MARCH 14, 1988

Business Insurance®

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Update

Health insurers offer alternative to Kennedy health plan mandate

WASHINGTON—Exempting health insurers from state mandated benefit laws would increase access to health care coverage for the nation's uninsured, according to a proposal made last week by the Health Insurance Assn. of America.

The HIAA's plan would:

• Amend the Employee Retirement Income Security Act to exempt health insurers from state-mandated benefit laws.

Continued on next page

A regal affair

Lloyd's honors U.S. with tercentenary bash aboard queen's yacht

LONG BEACH, Calif.—The invitation reads:

The Master of the Household
is commanded by The Queen to invite
Ms. Kathryn McIntyre
on board H.M. Yacht Britannia at Long Beach
on Wednesday, 2nd March, 1988 at 8:30 a.m.
during the Visit of
Their Royal Highnesses The Duke and Duchess of York
to attend a Lloyd's Conference
organized in conjunction with
British Invisible Exports Council and
British Overseas Trade Board

To the editor of *Business Insurance*, to an avid sailor and to an unabashed Anglophile—in that order—this was a great honor.

How great an honor and special occasion was yet to be realized.

Editor's notebook

The guest list for this event aboard the royal family's private yacht was not included with the invitation, so the hosts and guests—and how many there would be—were unknown.

And, although filled with anxious wonder about a visit aboard Her Majesty's Yacht Britannia, I can report this once-in-a-life time experience exceeded expectations.

This is a personal account of the social as well as business activities aboard Britannia on March 2, one of Lloyd's official events to celebrate its Tercentenary. (If you want nothing but the straight news of the official remarks, turn to page 32.)

Where does one spend the night before boarding Britannia? Why, Hotel Queen Mary, of course, advises Lloyd's in its instructions accompanying the invitation.

The Queen Mary: that great luxury liner built by the British during the Great Depression that is now permanently docked as a hotel in Long Beach. Portals for windows and risers between the bedroom and head (as a bathroom is called aboard a vessel); to this sailor, that alone was an adventure.

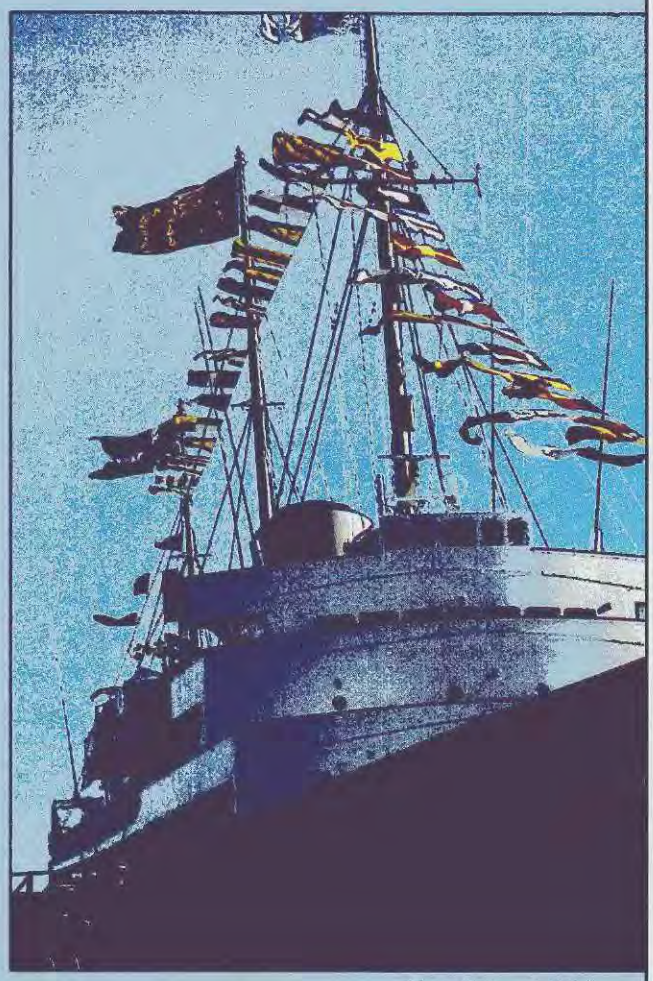

Photo: Kathryn J. McIntyre

Britannia, with her colors streaming in the wind, docked at Long Beach Naval Station.

(To the United Airlines crews who must stay on Queen Mary on layovers, a ship built in the 1930s lacks modern

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2 more firms quit Asbestos Claims Facility

By STACY ADLER

PRINCETON, N.J.—In what could be a fatal blow to the Asbestos Claims Facility, two more major asbestos producers are withdrawing from the facility and three others say they will withdraw if the facility is not restructured.

Last week, Fibreboard Corp. of Concord, Calif., and Pittsburgh-Corning Corp. of Pittsburgh informed the facility they will not submit new claims to the facility as of May 2 and May 9, respectively.

Neither Fibreboard nor Pittsburgh-Corning have decided whether they will attempt to remove pending claims from the facility.

Their announcement comes on the heels of Eagle-Picher Industries Inc.'s withdrawal from the facility as of March 1. Cincinnati-based Eagle-Picher also filed suit against the facility in U.S. District Court to remove all cases pending in the facility (*BI*, March 7).

In addition, Owens-Illinois Inc. of Toledo, Ohio, and Carey Canada Inc. and Celotex Corp., both units of Jim Walter Corp. in Tampa, Fla., expressed "an unwillingness to go forward with the facility as presently constituted."

The companies refused to elaborate on their announcement, but others believe they will leave the facility.

"It is my understanding that Owens-Illinois has indicated it is leaving and Celotex and Carey-Canada are also leaving," said plaintiff's attorney Richard Glasser, with the Norfolk, Va., firm of Glasser & Glasser.

Lawrence Fitzpatrick, the facility's acting chief executive officer, would not confirm or deny if the companies are pulling out of the facility.

Together, the six producers fund 75% to 95% of the facility's liability costs, estimate several attorneys close to the facility.

Mr. Fitzpatrick would not reveal the liability shares of the producers withdrawing or threatening to withdraw, but he denied that the total is as high as 95%.

In addition, Owens-Corning Fiberglas Inc. of Toledo, Ohio, one of the largest producers in the facility before it stopped submitting claims to the facility last October, announced earlier this month that it now also wants to withdraw all pending claims from the facility.

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Borg-Warner sued for Centaur's debts

By DOUGLAS McLEOD

CHICAGO—Six insurers are suing Borg-Warner Corp. to recover an estimated $36.1 million in reinsurance claims collectible from Centaur Insurance Co., an insolvent Borg-Warner subsidiary.

Four Hartford Insurance Group units filed suit against Borg-Warner in late January in U.S. District Court in Chicago, seeking to recoup $4.5 million in paid losses. The suit also seeks a ruling that Borg-Warner is responsible for additional unreported losses—expected to exceed $15 million—on the Centaur reinsurance contracts.

Separately, Central National Insurance Co. of Omaha, Neb., and subsidiary Protective National Insurance Co. filed suit against Borg-Warner last month in the Chicago federal court. Central National and Protective National seek $7.6 million in paid losses and a ruling that Borg-Warner must pay additional unreported losses that could exceed $9 million.

The six insurers are attempting to pierce the corporate veil separating Borg-Warner and Centaur, which was ordered into voluntary rehabilitation Sept. 4 by a Cook County Circuit Court (*BI*, Sept. 7, 1987).

In addition, the suits variously accuse Borg-Warner of fraud, reckless misrepresentation and breach of obligations to Centaur policyholders.

Illinois Insurance Department officials say that Centaur retroceded business to Hartford and Central National units in addition to assuming business from them, though this point is not mentioned in either of the suits. Money owed by these insurers to Centaur under these retrocessional agreements may ultimately exceed the amounts owed to the insurers by Centaur, the officials say.

A federal judge last week denied a motion by Central National and Protective National that would have brought the two lawsuits before the same judge. The cases are currently before two different judges.

Borg-Warner is scheduled to respond to the complaints by March 25. A Borg-Warner spokeswoman declined to comment on the insurers' allegations.

A Nov. 6, 1987, letter from Centaur's rehabilitator to its reinsurance policyholders reported that the insurer had an $85.4 million deficit in its policyholder surplus as of June 30.

Centaur, which ceased writing direct insurance and reinsurance business in January 1986, had total assets of $123.7 million and

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GAO says asbestos claims distort magnitude of product liability crisis
Page 3

Employers confront mounting demands from employees for child-care benefits
Page 3

Update

HIAA offers alternative

Continued from previous page

If health insurers did not have to provide mandated benefits, they could offer a lower-cost health insurance plan to employers, which would include only "basic inpatient and outpatient physician, hospital and diagnostic services," the HIIA contends.

- Establish state risk pools funded by general revenues or insurers and self-funded employers for high-risk individuals unable to purchase health insurance elsewhere.
- Establish a non-profit organization funded by insurers, health maintenance organizations and self-funded employers to reinsure health insurance policies for high-risk groups of employees.
- Allow self-employed individuals to deduct 100% of the cost of health insurance premiums for themselves instead of the current 25%.
- Expand Medicaid to cover all below the federal poverty level.

The HIAA's proposal follows last month's approval by the Senate Labor and Human Resources Committee of S. 1265, sponsored by Sen. Edward Kennedy, D-Mass., which would require employers to offer group health care coverage (*BI*, Feb. 22).

An HIAA spokeswoman said the group's proposal is a "better plan" than the Kennedy bill "because it is more comprehensive."

Reiss to sell to Swiss Re

HAMILTON, Bermuda—Fred Reiss, chairman and founder of The Reiss Organization, is negotiating the sale of his 70% stake in the captive services company to Swiss Reinsurance Co., a long-time reinsurer of Reiss captive insurance company pools.

The sale, which is expected to be announced within the next few weeks, is supported by Reiss Organization management, whose senior executives hold the other 30% interest in the operation. It is not known whether the sale will include their 30%.

Mr. Reiss, who turns 62 this month, is expected to stay on as non-executive chairman of the company he founded in September 1958 that pioneered captive insurance company development and management. Reiss now employs about 300 people, manages more than 200 captives and operates 20 offices worldwide.

Rowland to join Sedgwick

LONDON—David Rowland, who admits the merger of Stewart Wrightson Holdings P.L.C. with Willis Faber P.L.C. in September did not go as planned, has resigned as Willis Faber vice chairman to become chief executive of Sedgwick Group P.L.C.

Mr. Rowland, 54, who had been chairman of Stewart Wrightson, was expected to succeed Willis Faber Chairman David Palmer when Mr. Palmer retires Oct. 31.

However, Willis Faber announced last week that Deputy Chairman Roger Elliott will succeed Mr. Palmer, a decision made prior to Mr. Rowland's resignation, said a Willis Faber spokesman.

At Sedgwick, Mr. Rowland succeeds Carel Mosselmans, who steps down as chief executive but remains as chairman until his retirement in April. "I decided that we would separate the role of chairman and chief executive officer and we looked for the right person to appoint," Mr. Mosselmans said. His successor as chairman will be named closer to his retirement.

Mr. Rowland's departure is the latest in a series of resignations at Willis Faber following the merger, including the defection of more than 100 Stewart Wrightson employees and key executives.

Meddes sentenced to two years

LONDON—Ronald Leslie Meddes, former chairman of now-defunct Multi-Guarantee Ltd., is the first person disciplined by Lloyd's of London to be sentenced to jail.

Mr. Meddes pleaded guilty last week to conspiracy in fraudulently obtaining an unspecified amount of commissions and premiums involving extended warranty insurance policies written by Lloyd's syndicates and administered by Multi-Guarantee. He was sentenced to a two-year prison term.

Lloyd's found Mr. Meddes guilty in October 1985 of four charges of misconduct, expelled him from Lloyd's and ordered him to pay costs of 50,000 pounds ($71,500 at the appropriate exchange rates) (*BI*, Oct. 28, 1985). According to documents of the disciplinary proceedings issued by Lloyd's last week—which could not be released until after the trial—Mr. Meddes altered and/or misrepresented extended warranty policies written for several large British electrical appliance manufacturers.

Also last week, Timothy Roberts, a Multi-Guarantee director, was found guilty of forgery and was sentenced to a six-month term, which was suspended, and fined 3,000 pounds ($5,430).

Stuart John Campbell Ritchie, who Lloyd's suspended for four years and fined 20,000 pounds ($28,600), was acquitted.

Court rules on merger talks

WASHINGTON—A Supreme Court ruling will make it easier for shareholders to bring class-action suits against corporations that issue misleading information about merger talks or other activities.

The court ruled 6-0 last week that investors alleging securities fraud do not have to prove individually that they relied on misleading information in making investment decisions.

Ruling in a case involving the 1978 acquisition of Basic Inc. by Combustion Engineering Inc., the Supreme Court also found that information about preliminary merger talks may qualify as "material." Federal law bars companies from making false or mislead-

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Errors & omissions

- Tillinghast-Risk Management Casualty Division reported an incorrect telephone number in the directory of risk management consultants (*BI*, March 8). The correct number is 212-490-3460.

Plaintiffs' bar blasts AMA malpractice plan

By MICHAEL BRADFORD

CHICAGO—The American Medical Assn.'s proposal to eliminate jury trials in medical malpractice cases and instead allow state medical boards to resolve these cases is drawing fire from plaintiffs' attorneys and only lukewarm enthusiasm from insurers.

Attorneys, insurers and other professionals question whether the plan—also endorsed by 32 other medical societies—could pass constitutional muster since it would strip claimants of a hallowed American right: access to a jury trial.

But, the AMA contends that the proposal actually would provide medical malpractice claimants with less-serious injuries an increased opportunity to recover damages.

Others speculate that if states adopt the AMA proposal, similar methods for disposing of product liability claims eventually may be developed. They point out that the first tort reforms enacted during the last decade were the result of the medical malpractice crisis of the 1970s (see story, page 15).

In January, the AMA unveiled its Medical Liability Project, a proposal that calls for eliminating jury trials in medical malpractice disputes and placing those cases in the hands of state agencies consisting of claims reviewers, case examiners and medical boards that would have the authority to dismiss the claims or award damages within certain limits (*BI*, Jan. 18).

The agencies also would be given authority to monitor physician performance by gathering information from hospitals, insurance companies and other doctors and levy disciplinary actions against physicians.

The association is recommending the plan first be tried on an experimental basis in a few states, according to Martin J. Hatlie, senior attorney in the AMA general counsel's office.

The Medical Society of the State of New York is now asking state legislators to pass a bill that would create an administrative system similar to the one proposed by the AMA (see story, page 16).

In addition, Mr. Hatlie said two "less urban, Western states are very seriously considering the (AMA) proposal for the next legislative year." However, he would not identify those states.

According to Mr. Hatlie, the AMA project is "a prototype, a generic piece of work" that can be molded to fit the particular structure of state governments that adopt the proposal.

Under the AMA's plan, anyone with a malpractice claim would first appear in a pre-hearing conference during which claims reviewers from the state agency created to handle medical malpractice claims would quickly evaluate claims and dismiss those without merit.

The proposed system promises patients "an experienced attorney from the medical board's general counsel's office who will litigate the claim on behalf of the patient free of charge."

If a claim is not dismissed, the claim reviewer would submit it for review to a physician who practices in the

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Company hit with record fine for environmental violations

By MEG FLETCHER

DENVER—Protex Industries Inc. is considering whether to appeal the largest fine ever assessed in a criminal case brought under federal environmental laws.

U.S. District Court Judge Jim R. Carrigan fined Protex $7.63 million, the maximum allowed by law, earlier this month for illegal waste disposal practices. He then suspended about $5 million of the fine, though this amount could be reinstated if Protex fails to clean up hazardous waste and make restitution to injured employees.

A jury in December found Denver-based Protex guilty of 16 violations of federal environmental laws, including the Resource Conservation and Recovery Act and the Clean Water Act (*BI*, Jan. 11; 18).

The case marks the first time a company has been convicted under these laws for specifically endangering human life.

"We must all be reminded that we all hold this fragile earth, this uniquely blessed planet, in trust and are not free to despoil it to satisfy our greed or avarice," said Judge Carrigan at the March 4 sentencing hearing.

Judge Carrigan also expressed concern about three former employees, who he said doctors have described as "walking time bombs" because of their exposure to hazardous chemicals while employed by Protex.

"The threat of future disease and early death hangs like the sword of Damocles over their heads," Judge Carrigan said.

"The court reaffirmed what Congress intended: that people in regulated industries have the burden of knowing what types of hazardous waste they generate and also have a duty and obligation to dispose of them properly," said Assistant U.S. Attorney Douglas W. Curless.

"I think the court was sending a strong message to individual employers that they are going to be responsible for the workplace in which their employees work," Mr. Curless said.

In addition, prosecutors will be "more encouraged" to press criminal charges against companies in hazardous waste cases because of the Protex case, said Judson Starr, chief of the U.S. Department of Justice's Environmental Crimes Section of the Land and Natural Resources Division.

Many of the environmental law violations for which Protex was convicted stem from a steel barrel recycling unit operated by Protex, which manufactured and sold chemical additives to harden and cure concrete.

The jury found that the three injured men were exposed to residues of pesticides and solvents from

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Inside

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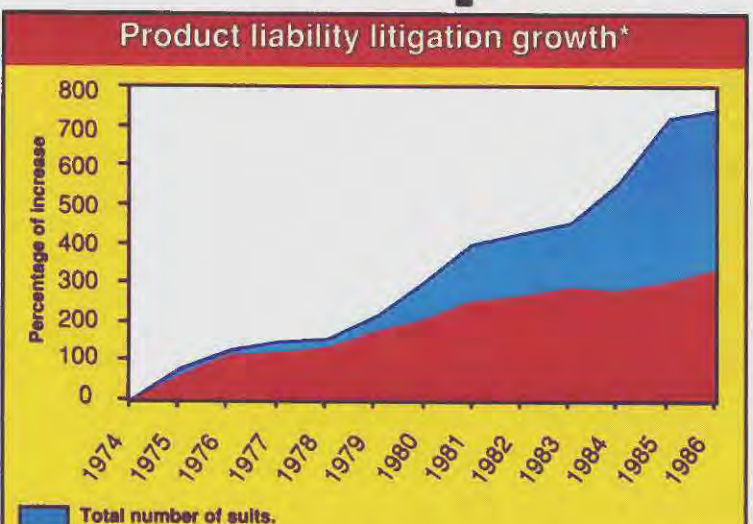
Vol.22, No.11—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611.

GAO disputes product liability crisis



By JERRY GEISEL

WASHINGTON—There is no across-the-board explosion in the number of product liability suits filed in federal courts, the General Accounting Office says.

Taking sharp issue with the Justice Department, which has contended that there is a "litigation explosion," the GAO says in a new report that the increase in federal product liability suits is "neither rapidly accelerating nor explosive."

While there was a 272% increase in product liability suits filed in federal courts between 1976 and 1986, the GAO report points out that about 60% of the increase is attributable to the surge in suits related to one product: asbestos.

If asbestos lawsuits and the mass litigation surrounding two pharmaceutical products are excluded, the number of product liability suits filed in federal courts increased 104% between 1976 and 1986.

Besides asbestos, the GAO singles out the Dalkon Shield, an intrauterine device manufactured by A.H. Robins Co. Inc., and Bendectin, a morning-sickness drug manufactured by Merrell Dow Pharmaceuticals Inc., as contributing heavily to the increase in product liability litigation.

"The growth in filings unrelated to asbestos, the Dalkon Shield and Bendectin appears to be neither accelerating nor explosive, although these filings have doubled over the last 10 years," the GAO said.

And, the GAO notes, the annual increases in the number of product liability suits filed—excluding suits related to asbestos, Bendectin and the Dalkon Shield—appears to have peaked between 1979 and 1981, when the annual increase averaged about 15%. By contrast, the number of product liability suits filed after 1981 has increased about 4% annually, the GAO said.

"These data seem inconsistent with the contention that there is a rapidly accelerating growth in federal product liability filings across a wide range of products," the GAO said.

But the GAO report, requested by Rep. James Florio, D-N.J., chairman of the House Commerce, Consumer Protection and Competitiveness Subcommittee, is drawing fire from both government officials and insurance and business lobbyists.

They say there is no rationale for excluding suits arising from causes like asbestos, Bendectin and the Dalkon Shield, in tallying the rise in product liability litigation.

"There is no logic for such an exclusion," said Robert

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Unsettled claims to delay closing books at Lloyd's

By CAROLYN ALDRED

LONDON—Several Lloyd's of London syndicates may be forced to keep their 1985 accounts open this year because of disputes over runoff reinsurance policies written by Lloyd's of London underwriter Richard Outhwaite.

In addition, several other syndicates may be forced to keep open their 1985 accounts, the underwriting year closing this year under Lloyd's three-year accounting system, because of uncertainty surrounding pollution and asbestos claims.

One underwriting executive estimates that altogether as many as 50 of Lloyd's 384 syndicates trading in 1985 may have to keep their 1985 accounts open.

Despite earlier predictions of another bumper year of profits in the market as a whole, syndicates closing their 1985 accounts likely will produce lower profits than anticipated because of the "heavy reserving" syndicates are having to make to cover potential losses from asbestos and pollution, some observers note.

Lloyd's syndicates, unlike most insurance companies, wait three years before closing their accounts to enable them to assess their liabilities more accurately. Syndicates can extend the three-year reporting period if they are unable to make an accurate assessment of their likely liabilities, although they are usually reluctant to do so.

However, in recent years, disputes over reinsurance payments, a rapid increase in the number and cost of asbestos and pollution claims and uncertainties over liabilities have forced more and more syndicates to keep underwriting accounts open.

For example, 18 syndicates currently trading kept their 1984 accounts open last year. A total of 33 trading syndicates have 39 accounts left open from the 1984 underwriting year and before, according to the Lloyd's 1984 league tables published by the monitoring agency Chatset Ltd.

In addition, 50 sets of accounts were still open last year for the underwriting years 1984 and before by 25 syndicates no

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Chicken Soup in Minneapolis caters to children who are too ill to attend their usual day-care centers.

(Photo courtesy of Chicken Soup Inc.)

No child's play

Employers wrestle with child-care benefits

By KARI BERMAN

As the baby boomers of the 1950s and early 1960s start their own families and the number of women in the workforce increases, employers are under increasing pressure to provide child-care benefits.

Employers are responding to the pressure with a variety of different types of child-care benefits, including providing day-care information, establishing day-care reimbursement accounts funded by employees' pretax dollars, subsidized day-care programs and on-site day-care facilities.

In addition, legislation is pending in Congress that would encourage states to create and expand child-care services (see story, page 30).

So far, child-care benefits still are far from a standard employee benefit, the U.S. Bureau of Labor Statistics found in a recent study. Only 11% of the 10,000 companies polled by the Department of Labor offered some form of child-care assistance for employees (see story, page 29).

But benefits experts say more employers will be forced to offer child-care benefits to remain competitive as the

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Coverage well-orchestrated for tour

Photo: Jim Steere

Without missing a beat, the Chicago Symphony Orchestra led by Music Director Sir Georg Solti was insured for its Australian tour.

By MARK A. HOFMANN

CHICAGO—The Chicago Symphony Orchestra's risk management program is finely tuned to cover the world-famous ensemble and its irreplaceable equipment on its current Australian tour.

In fact, unlike the hours of rehearsals that are required before a performance, placing insurance for the tour was a simple process, according to both William Rahe, the symphony's finance director, and the CSO's brokers.

Before the three-week sojourn to the land down under by the 106-member orchestra led by Music Director Sir Georg Solti, Mr. Rahe contacted the orchestra's two brokers to arrange liability insurance for the orchestra and coverage for the 16 tons of equipment and baggage required for the tour.

While the orchestra had to purchase additional liability coverage for the tour, the CSO did not need to supplement the insurance that covers the musician's instruments anywhere in the world.

Placing tour insurance is "not that complex at all; it's just a matter of a few phone calls and it's done," said Charles Bowen, vp with Marsh & McLennan Inc. in Chicago. M&M places the symphony's liability coverage as well as its equipment coverages, with the exception of insurance for the instruments.

Mr. Bowen would not reveal the cost of securing new policies that are in force in Australia, but said they were not a significant addition to the CSO's insurance costs.

With an annual budget of about $20 million, the CSO spends considerably less than $200,000 a year for property and casualty insurance, not including workers compensation coverage, says Mr. Rahe.

"Every time you go to a foreign country, you have to buy all the coverages you have now (in the United States)," pointed out Shirley Evans, an assistant vp with M&M who oversees the CSO account.

Ms. Evans pointed out that separate policies are required for general liability, leased automobiles and workers compensation exposures while the CSO is in Australia.

The symphony's $1 million in primary general liability insurance for the tour is written by The Home Insurance Co. in New York, Mr. Rahe said. The CSO also has $10 million in excess liability insurance, written by General Star Indemnity Corp. of Stamford, Conn., and Chubb Custom Insurance Co. of Warren, N.J.

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River Plate accounts in error: Liquidator

By ROGER SCOTTON

HAMILTON, Bermuda—The Bermuda government, concerned last summer about the financial condition of River Plate Reinsurance Co. Ltd., was convinced not to shut the company down after meeting with its executives and reviewing financial statements supplied by the company.

Those financial statements, however, contained errors, according to a report delivered by Michael Jordan, a London-based partner with Coopers & Lybrand's Cork Gully unit, to about 40 River Plate creditors at a March 1 meeting in Bermuda.

Mr. Jordan and David Lines of Coopers & Lybrand's Bermuda office were approved at the meeting as joint liquidators of River Plate, pending Bermuda Supreme Court sanction of their appointment.

