMCO Corp.	NYS	14.875	-2.46	-7.03	18.25	14.63	70	0.48	3.23	17	6.28	2.37
Baldwin & Lyons Inc.	NDQ	16.25	-1.52	0.00	18.00	14.25	36	0.32	1.97	8	13.90	1.17
Berkley W.R. Corp.	NDQ	47	3.87	-12.56	55.50	34.50	198	0.48	1.02	16	34.46	1.36
Berkshire Hathaway Inc.	NYS	37000	2.78	15.26	38000.00	21500.00	2	0.00	0.00	78	10089.11	3.67
Capital RE Corporation	NYS	34.75	1.09	13.01	35.13	22.00	231	0.24	0.69	11	27.82	1.25
Capsure Holdings Corp.	NYS	16.25	-2.99	-7.80	18.13	12.38	439	0.00	0.00	15	14.61	1.11
Chubb Corp.	NYS	96.375	-3.26	-0.39	104.38	57.00	1088	2.16	2.24	12	48.92	1.97
CIGNA Corp.	NYS	115.75	-3.74	12.11	125.50	68.25	1169	3.2	2.76	40	80.46	1.44
CNA Financial Corp.	NYS	115	-1.50	1.32	123.25	71.75	78	0.00	0.00	9	71.13	1.62
EMC Insurance Group Inc.	NDQ	12.375	-6.60	-10.00	15.25	9.75	8	0.56	4.53	8	11.13	1.11
EXEL Ltd.	NYS	69.75	-0.36	14.58	72.25	42.50	149	0.4	0.57	0	31.47	2.22
Fremont General Corp.	NYS	23.625	-1.05	-3.57	26.25	12.63	538	0.6	2.54	9	19.04	1.24
Frontier Insurance Group	NYS	31.375	-1.18	-1.95	33.75	20.25	62	0.48	1.53	13	14.65	2.14
Gainsco Inc.	ASE	10.375	-2.35	-8.79	12.38	8.31	159	0.05	0.48	13	3.98	2.61
General RE Corp.	NYS	148.5	0.85	-4.19	158.25	123.88	1569	2.04	1.37	15	59.35	2.50
Guaranty National Corp.	NYS	13.625	-1.80	-11.38	19.00	13.38	176	0.5	3.67	20	11.60	1.17
Harleysville Group	NDQ	27.5	0.00	-15.06	33.00	23.75	91	0.76	2.76	9	20.72	1.33
Hartford Steam Boiler	NYS	49.25	-1.01	-1.50	52.50	40.88	135	2.28	4.63	16	14.68	3.35
HCC Insurance Holdings	NYS	53.75	7.50	45.27	55.50	21.75	576	0.00	0.00	25	15.86	3.39
ITT Hartford Group	NYS	50.25	-4.06	3.88	53.75	47.38	3087	1.6	3.18	11	45.46	1.11
Lincoln National	NYS	52.625	-4.10	-2.09	57.00	39.75	638	1.84	3.50	11	28.90	1.82
Markel Corp.	NDQ	88.75	2.60	17.55	91.00	44.50	9	0.00	0.00	14	25.71	3.45
Meadowbrook Insur. Group	NYS	29.875	9.63	-10.82	33.88	24.00	92	0.08	0.27	22	NA	NA
Mid Ocean Ltd.	NDQ	39	2.63	5.05	43.00	26.13	917	0.25	0.64	0	22.18	1.76
Mutual Risk Mgmt. Ltd.	NYS	43.5	-3.33	-4.92	46.50	26.63	42	0.4	0.92	20	9.72	4.48
NAC Re Corp.	NYS	32.75	-2.96	-9.03	39.00	28.25	214	0.2	0.61	9	18.23	1.80
National Re Corp.	NYS	31.375	-4.56	-17.43	38.13	28.38	95	0.2	0.64	11	17.05	1.84
Navigators Group	NDQ	19.6875	5.00	11.70	20.25	12.75	94	0.00	0.00	19	10.21	1.93
Nobel Insurance Ltd.	NDQ	12.375	-2.94	8.79	12.75	8.75	78	0.2	1.62	6	6.84	1.81
Ohio Casualty Corp.	NDQ	36.75	-0.68	-5.16	40.00	29.00	80	1.6	4.35	13	23.64	1.55
