

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$2.50 a copy; \$80 a year

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Shalala gives Oregon the nod to proceed with health reform

SALEM, Ore.—Oregon will be able to proceed with its universal coverage plan after U.S. Secretary of Health and Human Services Donna Shalala agreed Friday to waive Medicare regulations for the state, subject to some conditions.

"States (must have) the flexibility to design new approaches to their local problems, provided that these proposals meet federal standards," Ms. Shalala wrote to Oregon Gov. Barbara Roberts.

By funding many services in a standard
Continued on next page

Blizzard claims may hit \$800 million

Businesses fare better than home, auto owners



AP/Wide World Photos

The mountains of snow left behind by the East Coast blizzard likely will translate into an avalanche of claims for property insurers.

By MICHAEL SCHACHNER
and SARA MARLEY

Businesses are dusting off the snow and emerging relatively unscathed from the Blizzard of '93.

Much of the estimated \$800 million in insured damage from the far-reaching storm is expected to be from homeowners and auto insurance claims.

Most of that total—\$425 million or more—was believed to be concentrated in Florida, Georgia and Alabama. Georgia alone suffered \$116 million in total insured damage, estimated Tim Ryles, the state insurance commissioner.

Despite hurricane-force winds

and unheard-of snowfall in some areas of the South, commercial damage did not appear as great as it could have been.

The March 12-14 storm hit the entire Eastern seaboard and spread as far west as Mississippi, Tennessee and Western Pennsylvania.

Utilities reported damage to power lines and some manufacturing plants had roofs cave in, but insured losses were few and far between north of the nation's capital. Businesses and homeowners both apparently heeded the early warnings of national and local weather services.

Generally, only transportation companies like airlines, railroads and trucking firms were shut down completely over the blustery weekend.

Insurance companies did not

fare so well. Personal lines losses, especially in Southeastern states ill-equipped to deal with two feet of snow and subfreezing temperatures, are expected to take another swipe at insurers still suffering from Hurricanes Andrew and Iniki.

State Farm Group estimated late Friday the the 95,000 homeowner claims it expects to receive will cost it \$177 million. The Bloomington, Ill.-based insurer does not purchase reinsurance.

Nationwide Mutual Insurance Co. estimated its gross storm losses at \$88.2 million, mostly from wind and tornado damage to homes and cars.

The Columbus, Ohio-based insurer had received about 27,000 claims by the end of last week

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Indictment alleges Bel-Aire's Blumeyer bilked policyholders

By DOUGLAS McLEOD

ST. LOUIS—Insurance executive Arthur A. Blumeyer III and four others are facing federal charges that they bilked policyholders out of \$43.5 million in premiums using a series of fraudulent insurers, including the now-defunct Bel-Aire Insurance Co.

A 34-count indictment issued last week charges Mr. Blumeyer and others with using phony assets in 1987 to obtain a license for Missouri-based Bel-Aire, which primarily wrote business for about 20 risk purchasing groups.

The defendants then used fraudulent financial statements to rake in millions of dollars in premiums for Bel-Aire and several offshore insurers owned by Mr. Blumeyer, who personally siphoned off \$4.9 million, prosecutors allege.

Also named in the indictment is Dewey G. Crump, a former state legislator and ex-chairman of the Missouri House Insurance Committee. Mr. Crump is charged with taking at least \$110,000 from Mr. Blumeyer to slow down Missouri Insurance Department investigations of Mr. Blumeyer's companies.

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Is the end near?

Cat losses, profit plunge may hasten market turn

By JUDY GREENWALD

The record level of catastrophe claims in 1992—and the already-mounting disaster losses of 1993—are causing many industry executives and analysts to predict a broad turn in the commercial property/casualty insurance market within a year.

While some observers for years have refused to predict an immediate turn in the market, the effect of catastrophe losses combined with low rates, ongoing reserve concerns, diminished cash flow from low investment returns and anemic premium growth are causing them to forecast a marked shift in prices.

And, while insurer profits have been boosted for the past two years by realized capital gains,

there's not much left in many insurers' portfolios to sell at a profit, some suggest. That situation will further pressure insurers to raise rates for all lines of coverage, not just property insurance.

Insurers' 1992 results, coupled with the shortfalls in loss reserves, "sooner or later has to catch up," said Michael Crall, president and chief executive officer of Argonaut Insurance Co. in Menlo Park, Calif.

Insurers will study their year-end results and reflect upon the fact that there may not be a lot more opportunity in 1993 or beyond to reap realized capital gains. After that process, "We should begin to see a return to basic underwriting and pricing," said David McDonald, senior vp and chief underwriting officer for the Royal Insurance Group in Charlotte, N.C.

Once senior management makes the decision to increase prices, however, it will take another two to three months before the order

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PROPERTY/
CASUALTY
INSURERS
1992
RESULTS

Managed competition pays off in Minnesota

By CHRISTINE WOOLSEY

MINNEAPOLIS—Naysayers who contend managed competition won't work as a health care reform strategy may want to take a close look at Minnesota.

The group health insurance program for state employees has saved the state a whopping \$23 million since 1991, including \$12 million in 1993 alone.

In fact, the Minnesota Legislature, impressed with the plan's success, has authorized the state to create and administer a similar group purchasing arrangement for small and midsize employers.

The state's health care cost containment policy may not have been born as "managed competition," but the 5-year-old program certainly resembles that health reform model. And policymakers in Washington are taking notice.

Congressional Budget Office Director Robert Reischauer recently reviewed Minnesota's managed competition approach. Before reviewing the Minnesota program, Mr. Reischauer "indicated there was insufficient evidence in his mind that savings could be achieved through this approach," said Robert Cooley, the state's manager of employee insurance.

And, earlier this month a representative from the state's employee insurance division met with staffers of the Task Force on National Health Care Reform to describe the program, Mr. Cooley noted.

Minnesota's experience is an example of how managed competition can work. In general, the strategy relies on big groups of customers banding together to buy health care at more reasonable prices.

What sets the state's program apart is that it has taken managed competition beyond mere theory and has actually achieved results, pointed out Steve Ogren, a principal in the Minneapolis office of Deloitte &

Touche, which helped the state design the program.

"Five years ago when we set this up, we didn't call it 'managed competition.' We didn't think up a name for it. We just felt we were doing the right thing," he said.

The state was hit with a serious health care cost crisis in 1988, when its indemnity plan faced a staggering \$50 million deficit. Although the state offered several health maintenance organizations, most of its 140,000 covered lives belonged to the self-insured indemnity plan, administered by Blue Cross & Blue Shield of Minnesota.

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Update

Oregon given Medicare waiver

Continued from previous page.

Medicaid plan—but eliminating coverage for hundreds of other services—Oregon hopes to extend coverage to 120,000 more poor people in the state.

The waiver is to run from April 1 through 1998, subject to annual renewal. Foremost among the waiver conditions is that the state rerank its medical service priorities disregarding certain data specified by the waiver order. Gov. Roberts immediately accepted the conditions. State officials added that the new rankings will not differ much from the old.

Oregon's initial waiver request was denied last year by the Bush administration, which cited concern that the rationing program would violate the Americans with Disabilities Act (BI, Aug. 10, 1992).

Allstate announces IPO

NORTHBROOK, Ill.—Sears, Roebuck & Co. hopes to raise as much as \$2.33 billion by selling up to 19.9% of its Allstate Insurance Co. unit in a planned initial public offering.

A registration statement filed last week with the Securities and Exchange Commission says newly formed Allstate Corp., Allstate Insurance Co.'s parent company, will sell up to 89.5 million shares at a proposed maximum offering price of \$26 per share. The SEC has not yet approved the statement.

The offering is part of a financing plan developed in response to Allstate's \$1.65 billion in aftertax losses from Hurricane Andrew (BI, Oct. 5, 1992). The losses contributed to a drop in its statutory surplus to \$4.77 billion at year-end 1992 from \$5.42 billion at year-end 1991. The goals of the plan are to increase Allstate's statutory surplus by at least \$950 million and to retire almost all the \$1.8 billion of Sears' short-term debt that Allstate Corp. assumed when it was capitalized earlier this month. A \$600 million debt offering is also planned.

Commercial insurance constitutes about 7%, or \$1.43 billion, of Allstate's 1992 statutory written premiums.

Guilty pleas in insurance fraud

LOS ANGELES—Two brothers who are the principal defendants in what prosecutors say is the largest medical insurance fraud scheme ever uncovered have pleaded guilty to bilking insurance companies of at least \$80 million.

Michael Smushkevich pleaded guilty last week in U.S. District Court here. His plea came after his brother, David, pleaded guilty under an agreement made with the prosecution last month but not revealed until last week because of a gag order.

The brothers ran medical clinics and mobile diagnostic labs in Southern California. They solicited patients with offers of free physical exams, then billed insurers for up to \$1 billion in unnecessary tests, prosecutors alleged (BI, Sept. 9, 1991).

Insurers paid only a fraction of the claims.

Michael Smushkevich had maintained he was innocent after being indicted in 1991 on more than 150 counts of fraud and racketeering. He pleaded guilty last week to nine federal counts of mail fraud, money laundering and other crimes.

Four other defendants in the case have also changed their pleas to guilty on certain counts. Three other defendants are fugitives.

The only defendant not at large still maintaining innocence, Palos Verdes physician William Kupferschmidt, is scheduled to be tried April 13.

Employer liable in ADA suit

CHICAGO—A jury hearing the first job-discrimination lawsuit under the Americans with Disabilities Act awarded \$572,000 in damages to the executive director of a security firm who was fired after a diagnosis of brain cancer.

The U.S. District Court jury last week awarded Charles H. Wessel \$22,000 in back pay and benefits and \$50,000 in compensatory benefits. In addition, it awarded \$500,000 in punitive damages, equally split between two defendants: Chicago-based AIC Security Investigations Ltd. and company president Ruth Vrdolyak, the widow of former Chicago Alderman Victor Vrdolyak.