They were appointed provisional liquidators under a winding-up order for River Plate issued Jan. 4 by the Supreme Court.

Mr. Jordan suggested at the meeting that the Bermuda government may have been misled by the errors in the financial statements, a suggestion refuted by an attorney representing executives of River Plate.

Bermuda's Registrar of Companies Verbena Daniels said last week that attorneys have advised her not to comment on a matter pending in Bermuda courts.

Attorney Alan Rein—who attended the creditors meeting on behalf of River Plate's managing director, Argentine businessman Carlos Goberman and minority shareholder Juan Taboada—said in an interview last week: "I don't believe the registrar was misled in any way, shape or form" by the financial statements she was given at an August meeting. "I think she was told everything about the company that was known at that time.

"Mr. Goberman admits that there were errors in earlier financial statements. But I don't believe that they were material errors. They were discrepancies which Mr. Goberman has explained were due to the haste with which the figures were put together," said Mr. Rein, who is with the New York-based firm of Killarney, Rein, Brady & Fabiani.

Ms. Daniels had on July 17, 1987, indicated to River Plate that Bermuda's minister of finance was considering freezing the reinsurer's assets and halting its business activities under Bermuda's 1978 Insurance Act, according to Mr. Jordan.

She had heard that cedants were concerned by telexes they had received three months earlier from River Plate, Mr. Jordan said. The company had telexed some cedants, saying to some that it repudiated liability for claims and to others that River Plate was prepared to settle claims for up to 10% of the sums sought.

Ms. Daniels met with Mr. Goberman, Mr. Taboada and Brian Drew, who runs River Plate's London office, on Aug. 5, 1987, and received financial statements, Mr. Jordan said.

After the meeting, Ms. Daniels wrote to the company saying that the minister would not take any such action, Mr. Jordan said.

Mr. Jordan said that financial statements given to Ms. Daniels at the Aug. 5 meeting, which covered the period from Dec. 31, 1986, to June 30, 1987, showed substantial changes in the company's financial position. The differences centered on River Plate's cash holdings and its investment in affiliated companies, he said.

Investments in its wholly owned bank, Transamerica Casa Bancaria S.A. in Montevideo, Uruguay, were valued at from $950,833 to more than $3 million, depending on the period. Later estimates prepared for Sept. 30, 1987, put them at more than $12 million.

At the creditors meeting, Mr. Jordan said that other questions remain unanswered regarding River Plate's decision to place funds in Transamerica knowing that, under a banking moratorium in force in Uruguay since 1986, the money could not be recovered for another eight years.

It is unclear from the information available just how much of River Plate's money is on deposit with the bank, Mr. Jordan said. He said that Mr. Goberman had told him that River Plate had acquired the bank for about $4 million and had injected capital and deposits into it from time to time over the past eight years. He said that River Plate is now its only depositor.

It appears from the accounts that Bermuda-based affiliate Transcontinental Reinsurance Brokers received $4.2 million from River Plate in 1986 to pay ceding insurers, Mr. Jordan also said. Last year, the same affiliate received a further $2 million, a sum that Mr. Goberman has told him was paid to settle an existing debt to Transcontinental.

Mr. Jordan told the creditors, who represented about half of the $50 million in claims and incurred-but-not-reported losses facing the company, that an affidavit filed in court by Mr. Goberman on Nov. 27, 1987, indicated that River Plate had suffered losses as a result of general market conditions and because of fallout from Britain's 1982 war with Argentina over the Falkland Islands.

He said the affidavit said that the United Kingdom's decision to freeze Argentinian bank accounts had raised doubts in brokers' minds about River Plate's ability to meet losses in view of its strong connections with Argentina.

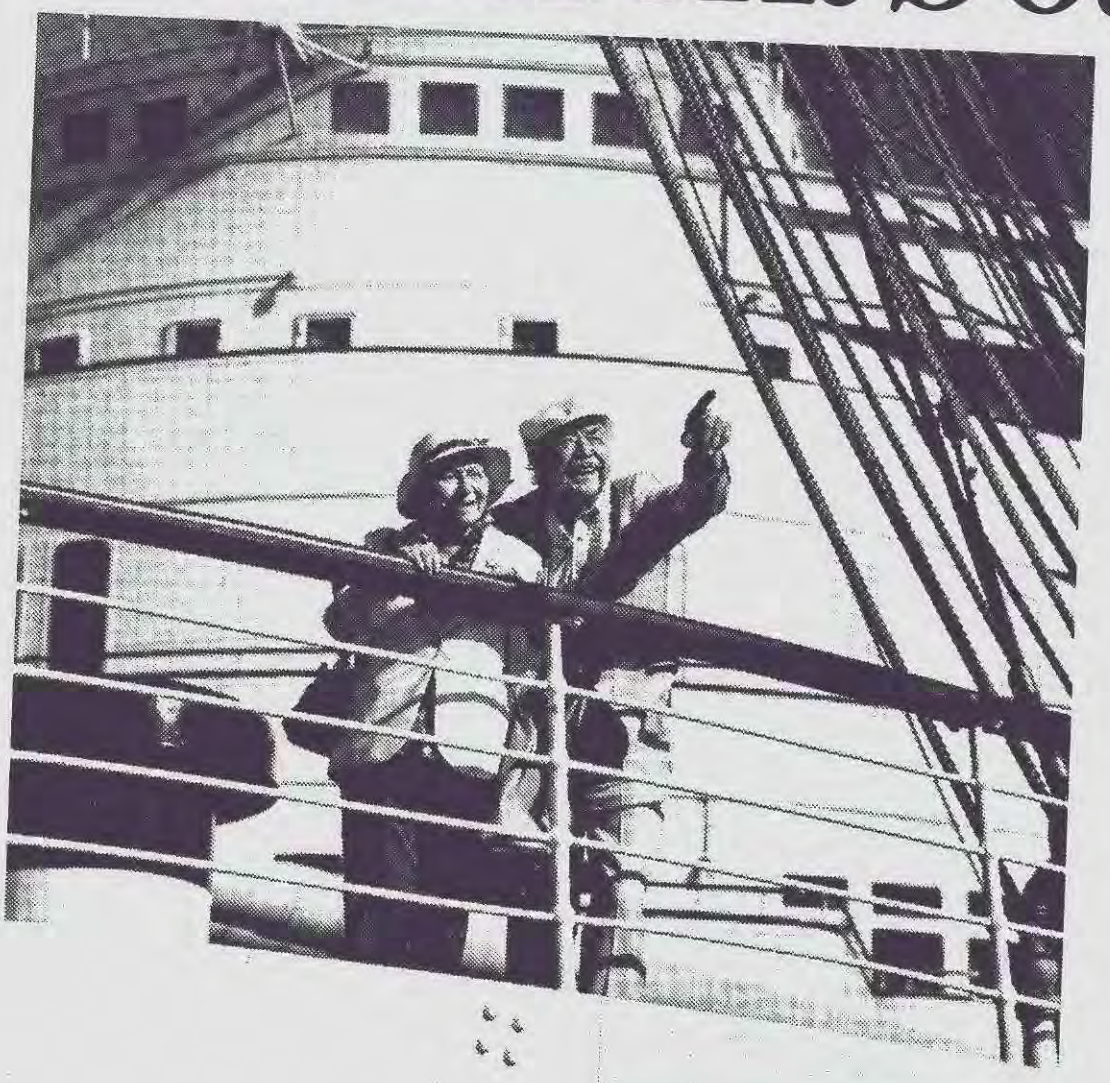
The affidavit said that currency export restrictions were in force in Argentina at that time and that London brokers became increasingly reluctant to place business with River Plate's U.K. contract office and underwriting consultant, River Plate Reinsurance Services Ltd., a subsidiary through which the bulk of River Plate's mostly fire and liability excess-of-loss reinsurance business was channeled. The company ceased underwriting at the end of 1986, he also said.

The creditors also were told that legal actions had been started against River Plate in the United States, Britain and Bermuda over outstanding claims that River Plate had repudiated before being ordered wound up. Some of these were repudiated by River Plate on the grounds of misrepresentation and fraud, Mr. Jordan said.

Mr. Jordan said that a list of U.S. creditors is being agreed upon with the New York superintendent of insurance, who has already seized River Plate's $1.5 million trust fund.

River Plate's Bermuda-based directors—Arthur Leighton, David Doyle and John Campbell—attended the meeting. ■

They're lucky. Six million other retired Americans are in a different boat.



For many Americans, retirement is exactly what they hoped for.

But for others, retirement can be complicated by poor health. One out of four Americans will require long-term care in a nursing home with an average annual cost of $20,000 to $30,000. How that care is paid for has become a complex issue.

History has shown that personal savings and programs like Medicare and Medicaid can't cover all the costs of retirement health care. Companies with retirement health benefits also face the problem of unfunded future liabilities.

Additional solutions must be found to address this retirement health care cost issue that will eventually affect every person, company and institution in our country.

At NWNL Group, we're developing an employee benefit program called LifeScope* that would provide for a person's retirement years and working years. What makes the LifeScope Program unique is its comprehensive approach to providing benefits. It is more than life insurance and a nursing home policy.

By managing the delivery of health care and planning for future needs, the LifeScope Program can find alternatives that make health care more affordable, while allowing individuals to live independently. The program's benefits would be voluntary, flexible and portable.

Many elements of the LifeScope Program have already been put into place through current NWNL Group benefit programs. Using our resources as the nation's 10th largest group insurance company, we will soon be adding more elements.

To find out more about NWNL Group and the LifeScope Program, contact Ginny Patrick, NWNL Group, Box 20, Minneapolis, MN 55440 or call (612) 372-5784. Because now is the time to begin solving the problems of providing health care in the future.

NWNL GROUP

The right benefits for today. The right ideas for the future.℠

Sources for statistics: Employee Benefit Research Institute, 1985; Benefits Research, Inc. 1986; National Underwriter, 1986.

A division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the State of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of the NWNL Companies).

Coca-Cola bottler offers new benefit plan

Benefit beat

Employees at Central Coca-Cola Bottling Co. of Richmond, Va., can use a variety of insurance, banking and financial services under a new benefit program offered by Travelers Corp.

MoneyTrac, a comprehensive insurance and financial service package, was offered in January to the bottler's 500 employees at 13 facilities in Maryland, Ohio, Pennsylvania, Virginia and West Virginia. So far 200 employees have signed up for the program.

The program allows employees to buy services such as homeowners, life, auto and disability insurance, as well as financial services such as an interest-bearing checking account, savings accounts, consumer credit cards, an overdraft line of credit, financial planning, personal loans and mortgages. And they can utilize the services at work.

"MoneyTrac enables our employees to carefully examine their financial situation and establish solid plans to protect themselves and their families. And since MoneyTrac is offered right where they work, it helps our people to better manage their time as well as their money," said Betty Sams Christian, president of Central Coca-Cola Bottling.

In addition to basic financial services, MoneyTrac provides other services at a substantial discount, a Travelers spokesman said.

For instance, mortgage application fees are $150 for members, compared with about $295 elsewhere. Also, fees for financial planning through the program are about half of typical rates, he said.

MoneyTrac supplies an integrated monthly statement that lists all account balances, all transactions, progress on savings goals and percentages spent on various expense categories.

The annual program fee is $100 per employee annually. Central Coca-Cola pays half of the fee for its employees, the Travelers spokesman said.

Benefit level survey

Employers in the Pacific Northwest provide employee benefits that often greatly exceed national norms, according to a recent survey conducted by M&R Compensation Consulting Services.

The Seattle-based consulting firm, an unit of Milliman & Robertson Inc., surveyed 90 Pacific Northwest employers primarily in Washington and Oregon, which have a total of 190,000 employees. The survey found a high level of benefits ranging from 401(k) salary reduction plans to dental coverage.

According to the survey, 94% of Pacific Northwest employers provided a retirement benefit plan to employees and the most popular type of retirement benefit is the 401(k) plan. M&R found that two-thirds of the surveyed employers offered 401(k) plans.

In contrast, a 1987 U.S. Bureau of Labor Statistics report on benefits in medium-sized and large companies across the country found that less than one-third of employers provided 401(k)s, M&R pointed out.

The reason for the popularity of 401(k) plans was not readily apparent from the survey results, said Caroline C. Demetriou, an M&R consultant. "The 401(k) plan is just something that has caught on here," she said.

Despite changes in the 1986 tax laws that toughened non-discrimination rules, limited employee deferrals to $7,000 per year and prohibited new plans for tax-exempt and state and local government employers, the 401(k) has remained an attractive retirement savings option, Ms. Demetriou said.

Other findings in the M&R survey include:

- Pacific Northwest employers limit 401(k) deferrals to an average of 6% of salary for highly paid employees. Three-fourths of the employers that offered the plans matched employee deferrals, with most matching 50%.
- A typical Pacific Northwest employee can expect a private pension benefit at normal retirement age that replaces 37% of final pay, compared with the national average of 28%, as reported in the BLS study.
- Dental benefits also exceed national levels, with 91% of the surveyed employers offering dental benefits. By contrast, the BLS survey found that 71% of employers nationwide offer dental benefits.

The popularity of dental insurance reflects the Pacific Northwest's historic trend toward more expansive benefits, Ms. Demetriou said.

"That's not at all surprising considering the history of this area," she said. "It's become a benefit that people have come to expect."

- All employers surveyed provide medical insurance. Also, most offer a comprehensive plan that includes a deductible and, on average, pays 80% of medical costs up to a specific amount, after which most plans paid 100% of expenses.
- Life insurance was provided to employees at all but one surveyed company and accidental death and dismemberment coverage was provided by 91% of employers.
- Most surveyed employers protected employees with long-term disability insurance. The income replacement insurance was available to 92% of salaried employees and to 84% of hourly workers.
- Employers in the Pacific Northwest states parallel the national trend in their use of managed health care options, such as health maintenance organizations and preferred provider organizations.

Two-thirds of Pacific Northwest employers offer an HMO option and 16% offer a PPO option to employees, according to the survey.

The survey was the first comprehensive effort to determine the benefit levels provided by Pacific Northwest employers, Ms. Demetriou said.

Summary copies of M&R's survey are available for $350, while complete, detailed copies are $550. For further information, contact Caroline C. Demetriou, M&R Compensation Consulting Services, Suite 3600, 1301 Fifth Ave., Seattle, Wash. 98101; 206-624-7940.

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Benefit beat keeps employee benefit managers informed on what other companies are doing with their benefit plans. We'd like to know if you've made any changes. Write Glenn Huntley, Business Insurance, 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 213-651-3710.

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Opinions

Day-care responsibility

U.S. EMPLOYERS ARE neglecting working parents' crying need for child care.

We stress the word "parents" and do not use the word "mothers" because securing proper day-care services is the responsibility of both parents.

Only 11% of all employers with 10 or more employees provide any type of child-care benefit, whether it be sponsoring day-care centers, subsidizing day-care costs or merely providing referrals, counseling and information on local child-care options, according to a recent survey by the Bureau of Labor Statistics.

It is difficult to understand why so few employers do anything to help their employees find and pay for day-care services.

Day care is no more of a "personal issue" to be kept out of the office than drug or alcohol abuse. And yet employers are much more willing to sponsor employee assistance programs to solve drug and alcohol abuse problems than they are to assist their employees with solving their day-care problems.

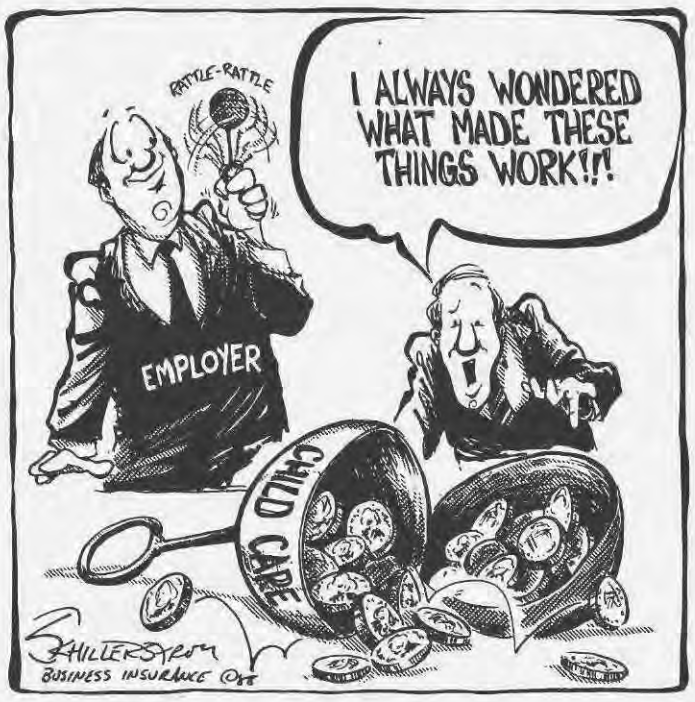
Although comparable statistics on employee assistance programs are not yet available from the BLS, other surveys show much more widespread sponsorship of EAP programs than day-care assistance of any type.

We suspect that one reason employers are not implementing day-care benefits is that old opinions die hard. Corporate America is still dominated by men whose generation believes that a woman's place is in the home, especially if she has children, and that fathers are not responsible for child care. And while corporate America has come to accept working women and even working mothers, it has done so with the caveat that their family life not affect their work. And, of course, fathers of that generation were not expected to be distracted by child-care concerns.

Employers must recognize that employees today come from a new generation in which it is most likely that both parents work and share concern about proper care for their children.

Employers should do more to help working parents solve their day-care problems. This does not necessarily require establishing an on-site day-care center, though in some communities and for some employee groups such a full-scale effort may be required.

A comprehensive child-care benefit program ideally would include providing day-care services information and subsidizing day-care costs under a flexible benefit program, allowing those employees with children to select this benefit at the cost of reducing another less desirable benefit. The subsidy could take the form of funding, fully or partially, an on-site center or care in unaffiliated centers.



With or without a flexible benefit program, employers should provide a comprehensive child-care benefit. A day-care benefit is no more discriminatory to those without children than an EAP program is to those without chemical dependencies or a dental plan is to those with healthy teeth.

At the very least, employers should provide employees with an opportunity to pay their day-care expenses with pretax dollars by setting up reimbursement accounts.

While there are various efforts afoot in Congress to help parents solve their day-care problems, we prefer to see the private sector step up its efforts to provide employees with the assistance they need to secure proper day care for their children.

An employer sponsoring a day-care benefit program likely will benefit too, with increased productivity from its workforce. Parents with proper day-care services are less likely to be distracted at work by child-care concerns and are less likely to be forced to miss work to care for their children.

Letters

Involve consumers in regulatory process

The following letter is in response to a request in a Feb. 8 Business Insurance *editorial asking readers to share their comments to the National Assn. of Insurance Commissioners on state regulation:*

To the NAIC: On behalf of the more than 7,000 public agencies served by the Public Risk & Insurance Management Assn., I wish to thank the NAIC for the opportunity to comment on the operation of the NAIC and the state insurance regulatory system. In response to the NAIC's request I have outlined some of our concerns.

- Consumer group involvement. The NAIC must take steps to encourage more consumer group involvement in its activities. Consumer groups are underrepresented at NAIC quarterly meetings and on NAIC advisory committees. Because of its interest and technical expertise, the insurance industry holds a dominant position in these two areas.

Although the NAIC does encourage consumer participation in meetings, we feel that this representation is still far below what it should be. Consumers and their representatives must have an equal opportunity to voice concerns and participate in NAIC policymaking processes. The NAIC should actively seek out the consumer groups in order to achieve better balance on its advisory committees and at meetings. Groups that are affected by NAIC decisions should be identified and invited to debate the issues and search for mutually acceptable solutions.

PRIMA has participated on several NAIC committees and, while we appreciate those opportunities, we believe that the NAIC should ensure that PRIMA, the Risk & Insurance Management Society Inc. and other consumer groups are asked to serve rather than waiting for us to make the initial overture. If committees are to be considered unbiased, then all affected groups must be heard.

At a time when Congress is examining the effectiveness of state regulation in protecting the insurance-buying public, the NAIC must take steps to more actively involve public and consumer groups in the regulatory system.

- An opportunity to respond. In the absence of a federal insurance regulatory body, the NAIC has taken on many regulatory activities that lend themselves to uniform national solutions. Among these is the formulation and promotion of uniform policy, in the form of NAIC model legislation and regulation.

In these activities, the NAIC functions as a quasi-public decision-making body, whose procedures often serve as a substitute for detailed and time-consuming state-level examination. This role is unique for any professional association and carries with it a responsibility for following procedures assuring equal and open access. As elected and appointed officials, insurance commissioners have accountability for assuring open decision

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Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

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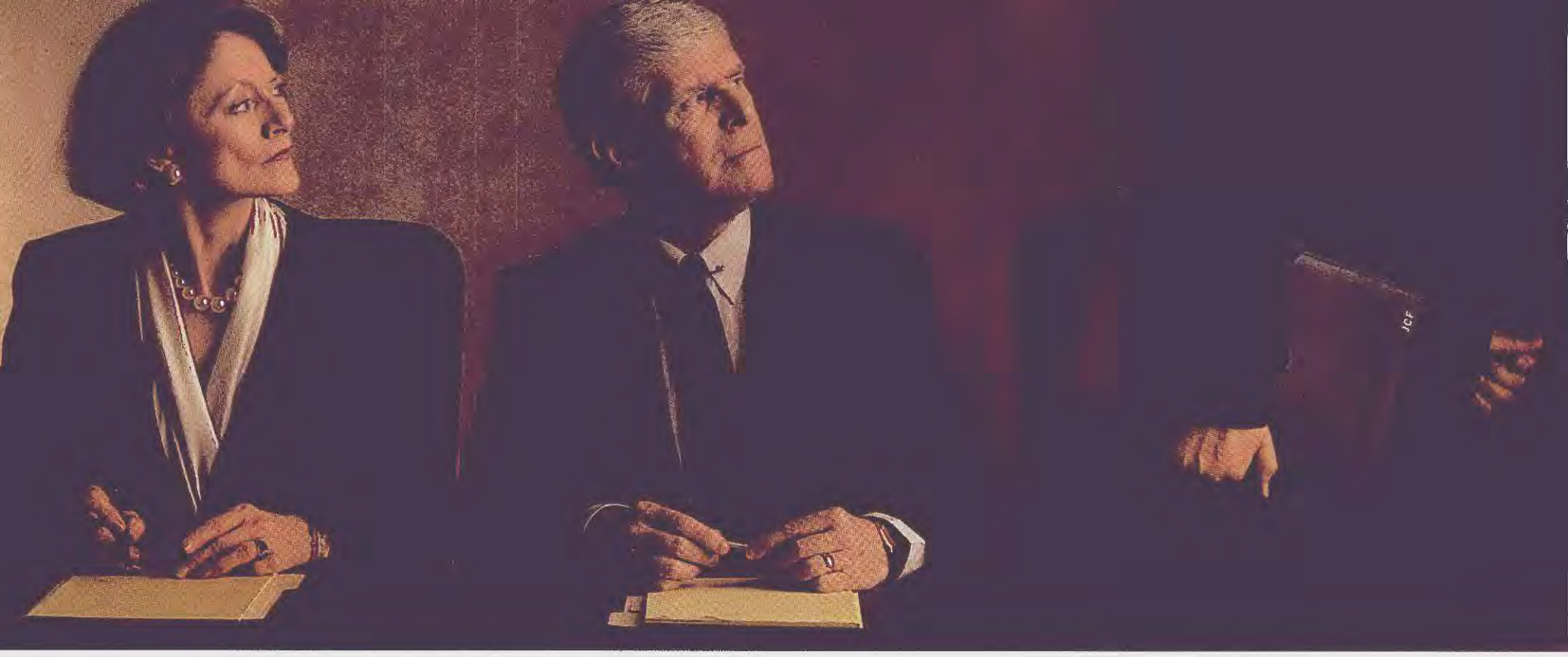

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Outwaite claims

Continued from page 3

longer trading, the tables show.

Now, market sources are predicting a sharp increase in the accounts that will be kept open this year.

Managing agencies are expected to start reporting results to Lloyd's members next month.

Although most syndicate managers refused to discuss whether specific 1985 syndicate accounts would be kept open, executives agreed that they expect several to be kept open because of reinsurance disputes with Mr. Outhwaite.

"The Outhwaite situation is becoming quite a problem at Lloyd's," said David Craig, managing director of underwriting agency Stewart & Hughman Ltd.

Mr. Outhwaite is refusing to pay claims on runoff policies placed with non-marine syndicate 661, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd., until he receives more information about the underlying policies that covered asbestos and pollution risks.

However, some observers accuse Mr. Outhwaite of using stalling tactics to delay paying the claims because they are being filed much more quickly than he expected (*BI*, Sept. 14, 1987; May 4, 1987; Feb. 16, 1987).

Mr. Outhwaite

Syndicate 661 currently is disputing claims from seven Lloyd's syndicates and two insurance companies for runoff reinsurance policies the syndicate wrote in 1982. However, the syndicate is seeking further information from several other syndicates, a spokesman said, refusing to state how many syndicates are involved.

At least 35 syndicates placed runoff reinsurance policies with the Outhwaite syndicate, according to member agency sources.

However, Mr. Outhwaite is paying claims on some policies, sources said.

Nobody knows yet exactly how many syndicates will have to keep 1985 accounts open because of Mr. Outhwaite's refusal to pay claims, but underwriting sources expect several syndicates to do so.

Only two Lloyd's syndicates that were forced last year to keep open their 1984 accounts because of uncertainties over the runoff policies have since reached a settlement with Mr. Outhwaite and definitely will be able to close their accounts this year.