Old Republic Int'l	NYS	33	-2.22	-7.04	36.50	23.63	664	0.52	1.58	9	25.79	1.28
Orion Capital Corp.	NYS	46.5	-1.59	7.20	47.75	34.25	95	1	2.15	10	26.00	1.79
Partner Re Ltd.	NDQ	30	-2.83	9.09	31.75	19.75	1423	0.00	0.00	0	20.37	1.47
Penn-America Group Inc.	NDQ	12	-3.03	-15.79	15.50	7.00	56	0.16	1.33	9	6.40	1.88
Philadelphia Cons. Holding	NDQ	20.25	-3.57	24.62	21.88	12.00	30	0	0.00	14	11.58	1.75
PXRE Corp.	NDQ	25	0.50	-5.66	29.75	21.00	41	0.72	2.88	5	21.27	1.18
Prudential Reinsurance	NYS	23.5	-1.57	0.53	25.13	18.50	1252	0.12	0.51	-	NA	NA
Reliance Group Holdings	NYS	7.75	-6.06	-10.14	9.25	5.00	2636	0.32	4.13	10	3.42	2.27
Reliastar Financial Corp.	NYS	45.5	-4.71	2.54	51.63	33.00	322	1	2.20	11	24.53	1.85
RenaissanceRe Holdings Ltd.	NDQ	26.875	-3.59	-11.52	33.13	20.72	573	0.00	0.00	0	NA	NA
Risk Capital Holdings	NDQ	20	-0.62	-14.44	23.38	19.75	192	0.00	0.00	333	NA	NA
RLI Corp.	NYS	25.125	-0.99	0.50	25.88	18.13	35	0.52	2.07	25	20.51	1.23
St. Paul Companies	NYS	54.125	-6.68	-2.70	60.50	46.13	609	1.76	3.25	10	32.46	1.67
SAFECO Corp.	NDQ	34.75	-5.12	0.72	39.75	27.00	1178	1.06	3.05	11	44.95	0.77
Seibels Bruce Group	NDQ	3	0.00	100.00	4.25	0.44	105	0.44	14.67	43	0.04	75.00
Selective Ins. Group	NDQ	35.625	-2.40	0.35	38.75	27.25	167	1.12	3.14	10	23.23	1.53
Sphere Drake Holdings	NYS	11.125	-1.11	-20.54	19.13	11.00	150	0.00	0.00	0	13.86	0.80
TIG Holdings	NYS	30.25	-5.84	6.14	33.13	18.88	1438	0.2	0.66	16	16.62	1.82
Titan Holdings, Inc.	NYS	13.375	0.00	-6.96	15.75	9.38	56	0.3	2.24	10	9.04	1.48
Tokio Marine & Fire	NDQ	59	-2.28	-10.61	69.25	50.88	11	0.4	0.68	20	57.72	1.02
Torchmark Corp.	NYS	45.5	-3.96	0.55	49.88	36.75	573	1.16	2.55	23	17.37	2.62
Transatlantic Holdings	NYS	70.5	-0.18	-3.92	75.25	57.75	90	0.48	0.68	12	33.30	2.12
Transnational Re Corp.	NDQ	22.125	-0.56	-9.69	27.25	19.13	29	0.2	0.90	6	18.84	1.17
Travelers Corp.	NYS	63.25	-7.33	1.00	70.50	36.63	6138	0.9	1.42	12	24.77	2.55
Trenwick Group Inc.	NDQ	51.75	0.49	-8.00	57.50	41.75	170	1.24	2.40	12	29.23	1.77
United Fire & Casualty	NDQ	30.5	1.67	8.93	37.25	18.25	21	0.9	2.95	11	28.96	1.05
Unitrin	NDQ	48	-2.04	0.00	51.75	44.50	342	2.2	4.58	13	37.51	1.28
UNUM Corp.	NYS	58.5	-2.09	6.36	61.88	39.88	799	1.06	1.81	15	26.45	2.21
US Facilities Corp.	NDQ	17.75	-2.74	-16.96	23.38	12.75	234	0.24	1.35	7	14.20	1.25
USF&G Corp.	NYS	14.375	-6.50	-14.81	19.50	13.38	3440	0.2	1.39	9	10.86	1.32
USLIFE Corp.	NYS	29.75	-1.65	-0.42	33.25	23.88	326	0.93	3.13	10	38.45	0.77