The jury was not told about caps in the ADA that may limit Mr. Wessel's recovery to \$222,000, though \$422,000 is possible if courts determine the caps apply to each defendant, said Allison Nichol, an attorney with the Equal Employment Opportunity Commission in Chicago.

The EEOC, which filed the suit, argued that Mr. Wessel, 59, was able to perform the essential functions of his job when he was fired July 29, 1992, four days after the ADA went into effect for employers with at least 25 employees.

"It's a great victory for the disability community and a great verdict for Charles Wessel, though bittersweet because he is sick," Ms. Nichol said.

Neither defendant was insured for the judgment, a defense attorney said. An appeal is expected.

State comp regulation upheld

SAN FRANCISCO—ERISA does not pre-empt state workers compensation regulation of companies that offer workers comp benefits through self-insured plans, a federal judge has ruled.

In dismissing a lawsuit by a California employee leasing firm, U.S. District Court Judge Stanley Weigel said workers comp regulation is a "traditional and proper exercise of state power" and it would be "judicial legislation, not interpretation, to read into ERISA any

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Walbrook policyholders to get limited payments

By STACY SHAPIRO

LONDON—Thousands of policyholders that bought casualty coverage through the H.S. Weavers (Underwriting) Agencies Ltd. line slip will receive no more than 45 cents for every dollar of claim from five insolvent insurers on the defunct line slip.

However, a House of Lords hearing this week will determine whether U.S. professionals who bought coverage from the insurers, including Walbrook Insurance Co. Ltd., will be able to recover 90 cents on the dollar through a British guaranty fund.

Last week, the provisional liq-

uidators of the "KWELM" companies for the first time spelled out formally for policyholders the status of the five insolvent insurers.

The companies, which all primarily wrote U.S. casualty business through the Weavers line slip, are: Kingscroft Insurance Co. Ltd., Walbrook, El Paso Insurance Co. Ltd., Lime Street Insurance Co. Ltd. and Mutual Reinsurance Co. Ltd.

Provisional liquidators were appointed for the KELM companies in March 1992 and for Walbrook in August of last year.

The KELM companies stopped underwriting in January 1989

and stopped paying claims in March 1990, when Walbrook stopped underwriting. Walbrook stopped paying claims in May 1992.

"Collectively we estimate that the companies have at least 100,000 policyholders who have actual or contingent claims against the companies, presently estimated to be in excess of \$5 billion," said joint provisional liquidators Ian Bond and Chris Hughes, partners at accountant Cork Gully, and Gareth Hughes, a partner at Ernst & Young.

The provisional liquidators recommend a single scheme of

Continued on page 4

NAIC breaks ties with insurers

By MEG FLETCHER

NASHVILLE, Tenn.—State insurance commissioners are making deep cuts in the umbilical

NAIC cord of free insurance company food, drink and advice that consumer groups and others say has sustained them for too long.

The National Assn. of Insurance Commissioners voted at its meeting in Nashville earlier this month to stop regulators from

Regulators to limit industry hospitality as well as advice

soliciting industry funding for convention-related events like a host committee, commissioners' dinner and gift, and dance.

The NAIC now will pay for some of these events itself.

Also targeted for change are the NAIC's formal advisory committees, which are often domin-

ated by insurance industry interests. Those advisory panels have been disbanded, though NAIC subgroups still will be able to seek outside technical advice and public comment.

Advisory committees have been singled out in recent years as a sign of undue insurance industry influence over regulators, even though regulators often rejected the committees' suggestions.

Explaining the changes, NAIC President Steven T. Foster said,

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Kemper National to buy NATLSCO, Kemper Re

By DAVE LENCKUS

LONG GROVE, Ill.—Kemper National Insurance Cos. will improve its workers compensation services and boost its earnings potential by acquiring Kemper Corp.'s loss control and Kemper Reinsurance Co. units, company officials and analysts agree.

In a deal announced last week, Kemper National's Lumbermen Mutual Casualty Co. unit would exchange 17.4 million shares of Kemper Corp. stock it owns for Kemper Re and Kemper Corp.'s 50% stake in National Loss Control Service Corp.

Kemper National already owns the other half of NATLSCO.

The transaction, which is expected to close Aug. 1 if approved by regulators, would reduce Lumbermen's stake in Kemper Corp. to 4% from 37.9%.

Explaining the reasons behind the NATLSCO acquisition, Kemper National Chairman and Chief Executive Officer Gerald L. Maatman said the property/casualty insurer is losing workers compensation business from employers now self-insuring their workers comp risks. NATLSCO, which provides medical cost containment and other risk management services, will help Kemper National

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Property loss control firms to be listed

The June 7 issue of *Business Insurance* will contain the annual directory of property loss control consultants. The issue will also feature a Spotlight Report on property loss control topics.

Insurers, brokers and other firms that provide loss prevention inspections, building plan

reviews, loss prevention research, training seminars and other loss control consulting services are eligible to be listed in the directory if their services are provided on a fee-for-service basis.

The directory is published as an editorial service. There is no charge to be included, but or-

ganizations first must complete and return the BI questionnaire by April 26.

If your organization provides property loss control services on an unbundled basis and you would like a questionnaire, please contact Assistant Directory Editor Cindy Bloom at 312-280-3195.

Inside

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✓ The Racketeer Influenced and Corrupt Organizations law should not be used to sue professionals for simple negligence, this week's editorial says. **PAGE 8**

✓ U.K. Chancellor of the Exchequer Norman Lamont is proposing tax changes that will affect a wide range of insurance and employee benefit concerns. **PAGE 17**

✓ It is unlikely that French companies will be insured for the cost of cleaning up more than 400 industrial waste sites if the government forces them to do so. **PAGE 17**

✓ French insurer Groupe des Assurances Nationales is seeking to expand its U.S. presence. **PAGE 19**

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Vol. 27, No. 12—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 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. 48207-3185; 800-678-9595 or 313-446-1611. Copyright 1993 by Crain Communications Inc.

A better way to handle claims

Face-to-face contact may stop claimants from 'upping ante'

By JOANNE WOJCIK

SAN FRANCISCO—Impersonal claims handling practices are contributing to the insurance fraud explosion, a claims expert says.

Many insurers are centralizing claims handling to streamline operations and improve cost-efficiency, but instead they may be adding to their claims costs, says Forrest L. Minix, president and chief executive officer of Atlanta-based Crawford & Co.

"Whether or not this (centralizing) strategy has been as cost-effective as predicted is a controversial subject, especially where third-party liability claims are concerned," he said.

While small, simple claims can be dealt with by phone, more complicated third-party liability and workers compensation claims should be handled in person to dissuade claimants from upping the ante, he advised.

"I am pretty well convinced that much of the fraud in workers compensation and liability claims is fostered by the lack of personal contact and on-site, face-to-face investigation of these claims," Mr. Minix told industry executives attending the recent National Insurance Symposium Leadership Conference, sponsored by Russell Miller Inc. in San Francisco.

"There is no substitute for the appropriate in-person presence of a real-live trained adjuster or nurse to control the total cost of a claim," he said. "People

will make statements through the mail and on the phone that they will never, ever say face-to-face.

"Moreover, there's a comfort and trust that can be developed in face-to-face negotiations with people that day after day is lost by disembodied interchanges between companies, policyholders and claimants on the telephone."

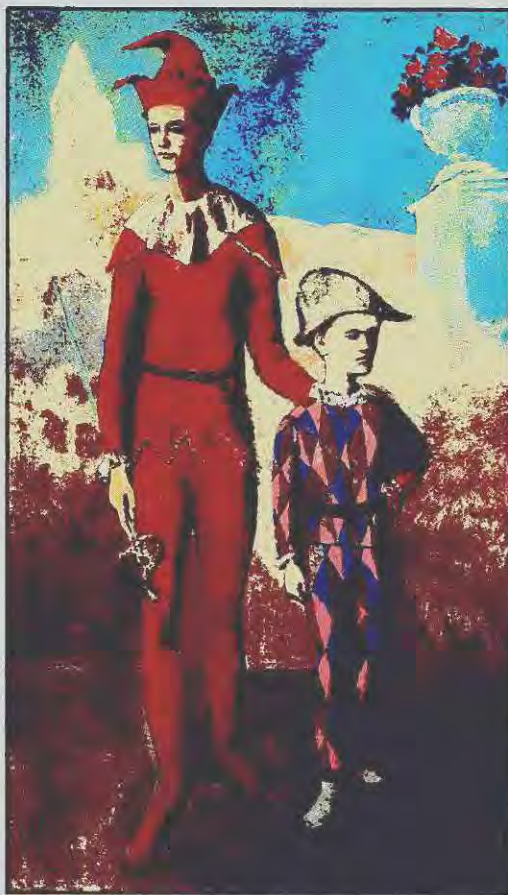
Personal inspections and estimations

of property losses have proved to reduce claims costs, according to Mr. Minix.

Furthermore, "the vital element of customer service should not be undervalued," he pointed out.

The impression of person-to-person contact on the thousands of exchanges between individuals and claims adjusters will be a factor in future insurance

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© 1992 The Barnes Foundation (Great French paintings from the Barnes Foundation: Impressionist, Post-impressionist and Early Modern.)

Picasso's 'Acrobat and Young Harlequin' is part of the exhibit that may receive federal coverage.

Federal plan tapped to cover art exhibition

By NANCY P. JOHNSON

WASHINGTON—Art museums and fine art insurers are awaiting the resolution of a dispute over whether a federal program should cover U.S. museums for domestic art exhibits.

If approved, more museums are likely to apply for coverage under the free program, which until now was used only to cover foreign art exhibits shown in the United States. This would save museums hundreds of thousands of dollars in insurance costs for traveling exhibitions.

But, if government indemnification is widely used to replace primary insurance, it could lower fine art insurance capacity, one insurer warns.

The dispute stems from a meeting last month, at which the Federal Council on the Arts and Humanities voted to approve an application from the National Gallery of Art in Washington for government indemnification of a May exhibit. The exhibit includes 80 American-owned artworks, plus one work of art from France.

The council comprises heads of various government agencies associated with the arts and culture.