Earlier this month a "compromised settlement" was reached between underwriter Norman P. Compton and Mr. Outhwaite over claims filed by marine syndicate 764/763, Mr. Compton confirmed. As a result, the syndicate will be able to close its 1984 account this year, he said.

Marine syndicate 764/763, managed by Philip N. Christie & Co. Ltd., had filed a lawsuit in London's High Court against the Outhwaite syndicate in January 1987 to recover $627,000 in claims on a $5 million runoff reinsurance policy (*BI*, Sept. 14, 1987).

Nobody from the Outhwaite or Christie agencies would discuss the settlement terms.

A settlement also was reached between Mr. Outhwaite and Charles Skey, underwriter for syndicate 219, managed by Edwards & Payne (Underwriting Agencies) Ltd., in September.

Meanwhile, arbitration is proceeding between two marine syndicates underwritten by John Birrell and syndicate 661, despite an attempt by Mr. Outhwaite to persuade a court to dismiss the panel of arbitrators chosen last December to settle the dispute.

'I very much doubt we will be able to close our 1984 accounts unless the dispute is solved very soon,' says Ron Hampton, underwriter of non-marine syndicate 179, which is managed by Anton Underwriting Agencies Ltd.

Mr. Outhwaite last month filed a lawsuit in London's High Court that asked the court to dismiss the arbitrators, but he withdrew the suit the day before the court was scheduled to hear the case, according to Mr. Birrell.

A spokesman for the Outhwaite agency said the lawsuit was filed because the Outhwaite agency was led to understand the arbitrators were going to allow only written submissions of evidence rather than full discovery.

It was withdrawn when the agency was given "strong indications that the arbitrators would allow oral submissions and full discovery to take place," the Outhwaite spokesman said.

Mr. Birrell does not know how long arbitration will take and said it is too early to tell whether he will be able to close the syndicates' 1984 accounts this year.

At least three syndicates still will not be able to close their 1984 accounts this year because of their ongoing dispute over runoff policies with Mr. Outhwaite, *Business Insurance* has learned.

Two are marine syndicate 17/16/18, underwritten by J.A. Oliver, and non-marine syndicate 15, underwritten by D.A. Barker. Both are managed by Stewart & Hughman Ltd.

"Arbitration hearings between ourselves and Mr. Outhwaite will probably not start until toward the end of 1988, so we will have to keep both syndicates' 1984 accounts open," Mr. Craig said.

Mr. Craig confirmed that Stewart & Hughman's loss experience has deteriorated substantially since last year, but he would not reveal any figures.

The other syndicate that will not be able to close its 1984 account this year because of its dispute with Mr. Outhwaite is non-marine syndicate 179, underwritten by Ron Hampton and managed by Anton Underwriting Agencies Ltd.

"I very much doubt we will be able to close our 1984 accounts unless the dispute is solved very soon," said Mr. Hampton, who refused to discuss the matter further.

However, arbitration between Mr. Hampton and Mr. Outhwaite is unlikely to be heard this year, sources say.

Other syndicates might be forced to keep their 1985 accounts open because of concerns over increasing pollution claims being filed in the Lloyd's market, several underwriters agree.

For example, pollution and asbestos claims on liability insurance policies written prior to 1982 are forcing Lloyd's of London non-marine syndicate 90 to ask members for 3.4 million pounds ($6 million) to increase reserves.

Pulbrook Underwriting Management Ltd., a subsidiary of Merrett Holdings P.L.C., announced this month that to maintain the syndicate's reserves for incurred-but-not-reported losses, each member for the 1982 underwriting year would be asked to pay 2,500 pounds ($4,450) for every 10,000 pounds ($18,100) in premium written.

Continued on next page

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The IBNR reserve needs to be increased by a total of $20 million, of which the members are responsible for paying 30%, said David Robson, chairman of Pulbrook. The other 70% is reinsured through a runoff policy written by the Outhwaite syndicate.

So far, Outhwaite has refused to pay more than $5 million in paid claims on syndicate 90's runoff policy, but the cash call has nothing to do with the dispute with Outhwaite, Mr. Robson said.

'The Outhwaite situation is becoming quite a problem at Lloyd's,' says David Craig, managing director of underwriting agency Stewart & Hughman Ltd.

This is the second cash call on syndicate 90 members to pay asbestos and pollution claims.

The first cash call was in 1985, when syndicate members were asked to pay 5,500 pounds ($7,000 at the appropriate exchange rates) for every 10,000 pounds in premiums written.

Syndicate 90 was one of the main non-marine syndicates in the 1950s and 1960s to underwrite policies now be called upon to pay asbestos and pollution liability losses, according to Pulbrook.

As a result, it was one of the first Lloyd's syndicates to leave an underwriting year open because of the flood of asbestos and pollution claims now hitting the market, Mr. Robson explained. ■

British, U.S. tax authorities taking closer look at Lloyd's

By CAROLYN ALDRED

LONDON—Taxmen on both sides of the Atlantic Ocean are casting larger shadows over Lloyd's of London syndicates and their members.

In Britain, Inland Revenue inspectors this year have greater authority to question the size and tax deductibility of funds that syndicates reserve to close underwriting accounts, and inspectors are more closely scrutinizing the reserves established by syndicates with open accounts.

The Inland Revenue also is expected to issue rules soon on how syndicates must treat proceeds from their investments in U.S. bonds.

In addition, the U.S. Treasury Department is again studying whether to tax Lloyd's syndicates as any U.S. insurance company.

Syndicates close their accounts three years after the underwriting year to allow a more accurate assessment of their liabilities. To close the accounts, underwriters set aside funds to pay future losses related to the accounts.

As a result of legislation passed by Parliament last summer, the Inland Revenue now can review the funds, known as reinsurance-to-close premiums, and for the first time can rule the funds are not tax-deductible if they exceed "a fair and reasonable assessment of the value of the liabilities," according to the legislation (*BI*, July 13, 1987).

"The Inland Revenue has legislation with teeth for the first time to deal with reinsurance-to-close premiums," said Charles Watt, tax partner with accounting firm Ernst & Whinney.

Mr. Watt warned that tax inspectors in the coming months will "be going out to managing agents' offices looking for statistical evidence" to justify the premiums set aside by syndicates.

Meanwhile, underwriting executives say the Inland Revenue is scrutinizing syndicates with open accounts far more vigorously this year than in the past.

About 90 underwriting accounts of trading and non-trading Lloyd's syndicates have been left open from underwriting years prior to 1985, and more are expected to be kept open this year.

"The Inland Revenue has looked at both our syndicates' open years very closely," confirmed David Craig, managing director of underwriting agency Stewart & Hughman Ltd.

Mr. Watt warns that tax inspectors will be looking to justify the premiums set aside by syndicates.

Reserves set aside to cover future liabilities of open accounts have long been subject to scrutiny and taxation by the Inland Revenue. However, since the Inland Revenue a year ago set up a specialized tax unit, known as City 35, to cover London's financial district, inspectors have increased their monitoring of Lloyd's syndicates' open accounts, sources say.

One managing director of a Lloyd's underwriting agency told *Business Insurance* he had "several" meetings with Inland Revenue inspectors already planned.

The Inland Revenue also is expected to clarify shortly the tax treatment of syndicates' investments in U.S. bonds following meetings last week with Lloyd's tax department.

Many Lloyd's syndicates currently invest in U.S. bonds that are redeemable after periods of six months or longer.

Although the bonds carry low interest rates, they have an index-linked premium on redemption, according to Mr. Watt. Syndicates invested heavily in these bonds last year with the understanding that the redemption premiums could be taxed as capital gains rather than as income.

However, the Inland Revenue already has questioned one syndicate's accounting treatment of such bonds and is likely to lay down guidelines soon, sources say.

Meanwhile, the U.S. Treasury Department last month asked Lloyd's to answer 35 questions as part of its study on federal tax treatment of income earned by members of insurance or reinsurance syndicates.

Although a House-approved provision that would have increased taxes on Lloyd's of London syndicates writing U.S. business and forced Lloyd's to scrap its three-year accounting system was stripped from budget reconciliation legislation last December, the Treasury Department again is studying the issue (*BI*, Dec. 21, 1987; Nov. 9, 1987). ■

Symphony tour

Continued from page 3

In addition, The Home writes the CSO's non-instrument equipment coverage, leased auto liability and workers compensation insurance.

Covering the symphony's instruments for the trip to Australia also was a snap, said Edgar Feldman, president of Clarion Associates, an independent New York brokerage that places the CSO's instrument coverage.

"Bill Rahe sent me a letter a few weeks ago and told me about the trip. He asked if anything special had to be done. I wrote back and said nothing special was necessary," said Mr. Feldman.

Because the symphony's instruments are insured for all risks worldwide, an overseas tour requires no special instrument property insurance, Mr. Feldman said.

The CSO's instrument coverage is written by Hartford Fire Insurance Co. of Hartford, Conn., Mr. Feldman said.

'The people loading baggage often have no idea what they're handling,' says Edgar Feldman, who brokers the CSO's instrument coverage. The loaders do not realize how delicate the instruments are, and inadvertently damage them.

Mr. Rahe said a "ballpark" estimate of the value of the instruments on tour is $5 million.

The orchestra's instrument insurance is written on a master policy issued to the CSO and covering the various scheduled instruments of each orchestra member. The value of each covered instrument is based on current appraisals, Mr. Feldman said.

Clarion brokers the instrument coverage for about 30 U.S. symphonies as well as numerous unaffiliated musicians and soloists, Mr. Feldman said, making his firm the country's largest classical musical instrument insurance broker.

In addition to Hartford Fire, Mr. Feldman cited Novato, Calif.-based Fireman's Fund Insurance Cos. and units of Chubb Corp. of Warren, N.J., as major insurers of classical instruments.

While performing in Australia presents no risks to musicians and instruments unique to that country, Mr. Feldman was quick to point out that touring in and of itself presents exposures.

"Generally, while these orchestras tour, whether in the United States or abroad, the greatest exposure is travel itself," he said, adding that these risks range from the life-threatening to the mundane.

There always exists, "heaven forbid, a possibility that the plane carrying the orchestra and all of its baggage will crash," he said.

And routine travel can be rough on instruments in several ways, Mr. Feldman said. About a year ago, a truck carrying some of the CSO's instruments overturned during a trip to Texas. Tubas and other brass instruments were damaged, he said.

The CSO filed a claim following the accident, but a Clarion spokeswoman would not comment on the amount of the claim.

But, the greatest threat to the well-being of an instrument is simply handling during transport, Mr. Feldman said.

Musicians and their instruments are traveling on planes, trains and buses because the trip involves overseas and trans-continental travel.

"The people loading baggage often have no idea what they're handling," Mr. Feldman said. The loaders do not realize how delicate the instruments are, and inadvertently damage them, he said.

This exposure is particularly pronounced with larger string instruments, noted Mr. Feldman. "Double-basses are very susceptible to mishandling," he said, adding that cellos also can be easily damaged. Some cellists, in fact, cope with that exposure by treating their instrument less as an object than as a traveling companion, Mr. Feldman said.

"If a musician really prizes his cello, he will buy it its own airplane ticket. He will buy the seat right next to him for the cello," Mr. Feldman said.

The musicians' care for their instruments reflects in part a difference between the practices of American and many European symphony orchestras, said Mr. Feldman. In Europe, instruments often belong to the orchestra rather than to the musician. When a musician retires, his or her instrument passes on to another member of the ensemble. But in the United States, musicians own their instruments, and will take an extra measure of care in protecting their investment.

Mr. Feldman made clear that that investment can be quite significant.

Perhaps the best-known of these unusually valuable investments are Stradivarius violins, which take their name from Antonio Stradivari, a violin maker from Cremona, Italy, whose craftsmanship set the standard for string instruments.

By the time of his death at the age of 93 in 1737, Mr. Stradivari had made roughly 1,100 string instruments, including violins, violas and cellos. Mr. Feldman estimated that slightly more than 500 of the violins survive.

The value of the extant violins ranges considerably, from about $200,000 for an instrument that has not been well cared for to roughly $1 million for a mint condition violin, with the average appraisal hovering in the $400,000 to $500,000 area, Mr. Feldman said.

But, no matter what its condition, each such instrument is irreplaceable, he pointed out.

While Mr. Feldman would not reveal how many rare musical instruments are involved in the trip, he said most large orchestras have one or two Stradivarius instruments.

But not even irreplaceable instruments get special insurance treatment when a symphony such as the CSO embarks upon an international tour, Mr. Feldman noted.

While simply moving an object increases exposure, simply crossing a border, for example, does not mean an increased exposure to theft, Mr. Feldman said. But, crossing international borders can, however, result in increased exposure to risks excluded from the orchestra's property policy.

Loss to property due to war is an absolute exclusion, Mr. Feldman said. He also noted that orchestras traveling to countries in the throes of revolution or civil war might find confiscation of their instruments and other baggage "something to worry about."

The CSO has no such political worries, however, because Australia has not suffered civil war, revolution or successful invasion since the British first raised the Union Jack in 1788.

The orchestra scheduled 13 performances during its tour, which took it to Perth, Adelaide, Melbourne, Sydney and Brisbane. The tour began with a performance in Perth on Australia's West coast March 3, and is scheduled to end with a performance in Brisbane on Saturday. The CSO will return to Chicago on March 20. ■

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AMA proposal

Continued from page 2

same field as the health care provider involved in the action. That expert would report whether he believed the claim had merit.

At that stage, the claim reviewer could dismiss the claim or review with the claimant any settlement offered by the provider.

If the claim is not yet settled, it would be assigned to a state hearing examiner. Before the case would be heard, each party would be required to submit a settlement offer. If the offers were reasonably close, the examiner would have authority to approve a settlement.

Otherwise, the examiner would have broad authority to conduct a hearing on the issues, including the ability to use independent experts, such as physicians in the same field as the doctor named in the malpractice case, to help decide the case.

Within 90 days of the hearing, the examiner would be required to render a written decision on whether the medical provider was liable for the claimant's injury and to set damages, if any.

The examiner's decision would be subject to review by a three-member appellate board selected from seven governor-appointed members. At least two—but no more than three—of the seven appellate board members would be physicians.

The proposal says the appellate board would "make a full independent determination whether the health care provider's conduct was inadequate and caused the claimant's injury."

The appellate board's decision could be appealed to a state appellate court, but that court's review would be limited to whether the appellate board acted contrary to the statute creating the system or to the board's own rules.

If the appellate court determined the appellate board acted improperly, the case could be remanded back to the board.

Also under the proposal:

- Claimants would be allowed recovery regardless of the degree of fault by a physician.

"Traditionally, recovery has been denied unless the physician was at least 50% responsible for the patient's loss," the proposal states. "Damages under this standard would be apportioned according to the physician's degree of fault."

- Non-economic and punitive damages in medical malpractice cases would be capped at 50% of the average annual wage in the state. There would be no cap for actual damages.
- Joint and several liability rules would be abolished in medical malpractice cases.
- Payments of awards for future damages with a present value exceeding $250,000 would be made in installments.
- Economic damages would be reduced by collateral source payments.

The AMA says the proposal's main purpose is to give more claimants access to compensation.

The current system of handling malpractice claims within the civil justice system "only serves well those who have a permanent, serious disability," Mr. Hatlie said.

"Those who have less serious injuries have no access to the system" because they cannot afford a lawyer that will accept a case that does not hold the potential for a large settlement, he said.

Dr. Keith White, a director of the American College of Obstetricians and Gynecologists, one of the groups that worked on the project with the AMA, said the proposal also is aimed at reducing the time to close a malpractice case and therefore cut costs of the process.

Dr. White said recent studies show it takes an average of 3½ years to close a medical malpractice claim.

And, according to a poll conducted last August for the ACOG by the research firm of Penn & Schoen Associates Inc. of New York, federal and state judges favor some of the reforms that are included in the AMA proposal.

Dr. White said 84% of the 284 state judges and 54 federal district and appellate court judges surveyed favored early settlement incentives, which he called "one of the principal aims of the AMA proposal."

However, the judges indicated they are "opposed to things that might totally upset the system. There was some objection to taking (malpractice claims) completely out of the tort system."

But, "there's enough good in this proposal that it ought to be tried," Dr. White said.

Plaintiffs' attorneys strongly disagree.

The proposal "would abolish our time-honored system of trial by jury," said Eugene I. Pavalon, president of the Assn. of Trial Lawyers of America, in a statement released shortly after the AMA unveiled the project.

"In its place would be nothing more than a state administrative agency, a 'medical board,' which would be anointed judge and jury and be vested with the authority to determine liability and assess damages in medical malpractice cases," Mr. Pavalon said.

Thomas Demetrio, a plaintiff's lawyer with the Chicago firm of Corboy & Demetrio, said the proposed system would lure patients with the promise of access to the system without the expense of an attorney. But once in the system, most victims would be overwhelmed by it, he asserted.

"Without independent counsel, I just don't believe that most people are sophisticated enough to have their rights adequately represented," Mr. Demetrio said.

"And it's very, very significant to me that the AMA proposal emphasizes in several parts that the doctor or medical care provider will be represented by private counsel."

Mr. Demetrio also argued that the AMA is not really concerned about giving medical malpractice victims with minor injuries access to compensation. "I believe that's just a vehicle in order to get the thing passed by somebody so that the significantly injured people are shut out."

The American Bar Assn. also has significant objections to the AMA plan.

ABA President Robert MacCrate said in a statement that the proposal is "unclear as to how the established rights of patients to fair and just compensation could be preserved under such a system."

"As more information is provided regarding this radical proposal, the ABA will be giving careful consideration to its various elements and to whether some aspects of the proposal might contribute to quality medical care while preserving the rights of patients," he said.

However, both ATLA and the ABA support the AMA's recommendations for monitoring physician performance and establishing strict disciplinary standards.

Mr. Hatlie of the AMA contends that caps on non-economic damages would give insurers some predictability of future claims costs and therefore should allow insurers to lower medical malpractice insurance premiums.

"There is a big range in awards now," he said. "Two people with the same injuries are getting very different awards."

The current system is unfair because claimants, physicians and insurers "never know what guidelines a jury is going to use," he said.

"Predictability will serve everybody's interest better," he added.

Continued on next page

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However, insurers are not jumping wholeheartedly onto the AMA bandwagon. They contend it is too early to tell whether the proposal actually will provide insurers the amount of predictability necessary to allow them to control costs.

"Our point of view is that it is an innovative proposal, certainly. We're not endorsing it so much as suggesting to state legislatures that they take a look at what's proposed," said Ronald S. Gass, senior counsel in the law department of the American Insurance Assn.

Mr. Gass said the proposal contains some important recommendations, such as the suggestion for tighter discipline of physicians. But, the plan to set up an administrative system for settling malpractice claims leaves some questions unanswered, he added.

"Is this going to be any more cost-efficient than the present system?" he asked.

Patrick J. McNally, assistant general counsel and assistant vp of the National Assn. of Independent Insurers, agreed that methods for disciplining physicians need to be improved. But, he also said that the AMA proposal could create constitutional problems if plaintiffs in medical malpractice cases are denied the opportunity to take their claims to court.

"Our position is we welcome the experiment but don't want to see anything that would violate the whole jury system," said a spokesman for the Alliance of American Insurers. "We would like to see it tested out somewhere."

Patricia Danzon, associate professor of health care systems and insurance at the Wharton School in Philadelphia, said the proposal is "worth serious consideration."

Some features of the AMA plan have the potential to improve the efficiency of the system for settling medical liability disputes, she said, though other features are "obviously problematic."

For insurers, the "limits and structures on damage awards could do something to control uncertainty," Ms. Danzon remarked. But, allowing more claimants access to compensation could result in more claims paid by insurers, she pointed out.

Insurance brokers also would like to see the results of an experiment using the AMA proposal.

The plan has merits, said Kevin Conboy, president of CPI Insurance Group in Morristown, N.J., and chairman of the National Assn. of Insurance Brokers' technical committee.

"A review board of some nature could reduce the meritless claims and transaction costs that are associated with medical malpractice claims," he said.

The Risk & Insurance Management Society Inc. has not taken a close look at the proposal.

Frank Milanese, administrative director of risk management at Holy Cross Hospital in Fort Lauderdale, Fla., and a member of RIMS' governmental affairs committee, said the plan would be "a state-by-state constitutional test. That's where the war zone will be."

The American Hospital Assn. has not developed an official policy regarding the AMA proposal.

But, "by and large, we are in favor of approaches like this that are less traditional and more aggressive," said Sarah Karzel, counsel in the AHA's office of legal and regulatory affairs. "While I have some concerns, I don't want to convey the impression that we're disturbed about the proposal. We're generally in favor of it."

Ms. Karzel said she is concerned about how hospitals will be treated under the proposal and suggested clarification of some of the plan's language before it is drafted into legislative form. ■

AMA proposal could impact product liability

By MICHAEL BRADFORD

If the American Medical Assn.'s proposal to change the way medical malpractice disputes are settled is successfully administered in several states, its structure could be adapted for use in settling product liability claims, some legal observers speculate.

They point out that medical liability reforms in the 1970s were the harbinger of reforms of the civil justice system.

"The medical malpractice area in some ways has been the front-runner of the liability crisis," according to Blair Childs, executive director of the American Tort Reform Assn.

The AMA proposal, under which special state agencies would resolve medical malpractice disputes, thus eliminating jury trials in these cases, "could have applications for other areas as well," said Martin J. Hatlie, senior attorney in the AMA general counsel's office.

He said "high-risk" exposures, like product liability, that produce significant numbers of claims and high awards might be well-suited for the system the AMA has proposed for handling medical malpractice claims.

The AMA plan is geared toward liability exposures that produce large numbers of claims, agreed Patricia Danzon, associate professor of health care systems and insurance at the Wharton School at the University of Pennsylvania in Philadelphia.

Ms. Childs also agreed that successful implementation of the AMA plan could lead to the system being applied in other areas.

"Any time there is a break with the legal system and you try something different, it breaks down the walls of change," Mr. Childs said. "It says we're willing to try something different and look at other liability problem areas."

Thomas Demetrio, a plaintiffs' attorney with the Chicago firm of Corboy & Demetrio, acknowledges that the system could be used to settle product liability claims.

But, "I don't really believe society in the long run really wants that."

Mr. Demetrio thinks the AMA is introducing the proposal partly because it wants to stoke the civil justice reform movement that saw significant reforms passed in many states during the past two years.

Mr. Demetrio said the AMA is not really interested, as it claims, in having a few states try out its proposal as an experiment.

"I think the real goal of the AMA proposal is not that some state try it out, but that the 50 states adopt at least a portion of it in its so-called tort reform legislation."

The tort reform movement has "died down," said Mr. Demetrio. "The momentum has been lost," and this is a method of reviving it, he alleged.

In the middle of the last decade, legislators and members of the medical profession began to react to large malpractice awards and spiraling medical malpractice insurance rates in ways that eventually were adapted to apply to tort cases.

"Physicians were a little further ahead," Mr. Childs observed.

The first "traditional tort reforms" came about as a reaction to the medical malpractice crisis of the 1970s, Mr. Hatlie agreed.

Those reforms include changes in joint and several liability doctrines, modification of elimination of the collateral source rule and structuring settlements. ■

Medical liability plan urged in New York

By MICHAEL BRADFORD

LAKE SUCCESS, N.Y.—The Medical Society of the State of New York is asking state legislators to sponsor and approve legislation that would create an administrative system for deciding medical liability cases similar to one proposed by the American Medical Assn.

Like the AMA's plan, the New York medical society's proposed system would eliminate jury trials in malpractice cases and damages would be assessed by a state agency (see story, page 2).

"We sent it in bill form to every member of the New York state Legislature in late January and early February," said a spokesman for the medical society.

Legislators have told the society they are interested in the proposal, the spokesman said, but no one has indicated he or she will sponsor the legislation.

The Medical Society of the State of New York's plea to legislators calls for the creation of 'a bold new system which will provide fair but limited recompense for injuries sustained as a result of inappropriate medical care.'

Liability insurers have informed the society that medical malpractice rates will rise as much as 50% for some New York doctors during July renewals, the spokesman said. A statement included in the proposal sent by the society to legislators said: "If this occurs, the health care delivery system all over New York State could be seriously disrupted. . . ."

The plea to legislators calls for creation of "a bold new system which will provide fair but limited recompense for injuries sustained as a result of inappropriate medical care. The new system must be structured to provide more consumers with easier access to the process."

"Most importantly, the compensation must be provided expeditiously and it must be available when it is most needed," the statement says.

The medical society proposes its plan be passed as an amendment to New York's insurance law and take effect July 1.

Under the proposal, a claimant would first appear before a three-member, paid panel of "disinterested medical experts" chosen by a 12-member patients' injury compensation board from lists prepared by the New York medical society.

The full-time compensation board would have the authority to determine whether the claim has merit and, if so, the amount of a settlement.

If either party in the dispute is not satisfied with the panel's determination, that party could call for a hearing by an administrative panel composed of a physician, a lawyer and a consumer representative who are on the 12-member compensation board.

If that panel's decision were contested by the claimant or provider, the case would go before the full 12-member board.

That body, which would be appointed by the governor, would include four lawyers, four physicians and four consumer group representatives.

Also under the New York medical society's proposal, the compensation board would have the authority to award actual and non-economic damages.

There would be no limit on actual damages under the medical society's proposal, but non-economic damages would be limited to one-third of the average annual income in New York for every year in which the claimant's condition persists.

And, damages that could be assessed against a provider would be capped under the proposal.

Damages against the provider would be limited to the amount of medical malpractice coverage that could be purchased with the same premiums that were charged July 1, 1987, for limits of $500,000 per occurrence with an annual aggregate of $1.5 million.