Washington National	NYS	26.125	-2.79	-5.43	30.50	17.75	128	1.08	4.13	10	25.13	1.04
Zenith National Ins.	NYS	23.875	0.53	11.70	24.88	19.38	89	1	4.19	66	16.35	1.46
Zurich Reinsurance Centr.	NYS	31	-2.36	2.06	32.50	27.88	63	0.00	0.00	36	21.64	1.43
INSURERS/REINSURERS	AVERAGE		-1.5	1.0					2.1	19.0		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	32.625	0.77	14.47	34.25	19.50	1387	0.00	0.00	-	28.15	1.16
Humana Inc.	NYS	24.25	-3.48	-11.42	28.88	17.00	5012	0.00	0.00	21	6.56	3.70
Oxford Health Plans	NDQ	86.75	4.52	17.43	86.75	38.50	4200	0.00	0.00	61	6.56	13.22
Pacificare Health Sys.	NDQ	92.5	2.78	6.32	98.75	44.50	447	0.00	0.00	24	15.02	6.16
Safeguard Health Enter.	NDQ	13.25	3.92	13.98	13.25	8.63	39	0.00	0.00	26	6.15	2.15
Sierra Health Services	NYS	33.875	-0.73	6.69	36.00	22.13	200	0.00	0.00	28	9.22	3.67
United Healthcare Corp.	NYS	62.5	-6.54	-4.40	69.00	34.13	3842	0.03	0.05	40	16.17	3.87
U.S. Healthcare	NDQ	46.875	-3.60	0.81	50.75	26.50	9504	1.1	2.35	19	5.66	8.28
Wellpoint Health Networks	NYS	33.375	-1.84	3.89	37.00	27.38	447	0.00	0.00	18	14.26	2.34
HMOs	AVERAGE		-0.5	5.3					0.3	26		
ALL COMPANIES	AVERAGE		-1.3	1.9					2.3	23		

Top advancing issues: Meadowbrook Insur. Group, HCC Insurance Holdings, American Heritage Life Ins. Leading decliners: Travelers Corp., St. Paul Companies, EMC Insurance Group Inc. Most active issue: U.S. Healthcare. The BI Index fell 2.3%; the Dow Jones 30 Industrials fell 1.2%; the S&P 500 dropped 1.7% and the NYSE Composite fell 1.6%. Book values are updated annually by Nordby International Inc.

System design: Nordby International Inc.

It's a risky world...

but Duncanson & Holt has it covered.

We create innovative reinsurance products to cover the challenges of an ever-changing world. As North America's largest accident and health reinsurer, we offer a wide range of treaty and facultative products including:

Special Risk/Personal Accident	**Specific & Aggregate Stop Loss**
Occupational Accident	**Long Term Disability**
Excess Portfolio Medical	**Long Term Care**

We're known for financial strength and sound management, with over $500 million in annualized premium and a per occurrence capacity of $100 million.

In a world of risk, Duncanson & Holt is the reinsurance partner you can trust.

Duncanson & Holt Group

Atlanta, Chicago, Dallas, Hartford, London, New York, Philadelphia, Portland (Me), San Francisco, Seattle, Singapore, Toronto