Federal indemnification for art exhibits is allowed under the U.S. Arts and Artifacts Act,

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Broker ready to launch 24-hour cover experiment

SAN FRANCISCO—A mid-sized California broker is gearing up to provide 24-hour coverage to employers in four counties where the program is expected to be tested this year.

Under A.B. 3757, signed into law by Gov. Pete Wilson last year, up to four pilot projects will study the feasibility of 24-hour coverage.

The law gave Casey L. Young, administrative director of the Division of Workers Compensation, discretion to pick the four counties for the program. The only criteria were that one county be in Northern California, one be in central California and two counties be in Southern California.

The division last week named Los Angeles, Sacramento, San Diego and Santa Clara counties.

Although the Division of Workers

Compensation is still ironing out the details, Andreini & Co.'s benefits department already is preparing seminars for companies with employees in the four counties, said David Hoskins, president of the San Mateo, Calif.-based broker.

"We've been working very hard with our benefit people on this product," Mr. Hoskins told a group of industry executives attending the recent National Insurance Symposium Leadership Conference sponsored by Russell Miller Inc. The meeting was held March 7-9 in San Francisco.

"Essentially, what it's going to do is allow four counties in the state of California to officially become 24-hour managed care counties," he said.

The four counties selected are

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Weighty rules crush pension plans

By JERRY GEISEL

The heavy hand of government regulations is the top reason why employers, especially smaller firms, are terminating their defined benefit pension plans, a survey finds.

At the same time, employers dropping defined benefit plans often are not setting up new plans. And when new plans are established, they often are less generous than the old ones.

Twenty-nine percent of actuaries surveyed by The American Academy of Actuaries cited government regulations as the primary reason clients terminated their defined benefit plans.

That compares with 23% of actuaries who cited business considerations; and 22% who said plan costs were the primary reason clients ceased offering defined

benefit plans between 1988 and 1990.

By contrast, a decade ago, government regulations were not as significant a cause in terminating defined benefit plans.

When actuaries were asked about their recollections of the primary reason plan sponsors dropped their plans between 1980 and 1982, only 13% of actuaries cited government regulations. The majority of the respondents, 52%,

cited business considerations.

It isn't surprising that government regulations have become a major factor in employers' decisions to terminate defined benefit plans.

During the mid- and late 1980s, Congress passed a slew of measures making administration of defined benefit plans more complex and expensive.

Those measures, among other things, created new and vastly more complex

non-discrimination rules for the plans; sharply limited employers' ability to reduce retirees' pension benefits by a portion of their Social Security benefits; and changed rules on the funding of the plans.

Regrettably, legislators and their staffers have little understanding of how more government rules are leading to the demise of the private defined benefit plan sys-

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Big brother vs. small plans

Small companies cited government regulation as the primary reason for canceling their defined benefit plans far more often than larger companies. Years covered are 1988-1990.

Number of workers covered	Portion that canceled plans primarily due to regulation
1-24	41%
25-99	28
100-499	23
500 or more	19

Source: American Academy of Actuaries

GRAPHIC BY A. TRANCHITA

Buyers say satellite rates are out of sight

By STACY SHAPIRO

ROME—Insurance rates in the commercial satellite industry are coming under fire from satellite owners and manufacturers who think underwriters should make more of an effort to bring them down to earth.

Risk managers want rates for satellite launch insurance to drop from their current levels of 15%-18% of insured values, especially for satellites that use reliable launch vehicles. And, they want rates to be set based on the risk of each satellite and launch vehicle, rather than applied

across the board.

But underwriters say it is not possible to reduce rates. And, despite risk managers' impressions to the contrary, rates and coverages do vary depending on the risk, insurers contend.

Space industry risk managers and underwriters debated satellite launch insurance rates at the Seventh International Space Conference, sponsored by Assicura-

zioni Generali S.p.A. March 11-12 in Rome.

The debate, heard by 370 people, was sparked by Frederick M. Bartlett, vp of finance and administration and treasurer of Telesat Canada in Gloucester, Ontario.

"We, as an industry, are facing increased competition from other technologies and, as insurance is such a large component of our costs, it is imperative that we dramatically reduce the cost of launch and in-orbit insurance," Mr. Bartlett told Generali's guests. On coverage for Telesat Canada's Anik E satellite, "a re-

duction of 5 percentage points in premium rates would have saved us nearly \$20 million," he said.

In the early days of the space industry, insurance was not a significant component of the cost of doing business. Rates initially hovered at 5% to 7% of insured values.

"However, over the years, our track record has been such that today (insurance) has become one of the three most important cost items for satellite operators," said Mr. Bartlett. "I would suggest to you that it is vital for us to reduce the costs of launch and in-orbit insurance."

The only way to reduce insurance costs is to eliminate or substantially reduce launch failures, which at the moment is at an "embarrassing" 17% to 20% of all launches, he said.

Risk managers can reduce this failure level by: imposing strict quality control measures during the satellite's construction; monitoring the manufacturer's and launch provider's subcontractors; and exerting more supervision over selection of the launch vehicle, he said.

Penalties could be included in launch and satellite contracts for

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KWELM companies

Continued from page 2

arrangement for all five companies that would pay the creditors interim dividends for established claims. But cash assets would be retained to pay the same interim dividends for future long-tail claims.

The provisional liquidators say that it is "difficult" to estimate the potential recoveries policyholder creditors will receive. However, the letter states, "It is unlikely that any of the five companies will be able to meet an ultimate total of more than 40%-45% of each established liability and, indeed, the figure may be considerably less."

The provisional liquidators are in the final stages of drafting the scheme of arrangement, which is expected to be distributed to creditors in July. Formal creditor meetings would then be held in September, which means that the scheme "may be implemented by November 1993," the provisional liquidators say.

But there is a wild card in both this timetable and the estimated dividend payment.

This week, the House of Lords, which acts

as Britain's highest court, will be asked to determine whether the U.K. Policyholders Protection Act covers a group of North American doctors, lawyers and accountants. The act authorizes the Policyholder Protection Board, which administers the British insurance guaranty system, to pay "private policyholders" with "U.K. policies" 90% of all valid claims if an authorized U.K.

'It is unlikely that any of the five companies will be able to meet an ultimate total of more than 40%-45% of each . . . liability,' the provisional liquidators say.

insurer goes into liquidation.

Exactly which policyholders qualify as "private policyholders" and are thus "protected" under the act is currently the subject of litigation in the United Kingdom, point out the KWELM provisional liquidators.

A ruling by the Court of Appeal of England and Wales last July allows the PPB to pay 90% of the professional liability claims filed by North American professionals against the insurers.

The Assn. of British Insurers—whose members would have to finance any payments—is appealing this decision this week in the House of Lords (BI, July 13, 1992; April 13, 1992).

"The timetable is affected largely by the appeal to the House of Lords," say the KWELM provisional liquidators. If a decision is reached by June, then the scheme of arrangement should proceed according to the timetable.

Meanwhile, the joint provisional liquidators have appointed Victor Earle, senior vp and general counsel of Minet Inc., as general counsel for the KWELM companies in the United States. Mr. Earle can be contacted at 237 Park Ave., 19th Floor, New York, N.Y. 10017; 212-808-6508; fax: 212-490-6022.

Policyholders and brokers with questions on individual claims or other underwriting matters should contact KWELM Management Services Ltd. (formerly Southwark Run-off Services Ltd.), 40 Bermondsey St., London SE1 3UD; 71-403-9951; fax: 71-407-5535. **BI**

Kemper

Continued from previous page
provide additional services to insured and self-insured businesses and meet policyholders' increasing demand to "coordinate their workers compensation claims activity with their group health insurance claims activities," he said.

NATLSCO reported \$17.4 million of pretax net income in 1992 on gross revenues of \$98.9 million.

The acquisition will allow Kemper National, which wrote \$1.5 billion in net workers comp premiums last year, to bring value-added service to workers comp policyholders clamoring for cost containment services, agreed Eric Simpson, an assistant vp with A.M. Best Co. in Oldwick, N.J.

Kemper Re's earnings potential over the next three or four years is significant, Mr. Maatman noted. "This is already a year that reinsurers have been very successful in implementing high price increases."

In 1992, Kemper Re wrote \$558.8 million in net premiums and reported a net loss of \$17 million, which includes \$38.4 million in losses attributable to hurricanes Andrew and Iniki. Its surplus stood at \$338.7 at year end.

Kemper National reported \$3.1 billion in net written premiums and a \$394.1 million underwriting loss in 1992. It posted \$86.2 million in net income in 1992, while year-end surplus stood at \$2.1 billion.

Mr. Maatman said the deal should "play very well with the rating agencies" because Kemper National nearly eliminated its high concentration in a single, albeit well-performing, investment: Kemper Corp.

However, the addition of Kemper Re "doesn't exactly ameliorate the higher-risk investment profile," noted Douglas R. Lally, an associate director at Standard & Poor's Corp. in New York. Still, the deal would add "a degree of diversification" to Lumbermens' profile, he said.

S&P on Friday affirmed Kemper Re's A+ claims-paying ability rating, removing it from CreditWatch.

"They shipped a passive, oversized investment over which Kemper National didn't have control and instead received full control of two operations which relate closely to other Kemper National operations," observed Bruce Ballentine, a senior analyst with Moody's Investors Service Corp.

Moody's last week affirmed its A1 insurance financial strength rating for Kemper National. It is reviewing Kemper Re's financial strength rating for possible upgrade. And, it placed Kemper Corp.'s senior debt rating under review for a possible downgrade because the deal would reduce outstanding common stock to 31.9 million shares from 49.3 million shares at year-end 1992.

S&P lowered Kemper Corp.'s senior debt rating to BBB+ from A- and removed it from CreditWatch.

The deal, though, ultimately will help Kemper Corp. focus on its core business of financial services, life insurance and annuities, Moody's Mr. Ballentine said. Kemper Corp. last year said it would sell its two personal lines property/casualty insurers.

Despite Kemper Re's earning potential, it will eventually require additional capital, which Kemper Corp. would rather direct to its core business, said Steve McConahey, Kemper Corp.'s senior vp-corporate development.