Under the New York medical society's proposal, if an award exceeded the maximum that could be assessed against a provider, the difference would be paid by a fund similar to one in New York that currently provides excess medical malpractice coverage for physicians by charging assessments to hospitals.

Settlements would be reduced by any collateral source income, and attorneys' fees in malpractice cases would be determined by the administrative board. ■

Comings & goings: industry

Donald Shanks named president of Unigard

Donald K. Shanks has been elected president and chief operating officer of Unigard Insurance Group of Seattle, a unit of John Hancock Mutual Life Insurance Co.

He replaces John Lindgren, who left the company.

Mr. Shanks came to Unigard after serving 23 years at Allstate Insurance Co. in Northbrook, Ill., where he was most recently national accounts division vp. He began his insurance career in 1958 with Farm Bureau Insurance Co., Lincoln, Neb.

In other insurer changes:

Nationwide Insurance Co. of Columbus, Ohio, announced a realignment of top management to be effective April 6: **D. Richard McFerson** named president-elect of the Nationwide property/casualty companies and **Paul A. Donald** named president-elect of Nationwide's property/casualty affiliates.

Mr. McFerson, who previously served as executive vp of Nationwide's property/casualty operations, will be president of Nationwide Mutual Insurance Co., Nationwide Mutual Fire Insurance Co., Nationwide Property & Casualty Insurance Co. and Nationwide General Insurance Co., all of Columbus, Ohio. In addition, he will continue to oversee Colonial Insurance Co. of California in Anaheim, Calif., and the Farmland Insurance Cos. of Des Moines, Iowa.

Mr. Donald, who previously served as president of the Nationwide Insurance Cos., will continue as assistant chief executive officer of Nationwide. In addition, he will oversee Wausau Insurance Cos. of Wausau, Wis.; Beaver Pacific Corp. of San Francisco; Neckura Versicherungs A.G. in West Germany; and Scottsdale Insurance Co. of Scottsdale, Ariz.

Both Mr. McFerson and Mr. Donald report to John E. Fisher, chairman and chief executive of Nationwide.

Francis A. Mandosa named vp of group benefit services at John Hancock Mutual Life Insurance Co. in Boston. Previously he served as a second vp.

Robert H. Dorgan, an executive vp at Continental Corp., has been appointed to the company's special operations group. In this capacity, he is responsible for casualty insurance operations, including special risks, Harbor Insurance Co. and Casualty Insurance Co. Previously he had served with Continental's brokerage and special operations group.

Robert L. Laszewski appointed executive vp and chief operating officer of the group department of Liberty Life Assurance Co. of Boston, a unit of Liberty Mutual Insurance Co.

Richard P. Kotz promoted to executive vp, overseeing all marketing efforts, from senior vp at Bond Investors Guaranty Co. Also at the New York-based municipal bond insurance company, **Bernard L. Smith** promoted to executive vp from senior vp and continues to direct risk underwriting. In addition, **JoAnn Palazzo**, general counsel and director of new product development, was promoted to senior vp from first vp. New vps include: **Christine A. Brooks** in competitive new issues, **Thomas F. Byrne** in secondary markets and **Susan Rosenbaum**, who manages the marketing communications area.

HMOs/PPOs

James M. Spear promoted to senior vp from controller of Cleveland-based Emerald Health Network, the largest preferred provider organization in northeast Ohio with more than 106,000 members. In his new position, Mr. Spear is responsible for finance, administration and operations.

Mark A. Carney named executive director of Associated Care Systems of Indiana Inc., a preferred provider organization for psychiatric care based in Indianapolis. Mr. Carney, 29, most recently was associate executive director of First Care Health Plan of Indiana, an independent practice association health maintenance organization.

Other suppliers

Reid C. Linney named an employee benefit consultant in the San Francisco office of The Wyatt Co. Previously, Mr. Linney was manager of Peat Marwick Main & Co.'s human resources consulting practice in San Francisco.

Rik D. Lindahl named senior manager of Peat Marwick Main & Co.'s group insurance and welfare plan consulting practice in Dallas.

Allan Gold and **Thomas R. Boldt** named senior consultants at Treacy & Rhodes Consultants, a Solana Beach, Calif.-based consulting firm specializing in flexible benefit programs. Mr. Gold had served as eastern regional marketing actuary of Aetna Life & Casualty Co. in Hartford, Conn. Mr. Boldt previously served as a group actuarial consultant with William M. Mercer-Meidinger-Hansen Inc. in Denver.

William R. Leckonby promoted to president of Tesseract Corp., a San Francisco-based subsidiary of The Prudential Life Insurance Co. of America that develops human resources management software systems. Previously, Mr. Leckonby was responsible for the company's license division. Mr.

Thomas J. Wander elected a principal of the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. Mr. Wander, who leads Tillinghast's risk management consulting practice in San Francisco, joined the firm in 1987.

Gregory M. Evans promoted to president and chief operating officer of Herget Risk Management Inc. in Baltimore. Previously, Mr. Evans was executive vp of Herget.

Coopers & Lybrand has added four senior consultants to its actuarial, benefits and compensation group in New York: **Russ Opferkuch, John Robinson, Gary Rothy** and **Ted Municе**. Mr. Opferkuch, who will be responsible for auditing property/casualty insurance programs and for loss control consulting, was formerly insurance loss control manager for Joseph E. Seagrams & Sons.

Mr. Robinson, who will be involved in life insurance consulting, including review of actuarial reserves for clients, was formerly with Metropolitan Life Insurance Co. Messrs. Rothy and Municе, who will specialize in the design, implementation and administration of retirement and savings plans, as well as employee benefit consulting in client mergers and acquisitions, were formerly with other consulting firms.

Patrick Hickey joined New York-based broker and human resources consultant Johnson & Higgins as a benefit consultant in the international department of the firm's Chicago office. He will be responsible for J&H's international employee benefit consulting practice throughout

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Puerto Rico's '936ers'

Tax break savings used to fund fire prevention improvements

By Jerome Karter

OFF THE SOUTHEAST COAST of Miami, nearly 1,042 miles as the crow flies, lies the island of Puerto Rico. While best known for its sunny beaches, Puerto Rico is also home to the "936ers"—U.S. multinationals that have long been enjoying a tax holiday in Puerto Rico.

But in the wake of Puerto Rico's fire safety bill, signed into law on July 2, 1987, 936ers—who get their name from Section 936 of the Internal Revenue Code, which gives tax-favored status to U.S. multinationals operating in Puerto Rico—are using some of the profits generated by their favored tax treatment to fund a new level of safety standards. More specifically, regulations approved in late October to implement the new law will require building owners to install one or more of the following: sprinklers; alarms; smoke detectors; and/or compartmentalization.

Although the new law—enacted in the aftermath of the fire at the Dupont Plaza Hotel—applies to all buildings in Puerto Rico, the regulations are based on type of occupancy. Let's take a closer look at each category.

Category 1 encompasses all buildings, except hotels, that are higher than 75 feet above the nearest access point for fire trucks. This category, however, is subdivided into the following occupancy classifications:

✔ Category 1-A. This includes residential buildings such as apartments, dormitories and orphanages. In effect, the law grants building owners four years, until Nov. 13, 1991, to install one of the following:

- A sprinkler system that protects the entire building.
- An approved automatic sprinkler system along the ceiling of each exit hallway as well as one sprinkler head to be located over or near each door or opening that connects an apartment to an outside hallway. Also, sprinklers must be installed in all commercial areas as well as in those areas that are classified as high risk by the National Fire Protection Assn. and the Uniform Building Codes (as noted in an appendix to the regulations). Moreover, an approved system of smoke detectors should be installed in common areas not sprinklered (as per Chapter 7 of the NFPA bulletin).
- An approved automatic fire alarm system that protects the entire building.
- A structural resistance that offers security against the propagation of a fire through compartmentalization of floors, as well as independent smoke detectors or, alternatively, an approved automatic fire alarm system with manual pull stations in accessible sites on each floor.

✔ Category 1-B. This category includes commercial buildings that store, sell or exhibit merchandise or render professional services, as well as office buildings, banks, hospitals and department stores.

Building owners are granted two years, until Nov. 13, 1989, to install one of the following:

- An approved automatic sprinkler system along the ceiling of each exit hallway, except for the stairways. Also sprinklers must be installed in those areas classified as high-risk by the NFPA and the UBC, such as restaurants, kitchens and cafeterias, stores, machine rooms, assembly rooms and rooms used to store flammable materials, files or cleaning materials.

✔ Category 1-C. This includes all industrial buildings such as factories, dry cleaning plants, refineries and power plants. Two years are granted, until Nov. 13, 1989, to install one of the following:

- A sprinkler system that protects the entire building, as in Category 1-A.
- An approved sprinkler system in all the means of exit and in all areas where explosions may occur or where flammable liquids are stored. Also, sprinklers must be installed in areas used for general storage, painting, woodworking, kitchens, cafeterias, or in those areas that are classified as high-risk by the NFPA and the UBC.
- An approved automatic fire alarm system, as in Category 1-A.
- A structural resistance paired with independent smoke detectors or an approved fire alarm system, as in Category 1-A.

✔ Category 1-D. This classification applies to all government buildings, including office occupancies, hospitals, prisons, sports stadiums, museums and parking garages.

The government is allowed four years, until Nov. 13, 1991, to install one of the following:

- A sprinkler system that protects the entire building, as in Category 1-A.
- An approved automatic sprinkler system along the ceiling of each exit hallway, except for the stairways and in those areas that are classified as high-risk by the NFPA and the UBC.

In office buildings this includes: machine rooms; rooms for storage of flammable liquids, documents or files, cleaning or painting materials; a printing room; assembly rooms; kitchens and cafeterias; and workshops for repairing equipment.

In hospitals this includes: rooms with heaters; rooms used for garbage collection and/or storage of fuel; laundry rooms; repair rooms; and gift shops.

In prisons and jails this includes: machine rooms; storage areas; storage closets for cleaning materials; paint or woodworking shops; laundry rooms and kitchens.

- An approved automatic fire alarm system, as in Category 1-A.
- A structural resistance paired with independent smoke detectors or an approved fire alarm system, as in Category 1-A.

Category 2 pertains solely to hotel buildings that are greater than 75 feet above the nearest access point for fire trucks. Under the new law, hotels are granted two years, until Nov. 13, 1989, to install an approved automatic sprinkler system in:

✔ Hallways. Along the ceilings of each exit hallway.

✔ Rooms. At least one sprinkler head to be located over or near each door or opening that leads to an outside hallway.

✔ Meeting rooms. All rooms used or designed for reunions, assemblies, exhibits, banquets, casinos, clubs, discotheques, commercial centers, lobbies or similar activities.

✔ Other areas. Areas that are classified as high-risk areas by the NFPA and the UBC (as noted in an appendix to the regulations).

Category 3 includes all buildings or parts of buildings that contain either 5,000 square feet or room for 300 people and are used or designed for assemblies, meetings or similar activities.

Owners of these types of occupancies are granted two years under the new law to install an approved emergency lighting system to cover those areas used for assemblies, reunions or activities, and to install either an approved automatic sprinkler system or an approved automatic fire alarm system.

Category 4 applies to all buildings that are four stories or higher, regardless of their use or occupancy. Essentially all building owners in this category are allowed two years to install an approved emergency lighting system in all hallways, stairways and lobbies that access a means of exit. In addition, the owner must post signs in visible places that show the location of emergency exits and warn people not to use an elevator during an emergency situation, such as a fire, earthquake or hurricane.

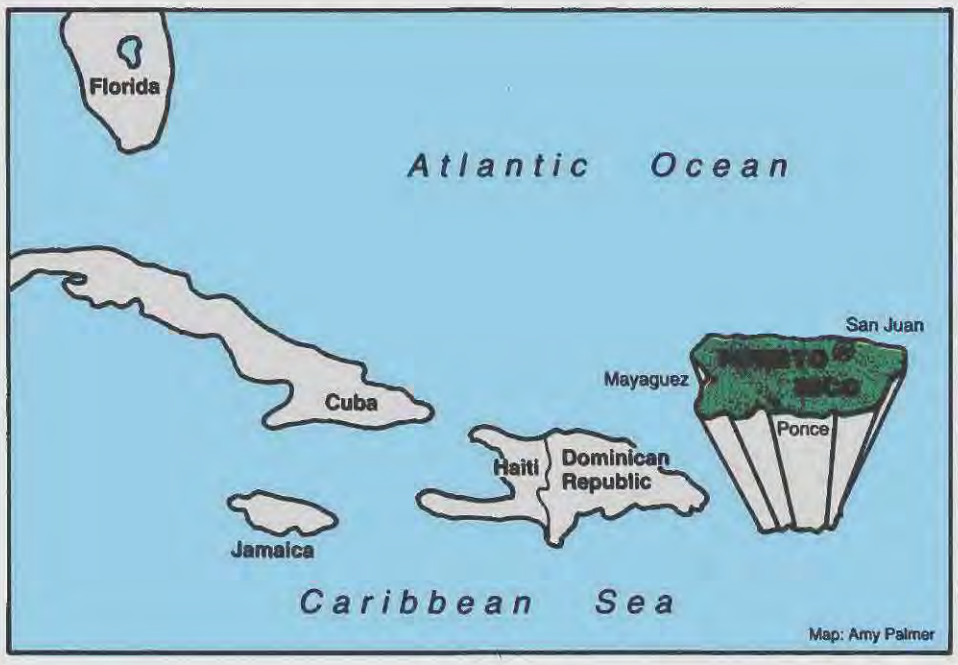
During 1988, the Puerto Rican government plans to focus its attention on new legislation to replace the 1942 law that created the fire department and the fire code. In effect, the Puerto Rican government believes that the only way to enforce compliance with the fire code is to allow the fire chief to levy fines or sanctions on non-compliers. Under the existing law, however, the fire department must refer repeated violations to the Justice Department for prosecution; a bureaucratic process that is rarely used.

In addition, a recent shortage of inspectors has limited the fire department's ability to conduct engineering inspections. But this problem was partially solved when the fire department added 24 inspectors to its staff last December, and the department plans to hire 44 additional inspectors before year-end 1988.

Moreover, the Puerto Rican government currently is reviewing the cost of installing a central computer system that the fire department can use to track violations, correction deadlines and reinspection dates.

Puerto Rico clearly intends to revamp its fire department and polish its image in the area of fire prevention. As a result, 936ers will want to upgrade safety standards to comply with the regulations implementing the new fire safety law. To ease the expense, the required capital expenditure may be offset by a 50% reduction in the local tariff rate applying to the peril of fire.

International issues



Jerome Karter is senior vp and manager of the New York International Department of Johnson & Higgins. His column appears the first Monday of every month.

ASK A BENEFITS MANAGER

Multiple option plans ahead for health care

Q **What is managed health care? Also, what do you think the future is for managed health care?**

A In previous articles I reviewed the history and status of managed health care systems, health maintenance organizations and preferred provider organizations (*BI*, Jan. 11; Nov. 9, 1987; Sept. 14, 1987). I will review in this article a newer trend and the way health care benefits will be delivered to employees in the future. Such a plan will provide traditional indemnity benefits paired with a managed care option of either a PPO or an HMO. The overall objective will be to take advantage of these more cost-effective arrangements. Managed care plan premium increases are lower than that for indemnity plans and, in many cases, are half that of indemnity plan premium increases.

These kinds of multiple-option arrangements began in late 1986 and early 1987. Until the first quarter of 1987, most health care experts were indicating that the actions employers and insurers have taken since the early 1980s were working and health care costs were under control.

However, the controls ran out of steam in 1987, and companies now are facing health care indemnity plan premium increases ranging from 10% to 70%. In addition, the trend factors that insurers are using for 1989 and 1990 are over 20%.

Everyone is now agreeing that the cost-containment actions taken in the 1980s worked but only from roughly 1984 to 1986. The health care cost escalation begun in 1987 will continue unless something major is done, like changing the approach of how health care benefits are delivered.

The actions taken in the 1980s by employers and insurers were adjusted to by the health care providers—hospitals, doctors, etc.—and will not work on a long-term basis.

The factors influencing health care costs in the early 1980s were inflation, utilization and cost shifting. The more difficult factors in the late 1980s are retiree medical benefits and their legal liability; financing HMOs and their cost impact on indemnity plans; and the growth of mental and nervous disorder claims, including substance abuse, drugs and alcoholism. In addition, we are facing an AIDS epidemic in some regions of the company.

Many employers recognize that health care cost increases are threatening their ability to provide these programs on a long-term basis unless this cost is controlled and stabilized. These are some of the reasons driving employers to try to find more cost-effective ways to control health care costs for the future. As a result, employers for the first time are considering a more active involvement in the health care delivery system.

Since managed care programs have been experiencing significantly lower premium increases than indemnity plans, employers are attempting to find ways to include these programs as part of their overall health care program and get the benefit of these lower costs. To date, most managed care programs have not worked to the employer's advantage: The cost-effectiveness of the HMO has worked to the HMO's advantage and, with regard to PPOs, it is very difficult to determine if the discounts reduce the employer's costs, because in many cases there is no control over the utilization of the services provided.

There are variations to the multiple option plan. The basic outline is an HMO option, a PPO option and an indemnity option. Some companies use a PPO/indemnity option in which the employee or dependent can choose to use the PPO provider or a non-PPO provider at the point of service. If the PPO provider is used, there is usually a minimal or no copayment. If the non-PPO provider is used, the visit is covered under the indemnity plan and the employee or dependent has to satisfy the deductible or copayment requirements.

A newer approach now being followed by a number of large employers is to use HMOs as the managed care plan and provide a point-of-service option to the traditional indemnity plan. Companies that have gone this approach feel that the primary care physician's responsibilities as a gatekeeper of medical care is the most cost effective as it controls the use of all medical services. In some programs the physician is compensated to provide cost-effective preventive care and is prepaid monthly whether he or she sees see a patient or not, rather than under a discount fee arrangement where there is no incentive for the physician to be cost effective or control utilization.

The following reviews how a point-of-service option using an HMO network and an indemnity plan would work when medical care is needed.

When medical care is needed, an eligible employee or dependent can choose between using in-network (HMO) and out-of-network (indemnity) coverage at the time they go to the doctor or hospital.

Under the in-network, or HMO option:

- You visit your network primary care physician.
- The primary care physician treats you or arranges for another physician to treat you.
- If you require hospitalization or surgery, your primary care physician will arrange it for you. You pay nothing for the hospitalization or surgery.

For other medical service and supplies under the in-network plan you will usually pay nothing. Some services, such as office visits and prescription drugs, may require a small copayment. You also do not have to file any claims.

Under the out-of-network, or indemnity plan:

- You visit any physician without first contacting your primary care physician.
- The physician treats you or refers you to another physician for treatment.
- If you require any inpatient hospitalization, you must call a special toll-free number for pre-admission certification. And, if you are considering non-emergency surgery, you must get a mandatory second opinion for some procedures.

You will be reimbursed 80%—after a deductible—if you comply with these requirements.

For other medical services and supplies under the out-of-network option, you will receive benefits if you are ill or injured, meet the annual deductible and file a claim. You also will pay 20%-40% of expenses. The plan pays the remaining 80% or 60% of customary covered expenses.

The multiple option plan does not control your choice of providers. You choose between in-network or out-of-network providers at the time you seek medical care.

Arrangements of this kind currently are available with some of the large insurance companies, and some major HMOs have expressed interest in developing this kind of product.

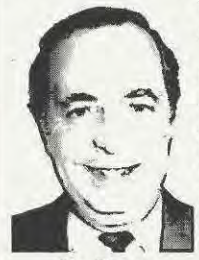
From an employer's standpoint, the decision on which insurer or health care company to use for this kind of arrangement will depend a great deal on the employee concentration and the insurer or health care network's locations. Another important consideration would be whether to implement the program nationally or regionally. The national approach provides certain problems at present because none of the companies I mentioned cover all areas of the country.

However, an employer may be able to find an insurer or health care company that has networks where all or a major portion of its employees are located. Obviously, the more health care business an employer can put with one company, the more leverage it will have to negotiate the best financial arrangement.

The development and the installation of these kinds of programs takes an enormous corporate commitment from top management, human resources, communications and financial staffs and there is a significant challenge to maintain positive employee relations during this difficult period of change. To those companies that are able to make this transition, a significant competitive and cost advantage currently is available.

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

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



Mr. Duva

This month's column, on employee benefits issues is written by Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actaurial questions in the casualty field. Mr. Duva'scolumn every other month on the second Monday of the month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's next column will appear in May.

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

Injury before workday not compensable: Court

Legal briefs

An employee's injury sustained while drinking coffee and talking with fellow workers before the working day did not arise out of and in the course of employment, according to the Supreme Court of Rhode Island and, thus, was not compensable.

Richard Kesson, a truck driver for Anthony's Seafood Inc., injured his back while drinking a cup of coffee outside his employer's premises. The injury occurred when Mr. Kesson turned to speak with a fellow employee while sitting on a telephone pole that was lying on the ground. Mr. Kesson felt a sharp pain in his back and later was taken to the hospital.

The injury occurred after he had arrived for work but before he commenced working. Mr. Kesson's employer had not arrived at the time of the injury. Mr. Kesson filed for, but was denied, work comp benefits.

The appellate court said that because Mr. Kesson was injured before he began work and his injury did not occur on the employer's premises, he was properly denied compensation.

Kesson vs. Anthony's Seafood Inc., Supreme Court of Rhode Island, Jan. 15, 1987 (*BI*/05/D.—$10).

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

Comings & goings: buyers

Witt receives promotion at Hilton International

J. Kevin Witt, 39, has been promoted to director-corporate risk management for Hilton International Co. in New York. In this newly created position he oversees the development and monitoring of risk management and risk control policies and procedures, as well as the administration of Hilton International's worldwide insurance program. Hilton International operates 95 hotels in 44 countries worldwide. Mr. Witt reports to E. Peter Aird, senior vp and treasurer. Prior to this promotion, Mr. Witt served as corporate risk manager. He received a bachelor's degree in management and finance from Hofstra University in Hempstead, N.Y., and a master's degree in risk management and insurance from The College of Insurance in New York.

* * *

Robert W. Eiselt, 32, has been named risk manager for the ChemLawn division at Ecolab Inc. in St. Paul, Minn. In this position he coordinates the risk management program for Ecolab's lawn care division. He replaces **Bill Michael**, who left the company, and reports to Brian L. Foltz, director of risk management for Ecolab. Prior to joining Ecolab, he worked in the accounting, internal audit and risk management departments at Hubbard Milling Co. in Mankato, Minn. Mr. Eiselt holds a bachelor of arts degree from Winona State University in Winona, Minn. Mr. Eiselt is a member of the Minnesota Chapter of the Risk & Insurance Management Society.

* * *

Ian M. Matheson, 43, has been named vp-risk management at First City Financial Corp. Ltd. in Toronto. In this newly created position he oversees property/casualty insurance as well as the development of insurance-related financial services for First City and its subsidiaries. First City is a diversified holding and investment company. Mr. Matheson reports to W. Gordon Lancaster, executive vp. Previously Mr. Matheson served as director of risk management at Genstar Corp. in San Francisco. He attended Sir George Williams University in Montreal and received his bachelor's degree from McGill University, also in Montreal. Mr. Matheson holds the Certificate in Management (Insurance) designation and is a member of the Practising Law Institute, the Canadian Maritime Law Assn., the Defense Research Institute and the Assn. of Average Adjusters. In addition, he is a lobbyist for the government affairs division of the Risk & Insurance Management Society Inc.

* * *

Michael J. Schmicher, 42, has been appointed director of risk management-insurance at Chicago Pacific Corp. in Chicago. In this newly created position he coordinates the company's worldwide insurance programs. He reports to C.B. Lozaw, vp and treasurer. Previously, Mr. Schmicher served as insurance manager for Hoover Worldwide and The Hoover Co. of Canton, Ohio, which were acquired by Chicago Pacific. Prior to that, he was corporate insurance manager for Emerson Electric Co. in St. Louis. Mr. Schmicher received a bachelor of arts degree in economics from Loras College in Dubuque, Iowa. He is a deputy member of the Risk & Insurance Management Assn. In addition, Mr. Schmicher has served as a vp and a member of the board of trustees of Goodwill Industries in Canton, Ohio.

* * *

Thresa Hearn, 39, has been named insurance manager for Deposit Guaranty Corp. in Jackson, Miss. In this newly created position she manages the newly organized banking department and oversees property/casualty insurance and loss control for the bank holding company. She reports to W. Murray Pate, senior vp and controller. Ms. Hearn, who joined Deposit Guaranty in 1980, most recently served as corporate office administration officer. She received an associate degree in banking and finance from the American Institute of Banking in Washington, D.C.

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We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Paul Winston, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.

Child care

Continued from previous page

Employers that want to play an even more active role in providing child care programs have other alternatives.

At The Brentwood School, a private college preparatory high school in Los Angeles, the administration created an on-site day-care facility at the urging of faculty, according to Joanne Huchel, the school's dean of students.

The school provides the space necessary for the day-care facility, although employees using the facility pay the salary of the child-care attendant.

"Having the day-care center works well for everybody involved," Ms. Huchel said. "Mothers don't have to worry about their children and can devote more energy to their teaching responsibilities."

Other employers not only offer on-site day-care facilities but also subsidize the expense of hiring day-care professionals.

'Having the day-care center works well for everybody involved,' says Joanne Huchel of The Brentwood School. 'Mothers don't have to worry about their children and can devote more energy to their teaching responsibilities.'

For example, at Porter Memorial Hospital in Denver, a part of the Adventist Health Systems Inc., which is owned by the Seventh-day Adventist Church, a day-care center is open from 5:45 a.m. until midnight seven days a week. Care is offered for children from infancy through age 12, said Marlene Ellstrom, the center's director.