Kemper Corp. stock rose \$5.37 per share Thursday to \$36.62. At that price, the 17.4 million shares would be worth about \$638.5 million.

Mr. Maatman said he does not expect any management changes at NATLSCO or Kemper Re. **BI**



BERMUDA INSURANCE SYMPOSIUM THE 'ART' CAPITAL OF THE WORLD

MARRIOTT CANTON FOUR RESORT
SOUTH BAY TOWN, BERMUDA
WEDNESDAY, MAY 20 - FRIDAY, MAY 22, 1993
FOR FURTHER INFORMATION CONTACT
SUZIE MCKEEGAN, PROJECT COORDINATOR
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The Hardesty Companies wanted a retirement plan their employees would be enthused about. With a Wausau administered 401(k), it took off.



Benefits play pivotal role in mayoral race

BURLINGTON, Vt.—The city of Burlington, Vt., long considered a liberal pocket within an otherwise conservative state, earlier this month voted out its mayor partly because he supported a program to extend health care and leave benefits to the domestic partners of city employees.

After 12 years of City Hall control by the socialist Progressive Coalition, Burlington's residents on March 2 elected the city's first Republican mayor in nearly 30 years. At the center of the race between incumbent Peter Clavelle and Republican challenger Peter Brownell was Mr. Clavelle's backing of a City Council policy

that made domestic partners of city employees eligible for the same benefits as married partners.

In January, the 13-member council voted 9-4 to adopt a domestic partner program similar to plans in Seattle, San Francisco and Berkeley, Calif. Partners who registered with the city as a long-term domestic couple would be entitled to the same benefits as a married couple, under the plan. The plan went into effect March 1, but only four city employees had registered as of last week.

However, at a time when Burlington's leaders, especially Mr. Clavelle, were asking its 40,000 citizens to pay higher property

Benefit Beat

taxes and to get by with fewer city services, the concept of the city providing costly health benefits to the domestic partners of city workers unexpectedly met sizeable opposition.

"It's easy to overstate the importance of this one issue, but it may have been the straw that broke the socialists' hold on City Hall," said Craig Fuller, director of member services for the Vermont Employers Health Alliance, an employer group based in Burlington.

"This was an important issue, but of equal importance was the

fact that the Progressives had control for 12 years and it was time for a change. I think we needed more fiscal responsibility here and that's what Brownell ran his campaign on," Mr. Fuller said.

Nonetheless, he added, Mr. Brownell's victory still came as a surprise to many Burlington residents.

When Mr. Brownell entered the race, it appeared as though he would play nothing more than a role similar to the one played by Ross Perot in the presidential election last fall.

Most observers thought Mr. Brownell would raise certain important issues, but could not gain enough votes to be elected mayor

of Vermont's largest and most liberal town.

"I think Clavelle's camp underestimated the importance of the (domestic partners issue) and how people would react to more spending," said Ed Longe, an account executive with Skandia International Risk Management in Burlington. "On one hand, he was delivering a message that money was short and that cut-backs were necessary. A lot of people felt that implementing this type of benefit didn't fit that message."

The vote was still close—52% for Mr. Brownell and 45% for Mr. Clavelle—which Mr. Longe said indicates that there wasn't overwhelming sentiment against the domestic partners program.

"There were a few letters to the local editors and some other forms of commentary, but there weren't any major demonstrations," Mr. Longe said. "Burlington has always been a fairly progressive town set amidst a rather conservative backdrop. Some people may have opposed the concept on social or moral grounds, but my guess is that most people believed the city just couldn't afford this type of benefit, not when school funding was being threatened."

Ironically, the domestic partners benefit program appears to have a safe future. Mayor Brownell has not declared publicly that he will pressure the City Council to overturn the program.

"It really was a quiet issue until the day of the election. That was when it became apparent that this issue influenced the way people voted," said Mr. Longe.

—By Michael Schachner

Transplant covered

Blue Cross & Blue Shield of Minnesota will not contest a state judge's order to cover a bone marrow transplant for a breast cancer patient.

Kandiyohi County District Court Judge John C. Lindstrom ruled last month that BC/BS of Minnesota had failed to plainly describe an exclusion for experimental procedures in its policy.

The plaintiff, Laura Welle, was advised by her doctors to undergo high-dose chemotherapy and a bone marrow transplant to treat breast cancer.

Ms. Welle—a public school teacher in Willmar, Minn.—sued BC/BS of Minnesota after the insurer denied coverage for the bone marrow transplant on the grounds that it was an experimental procedure excluded by her policy from the school district.

According to court papers, the exclusion made reference to a provision concerning major organ transplants that was not in her policy, thus making the exclusion inapplicable.

"We maintain that the policy language was clear," said a spokesman for BC/BS of Minnesota. He estimated the cost of the bone marrow transplant at \$150,000 to \$200,000.

The insurer attempted to exclude the procedure with very poor draftsmanship, said plaintiff's attorney Michael Hatch of Hatch, Eiden, Pihlstrom & Gunstad in Minneapolis. The procedure will only cost about \$80,000, he said.

—By Nancy P. Johnson

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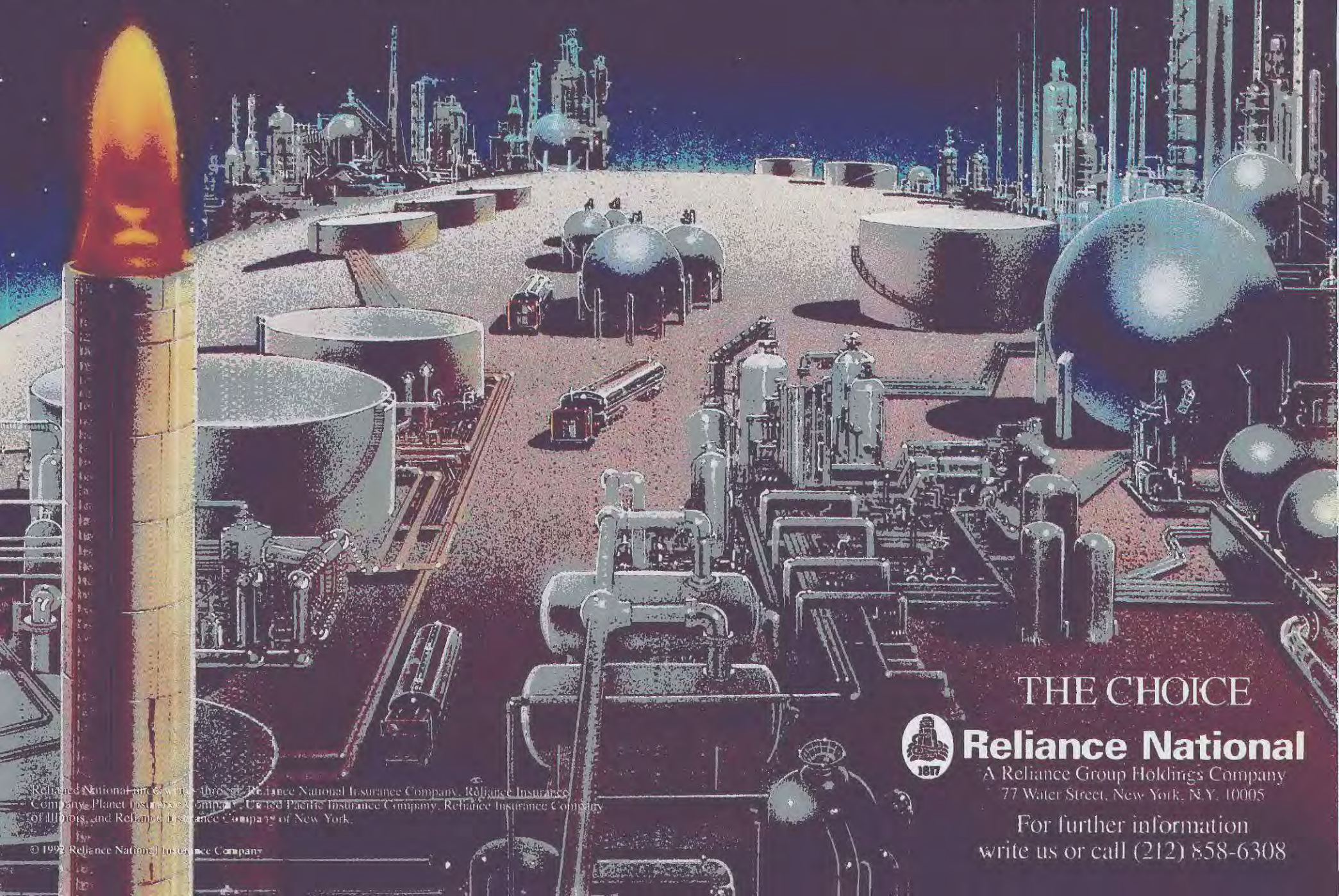
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Opinions

Going after the real bad guys

THE WORD "RACKETEER" conjures thoughts of large, tough-looking guys, dressed in double-breasted pinstripe suits and chomping on cigars.

Somehow, the same image does not come to mind when we hear the word "accountant."

Now, finally, the U.S. Supreme Court has agreed with our admittedly naive logic.

In a ruling earlier this month, the high court said that professionals, like outside auditors, cannot be held liable for treble damages under the federal Racketeer Influenced and Corrupt Organizations law unless they took an active role in the operation of a company. Simply auditing a business's books—and doing a lousy job of it—is not punishable under RICO, the ruling implies.

The decision is an important step forward in the fight for tort reform.

RICO has been increasingly misused since the law was enacted by Congress in 1970. RICO is a good law, and its provision allowing for treble damages gives authorities a strong weapon to use against organized crime. That's why the words "racketeer" and "corrupt organizations" are included in the name of the law.

However, plaintiffs' attorneys, whether they represent individuals or businesses, know a good thing when they see it. To them, an accountant who messes up an audit, a lawyer who misses a court appearance or a real estate agent who bungles a deal could all be considered racketeers—and thus be sued for treble damages.

Somewhat unfortunately, state insurance commissioners joined the crowd, filing RICO lawsuits against accountants and others connected with insolvent insurers. The commissioners maintain they



"BUT... TAKE AWAY GUILT-BY-ASSOCIATION AND MY HEAD COUNT SUFFERS!!!"

need RICO—in its widest application—to deter fraud.

Regulators still can file RICO suits against auditors, lawyers and other professionals who worked on behalf of an insolvent insurer. However, in light of the Supreme Court's decision, the regulators will have to prove these professionals participated in the management or direction of the insurer to win treble damages from them.

That's using RICO for the purpose it was intended: to discourage fraud and organized crime. There are ample ways—some would say too many—to recover from a professional for his or her negligence. RICO shouldn't be one of them.

Letters

Ellwood not aware of self-funding data

To the editor: After reading Dr. Paul Ellwood's comments about self-funding health care benefits (*BI*, Feb. 15), I am forced to conclude that the managed competition crowd has such a bias against self-funding that they have not bothered to find out very much about it before they condemn it. How else can one explain Dr. Ellwood's comments that self-funded plans would be ill-suited to

produce outcome data?

Has this man ever read ERISA? Every year, a self-funded plan must produce a summary annual report for all participants.

This report includes claims accounting and routinely adds data as to how much a fully insurance premium would cost the plan. Furthermore, a third-party administrator would routinely "go over the

numbers" in any renewal proposal.

It is Dr. Ellwood's ivory tower ignorance of the real world that will be the death of the health care system, not market-based reforms like self-funding.

Patrick C. Hajovsky
General Counsel
Entrust Inc.
Houston

Do not rush to embrace drug formularies

To the editor: For the good reasons cited by "Employers Target Retiree Drug Costs" and "Drug Formularies: Friend of Foe" (*BI*, Feb. 15), managed prescription drug benefit programs have become the rage over the past several years for active employees and retirees. But drug formularies, while fast becoming the newest rage in pharmacy benefit management, are another matter altogether.

For one thing, drug formularies are living documents that should evolve with medical knowledge. On what basis will a plan sponsor evaluate the quality of a drug benefit management

vendor's formulary and the quality of the formulary maintenance program? Is it realistic to expect that a plan sponsor will be able to compare between competing drug benefit management vendors' approaches to drug formulary management? Since drug formularies are proprietary to their developers, is evaluation by plan sponsors possible?

Drug formularies have existed in hospital environments for a long time. Some years ago, the concept was applied to HMO outpatient prescription drug programs, in which they have met with success limited to the "looseness" of physicians' ties to the HMOs. Salaried physicians in staff-model HMOs and contracted physicians in individual practice association HMOs have different levels of commitment to the HMOs' rules of the game. Contracted physicians commonly see patients from multiple HMOs, PPOs and traditional indemnity plans. Whose rules should they follow?

Self-insured plan sponsors that "carve out" their drug benefit pro-

grams are likely to have less substantial relationships with the physicians that treat their employees than exist between IPA-model HMOs and their physicians. For physicians serving self-insured plan members through direct contracts or through PPO or insurer contracts, the core problem with respect to drug formulary compliance is the same: Whose rules should I follow? Why should I comply at all?

These considerations lead to the following conclusions: Do not as a self-insured plan sponsor rush off to embrace drug formularies—there is more and less to them than meets the eye. Drug benefit management and drug formularies are most effective when applied in the context of an organized delivery system. So, a self-insured plan sponsor should coordinate the level of sophistication of the medical plan with the level of sophistication of the drug benefit management plan. Keep them in sync.

Elan Rubenstein
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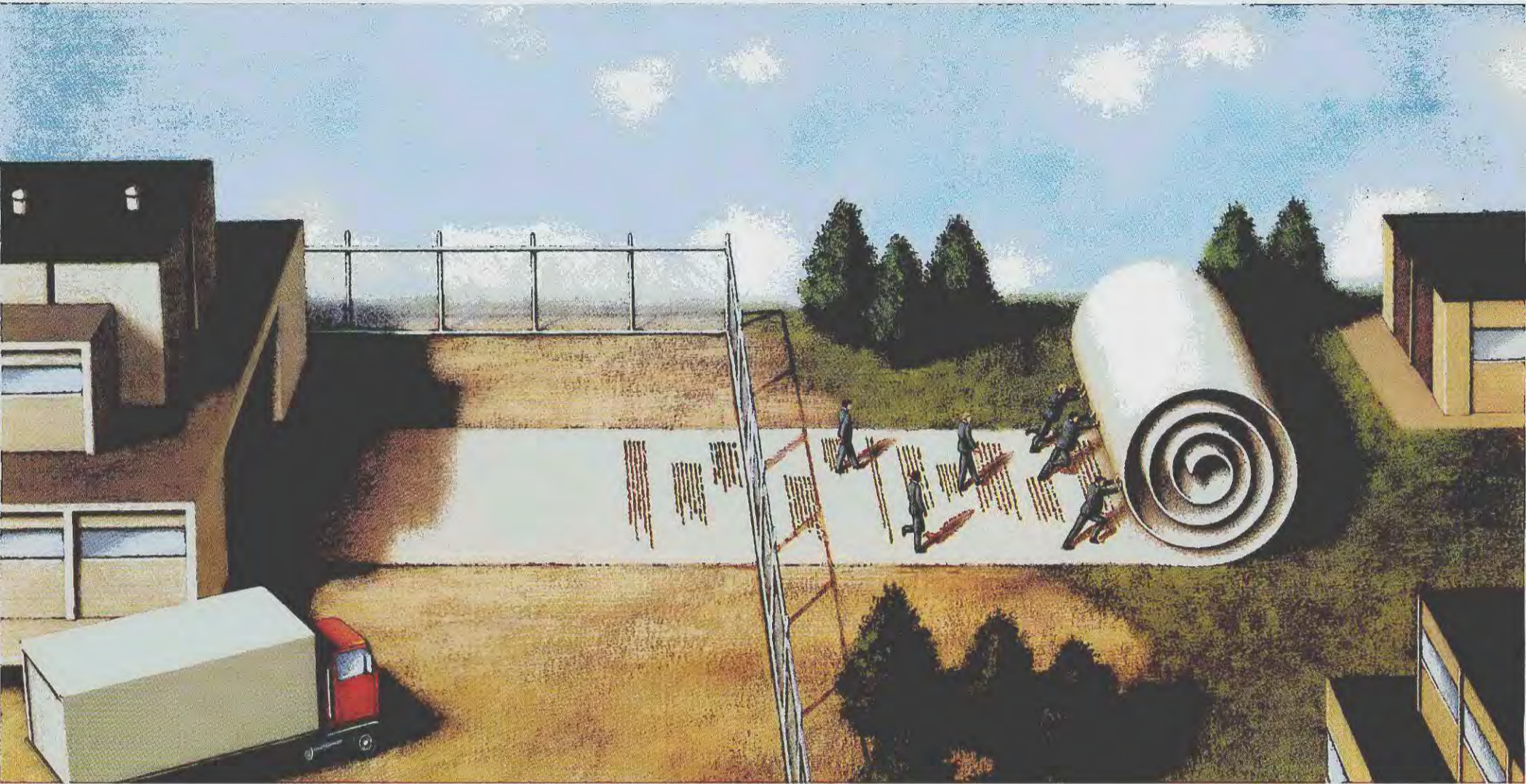
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P/C insurers seek risk-based capital relief

Industry's proposal would blunt impact of proposed NAIC standards

By MEG FLETCHER

NASHVILLE, Tenn.—Property/casualty insurers are floating several ideas that could limit the impact of proposed risk-based capital standards.

At the National Assn. of Insurance Commissioners meeting earlier this month, an advisory committee of insurer representatives presented a first draft of a stand-alone model act to the working group of regulators charged with drafting the risk-based standards.

A controversial provision in the 3½-page draft would give an insurance commissioner discretion, after examining an insurer, to allow an insurer to have a lower level of risk-based capital than called for under the NAIC formula "if it is sufficient to support the insurer's asset risk, underwriting risk and credit risk."

"I think that goes way too far," said Vincent Laurenzano, assistant deputy New York insurance superintendent and chairman of the NAIC working group.

The draft also proposes a three-stage regulatory scheme that allows a commissioner "discretionary action" when an insurer has less than 80% of the required risk-based capital.

The draft requires the commissioner to take "automatic administrative supervision" when an insurer has less than 50% of needed risk-based capital.

Finally, it requires the commissioner to begin proceedings leading to rehabilitation or liquidation against an insurer with less than 35% of needed risk-based capital.

The "drop dead" provision "is included in the draft because the working group appears to want an automatic liquidation trigger," the advisory committee noted. However, "the committee continues to believe that such a trigger is not in the best interests of policyholders and claimants."

In addition, the draft emphasizes that the risk-based capital formulas, schedules and instructions are intended solely for use by the commissioner in monitoring insurer solvency and shall not be used to rate insurers or "to calculate or derive any elements of an appropriate premium level or rate of return for any line of insurance which an insurer or any affiliate is authorized to write."

Insurers are afraid that regulators will view capital above the minimum required as "surplus surplus," and cite its existence as cause for rejecting rate increases or ordering policyholder refunds.

Mr. Laurenzano says he agrees with in-

surers' concern, at least philosophically. "I don't believe this is a rate-making tool," he told members of the Examination Oversight Task Force, the working group's parent unit.

However, some regulators say an insurer's risk-based capital evaluation may be one of several factors that regulators would consider when evaluating rate requests.

The advisory committee also questions the extent to which states can delegate their authority to the NAIC in risk-based capital matters, said advisory committee member Robert Graham, vp and assistant general counsel at General Reinsurance Corp. in Stamford, Conn.

Regulators will review the draft, which will be discussed further at the NAIC's June 20-23 meeting in Chicago.

Working group regulators also reopened discussion the how much risk-based capital an insurer would need to support holdings of unaffiliated common stock.

The factor is now set at 30%, which means an insurer with \$100 million in such stock holdings would need \$30 million in capital to support that investment. The riskier the asset, the more capital is needed to support it.