"The center began 5½ years ago, and now it has 150 families participating and 250 children enrolled. Employees find it convenient and like being close to their children," she said.

Porter Memorial covers one-third of employees' costs, which range from $12 per day for children ages 2 to 12 years to $18 per day for infants.

Parents that use the 4,000 square-foot facility, which cost $250,000 to build, must sign a consent form that allows the facility to treat their children in a medical emergency if parents cannot be contacted, said Ms. Ellstrom.

"In terms of productivity, before we had the center one of our biggest problems was getting nurses to cover shifts on short notice, because they didn't have care for their children," said Earl Pate, vp for general services at Porter. "Now, that problem no longer exists, because there is easily accessible care."

Liability insurance for the center is underwritten by International Insurance Co. of Takoma Park, Md., the Seventh-day Adventist's captive insurer.

On a smaller scale, Big Eight accounting firm Arthur Andersen & Co. in Chicago has established a weekend day-care facility to accommodate the children of employees working overtime during the January-April tax season.

The facility, which is free to employees, is set up in the company's training classrooms, according to Leah Regan, an Andersen audit manager and one of the program organizers.

The company spent a few hundred dollars for games, and the day-care facility is supervised mostly by college students majoring in child education or related fields. Supervisors are paid $5 an hour, but the number of supervisors working at the facility each weekend depends on the number and ages of children who need supervision.

Liability exposures stemming from the day-care program are covered by Andersen's general liability insurance, according to Ms. Regan.

Although some employers successfully run on-site facilities, benefit experts agree that most employers would prefer not to provide this type of child-care benefits.

"There are not a lot of on-premises day-care centers because often parents work far away from their homes and they don't want to take the child out of a familiar environment," explained Cheryl Tillman, vp and consulting actuary with Alexander Consulting Group in Baltimore.

"On-site day care is not prevalent, although more companies are looking into the prospect of it," said Hewitt's Ms. McNaughton. "It is often an expense that companies don't want to incur."

When it is not feasible to offer on-site day-are facilities, some companies contract with independent day-are facilities and share the cost with employees.

Chicken Soup Inc., a Minneapolis day-care vendor, helps companies control employee absenteeism by offering day-care services for children with colds, flu, chicken pox and other common childhood illnesses, according to Susan Wolfe, Chicken Soup's president.

Employers typically cover 50% to 75% of the total cost of either $40 per day or $30 for four hours or less.

Currently, eight employers—each with 10,000 to 60,000 employees—contract with Chicken Soup.

Children are separated by illness, and there is an attending nurse on duty throughout the day, Ms. Wolfe explained.

"We also insist that all parents sign consent forms authorizing us to take care of their children and, when needed, administer medication," she added.

First Bank System Inc. in Minneapolis has been using Chicken Soup's services since 1986, in addition to offering a child-care referral service to its 6,000 employees, half of whom have dependent children at home, according to Judi Nevonen, assistant vp of employee relations.

"We pay 75% of the cost and employees are very happy with the care that their children receive. Both employee stress and absentee levels are reduced," Ms. Nevonen said.

For employees who do not want to take their ill children to a day-care facility, First Bank also contracts with Tender Care For Kids, a non-profit child care facility sponsored by Health One Home Care in Minneapolis to provide day-care services at parents' homes.

"We provide in-home care for sick children, where trained workers are sent to the home at a rate of $10 per hour, 24 hours a day and seven day a week," said Diane Wigg, director of operations at Health One Home Care.

As with most child care facilities, parents must sign a consent form releasing Tender Care from liability.

"We felt that we had to offer our employees the choice," said First Bank System's Ms. Nevonen. "If employees select Tender Care For Kids as a provider, then we pay up to $100 per day."

Employers contracting with TenderCare typically pay 100% of the costs, co-pay a portion or pay a set amount per hour based on a sliding salary range in accordance with an employee's salary, Ms. Wigg explained. ■

Few employers offer day care, study shows

By STACY ADLER

WASHINGTON—Only 2% of the nation's employers with 10 or more employees sponsor day-care centers for their workers' children, a recent survey by the Bureau of Labor Statistics shows.

The survey of more than 10,000 employers nationwide also showed that an additional 3% of employers provided financial assistance for child care.

The one-time "Survey of Employer-Provided Child-Care Benefits" queried 10,345 employers with 10 or more employees, including those in private industry and in state and local government. An additional 192 federal agencies also were surveyed.

Of all employers surveyed, about 11% provided some child-care benefit, which includes those that sponsor day-care centers, provide financial help, or provide referrals, counseling and information on local options.

While employers that offered actual day-care benefits were limited, the survey showed that about three-fifths of the employers offered work schedules to help parents, such as flex-time, voluntary part-time employment and flexible maternity leave policies.

Among other survey findings:

- Larger employers are more likely to provide child-care benefits than small employers. Among those employers with 250 or more employees, about 5% actually sponsored day-care centers and 9% assisted their employees with child-care expenses.

"The proportions of medium-sized firms (50 to 249 employees) and small firms (10 to 49 employees) providing such benefits was much less," survey authors note.

Altogether, about 32% of the large employers surveyed provide some type of child-care-related benefits, compared with only 9% of small employers.

- Government agencies were more likely to sponsor day-care centers than private firms. About 9% of the government employers that responded to the survey sponsor day-care centers, compared with less than than 2% of the private employers.

Government agencies also were much more likely to provide their employees with child-care information, referral and counseling services, the survey authors say.

However, both government and private employers were equally as likely to provide financial assistance for child-care expenses.

- Employers in the service sector—transportation, public utilities, wholesale trade, retail trade, finance, insurance, real estate and other services—were more likely than employers in the goods-producing sector—mining, construction and manufacturing—to provide child-care benefits.

"Employer-sponsored day-care centers were provided by 2% of the service-producing firms, compared with only a fraction of 1% of the goods-producing firms," survey authors explain.

Moreover, service-producing firms were more likely to assist their employees with child-care expenses.

"These differences are undoubtedly related to the fact that five out of 10 employees in the service-producing industries. . .are women," survey authors point out.

- Among the employers that offered flexible work schedules, 40% offered flex-time, which permits employees to vary the time of day at which they begin or end work; 40% had flexible leave policies, including personal leave for short-term needs, extension of maternity/paternity leave or parental leave; and 33% reported voluntary part-time arrangements that allow full-time employees to work fewer hours—with reduced pay and benefits—on a temporary basis.

"Smaller establishments were more likely to provide some of these policies to their workers than large establishments," the survey authors said.

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Free copies of "BLS Reports on Employer Child-Care Practices," which summarizes the survey, are available while supplies last from the Bureau of Labor Statistics, Office of Publications, Inquiries and Correspondence Branch; 202-523-1221.

Congress considers four child-care bills

By KARI BERMAN

Legislation currently pending in Congress would expand the availability of affordable child-care services for the nation's workers.

Four child-care bills that would provide between $120 million and $2.5 billion in federal funding to states to encourage the expansion of day-care facilities currently are under discussion in Congress.

In addition, the nation's governors have passed a resolution calling for federal funding to help create and expand child-care services. The governors also propose establishing a national commission to devise a code of child-care service standards.

In Congress, Sen. Orrin Hatch, R-Utah, and Rep. Nancy L. Johnson, R-Conn., introduced the Child Care Services Improvement Act in the Senate and House, respectively, earlier this month.

Under the Hatch-Johnson bills, S. 2085 and H.R. 4002, a total of $250 million in federal funding would be made available annually for three years to states that apply for the funding. States receiving funding would use part of the money to award grants to communities, schools and for-profit and non-profit child-care services to create or expand facilities for pre-school age children, after-school facilities and infant day-care facilities. All facilities would have to be accredited by the state.

States also would use the federal funding to:

- Provide loans to employers to cover their initial costs of providing day-care programs.
- Subsidize child-care services for low-income families.
- Fund the renovation of community centers that house day-care facilities.
- Fund the development of child-care services for sick and foster children.

In addition, in the first year of the federal funding program, an additional $100 million would be made available to states to fund liability insurance pools for day-care centers.

Another $25 million in federal funds would be made available to states to loan to home-based providers to help them meet state child-care facility standards.

"This proposal is a boon to the millions of single parents and two-earner couples struggling to find affordable, reliable supervision for their kids," Rep. Johnson said in a prepared statement.

Three House committees—Energy and Commerce, Ways and Means and Education and Labor—currently are reviewing Rep. Johnson's bill.

On the Senate side, the bill is in pending before both the Finance Committee and the Labor and Human Resources Committee.

Another staunch supporter of increasing the federal government's role in child care is Sen. Christopher Dodd, D-Conn., who is chairman of the Senate Children, Families, Drugs and Alcoholism Subcommittee. Sen. Dodd is sponsoring two child-care bills, which were introduced late last year.

S. 1885—the Act for Better Child Care Services of 1987, which was introduced Nov. 19—would provide a total of $2.5 billion of federal funding annually beginning in fiscal year 1989 to states to create and expand child-care services, train child care workers and subsidize child-care services for low-income families.

The funds would be allocated based on several factors, including each state's per-capita income, the number of children under age 5 in the state and the number of children receiving free lunches or lunches at a reduced price under state programs.

"Funds will go directly to the state's lead day-care facility and then be distributed to either child care providers or in the form of child-care vouchers to parents," according to Lise S. Heintz, special assistant to Sen. Dodd in his Wethersfield, Conn., office.

Also part of Sen. Dodd's child care reform package is S. 1995, which would call on public elementary and secondary school systems to create child-care services.

Under the bill, called The New School Childcare Demonstration Projects Act of 1987, a total of $120 million annually would be distributed to schools through grants for the creation of on-site day-care facilities in public schools, according to Ms. Heintz.

Specifically, the bill, introduced on Dec. 22, 1987, would provide funding for:

- The creation of on-site child care facilities to accommodate children ages 3 to 12.
- The development of family counseling services for parents of newborn infants.
- Support of local family day-care providers.
- The creation of information and referral centers.
- The creation of specialized services facilities that could, for example, provide care for physically or mentally handicapped children or children with language barriers.

Sen. Dodd's bills are still being reviewed by the Senate Labor and Human Resources Committee.

Also involved in efforts to obtain more federal funding for child care is the National Governors' Assn. in Washington, D.C.

At its annual winter meeting on Feb. 23, the NGA formally adopted an extensive child-care policy aimed at creating and improving child-care programs, according to Wendy Chris Adler, senior staff associate for the NGA's Committee on Human Resources.

The policy calls for unspecified federal funding for grant assistance.

In addition, the NGA calls for the establishment of a commission composed of child-care specialists and state and federal government representatives that would create a code of child care standards for state day-care facilities.

"We hope that Hatch, Johnson and Dodd's ideas can be incorporated into one joint bill," she said.

Ms. Adler said that 70% of all mothers with school-age children and one-half of those with infants, work. "By 1995, two-thirds of all pre-schoolers will have mothers in the work force, and the issue needs to be addressed and programs strengthened," she added. ■

Letters

Continued from page 8

making. Many are from states that require strict administrative procedures, such as open meeting laws, in the examination of insurance regulatory issues. NAIC procedures for developing model legislation and regulation can, on the contrary, prove extremely difficult to monitor. This process often moves far too quickly for adequate consideration of issues, meetings are closed and sometimes decisions are made without adequate input.

To encourage the participation of a wide range of interests, the NAIC should implement structured administrative requirements for decision making on model policies. These procedures should mirror federal administrative requirements for adequate notice, comment and public hearing.

The NAIC must assure that all interest groups have a realistic opportunity to be heard and that their expertise is used. More clearly defined procedures and more active encouragement of consumer involvement would benefit consumers, the industry, commissioners and the NAIC.

- The need for resources. While there is an important place for the sharing of information and expertise, and the promulgation of model legislative and regulatory policy, state insurance regulators must still make independent judgments. Adequate resources and staff expertise at the state level are vital for effective regulation.

For example, the lack of actuarial staff and computer equipment in state regulatory offices impedes the monitoring of insurer solvency.

The NAIC must therefore continue to promote increased technical, financial and regulatory strength for state insurance departments. Without the right people and tools, any regulatory goals set by the NAIC or by state legislatures will be difficult to achieve.

In summary, we see three areas that the NAIC can address:

- Ensure that consumer groups are involved on advisory committees and in NAIC meetings.
- Develop administrative procedures for review, comment and hearing in response to model legislation or regulation.
- Continue to promote the technical and financial development of state insurance departments.

Again, we appreciate the opportunity to comment and look forward to the NAIC's next step investigating and improving state insurance regulation.

Terry Bone
President
Public Risk & Insurance Management Assn.
Washington, D.C.

Reader questions attorney's theory

To the editor: In the article "Courts Not Cause of Problems: Lawyer," Eugene R. Anderson asserts that insurers do not want tort reform so that they may increase premiums for more revenue (*BI*, Feb. 22). May I respectfully refer the good Mr. Anderson to an economist, who will demonstrate through inspection of supply and demand curves, that the reverse applies.

Jim Royer
Risk Manager
Perth, Western Australia

Aboard Britannia

Continued from page 1

amenities. So much for the taste of those who prefer vessels of the air to those of the sea.)

Upon arrival at the Queen Mary, guests are handed an envelope containing the names of the hosts and the guest list for the event—a who's who of the London market and the leaders of major U.S. property/casualty retail, wholesale and reinsurance brokerages (see story, page 35).

The night before the conference, the chairman of Lloyd's hosts an elegant reception and dinner aboard the Queen Mary, in the "Queen's Salon."

"This was the Grand Lady's first-class main lounge—the beautiful, relaxing retreat for entertainment and afternoon tea for the rich and famous at sea," reports a brochure about the Queen Mary, which made 1,001 Atlantic crossings during her 31 years of passenger service.

The conversation among the 40 guests and 21 hosts of the conference, after exchanging greetings, invariably turns to anticipation of the next day's conference aboard Britannia.

"Isn't this grand?" "I'm really looking forward to this," are comments repeated more than once, revealing that even those who have traveled first-class around the world and have been wined and dined in the most elegant of surroundings can yet be impressed.

Lloyd's of London Chairman Murray Lawrence's remarks after a sumptuous duck dinner are brief, reminding the gathered only that time will be tight in the morning and to please be punctual for the 8 a.m. departure for Britannia.

Punctual we are. All assemble at the entrance of the Queen Mary and board a bus heading for the Long Beach Naval Station where Britannia is safely docked under U.S. Navy security.

"No one is doing a head count," observes John Washburn, president of the National Assn. of Insurance Commissioners and Illinois director of insurance. Apparently, it is assumed everyone has followed instructions. We had.

We depart the bus and show our "presentation cards."

"You will not be able to board Britannia without the enclosed presentation card. IT IS VITAL THAT YOU BRING THIS WITH YOU—THERE ARE NO DUPLICATES," the instructions had ominously warned.

Briefcases and purses are carefully inspected by security. We must walk through a metal detector.

Everyone, of course, had obeyed the earlier instructions that "Personal sidearms are prohibited and should be left in your hotel." Asked why the British felt it so important to stress that we weren't permitted firearms, a Lloyd's official quipped: "We think you Americans still wear six-shooters walking down Michigan Avenue."

All guests also had already been checked by U.S. Navy security.

We leave our cameras with our coats. There is no photography by guests permitted aboard Britannia, as we also had been advised.

"Good mornings," all around from members of the crew, smiling and cheerful as they would continue to be all day, answering the most mundane of questions from curious guests.

Coffee is served on the deck from silver trays while the finishing touches are put on the dining room where the conference will be held. Everyone sips gratefully, most proclaiming this their first coffee of the day and quite excellent coffee at that.

Ushered into Britannia, before any of us realizes what is happening, the Duke of York is holding out his hand and welcoming us aboard. I keep my wits about me, somehow, and manage to curtsy despite the sudden surprise of finding myself face-to-face with a smiling member of the royal family.

(This was rehearsed after a discussion the night before with Jill Bromley, personal assistant to the chairman of Lloyd's. Emily Post contends that American women who have "any objection to curtsying" should not ask to be presented to royalty. Miss Manners maintains that American ladies should not curtsy. Ms. Bromley is quite clear that I am free to do as I choose, pointing out ever so gently that on board Britannia I will be on British soil. I chose Emily Post's guidance.)

Voices are hushed as the gathered mill about the royal dining room, which has been filled with chairs auditorium-style for the formal remarks to follow. Surprisingly, the elegant dining room is bedecked—as it would be by any oceangoing family—with various mementos of ports of call. A jade breast-breaker from New Zealand are among the dozens of artifacts perfectly displayed.

Also in the dining room, as would be proudly pointed out by Mr. Lawrence: Two silver-gilt vases made to commemorate the Battle of Trafalgar in 1805 awarded by Lloyd's Patriotic Fund, one to Lady Nelson and the other to her husband's second-in command, Admiral Collingwood.

The Duke of York formally welcomes us aboard with complimentary remarks about Lloyd's preeminent place in the international insurance market. He turns to the subject of Britannia, smiles and says, "Please don't sink her when you go to sea."

The master of the household, that nameless official who issued this royal invitation, comes forth to offer a "Welcome from Her Majesty The Queen." He is Sir Paul Greening, a former admiral of Britannia. Her majesty is "keen that the yacht be used this way," he tells us.

Only later do we learn that this is not a routine event. Only 10 times has Britannia hosted "outsiders" for a business seminar such as this, which are referred to as "Sea Days." These "Sea Days" are intended for "promoting British and Commonwealth trade overseas and enable leading British industrialists and financiers to meet their Commonwealth and foreign opposite numbers onboard in unique surroundings," according to an official brochure about Britannia.

(And, much to my amazement, never before has a member of the press been invited as a delegate to such a sea-going conference. For those who have read the London tabloids, which are always eager to find some snippet of gossip to report about the personal lives of the royal family, that's understandable. Happily, Lloyd's was able to persuade those in charge of the guest list that insurance journalists are not the type to sneak off to private quarters looking under bunks for morsels of intimate information to feed the public.)

The master of the household also reports that the queen selected what will be served for lunch.

Admiral John Garnier, who confides later that serving as admiral of Britannia is such an honor and a joy that he intends to retire when his service is ended, extends his welcome.

Now, down to business.

Mr. Lawrence reminds us that this conference is one of Lloyd's Tercentenary events. (Only a market 300 years old could organize such a celebration, it occurs to me).

This conference aboard Britannia is the second highlight of Lloyd's Tercentenary celebration. The first event was the lighting of Lloyd's new building by Queen Mother Elizabeth (*BI*, Feb. 29).

"It is appropriate that it is in the United States and with U.S. brokers," Mr. Lawrence observes of this event.

After all, 40% of Lloyd's business, or about $4 billion in premiums this year, comes from the United States, and 70% of all Lloyd's business is conducted in U.S. dollars. In addition, 10% of Lloyd's 11.2 billion pounds ($20 billion) capacity comes from names in the United States.

Furthermore, Lloyd's has $8.5 billion invested in a trust fund in the United States, the recipient of all Lloyd's U.S. dollar business from around the world.

David Thompson of the British Invisible Exports Council reports that of Britain's invisible trade in 1986 of 12 billion pounds ($17.8 billion at year-end exchange rates), 2.4 billion pounds ($3.6 billion) was generated by agents' and brokers' earnings from abroad. The United States is not only the

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Aboard Britannia

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single largest market for Lloyd's but also for British services in general.

But that's now. The United States wasn't always as important to Lloyd's. It wasn't until 1840 that a Lloyd's chairman visited the United States—and that event was not to be repeated for 100 years.

"We are, I hasten to add, a lot more assiduous nowadays," Mr. Lawrence says.

The first overseas members of Lloyd's were not admitted until 1969 and the first women not until 1970. Now, there are 6,000 overseas members from 75 nations and of Lloyd's 33,500 names, 7,500 are women. But only $10.5 billion of Lloyd's capacity will be tapped this year with competitive market conditions driving down premiums and a sagging maritime business reducing demand for marine insurance.

More speeches from the leaders of the Lloyd's market followed, recalling its history, accomplishments—no valid claim has gone unpaid by Lloyd's—and aspirations for continued growth and success.

Interruption: The Duke and Duchess of York are spotted through the windows of the dining room disembarking for their day's appointments ashore: participating in UK/LA '88 Festival, a celebration of British arts in Los Angeles that runs through April 30.

At coffee break, we are ushered to the veranda deck as the crew casts off the mooring lines. We're going to sea. A tug boat pulls Britannia off the dock with a line, as no tug is permitted to nudge her perfect white hull. We leave in our wake at the dock the recommissioned U.S. battleships Missouri and New Jersey.

Standing on the veranda, feeling the ship move and gazing at the Pacific, chatting with other guests and the officers, I realize this is beginning to feel quite comfortable, not at all stuffy or overly orchestrated. "Understated" is a better description.

Reassembled, more speeches ensue. The clear message: Lloyd's is a financially secure market, eager to underwrite U.S. risks. It also is looking forward to underwriting more business in the European Community, under freer trading rules scheduled to be adopted in 1992, and in the Pacific Basin. The underlying message: Lloyd's realizes that its 300 year-history does not mean business will flock to it and that it must market itself in the United States and abroad. But while marketing its capacity to others around the world, Lloyd's believes North America will remain its primary market.

A few provocative questions from the audience: Alexander & Alexander Services Inc. Chairman John A. Bogardus asks how Lloyd's aviation market views deregulation of the airlines in the United States. John Tilling, chairman of Lloyd's Aviation Underwriters' Assn., diplomatically answers that Lloyd's underwriters "place great credence" in the U.S. regulatory agencies overseeing the safety of aircraft and aviation.

Continued on next page

Lloyd's considers requiring names to have higher assets

By KATHRYN J. McINTYRE

LONG BEACH, Calif.—It's soon going to take greater wealth to become a name at Lloyd's of London.

Those individuals who pledge their last collar button to pay claims when they become an investor at Lloyd's will soon have to be worth more than 100,000 pounds ($181,000) in qualified assets to participate in the marketplace. And, they will have to deposit more money before they can underwrite business.

"It makes much better sense to get more substantial participation by those who have means to put money at risk and are willing to deposit it with us," said Stephen R. Merrett, chairman of Merrett Holdings P.L.C. and a member of the Council of Lloyd's.

Addressing U.S. brokers gathered aboard Her Majesty's Yacht Britannia on March 2 for a Lloyd's "Sea Day" Conference, Mr. Merrett stressed that the Council of Lloyd's believes "we need to continue to take a conservative view" of the resources required to pay whatever loss hits Lloyd's.

Later, Mr. Merrett said in an interview that the increased asset requirement probably will be implemented for the 1990 underwriting year, but declined to comment on the amount of assets that will be required to become a name in the future. However, he suggested that the increase should be "by quite a bit."

And, he predicted that by increasing the amount of money names must deposit to underwrite, "names will insist on a better return so the standard of underwriting will have to improve."

Currently, in addition to showing qualified assets of 100,000 pounds, non-British resident members of Lloyd's must deposit 28% of their premium limit with Lloyd's, while U.K. residents must deposit 20%. Both British residents and foreigners must show they have the means to deposit 40%.

Increasing the amount of wealth required to be a member of Lloyd's should not be a hardship on too many U.S. names. One-third of the Lloyd's names worth in excess of 1 million pounds ($1.8 million) are Americans, commented Robin Gilkes, chairman of Lloyd's Underwriting Agents' Assn., during his remarks at the conference. Of the 33,540 names at Lloyd's in 1988, 8% are American, he said.

And, upping the ante to become a name at Lloyd's now probably is great timing. The demand to become a name at Lloyd's exceeds the syndicates' desire to add names, Mr. Gilkes observed, because underwriters currently have excess capacity.

"We can't meet the demand, and probably not for the next two years," he said.

Lloyd's Chairman Murray Lawrence pointed out in his opening remarks that in addition to requiring members to deposit funds with Lloyd's, other safeguards to be sure valid claims are paid include: The payment of all premiums into a special trust fund; annual audits; and the maintenance of a Central Fund, which will reimburse a policyholder if a member of Lloyd's defaults on his commitment.

The discussion of future requirements for Lloyd's names was coupled with market leaders looking to their futures and how the markets perceive themselves.

Christopher Rome, chairman of Lloyd's Underwriters' Assn., described the marine market at Lloyd's as a "large, amorphous, ill-disciplined body" of 110 syndicates. While the marine market tries to cooperate "in the clients' interest" by agreeing on policy wording, for example, "whenever we try to act in concert, at least one member will go the other way," he said.

Nonetheless, Mr. Rome suggested that marine underwriters, "if we have any sense at all," will: listen to clients' needs; pay claims promptly, because without claims there is no insurance industry; deliver policies quickly; and charge the right price.

Mr. Merrett, also commenting on the marine market, pointed out that marine capacity vastly exceeds demand. "Names have sought to write marine business because it has been profitable," he explained.

Marine underwriters also support other markets, Mr. Merrett pointed out, citing space-related coverages and accountants errors and omissions insurance, both of which can be written freely by marine, aviation or non-marine syndicates.

While the space insurance business has not yet been profitable, Mr. Merrett predicted underwriters will have a chance to make a profit for their names in the future with the development of new, expendable U.S. rockets and the launch of more satellites.

In the meantime, the marine market has made substantial recoveries on satellite losses, Mr. Merrett said. And, the recoveries will continue, he said, citing revenues to be generated by a functioning Hughes Aircraft Co. satellite that the market had paid as a loss.

Underwriters had paid an $85 million loss on the satellite—Syncom IV-3—when it was disabled in 1985, but they negotiated recovery of revenues if the satellite were repaired and its services sold (*BI,* Sept. 9, 1985).