However, keeping the factor at 30%, which is identical to the risk-based capital factor for life/health insurers, provides a considerable disincentive for a property/casualty in-

surer to maintain a balanced portfolio, Mr. Laurenzano noted (BI, Sept. 28, 1992).

Members of the Accounting Advisory Committee discussed options regulators could test, including keeping the 30% factor for stock holdings that exceed 20% of an insurer's total assets, but allowing a 15% factor for stock holdings if they constitute 20% or less of an insurer's total assets.

Meanwhile, the NAIC is continuing to test its draft risk-based capital formula using 1991 data from more than 1,300 insurers. It is now seeking 1992 data from insurers, said Robert Klein, the NAIC's director of research (BI, Dec. 21, 1992).

Also at the meeting, regulators:

- Guaranteed the concept of "non-forfeiture benefits" for purchasers of long-term care insurance policies to ensure that holders of lapsed policies would receive at least some coverage.

- Proposed a model law on assumption reinsurance that allows insurers to transfer policies from one insurer to another without requiring the written consent of policyholders. However, policyholders have three years to reject the transfer.

- Continued discussion on the best way to beef up NAIC accreditation standards to require insurers to disclose material transactions and to regulate attorneys-in-fact for reciprocal insurers. **BI**

NAIC

NAIC ethics policies

Continued from page 2

"We want to get about our business without having critics continually nipping at us."

Conflict of interest issues were raised at a January executive committee meeting by Claire Koriath, chairwoman of the Texas State Board of Insurance, according to meeting reports. Ms. Koriath, Robert Coogins, the Connecticut commissioner, and Tim Ryles, Georgia's top regulator, were then appointed to study the issue.

Understandably, some insurance companies welcomed the news that they would no longer be expected to foot the bills at regulatory meetings.

But the NAIC's new policy goes only so far. Individual state commissioners can still determine what ethical guidelines—if any—apply when lobbyists offer to treat regulators to meals or other entertainment, either at NAIC meetings or elsewhere.

"I believe that you should not take anything of value from anyone," including dinners, greens fees and theater tickets, said Texas' Ms. Koriath. That became the ethics policy for Texas regulators in 1991, she said.

Such a policy helps prevent "the appearance of impropri-

ety," which regulators need to avoid, said J. Robert Hunter, president of the National Insurance Consumer Organization in Alexandria, Va.

The debate over advisory committees came to a head at the executive committee meeting in NAIC's meeting in Nashville. Georgia's Mr. Ryles argued that the committees had come to play too prominent a role in NAIC affairs and should be eliminated, according to minutes of the meeting.

By contrast, Connecticut's Mr. Coogins urged regulators to merely rein in the size and operation of advisory committees.

Opinion on the executive committee was sharply divided. The first vote on the motion to disband committees, which was proposed by Florida Commissioner Tom Gallagher, came out in a tie. Only later, in a closed session, was the motion unanimously approved.

Disbanding the advisory groups caught lower-level regulators as well as industry and consumer representatives by surprise, and their reactions varied.

Eliminating advisory groups was "a good idea" because they were "unwieldy and often delaying," Mr. Hunter said.

"My concern is the more isolated regulators are from the industry, the greater the difficulty in understanding and resolving the problems they are dealing with," said Ronald Gass, assistant general counsel with the American Insurance Assn. in Washington.

Advisory committees had been a forum for diverse industry groups to reach consensus among themselves and with regulators, he said. "Now we will react individually."

Other industry representatives predicted more work for regulators when they try to meet industry requests for information about developing proposals. They also foresee less consensus among insurers about model laws and accreditation standards, which could lead to more conflict in state legislatures.

While the NAIC's new policies may solve some meeting-related problems, others still exist.

Plans for a 1995 meeting in San Francisco were abandoned after California Commissioner John Garamendi balked at hosting the meeting at a hotel where workers were not unionized.

Other Western states can now resubmit bids to host the conference. **BI**

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Actuary survey

Continued from page 3

tem, says Larry Zimpleman, vp of the Washington-based American Academy of Actuaries.

"There is no concern about the impact of legislation and regulations on plan costs," said Mr. Zimpleman, who also is a second vp with The Principal Financial Group in Des Moines, Iowa.

The survey findings are based on the responses of 1,551 enrolled actuaries.

For terminations that occurred between 1988 and 1990, actuaries' responses generally involved only the most recent defined benefit plan termination in which they played a role. For 1980 to 1982, actuaries were asked for their recollections of the reasons clients dropped plans during that period.

While government regulation was the most widely cited reason for plan terminations between 1988 and 1990, the regulations were much more likely to influence smaller employers than larger firms.

For example, 41% of actuaries for employers with fewer than 25 workers in their plans said government regulation is the primary reason the arrangements were canceled.

By contrast, just 19% of employers with at least 500 workers in their defined benefit plans canceled their plans because of government rules, according to their actuaries.

Big employers are less affected than small firms by government rules because they may be better able to afford outside consultants to help them comply with the new rules, Mr. Zimpleman said.

A majority of small employers terminating defined benefit plans are walking away from providing any retirement benefits for their workers.

For example, in 58% of terminations involving plans with fewer than 25 workers, the plans' principal actuaries were unaware of any new or existing pension plan that would cover the workers. That will mean more and more workers in the future will have to depend on Social Security and their own savings as the only sources of retirement income.

That may not be enough, Mr. Zimpleman says.

"Today, more than 50% of U.S. workers face a future without adequate retirement benefits. Unless we begin to do something about this now, it will become the health care crisis of 2010," he said.

In fact, the most recent government statistics indicate a growing number of employers are exiting the defined benefit plan system.

Between 1991 and 1992, employers terminated 19,000 defined benefit plans. That is almost double the 10,000 defined benefit plan terminations recorded between 1981 and 1982.

The workers who did retain pension coverage after their employers dropped the plans were almost always covered by either an existing or newly created defined contribution plan.

Defined contribution plans constituted 99% of replacement plans for terminated defined benefit plans with fewer than 25 employees. The other 1% of replacement plans were defined benefit plans.

Among employers with more than 500 employees that eliminated defined benefit plans and offered a replacement plan between 1988 and 1990, 86% provided defined contribution plans as a replacement and 9% offered defined benefit plans. The remaining 5% offered both.

With roughly 7% of all defined benefit plans being terminated each year and fewer than 500 being started annually, "this type of plan

could soon be a rarity except among the country's largest employers," according to the study.

Typically, replacement plans are less generous than the terminated plan.

Fifty-three percent of replacement plans sponsored by employers with fewer than 25 employees were less generous than the old plans, while 17% of the replacement plans were about as generous.

Twenty-four percent were more generous to some workers and less generous to other workers. And just 6% of small employers' replacement plans were more generous to all participants than the terminated plans.

In companies with more than 500 employees, 43% of the replacement plans were less generous, 23% were about as generous and 24% were more generous to some workers and less generous to others.

The remaining 10% of replacement plans were more generous than the terminated defined benefit plan, according to the actuaries.

Free copies of "The Impact of Government Regulation on Defined Benefit Pension Plan Terminations," are available by writing to The American Academy of Actuaries, 1090 Vermont Ave. N.W., Suite 800, Washington, D.C. 20005.

Launch insurance

Continued from page 3

launch or performance failures, he said.

But insurers can help, too, he said. "Simply put, the premium rate must be lower for some and higher for others."

Underwriters already distinguish among satellite risks by either not participating in certain placements or by lowering or increasing the amount of the risk they are willing to underwrite, he acknowledged. "But we need more of it."

Mr. Bartlett's views were echoed by many risk managers who spoke

at the conference.


"The insurance market must differentiate between different programs," said Ramin Khadem, director of financing and administration for the London-based International Maritime Satellite Organization. "We believe this would be to the benefit of the entire industry, all of us here, and the ultimate customer that we're all trying to serve."

Brigitte Vienne, risk manager and head of financing for Arianespace, the European Space Agency's launch operator, believes that current rates "seem to be too high."

And she wants underwriters to differentiate.

Continued on next page

The RIMS Issues Of Business Insurance



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Continued from previous page
ferentiate more between successful and untried launch vehicles.

Over the past 10 years, 60% of launch insurance premiums have been paid for satellites launched on Ariane rockets, Ms. Vienne said.

Paris-based Arianespace has completed 19 successful launches in the past three years.

But in the last two years, Arianespace's competitors have launched 25 satellites with four failures, said Ms. Vienne. This includes the failures of the Chinese Long March rocket and the Atlas rocket owned by Falls Church, Va.-based General Dynamics Corp.

The Russian Proton rocket—untried for commercial satellites so far—also will enter the commercial space race soon.

"It certainly is a duty of the insurance community for its own welfare to make sure that good launchers are not driven out of the market," said Ms. Vienne. "The insurance community has a very powerful means to achieve this by differentiating the rates of premium according to the quality of the launchers. Insurers do that according to the quality of satellite design. Why not for launchers?"

The differentiation among space risks that currently exists in the

space insurance market is too small and could be expanded, said W. Allen Reed, vp and treasurer of satellite manufacturer Hughes Aircraft Co. in Los Angeles. Insurers have the duty to understand the different risks involved and to price them accordingly, he said.

Even risk managers who agree the rates currently are at a proper level believe underwriters could do more to adjust rates among different satellites and launch vehicles.

"I confess that for the moment the insurance rates—though I would love to see them reduced—are a reasonable reflection of reality in today's space industry," said

David T. Tudge, vp and chief financial officer of International Telecommunications Satellite Organization, which has 19 satellites in orbit. "The one-in-seven failure rate does approximate the rating in general and a premium rate of 15% does make some sense."

Washington-based Intelsat, which represents 25 countries, recently returned to the insurance market after self-insuring its satellites for 10 years. The agency has paid \$110 million in premium for launch insurance for the Intelsat VII series of satellites, the first to be launched in October. The coverage was placed in worldwide mar-

kets by London broker Crawley Warren & Co. Ltd. and International Space Brokers Inc., which is owned by Crawley Warren, Le Blanc de Nicolay Reassurance of Paris and New York-based Frank Crystal & Co. Inc.

But Intelsat is only insuring the satellites for their launch phase, not for their deployment phase, because no satellites have been lost during this phase in 20 years, said Mr. Tudge. Despite coming back to the launch insurance market, Mr. Tudge agrees there is a general lack of risk discrimination by underwriters. "Frankly there is little difference (in rating) between the different models of spacecraft or launch vehicle."

Intelsat spends \$15 million annually to monitor its satellite manufacturers and launch operators. "I just feel that we should get credit in the market for that," he said.

Under attack, space insurers tried to defend their position.

"I agree with Mr. Bartlett's view" that the space industry should improve the reliability of its satellites and launch vehicles, said Benito Pagnanelli, deputy general manager of Generali in Trieste, Italy, which provides about 20% of worldwide space insurance capacity. The aerospace industry should conduct more tests and develop systems to reduce the launch failure rate to 10% from the current 17%, he said.

But it is difficult to reduce insurance rates when just one launch failure can wipe out the annual satellite insurance premium base worldwide, said Mr. Pagnanelli. The satellite insurance market is small, with an average of only 15 satellites being launched each year. From 1980 until March this year, net premiums totaled \$2.2 billion while paid claims totaled \$1.9 billion, with another \$65 million reserved for losses, he said.

About \$350 million to \$380 million in capacity currently is available for each launch, said Mr. Pagnanelli. But, if rates are reduced, "there is a serious danger that this insurance market will discontinue" because returns will be better in another sector of insurance than the space industry, he said. "Why, when insurers are generally getting good results elsewhere, should insurers continue in space? It's a catastrophic risk."

Andre Clerc, deputy general manager of insurer La Reunion Spatiale in Paris, also has his doubts about reducing rates. "Give us good satellites and we will give you good rates," he said during a roundtable discussion at the end of the conference.

If insurers are to differentiate between good and bad launch vehicles and satellites, they would have to employ engineers, said Mr. Clerc. "I'm not sure if that is our duty."

The only way to reduce space insurance rates may be to increase the number of risks that are covered, said Mr. Clerc. This could occur if, as expected, hundreds of additional satellites are launched into lower orbits. Others say governments should consider insuring scientific satellites that are now uninsured.

"We're a marketplace," added Frederick H. Hauck, president of International Technology Underwriters in Washington. "Market forces will drive rates down."

In addition, differentiation does exist in the satellite insurance market, said Mr. Hauck, noting a recent program received a rate that was a third less than the average.

Insurers also are willing to share the risk with satellite operators that can afford to self-insure, he said.

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A preview of the events and sessions at the 31st annual RIMS conference in Orlando, with a special "take-out" section that details the conference program, venue, exhibitors and activities. It's a "must-read" for everyone planning to attend. Our take-out section also will be distributed at the *BI* booth in Orlando.

SPACE CLOSES APRIL 6

CAPTIVES/RISK MANAGER OF THE YEAR, APRIL 26

This essential issue of *BI*, distributed at the RIMS conference, profiles the 16th annual Risk Manager of the Year and the Risk Management Honor Roll. It also includes our exclusive report on captive insurance company domiciles and Directory of Captive Managers. As a special bonus, advertisers will be

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RIMS REPORT: EMPLOYEE BENEFITS, MAY 3

Anyone responsible for employee benefits, or the management of those costs, will find this issue of *BI* invaluable. *BI* will provide important perspective on the issues and trends highlighted at the employee benefit sessions at the RIMS conference.

SPACE CLOSES APRIL 21

RIMS REPORT: RISK MANAGEMENT, MAY 10

Our final, comprehensive look at the RIMS conference will be a "keeper" for every corporate executive responsible for risk management. In it, *BI* will detail the presentations, themes and conclusions of the RIMS risk management sessions.

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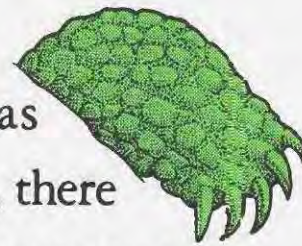
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Summary of major property/casualty insurers' 1992 results

Ranked by change in net income. All amounts in thousands of dollars.

Rank 1992	Corporate					Property/casualty operations								
	Consolidated revenues 1992	Net income 1992	Percent increase (decline) 1991-1992	Combined ¹ ratio 1992	Combined ¹ ratio 1991	Net premiums written 1992	Percent increase (decrease) 1991-1992	Pretax underwriting income (loss) 1992	Percent increase (decline) 1991-1992	Pretax investment income 1992	Percent increase (decrease) 1991-1992	Policyholders surplus 1992	Percent increase (decrease) 1991-1992	
1	Reliance Ins. Co. & subs. ²	N/A	103,278	1,805.7	113.2	115.2	1,548,819	2.3	(188,260)	13.7	247,853	(0.8)	857,600	20.3
2	Fremont General Corp.	598,693	78,709	152.5	105.5	106.0	414,218	0.2	(22,422)	10.1	61,091	(4.8)	162,714	2.7
3	Lincoln National Corp.	8,034,100	362,900	74.1	112.7 ²	111.9 ²	2,003,500	(10.7)	(265,700)	(3.7)	286,800	3.7	1,418,900	3.0
4	USF&G Corp.	3,512,000	(61,000)	50.0	117.2 ²	117.7 ²	2,420,000 ²	(20.2)	(427,000)	17.1	475,000	(4.6)	1,467,000	4.5
5	Royal Group (U.S. subs.) ²	N/A	99,000	47.8	118.5 ³	122.1 ³	1,552,000	1.6	(293,000)	10.1	328,000	(4.7)	813,000	(10.8)
6	Old Republic Int'l	1,617,096	174,750	33.4	108.1 ²	107.1 ²	799,885 ²	7.5	(76,742) ²	(12.4)	173,365 ²	1.3	1,062,879	15.9
7	SAFECO Corp.	3,420,210	311,294	19.9	104.1	108.6	1,820,445	11.7	(12,022)	49.0	280,820	(1.8)	1,418,697	18.8
8	Sentry Insurance Cos. ²	1,599,976	74,834	17.9	106.1	107.4	1,292,846	8.1	(80,914)	1.3	174,228	5.8	838,633	10.3
9	Home Insurance Co.	2,309,000	150,000	17.2	115.6 ²	109.5 ²	1,572,000	(10.2)	(211,000)	(10.5)	273,000	(6.5)	951,000	5.5
10	Berkshire Hathaway Group	1,016,672	234,621	12.8	116.4	115.4	739,568	(7.8)	(108,961)	18.9	352,379	6.2	10,428,000	19.9
11	Chubb Corp.	4,940,800	617,100	11.8	101.1 ²	99.5 ²	3,242,500	4.2	(50,600)	(418.2)	493,500	5.1	1,787,200	7.0
12	American International Group	18,388,627	1,656,956	6.7	102.4 ²	100.4 ²	9,138,528	(0.1)	(195,084)	(3,956.6)	1,252,086	7.6	N/A	N/A
13	Argonaut Insurance Co.	418,112	92,297	2.8	104.2 ²	108.0 ²	287,560 ²	(14.1)	(11,772) ²	58.8	111,236 ²	(8.6)	512,187	10.7
14	General Re Corp.	3,386,800	657,400	0.1	108.4 ²	102.2 ²	2,348,800	4.4	(207,400)	(399.8)	755,100	0.5	3,452,100	2.6
15	Ohio Casualty Corp.	1,812,111	98,528	(8.6)	108.0 ²	104.9 ²	1,508,477 ²	1.1	(130,840)	(75.6)	194,625	1.6	674,210	4.8
16	CIGNA Corp.	18,582,000	311,000	(30.7)	131.3	117.3	4,817,000	(11.8)	(1,604,000)	(64.9)	780,000	(7.7)	N/A	N/A
17	Hartford Steam Boiler	682,100	41,199	(44.2)	100.6	93.9	359,488	9.0	(2,244)	(111.4)	36,465	(12.0)	374,269	(7.1)
18	Aetna Life & Casualty Co.	17,497,200	56,000	(88.9)	126.2	115.4	4,916,300	(15.4)	(1,342,600)	(38.9)	870,200	(4.9)	2,155,400	(10.6)
19	The St. Paul Cos. Inc.	4,498,692	(156,038)	(138.5)	118.2 ²	105.0 ²	3,142,419	(2.8)	(566,886)	(246.1)	642,301	0.2	1,646,040	(2.4)
20	CNA Financial Corp.	10,790,000	330,600	(154.0)	144.3 ²	116.5 ²	6,400,000 ²	(3.3)	(2,820,000) ²	(158.7)	1,200,000 ²	(4.7)	3,140,000	(20.1)
21	Continental Corp.	4,900,000	(83,700)	(248.4)	113.6 ²	113.0 ²	4,014,400 ²	3.3	(581,600) ²	(2.4)	559,500	(8.3)	1,883,000	(2.7)
22	Hartford Insurance Group	9,602,000	(744,000)	(303.3)	133.3	110.5	5,933,000	(1.2)	(1,948,000)	(201.5)	1,260,000	20.1	3,007,000	(1.7)
23	Travelers Corp.	9,676,000	(657,500)	(306.9)	127.4	112.4	3,723,400	(11.0)	(1,121,800)	(110.7)	701,200	(7.4)	1,665,000	(9.7)
	Commercial Union Ins. (U.S.) ²	N/A	N/A	N/A	108.4 ³	111.4 ³	1,449,100	8.0	(141,500)	12.9	187,100	4.5	863,700	19.1
	Nationwide Mutual Ins. Co. ²	N/A	N/A	N/A	112.0	106.4	6,865,106	10.6	(840,072)	(107.0)	855,231	5.3	3,688,618	(2.5)
	Kemper National Ins. Cos. ²	N/A	N/A	N/A	112.9	115.0	3,112,376	(1.6)	(394,141)	17.3	367,537	3.5	1,851,438	(1.2)
	Liberty Mutual Ins. Co. ²	N/A	N/A	N/A	119.7	114.6	5,910,345	(5.6)	(1,051,187)	(36.1)	1,081,170	(2.9)	2,936,735	3.2
	Cumulative	127,282,189	3,748,228	(44.2)	118.0	110.5	81,332,080	(2.9)	(14,695,747)	(66.7)	13,999,787	0.3	49,055,320	2.6

¹ After dividends

² Statutory

³ Before dividends

N/A—Company did not provide data

P/C insurer results

Continued from page 1

reaches the "front line," Mr. McDonald noted. "I don't think it's going to happen before the summer at the earliest."