Mr. Merrett predicts the market eventually will recover $75 million from revenues generated by the satellite.

Accountants E&O insurance also has been unprofitable, Mr. Merrett said. "But we believe that where there are difficulties, there are opportunities" to adjust the underwriting approach and make a profit.

"Accountants are of such profound importance to us, if we can give them proper protection, it's of considerable mutual benefit," Mr. Merrett added.

Amid the rehearsed descriptions of Lloyd's history and how underwriters and brokers conduct their business day-to-day, a subtle disagreement surfaced between Mr. Merrett and Mr. Rome over how much U.S. liability business should be written by Lloyd's marine syndicates—a topic of wide controversy at Lloyd's today (*BI,* Dec. 7, 1987).

Under Lloyd's rules, only 10% of a marine syndicate's premium income can be used to write non-marine business.

"The marine market used to write just the ship's liability to the cargo owners," Mr. Rome had observed during his remarks. "Now, that's been extended to the oil industry."

And in response to a question, Mr. Rome commented that when underwriting the risks of the oil industry, "it is difficult to determine at what point marine becomes

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Closing remarks are delivered by Mr. Lawrence, who predicts that "Lloyd's underwriters, with their broking colleagues, will continue to fulfill their time-honored role of oiling the wheels of commerce."

We adjourn to the veranda, where refreshments are served and two dozen members of the Royal Marines Band play military marches, Broadway tunes and pop music.

Luncheon is served in the reappointed dining room, where small tables have replaced chairs, and in the drawing room, which has been emptied of furniture to accommodate more small dining tables, generally of six people. An officer of Britannia is seated at each table.

The buffet chosen by the queen:

Mousse de Concombres

Côtelettes d'Agneau à la Menthe
ou
Saumon Pochê Froid
Les Salades Variées

Lemon Posset

After lunch, we retire to the veranda for coffee and port. The admiral orders the crew to take us to sea. We have been touring inside the harbor during the speeches and lunch to make the trip comfortable.

U.S. Coast Guard vessels continue to circle us while private yachts come within polite distance to view Britannia.

The sun is shining, the temperature is in the 60s and the wind is blowing about 20-25 knots. The ship rocks ever so gently.

Officers take small groups of hosts and guests on tours of Britannia.

The official and private residence of the queen and other members of the royal family while on visits overseas or while voyaging in home waters, Britannia requires 21 officers and 229 crew, all specially selected from volunteers within the Royal Navy. The officers are extremely polished at their official duties, including mingling with guests and conducting tours. They look like they are straight from central casting.

Vital statistics: Britannia is 412 feet, 3 inches long; beam, 55 feet; draft, 17 feet; gross tonnage, 5,769 tons; three masts; 15 miles of teak decking; built in 1953; first sailed in 1954.

The royal family, always short of time between official engagements, doesn't cruise from one port to another on Britannia, except on holiday. The crew takes Britannia, at seagoing speed of 21 knots, where she is required for the royal family to make her home. On this trip, Britannia is on her way to Australia for bicentennial celebrations.

Britannia was built as a replacement for the 50-year-old H.M.Y. Victoria and Albert, whose artifacts adorn Britannia. It also is designed to serve as a hospital ship in time of tension or hostility. She has a modern clipper bow and modified cruiser stern instead of the traditional swan bow and counter stern of previous royal yachts.

As a Royal Navy vessel, Britannia is not insured.

The crew's quarters, forward of the mainmast, house the main machinery spaces and a large laundry, equipped to keep the crew in sea-going whites and to serve as a hospital ship when needed. The sick bay includes an operating room.

In the officers' living quarters trophies abound, with one crew member charged with their care. The bulkheads are covered with art dating from the early 1900s.

In the royal family's quarters, abaft the mainmast, stairs replace gangways and carpeting covers the interior decks, but the furnishings are not royal in splendor. Instead, they resemble those in an upper-class British country home: comfortable-looking upholstered chairs, oriental rugs and English antiques. Above the fireplace in the drawing room hangs a painting of Britannia's maiden voyage around the world.

While the royal dining room, anteroom and drawing room are quite comfortable and attractive, the sitting rooms of the queen and Prince Philip are almost Spartan. The books in the queen's sitting room are selected for each port, giving Her Majesty access to any reference material she wants.

While it's a complete tour, understandably we do not see the royal family's most private quarters.

We are ushered into a sunroom off the veranda, previously closed to us, as the last stop on the tour. The only interior portion of the yacht decked in teak, its ambiance is casual. Magazines neatly stacked on tables welcome a browser.

When serving as a hospital ship, the royal apartments can accommodate up to 200 patients.

Alas, it is nearly 3:30 p.m. and we are approaching the dock at Long Beach Naval Station. The crew on watch is at attention, eyes keen on an officer on the foredeck who drops a flag with the attachment of the first mooring line—the signal to dress ship. Up come the colors.

A group souvenir photo is taken by the ship's photographer.

We disembark, reluctantly, clutching mementos of the conference and the trip to sea aboard Britannia: an enamel paperweight by Halcyon Days with the compliments of Mr. Lawrence inscribed: "Lloyd's Conference, H.M.Y. Britannia, Long Beach, 2nd. March 1988," and a plaque of the ship's crest.

Everyone aboard Britannia has hosted or been a guest at elegant business events. But when it comes to recalling truly memorable occasions, March the 2nd aboard Britannia will certainly rule the waves of time. ■

Lloyd's members

Continued from previous page

non-marine."

However, Mr. Merrett pointed out that marine underwriters' excess-of-loss reinsurance treaties exclude U.S. casualty business. And, he added, "Most members of Lloyd's would prefer not to participate in any U.S. casualty business. Underwriters and underwriting agents must respond to that."

One member of the audience whispered: "Those are the two most differing opinions you will hear on that issue."

Turning to non-marine markets, Michael Williams, chairman of Lloyd's Underwriters' Non-Marine Assn., emphasized the market's interest in expanding its direct underwriting in Europe. That will be made easier when the European Community members more freely trade services, which is expected in 1992.

Mr. Williams also predicted improved services from Lloyd's with the implementation of its new computer network that will link Lloyd's with correspondents around the world. He anticipates improved premium flow, improved claims handling and improved administration.

However, he added, "I do not envisage a paperless society without face-to-face negotiation on difficult risks."

Mr. Williams also noted that the softening of insurance prices in North America will "go 'round the world as well, as underwriters look to replace business they are not willing to write at lower rates."

Richard Hazell, a member of the Council of Lloyd's and underwriter for non-marine syndicate 190, quipped in his opening remarks that he was "a non-marine underwriter talking about his market whilst at sea."

Commenting specifically on writing North American business, Mr. Hazell described the non-marine market as offering "flexibility, availability and continuity."

Referring to flexibility, Mr. Hazell pointed out Lloyd's underwriters are "free-thinkers and free-traders" who protect venture capital, writing their own policy forms at their own rates.

On availability, Mr. Hazell commented that Lloyd's underwriters meet with clients "on a principal-to-principal basis to establish a relationship that can survive difficulties. It helps to generate a partnership feeling."

And continuity, Mr. Hazell pointed out, is supported by the continuity of the underwriters, who once having achieved the position of senior underwriter "have reached the pinnacle of their career and there is no where else to go but to retire."

Mr. Hazell, who is known as a leading underwriter of U.S. property risks, acknowledged that he is a "dedicated claims-made man" when underwriting U.S. liability risks, explaining that he wants to pay a claim once and against one policy. "I am unhappy to have a claim against every policy limit I have issued," he said.

Mr. Hazell also invited the first debate during the presentations. He suggested that Lloyd's abolish its market barriers of marine vs. non-marine; that Lloyd's remain open 24 hours a day to service its business; and that Lloyd's brokers should stop duplicating services also provided by underwriters.

Lloyd's brokers, he opined, are "good at producing business and terrible at documentation and worse at handling money. Allow us to take away what doesn't provide the broker with profit," he suggested, naming policy and claims handling services.

Robert Keville, chairman of Lloyd's Insurance Brokers' Committee, obviously prepared his response to Mr. Hazell during remarks by John Tilling, chairman of Lloyd's Aviation Underwriters' Assn.

Mr. Tilling noted that it was only in this century that the first attempts to fly were made. Now, Lloyd's has 51 aviation syndicates writing all classes "from sow planes to satellites."

The aviation market, which insured the first generation of jets through supersonic aircraft, provides hull coverage of up to $200 million for a wide-bodied jet, Mr. Tilling pointed out.

"We'll need to respond to even higher hull values by the turn of the century," he said.

And, the aviation market provides $1 billion in product liability insurance limits to manufacturers of aircraft, he said.

Mr. Keville picked up Mr. Hazell's challenge when it was his turn to speak.

"I admire your sense of humor," he said to Mr. Hazell, contending that a Lloyd's broker's day now is hardly a mere 12 hours long.

Regarding underwriters assuming sole responsibility for duties now also handled by brokers, he chided: "I sincerely hope" the underwriters' performance in handling premiums and policies is "better than your performance on the claims."

Chuckles and smiles all around reduced the sting that the comments may suggest in print.

Mr. Keville also acknowledged that "there obviously is room for improvement" in service to clients by improving speed, reducing duplication of service and decreasing the "paper mountain." ■

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Qualifications include 3 to 5 years experience in handling litigation, with some exposure handling environmental toxic tort claims. You must be a self-starter and have the ability to analyze coverage and liability issues and make related decisions.

We offer a competitive salary and broad range of benefit plans. If you have a lot to offer, so do we. For consideration, send resume to:

Karen Houdek Glodowski

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The primary responsibilities of this position are the identification and evaluation of loss-producing exposures, development of specific loss control methods, measurement and communication of programs' effectiveness and results.

The loss control programs encompass the specific needs of employee safety, customer safety, product safety, fleet safety and property conservation.

The position requires 3-6 years of loss control experience in either an insurance company or related industry environment. The candidate should have a BS degree or equivalent. Certified safety professional (CSP) or professional engineer (PE) designation is desirable.

This is an excellent career opportunity which includes excellent salary plus comprehensive benefits package.

For prompt consideration, please send correspondence including salary history, to: **Human Resources Department, WENDY'S INTERNATIONAL, INC., P.O. Box 256, Dublin, Ohio 43017.** Equal opportunity employer, m/f/h.

Wendy's

NOTICES

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE REHABILITATION OF AMERICAN MUTUAL REINSURANCE COMPANY
NO. 88 CH 1595
NOTICE OF PROPOSED PLAN OF REHABILITATION

TO: ALL INSURANCE COMPANIES WHICH HAVE CEDED REINSURANCE LIABILITIES TO AMRECO, ALL INSURANCE COMPANIES WHICH ASSUMED REINSURANCE LIABILITIES FROM AMRECO AND ALL OTHER INTERESTED PARTIES.

PLEASE TAKE NOTICE, that on February 22, 1988 AMERICAN MUTUAL REINSURANCE COMPANY ("Amreco") was placed into Rehabilitation by Order of the Honorable Harold Siegan, Judge of the Circuit Court of Cook County, Illinois. John E. Washburn, Director of Insurance of the State of Illinois, is the statutory and court affirmed Rehabilitator of the Company.

TAKE FURTHER NOTICE, that on February 22, 1988 the Rehabilitator has prepared and filed a Plan of Rehabilitation as and to Amreco. This Plan, inter alia, contemplates the modification of Amreco's net retained liabilities, as defined in the Plan, and the payment of such modified liabilities in three or more installments; contemplates the continued payment by Amreco's solvent reinsurers of their respective share of Amreco's liabilities to Amreco's pool related cedants in the form of special dividends; and contemplates a moratorium upon the payment of claims by Amreco until further Order of the Supervising Judge of the rehabilitation proceedings of Amreco in the Circuit Court of Cook County, Illinois.

TAKE FURTHER NOTICE, that the Rehabilitator has requested a hearing upon, and approval of, the aforesaid Plan of Rehabilitation by the Honorable Harold Siegan who has set such hearing to be held March 24, 1988 commencing at the hour of 2:00 p.m. in Room 2206, Richard J. Daley Center, Chicago, Illinois.

TAKE FURTHER NOTICE, that any objections you may have concerning the Plan must be submitted to counsel for the Rehabilitator in writing on or before March 18, 1988 at the below address.

Questions concerning the Plan may be referred to any of the following:

Roy J. Hammond, Chief Executive Officer, American Mutual Reinsurance Company, In Rehabilitation, Telephone: (312) 963-2580

Donald Mrozek, Esq., Hinshaw, Culbertson, Moelmann, Hoban & Fuller, Counsel to Amreco, Telephone: (312) 630-3230

Ken Smith, Deputy Director of Insurance, Illinois Department of Insurance, Telephone: (217) 785-1791

Garry L. Smith, Esq., Counsel for the Rehabilitator, 446 E. Ontario Street, Suite 700, Chicago, Illinois 60611, Telephone: (312) 915-4700, Telefax: (312) 915-4727

John E. Washburn, Director of Insurance of the State of Illinois as Rehabilitator of American Mutual Reinsurance Company:
By Frank J. Csar.

Business Insurance Circulation Breakdown* Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,779
Vice-Presidents, General Managers and Other Administrative Personnel 3,155
Financial:
Chief Financial Officers and Vice-presidents of Finance 2,732
Secretaries, Treasurers, controllers and other Financial Personnel 5,585
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 10,021
Sub-total 24,272
Associations 481
Government, Unions and Educational Institutions 972
Commercial Consumers Sub-total 25,725
Insurance Agents and Brokers 10,697
Insurance Companies 7,644
Actuaries, Attorneys, Adjusters, Appraisers and Consultants 4,311
Others Allied to the Field 1,982
TOTAL 50,059

* Source Business/Occupational breakdown of qualified circulation, Nov. 30, 1987 issue, as submitted to BPA for Dec. 1987 BPA Publisher's Statement.

Yacht a unique setting for meeting

By KATHRYN J. McINTYRE

LONG BEACH, Calif.—Lloyd's of London had a captive audience for its conference aboard Her Majesty's Yacht Britannia on March 2.

When you are on a ship at sea, with one host for every two guests, and you are graciously ushered from one place to another by naval officers, you have nowhere to go but where you are told.

But it was obvious that the U.S. brokerage executives aboard Britannia were as interested in hearing what the Lloyd's market leaders had to say as the market leaders were in getting their messages across to their leading business producers—both in the formal remarks and in private conversations.

As one principal celebration of Lloyd's Tercentenary, the Lloyd's Conference on March 2 "was an opportunity to meet a distinguished collection of individuals vitally concerned with the American insurance industry," said Stephen R. Merrett, chairman of Merrett Holdings P.L.C. and a member of the Council of Lloyd's.

The conference was organized for market leaders "to give a market report to their principal producers," explained John Smith, a partner with Lord Bissell & Brook in Chicago and counsel to Lloyd's, commenting on the conference.

Each of the market leaders at Lloyd's addressed the conference (see story, page 32).

"It was very interesting hearing about Lloyd's and where they are today," said Richard Cole, president of Cole, Booth, Potter Inc., an Old Bridge, N.J.-based reinsurance intermediary.

"To have that many underwriters talking about the overall scope of Lloyd's business, the variety of markets and how they see the future was very informative," commented Donald A. Greene, a partner with LeBoeuf, Lamb, Leiby & MacRae in New York and counsel to Lloyd's.

"I've never been to something so broadly based," he said, noting that the "real value" to those attending the conference was the opportunity to ask questions in private after the formal presentations.

"They did an excellent job in showing the diversity of their organization and the dynamics that have made them as successful as they are," commented California Insurance Commissioner Roxani Gillespie.

"It strengthened my perception of the way they operate," she said. "It is obvious it is a very competitive organization within itself."

John Washburn, president of the National Assn. of Insurance Commissioners and the Illinois director of insurance, agreed. "I thought it was really interesting to watch the by-play," he said. "You could tell there was real tension, which is a healthy prospect. It was also interesting to hear people talk about themselves."

John A. Bogardus, chairman of Alexander & Alexander Services Inc., confided he learned more from informal conversations with the market leaders than from the formal presentations.

"I always feel I come away with something when I talk to the market makers," he said. What he found this time: "A uniform sense of modest optimism but still a lot of uncertainty" about the commercial insurance market's future.

"Obviously, senior Lloyd's underwriters don't want to comment overly about what is happening in the United States. But in their own market, they see a fair balance in 1988, and I found a certain degree of optimism about pricing holding—more so than I might have expected."

In addition, Mr. Bogardus noted, "Any time you get insurance commissioners from states like California and Illinois and leading Lloyd's underwriters like (Stephen) Merrett, (Richard) Hazell and (Michael) Williams together, it's worthwhile and meaningful."

The unique and impressive setting for the conference was lost on no one, neither host nor guest.

"The fact that the queen herself would have a sufficient interest in the importance of North America to the U.K. and its financial health to make her yacht available for an event of this kind is very significant," Mr. Smith commented. "It was a once-in-a-lifetime experience for not only ourselves but for the people from the London market as well."

Mr. Bogardus commented later: "It was an exhilarating personal experience—a once-in-a-lifetime experience, especially since she put out to sea. I found that very exhilarating and exciting."

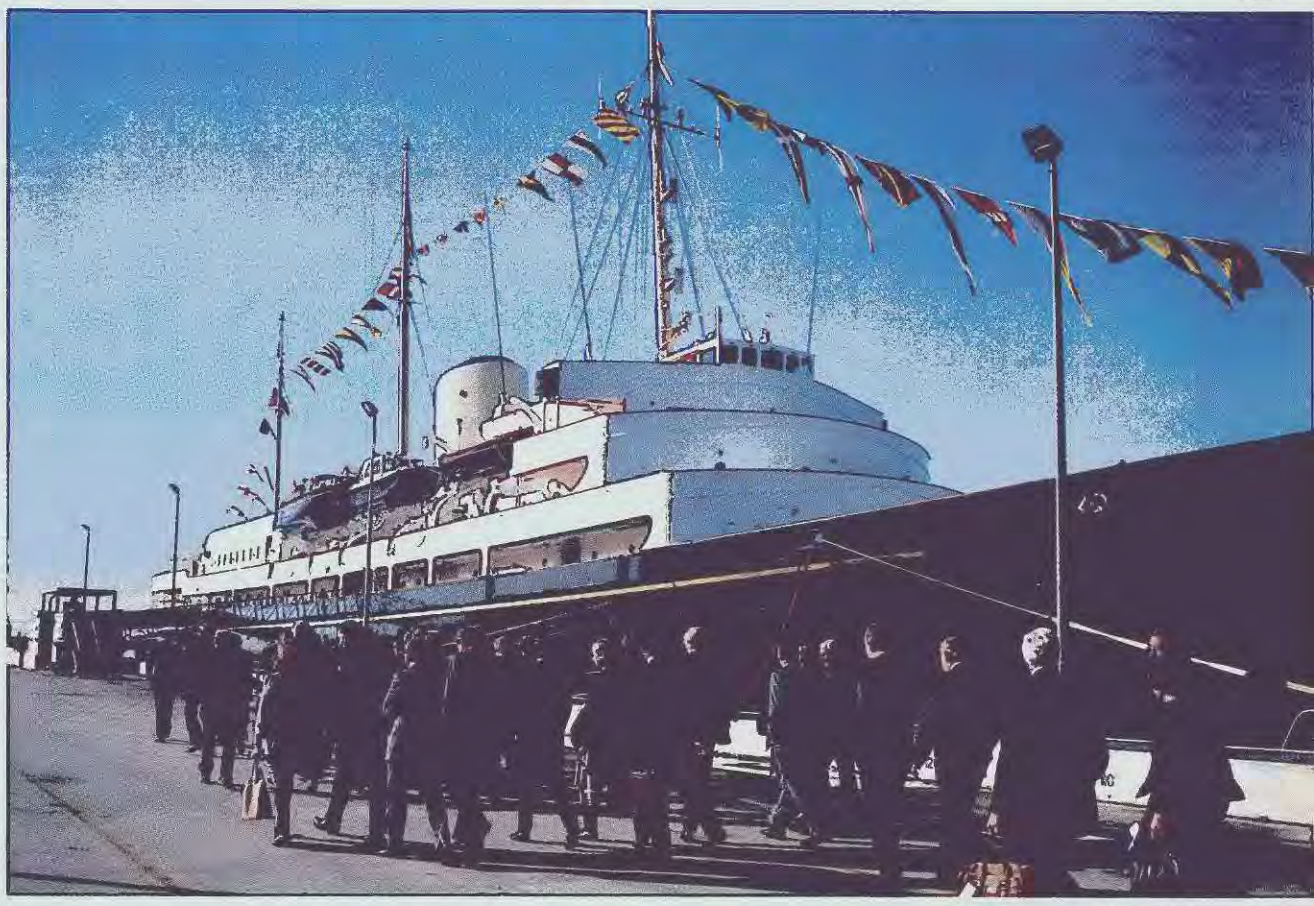


Photo: Kathryn J. McIntyre

U.S. brokerage executives and Lloyd's of London market leaders board Britannia prior to the conference.

Ms. Gillespie called the ambiance "very charming and very British," including the luncheon menu. "I described it to my mother, who lives in Greece, and when I said cucumber mousse, poached salmon and lamb chop, she said 'With mint, right?' "

She was right.

"The whole thing was so wonderful," Ms. Gillespie said. "The idea of going out on this ship—I have never done anything like that before, and I probably will never do anything like it again. It was a very unique event."

Mr. Washburn offered: "It was a class act. I always thought we gave up something when we gave up royalty."

And Mr. Greene said: "It was a wonderful, memorable party. The ship and the men who man it are magnificent representatives for the British."

"It was a memorable event," Mr. Cole said. "Being a boating enthusiast, I was very impressed with the yacht and the way they treated us. I was proud to be part of one of their celebrations."

The hosts for the conference on board Britannia were:

Lloyd's Chairman Murray Lawrence; Council of Lloyd's members Stephen Merrett and Richard Hazell; Ivor Binney, former council member and chairman of Additional Underwriting Agency (No. 4) Ltd.; Lloyd's Underwriters' Assn. Chairman Christopher Rome; Lloyd's Aviation Underwriters' Assn. Chairman John Tilling; Lloyd's Underwriters' Non-Marine Assn. Chairman Michael Williams; Lloyd's Insurance Brokers' Committee Chairman Robert Keville; Lloyd's Underwriting Agents' Assn. Chairman Robin Gilkes; C.T. Bowring Ltd. Chairman Philip Wroughton; Sedgwick Group P.L.C. Director John Swinglehurst; Bell & Clements Ltd. Chairman John Clements; R.F. Bailey Underwriting Agencies Ltd. Director Ralph Bailey; Lloyd's counsel Donald A. Greene of LeBoeuf, Lamb, Leiby & MacRae; Lloyd's counsel and attorney-in-fact in Illinois John Smith, partner with Lord, Bissell & Brook; Jill Bromley, personal assistant to the chairman of Lloyd's; David Larner, chief press officer of Lloyd's; British Invisible Exports Council Director General David Thomson and Director Richard Mason; James Lamb, Lloyd's attorney-in-fact in Kentucky; and J.V. Hagestadt, an official of the British Department of Trade and Industry.

The guests attending the conference were: California Insurance Commissioner Roxani Gillespie; National Assn. of Insurance Commissioners President and Illinois Insurance Director John E. Washburn; Alexander & Alexander Services Inc. Chairman John A. Bogardus; National Assn. of Surplus Lines Offices President T.C. Anderson, Past President Robert Keul and Vp Thomas Bloom; American Assn. of Managing General Agents President Wesley Duesenberg Jr., Vp Peter Scobie and Past President Bob Welch; National Assn. of Insurance Brokers President William S. Jennings; John Kohler, president-elect of the National Assn. of Casualty & Surety Agents; California Surplus Lines Assn. Chairman E.F. Casey and President Donald Grant; Illinois Assn. of Lloyd's Brokers Chairman Larry R. Sorensen; Johnson & Higgins Vice Chairman Kenneth Hecken, Executive Vp Richard A. Nielsen and Senior Vps George Gibbs and Walter Clemens; Willcox Inc. Chairman Willis T. King; Marsh & McLennan Inc. Chairman Robert J. Newhouse and M&M Managing Director Robert Peretti; Frank B. Hall & Co. Inc. President Peter Pruitt; Fred S. James & Co. Senior Vp Reg Bowers and Senior Vp of James of California Robert Levison; Stewart Smith East Inc. President Jeremy D. Cooke; Bowers & Co. Chairman Raymond White; Cravens & Co. Vice Chairman Hartley Cravens; G.J. Sullivan Co. Reinsurance President John F. Sullivan Jr.; Cole, Booth, Potter Inc. President Richard E. Cole; Victor O. Schinnerer & Co. Inc. President Sprigg Duvall; Southern Marine & Aviation Underwriters Inc. President Doyle Spell; Hull & Co. President Richard Hull; J.H. Blades & Co. Inc. Senior Vp Martin Taylor; RFC Intermediaries President David L. Cargile; H.A. Enan & Co. President Hussein Enan; Director General of Trade and Investment John Mellon, with the British consulate in New York; Trade Development Office Consul Colin Bright; and Anglo-American Chamber of Commerce Chairman C.J.N. Robinson.

Two members of the press also attended as guests. ■

Lloyd's makes history for 300 years

LONG BEACH, Calif.—Lloyd's of London traces its Tercentenary to a notice published Feb. 18, 1688 in the London Gazette.

The advertisement described the theft of five watches and said "anyone giving notice of these watches to Mr. Edward Lloyd's Coffee House in Tower Street should have a guinea reward," relates Lloyd's of London Chairman Murray Lawrence.

Since then, important milestones in Lloyd's history, as related by Mr. Lawrence during the March 2 Lloyd's Conference, include:

- The first publication of Lloyd's List in 1734.
- The establishment of the first Committee of Lloyd's in 1771.
- The loss of H.M.S. Lutine in 1799, with a cargo of gold and specie worth, at today's prices, about $50 million.
- The appointment of Lloyd's agents in 1811.
- The salvage of the Lutine in the 1850s, which brought up bullion worth $3 million and the ship's bell. The bell hangs in the Lloyd's Underwriting Room and now symbolizes Lloyd's around the world.
- Lloyd's incorporation by a private act of Parliament in 1871, when its members numbered merely 400.
- The writing of Lloyd's first non-marine and U.S. reinsurance policies at the turn of the century.
- The 1906 San Francisco earthquake, Lloyd's largest loss in real terms.

Lloyd's underwriters paid claims estimated as high as $100 million, which at today's value would be about a $1.2 billion. Lloyd's had only 687 names then, and not everyone was involved.

- The development of excess-of-loss reinsurance by C.E. Heath.
- The creation of the Lloyd's American Trust Fund in 1939, with an initial contribution of $40 million. Today the fund stands at $8.5 billion.
- The admission of overseas members in 1969 and the admission of women members in 1970.
- The passage of the 1982 Lloyd's Act.
- The opening of the new Lloyd's building in 1986.

A song entitled "We'll All Go Together When We Go," by Tom Lehrer implies that Lloyd's alone might survive a nuclear holocaust, Mr. Lawrence noted. The line: "No one will have the endurance to collect on his insurance; Lloyd's of London will be loaded when we go."

Mr. Lawrence admitted that is "an exaggeration, but short of Armageddon, I can see no reason why Lloyd's should not endure."

Protex fine

Continued from page 2

cleaning and painting the 15,000 used, 55-gallon drums Protex purchased annually to recycle and then refill with its products.

Judge Carrigan placed Protex on five years' probation, fined it $440,000 and ordered the company to put a total of $950,000 into trust accounts to provide restitution for the three injured workers, according to court records.

In addition, Protex was ordered to place $1.1 million into an account for cleanup costs, further fines or to pay restitution claims that may be filed in the future by other employees.

The company also was ordered to contribute $2,700 to a federal crime victim fund, according to court records.

Although the issue of whether Protex had insurance coverage to pay cleanup costs was raised in court, it was never resolved, pointed out U.S. Attorney Kenneth Fimberg.

'The court reaffirmed what Congress intended: that people in regulated industries have the burden of knowing what types of hazardous waste they generate and also have a duty and obligation to dispose of them properly,' says Mr. Curless.

A spokesman for the company declined to discuss insurance issues.

The $7.63 million fine, "certainly broke the record for the largest fine in an environmental crimes case," said Mr. Starr. The previous record had been $1.2 million.

Although about $5 million of the fine was suspended, "it's a hammer the judge can reinstate" if Protex does not comply with orders to clean up the site and provide restitution to the workers, Mr. Starr said.

Protex, which last month sold all operations but its barrel recycling facility and real estate, must clean up hazardous chemical wastes that the indictment said included chlordane; heptachlor; 2, 4-D; pentachlorophenol; methanol; and methylene chloride.

The three injured employees, who had been with the company for at least seven years, were exposed to those chemicals and others between September 1982 and April 1987, because the company either failed to provide respirators and protective clothing or provided inadequate respirators, according to an official at the U.S. Environmental Protection Agency.

As a result, the three men suffered from solvent poisoning, which can be cured if they are removed from contamination, and from permanent neuropsychological impairment, including reduced memory.

However, Protex attorney David Palmer said previously that it was not until search warrants were issued in March 1986 that the 66-year-old, family-owned company learned that any of its 95 workers were being endangered.

Earlier inspection reports had been turned over to the EPA and Federal Bureau of Investigation personnel, but not to Protex as government regulations require, said Mr. Palmer, an attorney with the Denver firm of Gibson, Dunn & Crutcher.

"Anyone in any company handling any chemical should be scared to death" about facing endangerment charges, Mr. Palmer said.

The three injured men will receive amounts ranging from $275,000 to $350,000 from the court-ordered individual trust accounts as disability income and to meet other needs, including to finance their children's education expenses.

The men, who had been employed at Protex until it was sold last month, are considered unemployable, pointed out Mr. Curless.

The injured men are able to receive compensation from the court proceedings because the violations were brought under federal environmental crimes statutes and not Occupational Safety and Health Administration regulations, emphasized Sylvia Krekel, an occupational health specialist for the Denver-based Oil, Chemical and Atomic Workers International Union.

OSHA penalties do not allow for employee restitution, and injured employees seeking financial recovery must file separate civil or criminal action or seek workers compensation benefits, an OSHA spokesman said.

The three men have not filed workers compensation claims, Mr. Curless said. Under Colorado law, they would be eligible for up to about $27,000 each, according to Mr. Curless and Mr. Fimberg.

Judge Carrigan said in an interview, "The workers compensation system in Colorado is pretty bad in terms of the amounts available."

A spokesman for Colorado's workers compensation system did not return telephone calls.

A labor union representative praised the decision as a victory for employees.

"I think the decision is a good one for workers," said Ms. Krekel of the oil workers' union. She noted that the three men were not members of any union.

And, she added, the restitution ordered by the court is "small consolation" for the damage done to the injured workers.

Ms. Krekel said the decision, which she plans to discuss while training other union employees at RCRA sites, "will have a preventive aspect as far as other (employers) are concerned."

However, Delores Wilson, manager of new business and industry for the Greater Denver Chamber of Commerce, said: "Most people think it was an isolated incident and not reflective of any other employers."

And, the case has not caused chamber members to raise issues related to hazardous waste disposal, she said.

Protex was fined for three counts of knowing endangerment of employees. It also was fined for 12 felony violations of federal laws for operating a facility for the treatment, storage and disposal of hazardous waste without a permit and defrauding government officials by "false statement, material omission and concealment."

In addition, Protex was found guilty of one misdemeanor for discharging pollutants into the South Platte River.

Protex was found innocent of two counts of knowingly storing hazardous waste in March 1986.

Charles Vesta Hyatt, Protex's comptroller, pleaded guilty late last year to misdemeanor charges of making false statements and illegally discharging wastes. He received one year probation and a $3,000 fine.

Donald J. Wilson, Protex's vp and chief operating officer, still faces 11 felony charges, including 10 counts of illegally storing or disposing of hazardous wastes. Mr. Wilson is the son of the company's president and founder.

Although the three workers and a neighbor were considering filing lawsuits against Protex, none are known to have been filed, sources in the case say. ■

Insurers sue Borg-Warner

Continued from page 1
total liabilities of $209.1 million, according to the letter. The liabilities included $82.3 million in direct insurance claims and expenses and $126.8 million in reinsurance claims and expenses.

The reinsurance claims consisted of $83.1 million in reported claims and $92.7 million in incurred-but-not-reported losses, less a present value discount of $49.3 million, the letter reports.

Under a proposed rehabilitation plan, Centaur's direct insurance claims would be paid in full before any assets are used to pay reinsurance claims.

The Illinois Insurance Department has concluded that Centaur has enough assets to cover all direct insurance claims. A portion of Centaur's reinsurance obligations also will be covered under the rehabilitation plan, which includes provisions for commuting Centaur reinsurance agreements.

The Insurance Department is expected shortly to file a revised draft of the rehabilitation plan in Cook County Circuit Court.

Centaur's financial position may be improved somewhat if it is able to recover funds from other sources, the rehabilitator's letter to ceding companies explains.

For example, Centaur has written off reinsurance recoverable from several alien reinsurers, but may recoup some of these losses in lawsuits against "certain London-based brokers and intermediaries and certain alien reinsurers," the letter says.

Among the targets of this litigation is London-based intermediary Andrew Weir London Ltd., which placed Centaur's reinsurance with overseas companies. Among other things, the suit seeks to recover unremitted premiums and charges that Andrew Weir exceeded the scope of its authority in placing Centaur's reinsurance with the alien reinsurers, sources say.

Centaur also is represented on River Plate Reinsurance Co. Ltd.'s creditors' committee (see story page 4). Some 150 creditors are owed about $50 million by the Bermuda insurer (*BI*, Feb. 1; Jan. 18).

In addition, Centaur is suing three insurers—including two Hartford units—to recover part of the roughly $20 million it lost as a result of alleged embezzlement by former employees of Atlantic & Gulf Insurance Agency Inc., a managing general agency wholly owned by Centaur (*BI*, May 6, 1985).

Hartford Insurance Co. of Illinois wrote a comprehensive dishonesty, disappearance and destruction policy with a $10 million aggregate limit covering Borg-Warner and its subsidiaries, while Hartford Accident & Indemnity Co. wrote a separate blanket bond covering Centaur, according to court papers.

Continental Insurance Co. also wrote a comprehensive dishonesty, disappearance and destruction policy with a $250,000 limit covering Atlantic & Gulf.

Centaur and Atlantic & Gulf filed claims with the insurers in 1983 after the alleged fraud by two Atlantic & Gulf employees came to light. The insurers, however, denied the claims, and Hartford sued Borg-Warner in Cook County Circuit Court in Chicago in 1985 for a ruling that the embezzlement losses are not covered.

Borg-Warner, Centaur and Atlantic & Gulf then sued the two Hartford companies and Continental; this complaint was later joined as a counterclaim in the Hartford declaratory judgment action.

In the counterclaim, Borg-Warner seeks to recover the full limits of each policy, including two $500,000 payments under the blanket bond, representing separate claims for the dishonest acts of the two Atlantic & Gulf employees.

Borg-Warner also seeks to recover an additional 25% of each policy's limits allowed under Illinois law for the "vexatious and unreasonable" conduct of the insurers in denying the claims.

The litigation currently is in discovery, according to the Borg-Warner spokeswoman.

Meanwhile, an amendment to the Centaur rehabilitation order has allowed the four Hartford units, Central National and Protective National to file their lawsuits against Borg Warner, court papers show.

The rehabilitation order originally barred all court actions against Centaur or its directors, officers, employees or stockholders, including Borg-Warner.

But on Jan. 27 a judge granted an Insurance Department motion to vacate that portion of the rehabilitation order, thus allowing the insurers to sue Borg-Warner.

The Hartford units suing Borg-Warner and several Borg-Warner affiliates include Hartford Casualty Insurance Co., Twin City Fire Insurance Co., Nutmeg Insurance Co. and Pacific Insurance Co. Ltd. of Hawaii.

The Hartford units ceded business to Centaur from 1981 to 1984 through reinsurance broker G.L. Hodson & Son Inc., a unit of Corroon & Black Corp., according to the complaint.

The risks ceded to Centaur included business originally produced by Baccala & Shoop Insurance Services, a Corroon & Black surplus lines underwriting management unit that was shut down in 1985, according to James I. Rubin, a lawyer with the Chicago firm of Butler, Rubin, Newcomer, Saltarelli & Boyd, which represents Hartford (*BI*, Feb. 4, 1985).

Centaur began to default on its reinsurance obligations in 1984 and has since failed to pay more than $4.5 million on losses paid by the Hartford units, the suit charges. Additional unreported losses payable by Centaur will exceed $15 million, Hartford says.

The Hartford units argue that Centaur was "dominated and controlled" by Borg-Warner and its subsidiaries, and that Borg-Warner should therefore be required to satisfy Centaur's obligations.

The Hartford complaint alleges that:

- Borg-Warner created Centaur and transferred Centaur's stock from one subsidiary to another at its discretion.
- Borg-Warner, Centaur and other Borg-Warner units had common directors and officers.
- Centaur had no employees, payroll or office space of its own, and Centaur employees and offices were provided by Borg-Warner.
- Borg-Warner and its subsidiaries used Centaur for their own purposes, including to insure Borg-Warner and its affiliates; to provide non-interest bearing compensating balances at banks for the benefit of Borg-Warner; and to buy commercial paper issued by Borg-Warner Acceptance Corp.

The Hartford units also argued that it would be unjust for the court to recognize a separate corporate existence for Centaur, alleging that:

- Borg-Warner and its subsidiaries represented that they would stand behind Centaur and its obligations.
- Centaur displayed the Borg-Warner logo on its stationery and used the letterhead of another Borg-Warner unit interchangeably with its own.
- Borg-Warner periodically contributed capital to Centaur, without which Centaur would have become insolvent "years before" the Illinois Department took it over.
- Borg-Warner persuaded A.M. Best Co. to give Centaur an A rating for 1983 by promising to contribute additional capital to the insurer.
- Borg-Warner and its subsidiaries substantially overstated Centaur's policyholders surplus, making it "appear to be a stronger, more reliable company and better reinsurance security than it actually was."

The latter allegation is also the basis for the Hartford units' claim that they were defrauded.

Borg-Warner and its affiliates maintained Centaur's books and records, and deliberately overstated Centaur's surplus between 1980 and 1983 by misstating assumed and ceded reinsurance premiums, reinsurance balances receivable and loss and loss adjustment reserves, the complaint charges.

According to A.M. Best Co., Centaur reported a policyholder surplus of $16.9 million in 1983, $19.7 million in 1982, $15.5 million in 1981 and $13.3 million in 1980. Centaur's surplus dipped to $15.2 million in 1984, $7.2 million in 1985 and $4.0 million in 1986.

Borg-Warner also failed to disclose losses resulting from alleged fraud by employees of Atlantic & Gulf, Centaur's MGA subsidiary, Hartford charges.

For these and other reasons, Hartford also accuses Borg-Warner of recklessly misrepresenting Centaur's financial strength.

Separately, Central National and Protective National—both units of Professional Underwriters Investment Inc.—also are trying to pierce the corporate veil between Borg-Warner and Centaur.

Protective National ceded property, casualty and workers compensation risks to Centaur under three quota-share reinsurance agreements between 1982 and 1984, according to the complaint.

The business was produced for Protective National by Global Surplus Insurance Services Inc., a managing general agency subsidiary of Frank B. Hall & Co. Inc.

Protective National's inability to collect on reinsurance covering the Global Surplus programs forced it to place itself under the supervision of the Nebraska Insurance Department in 1986.

Frank B. Hall later agreed to pay Protective National $45 million to settle disputes over the Global Surplus business (*BI*, May 26, 1986; June 2, 1986).

Central National, meanwhile, ceded property, casualty, ocean marine and other risks to Centaur between in 1983 and 1984 under a quota-share agreement managed by Cravens Re Treaty Facilities Inc. of San Francisco, according to the complaint.

Neither ceding insurer has ever received any claims payments due from Centaur "despite periodic assurances from Centaur, its direct corporate parent and its ultimate corporate parent Borg-Warner that such losses would be paid," the complaint charges.

Centaur now owes Protective National more than $7 million for paid losses on the Global Surplus programs and ultimately will be responsible for an estimated additional $5 million in future losses, the complaint says.

Centaur also owes Central National more than $640,000 on paid losses arising from the Cravens Re programs and will be responsible for an estimated $4 million in unreported future losses.

Along with their attempts to pierce the corporate veil, Central National and Protective National accuse Borg-Warner of tortious interference with their contracts with Centaur.

Centaur's failure to pay claims was a breach of its reinsurance agreements with the two ceding companies, and Borg-Warner "directly or indirectly induced" its insurance unit to breach the treaties, the complaint alleges.

Borg-Warner itself also had a de facto obligation to Centaur policyholders, the complaint says, alleging that Borg-Warner so dominated Centaur as to become, in effect, the insurer's true managing officer.

As such, Borg-Warner "manipulated the affairs of Centaur to the detriment of creditors, such as Central National and Protective National, in disregard of the standards of common decency and honesty," the suit charges. ■

Update

Court rules on merger talks

Continued from page 2
ing statements about "material" aspects of their operations.

However, the court ruled that the question of when merger talks become material would have to be decided on a case-by-case basis. Among the factors to be considered, the court said, is the significance a "reasonable investor" would place on the withheld or misrepresented information.

Former shareholders of Basic sued the company charging that it had misled investors by denying it was involved in merger talks.

Boy could receive $19.5 million

CHICAGO—A boy paralyzed in a 1985 accident involving a day-care center van will receive at least $7 million—and could receive up to $19.5 million—under a settlement with Kinder-Care Learning Centers Inc.

The pre-trial settlement between Montgomery, Ala.-based Kinder-Care and the family of Matthew Victor stipulates that the amount the boy will receive depends on how long the boy lives. He now is 11 years old.

The accident occurred when a van from Kinder-Care's Schaumburg, Ill., facility crossed a median and struck an oncoming car. The accident killed the driver of the car and a girl traveling in the van. The driver's survivors settled for $700,000 and the girl's survivors for $500,000, according to their attorney, Philip Corboy Jr. of Corboy & Demetrio.

Cases involving other injured children among the 12 van passengers also have been settled, though details were not available.

Kinder-Care was insured for several million dollars by Maryland Casualty Co. at the time of the accident.

Kinder-Care and the van's driver meanwhile have sued the van's manufacturer, Ford Motor Co.; dealer Jerry Burke Ford Inc. of Frankfort, Ill.; along with several other companies that outfitted the van. The suit alleges that the van was improperly certified as complying with safety standards and that retrofitting the van with seats and seat belts subjected passengers to an "unreasonable" risk of injury.

Accountants' liability expanded

NEW YORK—Big Eight accounting firm Arthur Andersen & Co. plans to appeal a U.S. District Court ruling that U.S.-based accounting firms can be sued in the United States for negligence in preparing audits in other countries.

Judge Charles E. Stewart denied a motion by Andersen to dismiss a $260 million suit filed against it by the British Department of Economic Development in connection with audits the firm conducted for De Lorean Motor Co. and its Irish unit between 1978 and 1980. The British government had invested in securities offered by the now-defunct company.

"We believe that this decision is in conflict with decisions in other cases, and we plan to pursue in full the alternatives available to us," said an Andersen spokesman.

Dan Goldwasser, an attorney and consultant to the New York State Society of Certified Public Accountants, said that to win the case, the British government would still have to establish that the accountant's Irish subsidiary correctly followed auditing procedures established by Andersen's U.S. headquarters.

Andersen is insured by Lloyd's of London underwriters.

Briefly noted

A hearing on a voluntary rehabilitation plan for **American Mutual Reinsurance Co.**, which was ordered into rehabilitation last month, is scheduled for March 24 in Cook County Circuit Court in Chicago. AMRECO proposes to run off existing business without court supervision and not resume underwriting. The company's deficiency is estimated at $70 million to $79 million after recoveries from retrocessionaires. . . .**Medical care prices** jumped 0.8% in January, compared with a 0.3% rise in the overall Consumer Price Index, the Bureau of Labor Statistics reports. For the 12-month period ending in January, medical care prices rose a total of 6.2%. . . .ERT Inc., a Concord, Mass.-based environmental consulting and engineering firm, has been awarded a contract to assess the environmental impact of the Jan. 2 oil spill into the Monongahela River from a ruptured **Ashland Oil Co.** storage tank (*BI*, Jan. 11). . . .A **California auto insurance reform initiative** proposed by a California consumer group has died because of a lack of support. The Consumers Union proposal would have granted "good driver" discounts and implemented rate regulation. . . .On Feb. 17, San Mateo County Superior Court Judge William Lanam turned down a motion filed by Travelers Insurance Co. to disqualify **Shell Oil Co. attorneys** Holme, Roberts & Owen of Denver because of a conflict of interest (*BI*, Feb. 8). . . .London marine underwriters last week lowered **war risk insurance rates** for cargo shipments in the Persian Gulf. The minimum rates issued by the Joint Cargo War Risks Rating Committee on behalf of Lloyd's of London syndicates and the Institute of London Underwriters were lowered March 9 as much as 0.25% of value in some areas, including Sirri Island. . . .The Council of Lloyd's of London approved **draft broker regulations** last week that do not address access to the market by non-Lloyd's entities, despite opposition by at least six underwriting agencies. However, Lloyd's Deputy Chairman Alan Parry said the council still plans to debate the issue of wider accessibility to the Lloyd's market this year (*BI*, March 7). . . .The **U.S. reinsurance industry** posted a 102.3% combined ratio for 1987, compared with a 103.6% ratio for 1986, according to the Reinsurance Assn. of America. . . .The Florida Insurance Department plans to examine the shuttered **Insurance Exchange of the Americas** and its syndicates to uncover what led to the IEA's demise. . . .Ten senior executives of Los Angeles-based **Fremont Insurance Group Inc.** will buy the group of property/casualty insurers from parent Fremont General Corp. in an $82 million deal.

Claims facility

Continued from page 1

Owens-Corning said in a prepared statement that it "no longer believes that the facility is the most effective means of resolving meritorious asbestos-related bodily injury claims."

Pittsburgh-Corning President and Chief Executive Officer John L. Baldwin said the company was forced to withdraw because "the changing mix" of claims being submitted to the facility include claims that do not involve Pittsburgh-Corning products.

Similarly, Eagle-Picher President and Chief Executive Officer Thomas Petry told shareholders in the company's 1987 annual report: "Many of the claims filed in 1987 were by workers employed in industries where there was little or no exposure to Eagle-Picher products."

He said Eagle-Picher was leaving the facility because "the company believes that working on its own, outside the facility, it can lower its cost per claim significantly and pursue other solutions to the litigation."

Officials of the other producers that are leaving the facility would not comment.

In a last-ditch effort to save the facility, a nine-member committee is negotiating with the dissatisfied asbestos producers, according to Mr. Fitzpatrick, who would not reveal who is on the committee.

The committee's next meeting with the producers is scheduled for Tuesday. It already has met with the producers on March 3 in Washington, D.C.

Mr. Fitzpatrick said the most likely outcome of the negotiations is that the facility will go forward without Owens-Illinois, Carey-Canada and Celotex, acting on behalf of the 30 remaining asbestos producer members and their insurers that joined the facility.

He said it is also possible that the facility could be restructured to meet the dissatisfied asbestos producers' concerns, which include:

- The facility's liability allocation formula.
- The way claims are being handled and settled.
- The producers' degree of control over the facility.

Mr. Fitzpatrick maintains the facility still can be saved. "The parties seem genuinely interested in working out the problems," Mr. Fitzpatrick said.

"If the producers leave, the facility will survive," he predicted, allowing, "There may be others who disagree."

Further pressed, Mr. Fitzpatrick conceded that dissolving the facility is a "possibility."

He added there probably will not be a final decision on the facility's future for at least two months.

But, plaintiffs' attorneys, who have opposed the facility since its creation in 1985, predict the facility will fold.

Mr. Glasser said the facility would have to undergo a major restructuring to continue. "They have lost a nucleus of key players."

It was "inevitable" that when Eagle-Picher and Owens-Corning left, "a large number of other producers would say 'that is enough,'" because each time an asbestos producer leaves the facility the percentage of liability for the remaining members is recalculated, said plaintiffs' attorney Danny Cupit, with Cupit & Maxey in Jackson, Miss.

"It's the domino effect," agreed Thomas Henderson, a plaintiffs' attorney with the Pittsburgh firm of Henderson & Goldberg. He said "it is a good possibility" the facility will dissolve.

"The concept of a facility set up to reduce defense costs and drive down indemnity was doomed to fail," he said.

"In a sense we are going back to where we were 2½ years ago," said Stan Levy, with Levy, Phillips & Konigsberg in New York.

An attorney for one insurer that belongs to the facility but did not want to be identified said he is unsure whether the facility is viable without the six producers, saying it probably "would not command the attention of plaintiffs' attorneys."

All members of the facility's board of directors, as well as most of the other active members of the facility, were contacted, but none would comment on the future of the facility.

Former Yale Law School Dean Harry H. Wellington, who chaired the negotiations that led to the facility's creation, could not be reached for comment.

How liability costs should be allocated among the members of the facility has been a thorny issue since the facility was created.

Under the agreement, asbestos producers and insurers agreed to settle insurance coverage disputes stemming from bodily injury claims and provide a joint defense against claims brought by asbestos victims.

In addition, each producer agreed to pay a specified percentage of all asbestos injury claims settled through the facility. Those percentages, which are closely guarded secrets, were based on the producers' past settlement and litigation history.

When the facility was established, the formula for determining each producer's liability share was based on the litigation and settlement history of claims filed by shipyard and insulation workers, which at that time were the most common type of asbestos injury claims.

Since then, claims filed by tire, steel and sheet metal workers have become the most common type of asbestos injury claims filed. The same producers that paid the largest shares for claims filed by shipyard and insulation workers also became liable for the largest share of the new types of claims. But these producers contend the tire, steel and sheet metal workers were not exposed to their asbestos products.

However, the Wellington Agreement does not allow significant adjustments to compensate for changes in the nature of the claims filed with the facility. The allocation formula can be adjusted only by 15% after the first year and a maximum of 15% every three years thereafter.

So, for example, the liability of a producer that originally was assessed a 1% share could have been increased to only 1.15% after the producer's first year. Its maximum liability after three years would be 1.32%.

"Many producers believe the cap formula on liability shares does not offer enough flexibility," Mr. Fitzpatrick said.

Another "basic structural flaw" of the facility is the grouping together of defendants with vastly different claims philosophies, Mr. Fitzpatrick said.

For example, some asbestos producers want to group similar claims together and settle them quickly, while other defendants—including Eagle-Picher—want to examine each case individually and settle each on its own merits.

"The facility, in making bloc settlement of asbestos claims, has failed to evaluate each claim on its individual merits," said the suit Eagle-Picher filed against the facility on Feb. 26 in the U.S. District Court in Cincinnati.

Eagle-Picher also alleges in the suit that "the facility has settled claims for injury other than asbestos-related physical impairment and dysfunction."

"There have always been philosophical divisions within the facility," agreed plaintiff's attorney Mr. Levy. "Some producers wanted cases resolved as quickly as possible; others didn't want cases resolved until the last possible minute."

In addition, producers have been at odds over what type of cases the facility would oversee, added Mr. Levy. He said cases in which the victims were not physically impaired clogged the facility. He said some defendants refused to give these victims minimal payments to clear the backlog.

The disgruntled asbestos producers also say they do not have enough control over the facility. They point out that although they are responsible for a vast majority of the liability costs, they each get the same single vote as each producer responsible for only a fraction of the liability costs.

Mr. Henderson said it is unlikely the remaining producers will give the dissatisfied producers the governance they want.

Attorneys close to the facility say it has several other shortcomings, including its failure to adopt a meaningful alternative dispute resolution system.

In its suit, Eagle-Picher says the facility has "adopted an ADR procedure which does not accomplish any of the agreement's express purposes."

Eagle-Picher complained that the ADR mechanism, which was adopted 22 months after the Wellington Agreement was signed, applies only to cases that are scheduled for trial within one year and involve claimants who have actually suffered asbestos-related injuries.

"To the extent it discriminates against claimants on the basis of injury and litigation status, and requires expensive and time-consuming use of the pre-trial judicial system, the ADR procedure is not uniform, streamline or expeditious and is not a viable alternative to the judicial system," the Eagle-Picher suit says.

While the future of the facility is uncertain, Mr. Fitzpatrick said "it's business as usual," with producers and insurers funding claims payments. ■

Government unveils settlement with 4 Challenger victims' families

WASHINGTON—Documents released last week by the Justice Department show that families of four of the astronauts killed in the 1986 explosion of the space shuttle Challenger received an aggregate $7.7 million settlement financed through long-term, tax-free annuities purchased by the U.S. government and Morton Thiokol Inc.

The cost of the annuities was not released.

The documents were released to settle a lawsuit brought by seven news-gathering organizations against the Justice Department for its failure to disclose terms of the settlements, which had been made in December 1986.

Under the terms of the settlement, Chicago-based Morton Thiokol, which made the shuttle's defective booster rocket, paid for 60%, or $4.6 million, and the federal government paid for 40%, or $3.1 million, of the settlement's value to the families of: Gregory B. Jarvis, Francis R. Scobee, Ellison S. Onizuka and S. Christa McAuliffe.

The documents released do not reveal why Morton Thiokol agreed to pay the larger portion of the settlement.

The documents also do not indicate the amounts paid to each family.

Among the documents was a letter to the Justice Department from Morton Thiokol's attorney stressing that Morton Thiokol made the settlement offer "without reference to liability, which we specifically deny on the part of Morton Thiokol."

"Settlement offers were made on behalf of Morton Thiokol and the government with the other three families, but none of them accepted the offers," the spokeswoman explained.

The families of astronauts Ronald E. McNair and Judith A. Resnik later reached "settlements with Morton Thiokol of which the federal government was not a party," the spokeswoman added.

The family of the remaining victim, Michael J. Smith, is still suing Morton Thiokol. The federal government was dismissed from that suit on Feb. 22, the spokeswoman commented. ■

British Airways launches captive to provide hull coverage to fleet

HAMILTON, Bermuda—British Airways, the United Kingdom's largest commercial airline, is pouring 10 million pounds ($18.5 million) in start-up capital into a new Bermuda-based captive insurer, Speedbird Insurance Co. Ltd.

Speedbird, which is named after British Airways' corporate headquarters, Speedbird House, is set to start operations April 1.

Sedgwick Group Overseas Management Services Ltd.—the Bermuda-based unit of the Sedgwick Group P.L.C., which is one of the airline's brokers—will manage the captive.

Speedbird is a wholly owned British Airways subsidiary and is expected to provide up to 25% of the hull insurance on the airline's fleet of 163 aircraft, which is worth an estimated $5 billion and includes supersonic Concordes.

According to a British Airways statement released last week, the captive initially will be used "solely for the airline's group activities."

"British Airways has established Speedbird to formalize its self-insurance philosophy and to provide flexibility in its negotiations with international insurance markets," said Peter Lerwill, the airline's risk management general manager in the statement.

"British Airways intends that the new company will operate on a commercial basis from the outset," he said. ■

'3 years up, 3 years down' may not describe cycle

By LEONARD M. WILSON

Special to Business Insurance

'I pointed out that it was too soon for the soft market to end. The better commercial underwriters were likely to earn around 15% on shareholder's equity in 1988. This is well below the princely returns achieved in 1979 and 1980, but still high enough to forestall the pain that usually accompanies a turn in pricing.'

A FEW DAYS AGO, my phone rang. It was a portfolio manager from whom I hadn't heard in some time. He had owned insurance brokerage stocks several years ago when the earnings were bounding ahead, propelled by rising premium rates on commercial lines. But he had long since sold the stocks, right at the top so he claimed, and was now interested in getting an update with the stocks out of favor.

Mr. Wilson

I launched into a thumbnail review of the last several years. Premium rates had peaked late in 1986, and then started to decline well before anyone in the industry expected. The soft market was now in full swing and even the underwriters, perennial optimists, had to admit that competition had returned to the marketplace. Insurance analysts were beginning to shave their earnings estimates for the insurance companies, a sure sign that the price cutting was well-advanced.

Before I could finish my recitation, he interrupted with a poser: How long would the soft market continue? I was about to mutter something about three years up and three years down, but my better judgment stopped me. Instead, I decided to introduce him to issues that insurance industry observers think about when confronted with questions about the shape and longevity of the underwriting cycle.

First, I pointed out that it was too soon for the soft market to end. The better commercial underwriters were likely to earn around 15% on shareholder's equity in 1988. This is well below the princely returns achieved in 1979 and 1980, but still high enough to forestall the pain that usually accompanies a turn in insurance pricing.

Reinsurance pricing was also currently a negative as far as the soft market coming to an end. Treaty rates so far have held up pretty well. Before primary insurance rates firm, it seems likely that reinsurance pricing will have to get softer than it is now. Reinsurance may not get as cheap as it did in the last cycle and that may keep competition from reaching the ruinous stage.

Combined ratios for the property/casualty industry now are being projected at 105% or 106% for 1988. Clearly underwriting losses are beginning to mount, but interest rates are still high by historical standards. Long-term corporates yield better than 9%, so that there is seemingly room for combined ratios to deteriorate further.

What about new entrants? So far, the flow of capital into the property/casualty insurance industry has not swamped the business. Moreover, deteriorating underwriting may discourage new capital over the next several years. This could help contain competitive intensity, but in itself is not enough to turn premium rates. In addition, on the plus side, many underwriters will have heavier tax liabilities under the Tax Reform Act of 1986.

Finally, I cited a widely held theory that it takes an event of dramatic proportions to turn a soft market. In 1974, it was the precipitous stock market decline that pared insurance capital concentrated in equities. In 1984, the event was underwriting losses on a scale that threatened insolvencies. Nothing is on the horizon at this point to resemble those events.

We would have continued, but portfolio managers are relentless in their pursuit of a conclusion. Consequently, we ventured a carefully hedged opinion that premium rates would remain soft, at least through 1989 and quite possibly through 1990. Soft rates meant little growth for insurance brokerage earnings and probably investor apathy toward the stocks. But values were attractive longer term and maybe the bad news was already in the price.

The rejoinder was not long in coming. "How could insurance brokerage really be an attractive industry?" he countered. It now appears that from 1980 to 1990, only two years out of 10 will have witnessed rising premium rates. This suggests that soft markets are almost the norm for the commercial property/casualty industry.

Soft pricing tells a great deal about the economics of an industry. At the very least, it indicates a chronic excess of supply, shrinking demand or both. Insurer managements are roundly criticized for their inability to stand prosperity, but that behavior may be rooted in the industry's inescapable, difficult economics and the undifferentiated commodity nature of the product.

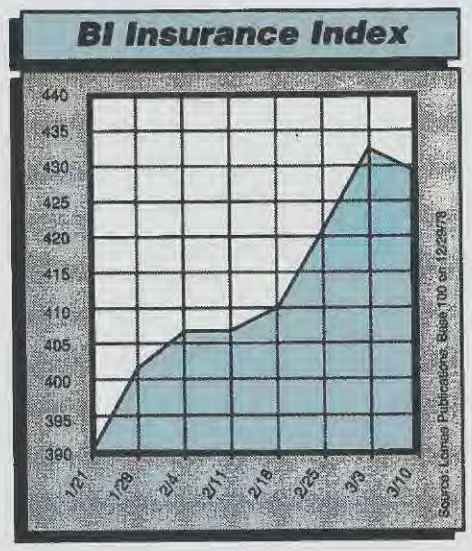
The insurance brokers used to be regarded as growth companies. That image may not be justified in the face of chronic price competition. As middlemen, the insurance brokers are not in control of product pricing and their compensation jumps around with the rise and fall in premium rates, irrespective of the costs of servicing the client. Even the role of the insurance broker suffers in a soft market when it is relatively easy to find coverage and sophistication counts for less. These are not the characteristics of an industry that gives comfort to investors.

He paused and I jumped into the breach: What about the brokers' ability to generate free cash flow, their insulation to the business cycle, the difficulty of entry and rising market share? These were considerations that lent a more balanced assessment of the group.

I sensed we were at an impasse. He had made some telling points. Maybe the U.S. commercial insurance markets are going the way of Canada and Australia, plagued chronically with excess capacity. Perhaps the ongoing growth of self-insurance techniques have diverted too much demand from established markets.

We think it is too soon to write off insurance brokerage as an attractive area for long-term growth. Nonetheless, the tidy correlation of three years up and three years down looks like a nostalgic relic of the past. ■

Leonard M. Wilson, a managing director at L.F. Rothschild & Co. Inc. in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.



Insurance industry stocks fell last week, halting three weeks of gains, as the *Business Insurance Index* dropped 3 points to 430.0 on March 10, from 433.0 on March 3. Advancing issues were led by: Zenith National Insurance Corp., 10.7%; Hilb, Rogal & Hamilton, up 8.7%; Orion Capital Corp., up 6.3%; NAC Re Corp., up 5.4%; Fireman's Fund Corp., up 4.4%; and Seibels Bruce Group Inc., up 4.2%. Declining issues were led by: Statesman Group Inc., down 14.3%; SCOR US Corp., down 8.8%; Frank B. Hall & Co., down 7.4%; The St. Paul Cos. Inc., down 5.2%; Fremont General Corp., down 5.1%; and Corroon & Black Corp., down 4.8%. Issues showing the most activity during the period were: ITT (Hartford Insurance Group), 3.8 million shares traded; USF&G Corp., 3.8 million shares traded; and Sears, Roebuck & Co. (Allstate Insurance Group), 3.3 million shares traded. The *Business Insurance Index* lost 0.7% for the period, performing ahead of the leading market indicators: The Dow Jones 30 Industrials lost 37.5 points, a 1.8% decline; the Standard & Poor's 500 dropped 4 points, a 1.5% decline; and the New York Stock Exchange composite was down 1.8 points, a 1.2% decline.

British Issues

March 10 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	317	12.0	21.9	6.9	330—317	
Genl Accident	892	10.9	47.9	5.4	915—892	
Gdn Royal Exch	935	13.8	56.2	6.0	939—935	
Royal	403	10.7	26.4	6.5	413—403	
Sun Alliance	930	14.5	43.1	4.6	933—929	
Brokers						
CE Health	374	13.9	34.5	9.2	376—374	
Hogg Robinson	134	10.3	9.6	7.2	139—134	
JH Minet	478	17.4	12.9	3.0	478—478	
Sedg Grp	205	12.7	16.4	8.0	207—203	
Willis Faber	220	12.6	14.8	6.9	220—215	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

MARCH 10, 1988 — 3/4/88 THRU 3/10/88

BROKERS		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Alexander & Alexander Svcs	NYSE	21.88	0.6	23.3	32.00	15.88	510	1.00	4.6	14.3	3.61	6.06
Baldwin & Lyons Inc.	OTC	13.00	0.0	8.3	27.00	12.00	0	0.20	1.5	4.9	18.66	0.70
Corroon & Black Corp.	NYSE	32.13	-4.8	13.7	37.50	22.00	91	1.08	3.4	15.2	6.82	4.71
Gallagher Arthur J. & Co.	NYSE	14.75	-3.3	-7.8	31.00	13.88	19	0.48	3.3	10.2	4.81	3.07
Hall Frank B. & Co.	NYSE	4.75	-7.4	64.9	19.00	2.50	356	0.00	0.0	10.2	0.00	N/A
Hilb, Rogal & Hamilton	OTC	12.50	8.7	28.2	12.75	7.25	37	0.00	0.0	10.2	0.00	N/A
Lawrence Ins. Group	AMEX	9.00	1.4	33.3	14.75	6.25	1	0.32	3.6	9.2	3.40	2.65
Marsh & McLennan Cos. Inc.	NYSE	54.25	4.1	9.6	72.00	43.75	744	2.40	4.4	13.4	7.27	7.46
Poe & Assoc. Inc.	OTC	7.00	0.0	0.0	13.25	6.75	0	0.40	5.7	6.8	0.57	12.28
BROKERS	AVERAGE		-0.3	17.5					2.9	10.8		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	27.25	0.9	13.5	37.00	18.75	553	0.28	1.0	6.7	13.72	1.99
Berkshire Hathaway Inc. DEL	OTC	3200.00	2.4	8.5	4400.00	2510.00	396	0.00	0.0	20.1	62.53	3.32
CIGNA Corp.	NYSE	49.13	0.5	12.0	69.50	41.25	1265	2.96	6.0	6.1	50.12	0.98
CNA Fin'l Corp.	NYSE	57.00	-1.9	2.5	66.50	47.00	162	0.00	0.0	8.8	42.71	1.33
General Re Corp.	NYSE	52.50	-2.3	-6.0	68.88	46.00	867	1.20	2.3	11.0	26.60	1.97
ITT (Hartford Group)	NYSE	46.50	-2.4	3.3	66.38	41.88	3842	1.25	2.7	9.1	44.08	1.05
Sears Roebuck & Co. (Allstate)	NYSE	38.00	-2.3	13.0	59.50	29.75	3270	2.00	5.3	8.7	32.94	1.15
Transamerica Corp.	NYSE	34.75	-2.8	16.8	51.38	22.63	460	1.84	5.3	6.4	30.32	1.15
CONGLOMERATES	AVERAGE		-1.0	8.0					2.8	9.6		
INSURERS												
Aetna Life & Cas Co.	NYSE	46.75	-2.6	3.3	68.13	43.50	749	2.76	5.9	6.3	44.75	1.04
American General Corp.	NYSE	35.13	2.2	10.6	44.75	27.25	950	1.40	4.0	9.2	27.13	1.29
Amer Heritage Life Invt	NYSE	26.00	0.0	7.2	34.00	23.00	2	0.96	3.7	12.1	21.70	1.20
Amer Indty Fin'l Corp.	OTC	9.25	-3.9	2.8	19.00	7.75	3	0.56	6.1	12.1	20.30	0.46
American Int'l Group	NYSE	57.75	-2.1	-3.8	83.75	53.50	1671	0.30	0.5	10.1	29.02	1.99
Aneco Reins Ltd.	OTC	3.13	-3.7	-7.4	4.38	2.13	33	0.00	0.0	10.1	1.93	1.62
Aon Corp.	NYSE	26.00	-3.7	13.6	29.88	20.50	190	1.20	4.6	9.3	15.23	1.71
Argonaut Group	OTC	46.75	3.9	57.1	52.13	21.00	383	0.00	0.0	8.3	27.54	1.70
AVEMCO Corp.	NYSE	24.63	3.1	25.5	25.25	13.25	32	0.28	1.1	12.8	8.50	2.90
Belvedere Corp.	AMEX	5.50	2.2	25.6	9.13	4.00	8	0.04	0.7	13.1	7.65	0.72
Business Mens Assurn Co.	OTC	35.00	2.2	30.8	48.25	25.25	286	1.20	3.4	94.6	27.39	1.28
Chubb Corp.	NYSE	62.50	2.2	11.8	73.50	50.88	340	2.16	3.5	7.5	39.52	1.58
Continental Corp.	NYSE	38.75	-2.5	0.0	54.88	30.50	488	2.60	6.7	7.2	41.62	0.93
Durham Corp.	OTC	27.25	0.0	26.7	34.00	20.00	4	0.92	3.4	23.3	26.93	1.01
Farmers Group Inc.	OTC	60.00	-4.4	49.1	63.25	37.75	2398	1.44	2.4	15.5	22.15	2.71
Fireman's Fund Corp.	NYSE	29.50	4.4	13.5	42.75	24.13	1142	0.50	1.7	32.4	29.81	0.99
Fremont Gen Corp.	OTC	11.75	-5.1	22.0	20.50	7.88	529	0.60	5.1	32.4	16.75	0.70
Home Group Inc.	NYSE	12.88	-2.8	8.4	24.88	10.50	399	0.20	1.6	2.7	17.65	0.73
Hanover Ins Co.	OTC	23.50	-4.1	1.1	37.25	21.38	94	0.36	1.5	5.0	21.16	1.11
Harleysville Group Inc.	OTC	15.75	0.0	20.0	19.38	12.00	8	0.55	3.5	7.7	16.18	0.97
Hartford Steam Boiler Insp	OTC	28.75	0.9	25.0	36.63	20.25	80	1.00	3.5	11.0	11.87	2.42
Kans City Life Ins	OTC	28.50	1.8	8.6	31.50	21.50	0	0.00	0.0	11.0	0.00	N/A
Kemper Corp.	OTC	24.50	1.0	19.5	38.75	19.25	1128	0.72	2.9	7.7	27.11	0.90
Liberty Corp. S.C.	NYSE	40.75	2.5	14.8	53.00	32.50	19	0.80	2.0	15.6	20.90	1.95
Lincoln Nat'l Corp.	NYSE	45.50	-4.7	13.4	60.50	35.75	333	2.36	5.2	8.8	44.85	1.01
NAC Re Corp.	OTC	24.25	5.4	36.6	32.25	17.50	56	0.00	0.0	16.7	19.43	1.25
Nobel Ins Ltd.	OTC	8.25	-4.4	-5.7	18.50	7.75	174	0.40	4.8	39.3	9.37	0.88
Northwestern Nat'l Life	OTC	26.13	-1.9	14.2	32.38	20.75	116	0.96	3.7	7.1	35.18	0.74
Ohio Cas Corp.	OTC	37.50	-0.7	3.4	49.25	33.50	81	1.88	5.0	8.7	30.94	1.21
Old Rep Int'l Corp.	OTC	24.88	2.1	24.4	33.63	18.88	90	0.74	3.0	5.4	19.80	1.26
Orion Cap Corp.	NYSE	16.75	6.3	24.1	31.00	11.00	21	0.76	4.5	5.4	9.39	1.78
Phoenix Re Corp.	OTC	8.00	-3.0	23.1	14.63	5.00	63	0.00	0.0	5.0	10.15	0.79
Protective Corp.	OTC	14.25	-0.9	16.3	21.25	11.38	46	0.70	4.9	14.0	16.98	0.84
Provident Life & Acc Ins Co.	OTC	20.63	-1.2	32.0	28.75	14.25	261	0.84	4.1	51.6	27.00	0.76
St. Paul Cos. Inc.	OTC	45.25	-5.2	-1.6	60.00	40.25	633	2.00	4.4	6.7	36.34	1.25
SAFECO Corp.	OTC	25.00	-3.8	-9.9	38.00	24.38	1888	0.96	3.8	8.0	22.33	1.12
SCOR US Corp.	OTC	7.75	-8.8	-16.2	16.25	5.00	81	0.00	0.0	6.0	9.20	0.84
Seibels Bruce Group Inc.	OTC	12.50	4.2	11.1	19.00	9.75	41	0.80	6.4	8.3	12.88	0.97
Selective Ins Group Inc.	OTC	21.25	-1.2	11.8	27.50	17.25	37	1.08	5.1	5.7	19.47	1.09
Statesman Group Inc.	OTC	4.50	-14.3	-4.1	3.50	1.69	243	0.05	1.1	5.7	5.19	0.87
Tokio Marine & Fire Ins	OTC	78.75	-3.2	19.5	103.38	50.75	97	0.19	0.2	66.7	0.00	N/A
Torchmark Corp.	NYSE	29.25	-2.9	19.4	36.75	21.75	194	1.00	3.4	9.8	13.01	2.25
Travelers Corp.	NYSE	36.63	-2.7	4.3	52.63	30.75	1704	2.40	6.6	8.9	46.68	0.78
Trenwick Group Inc.	OTC	11.50	2.2	12.2	19.13	8.88	73	0.00	0.0	11.0	14.65	0.78
United Fire & Cas Co.	OTC	25.50	2.0	-1.9	33.00	20.25	31	0.96	3.8	4.9	18.32	1.39
United States Fid & Gty	NYSE	32.50	-4.4	14.0	48.75	26.25	3798	2.64	8.1	6.6	22.36	1.45
UNUM Corp.	NYSE	21.88	-2.2	18.3	31.38	15.50	442	0.40	1.8	12.6	28.84	0.76
USLIFE Corp.	NYSE	36.00	-0.7	26.3	47.63	26.75	246	1.28	3.6	8.6	43.09	0.84
Washington Nat'l Corp.	NYSE	28.13	1.4	17.8	37.88	19.25	22	1.08	3.8	22.1	32.80	0.86
Zenith Nat'l Ins Corp.	NYSE	19.38	10.7	29.2	24.00	13.50	222	0.80	4.1	9.3	12.26	1.58
INSURERS	AVERAGE		-0.8	14.7					3.2	14.9		
ALL COMPANIES	AVERAGE		-0.7	14.3					3.1	13.8		

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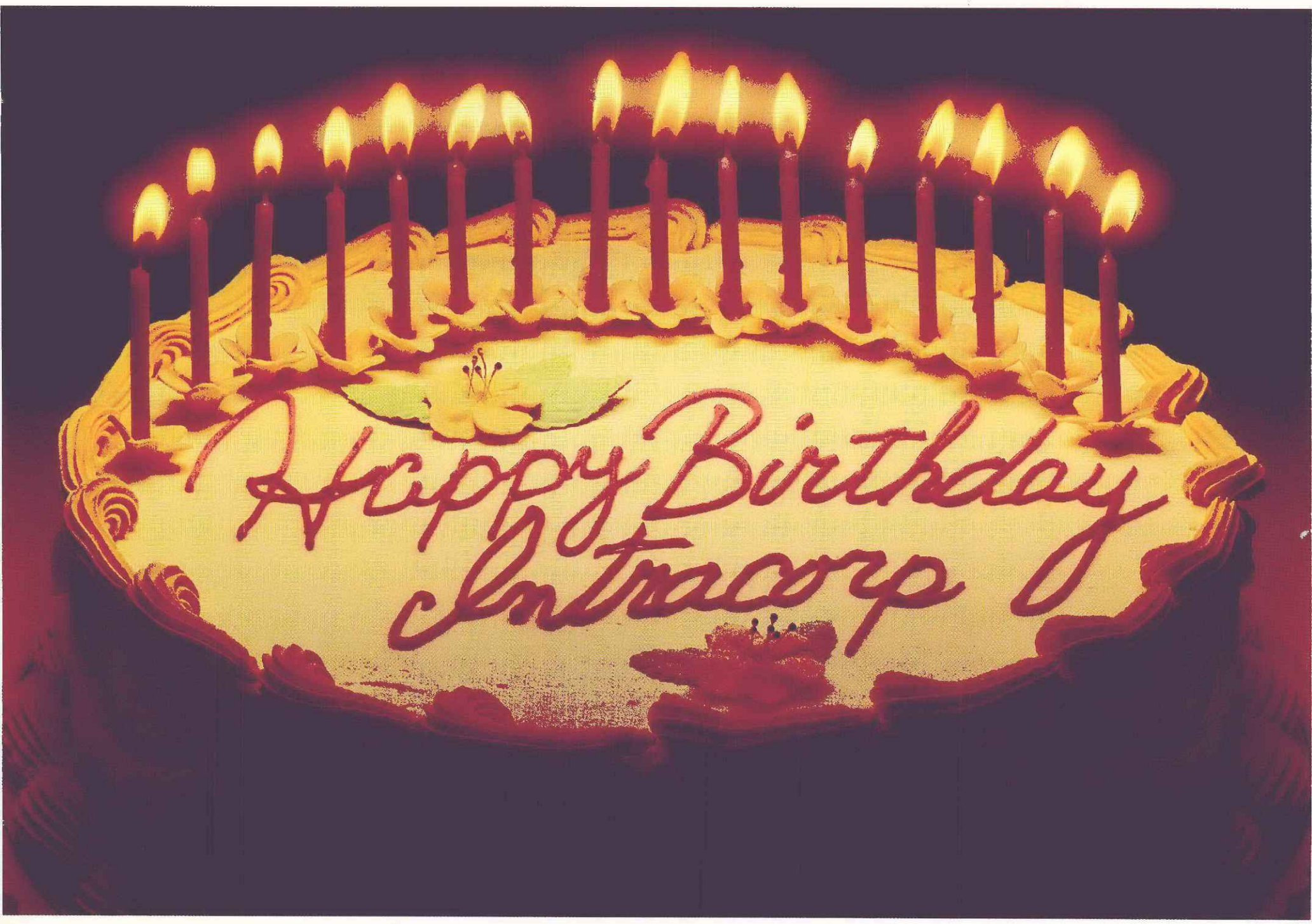
No one holds a candle to Intracorp's experience in medical review.



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