If the "storm of the century" that clobbered the East Coast results in \$1 billion to \$2 billion in insured losses, "more than likely" there will be a hardening, particularly on the property side, said Sean F. Mooney, senior vp and economist at the Insurance Information Institute in New York. "It puts a lot of pressure on the market."

With Hurricane Andrew still finding its way into insurer's fourth quarter results, net income for the 23 insurers surveyed by *Business Insurance* reporting that information plunged 44.2%, to \$3.75 billion from \$6.71 billion a year earlier. This compares with a 23.4% decline to \$3.8 billion for the nine months ended Sept. 30, 1992 (*BI*, Nov. 30, 1992).

In 1991, net income increased 30.3% over 1990 levels (*BI*, April 4, 1992).

Results for 1992 do not include Crum & Forster Inc. Its parent, Xerox Corp., which put the insurer on the sale block last year, "deconsolidated" the insurer and has not released its results on a generally accepted accounting principle basis (*BI*, Jan. 25). Its statutory results will be released at the end of this month.

Fueled by claims from Hurricane Andrew, the surveyed insurers' combined ratio deteriorated to 118.0% from 110.5% in 1991. This compares with the 114.7% combined ratio reported for the nine-month period.

Other 1992 results posted by the insurers surveyed by *BI* show that:

- Net written premiums decreased 2.9% to \$81.32 billion from \$83.72 billion in 1991. This compares with a 2.5% decline to \$63.96 billion for the first nine months of 1992 and a 1.8% decline in all of 1991.

- Underwriting losses increased 66.7% to \$14.7 billion from \$8.82 billion. This is more than double the 32.2% rise to \$9.18 billion in the first nine months and is greater than the 4.7% increase in 1991.

- With prevailing interest rates still low and cash flow from premium volume slow as well, investment income increased a slight 0.3% to \$14 billion from \$13.96

billion. Investment income had risen 2.4% to \$11.1 billion in the first nine months, while it had risen 3.9% in 1991.

- Policyholder surplus for the 25 companies reporting that data increased 2.6% to \$49.06 billion from \$47.79 billion. This compares with an 0.8% increase to \$40.56 billion reported for the first nine months, but is down sharply from the 16.4% increase posted in 1991.

Insurers continued to report big losses from Hurricane Andrew in the fourth quarter. For instance, Travelers Corp. reported \$59 million in additional aftertax charges related to Hurricane Andrew on top of \$240 million in losses reported in the third quarter. CIGNA Corp. reported pretax catastrophe losses of \$59 million in the fourth quarter on top of the \$139 million reported in the third quarter.

Besides increasing catastrophe losses, some insurers in the fourth quarter also increased reserves, both for casualty losses and for real estate obligations:

- CNA Financial Corp. reported a \$1.5 billion pretax charge for an increase in loss reserves related to Continental Casualty Co.'s potential exposure to asbestos bodily injury claims (*BI*, Feb. 15).

- Travelers reported a \$485 million aftertax charge resulting from the addition of \$735 million to mortgage loan and real estate reserves (*BI*, Feb. 8).

- Aetna Life & Casualty Co. added \$180 million to reserves for certain asbestos and environmental exposures.

"It tended to be a kitchen sink quarter," said Ron Frank, an analyst with Smith Barney Harris Upham & Co. in New York. Illustrating his point, he pointed to the catastrophe losses, reserve additions and to The St. Paul Cos. Inc.'s \$365 million write-down of goodwill for its Minet Group P.L.C. insurance brokerage unit.

"We saw little new information in the fourth quarter," said Jay Cohen, an analyst with Salomon Bros. Inc. in New York. Property/casualty rates remained weak, new premiums written were down and investment income dropped as well, he said.

Results "were pretty miserable, but that was kind of expected," said Gloria Vogel, first vp with Lehman Bros. in New York. "There really wasn't anything really good in the fourth quarter."

"Certainly, the results are influenced by

Andrew, both in terms of claims paid and claims still to be paid," said David Seifer, an analyst with Donaldson, Lufkin & Jenrette Securities Corp. in New York.

Once catastrophes are discounted, however, "we got decent results, not terrific, not terrible," said Steven Gavios, an analyst with Kidder, Peabody & Co.

Property/casualty results are unlikely to improve dramatically this year, even if rates do rise later in the year.

"I think it's going to be basically a flat year. I don't see a whole lot of growth in the industry," said Joanne Morrissey, principal with Firemark Consultants in Parsippany, N.J. "The year's not starting off on a good footing for the property/casualty industry," she said, referring to the East Coast storm (see story, page 1).

Insurers' results will be mediocre in 1993, remarked John H. Snyder, senior vp at A.M. Best Co. in Oldwick, N.J. Notwithstanding another large catastrophe, the industry's combined ratio will improve, "but not dramatically," he said.

"I would anticipate that 1993 would be another modest year for insurance companies," said Mr. Gavios. Barring catastrophes, "I would expect decent earnings, but not terrific earnings."

Meanwhile, reserve levels remain a concern to many analysts.

"There have been a few surprise reserve increases relative to environmental and asbestos exposures," said Bruce Ballentine, an analyst with Moody's Investor's Service Inc. "We are concerned about future announcements we might see."

Pointing to reserve increases by CNA, Aetna and an increase earlier last fall by ITT/Hartford Group Inc., Mr. Cohen said, "I think we could argue that there's more to come."

"This is a major potential problem for the industry," he said, noting that insurers may be delaying further reserve increases because of concerns that a hit to surplus could affect their ratings.

All of these developments are causing many observers to declare the market will finally turn within a year.

Firemark anticipates the market will turn either at the end of this year or the beginning of 1994, "but we've been saying that for a while," said Ms. Morrissey.

"I think the pressures will build" and

the market will turn in either the fourth quarter or early next year, agreed Lehman Bros.' Ms. Vogel.

"I would think it would be later this year before we see anything happening," said George P. Yonker, assistant comptroller at SAFECO Corp. "I wouldn't be surprised if we didn't see it until then."

A broad-based turn will occur by year end or possibly in January 1994, though it could come as early as July, said Kidder, Peabody's Mr. Gavios, noting that property insurance and selected casualty insurance rates already are rising.

Dennis Busti, president of Reliance National Insurance Co. in New York, said: "We anticipate a broad-based property market firming and spotty casualty firming during '93." A more broad-based firming in casualty is more likely to be seen at the end of 1993 and during 1994, he said.

The market has already turned in property, while in casualty, price negotiations "will accelerate as the year progresses," said Mr. Seifer, with evidence of higher rates apparent in 1994.

"It's turning, but it's turning selectively and gradually in certain lines," said Mr. Snyder. The days of the traditional hard and soft markets when all sectors turned together are gone, he said. "I think the cycles will begin to moderate going forward."

Others take a dimmer outlook. Barbara Stewart of Stewart Economics in Atlanta said that casualty price hikes could be delayed. "There are a significant number of companies that are having cash problems" and need premium volume, she explained. They may continue to write casualty business at low prices "just to continue to get cash through the door."

"The need for cash will continue to drive down, or keep down, casualty prices," she said. "I think at some point there will be some firming of prices. When it occurs in casualty is anybody's guess and how long it lasts is another question."

"I just don't have any idea" of when the market will turn, said James S. Kemper III, executive vp-commercial lines group for Kemper National Insurance Cos. in Long Grove, Ill. "I'd sure like it to turn. It should have turned sooner than now."

"I've kind of given up trying to predict," he said.

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Art coverage

Continued from page 3
which was created in 1975 to defray the ballooning costs associated with insuring art exhibits. Under the act, which must be reauthorized in October, the government will indemnify an exhibit—at no charge—for up to \$300 million. There is a deductible under the coverage—up to \$200,000—and the exhibiting museum is responsible for purchasing excess insurance.

If the National Gallery's application is signed by a council member, it will mark the first time the federal program will be used to insure a primarily domestic art exhibit.

It also will save the gallery hundreds of thousands of dollars in premiums.

The exhibit in question, "Great French Paintings from the Barnes Foundation," contains 80 impressionist, post-impressionist and early modern art works from the Barnes Foundation collection in Merion Station, Pa.

The collection includes works by Cezanne, Gauguin, Manet, Matisse, Monet, Picasso, Renoir, Rousseau, Seurat, Toulouse-Lautrec and Van Gogh. This will be the first time that works from the Barnes Foundation collection will go on tour.

Dr. Albert C. Barnes, who died in 1951, was a Philadelphia physician who made a fortune in the pharmaceutical business. An avid collector, he amassed more than 2,500 works of art and set up a private art education foundation in Merion Station, a Philadelphia suburb.

The sole work of art to come from outside the United States is a sketch for a mural, "The Dance," painted by Matisse for the main hall of the Barnes Foundation building. The sketch currently is at the Museum of Modern Art in Paris.

The Federal Council on the Arts and Humanities maintains it is justified in approving the Barnes exhibit for federal indemnification.

"U.S.-owned and foreign-owned loans that are in a unified exhibition and that are of international significance qualify for the indemnity program," said a spokeswoman for the council. She could not confirm the council intends to amend the rules to specifically include domestic exhibitions.

However, the council's approval of the National Gallery's application for coverage was criticized earlier this month at a House subcommittee hearing, which was examining the nature and extent of the government's liability under the program as it reviewed the National Gallery's budget.

At the House Interior appropriations subcommittee hearing, Rep. Ralph Regula, R-Ohio, said the government's liability under the program is a potentially expensive issue and called for more testimony.

But subcommittee Chairman Sidney Yates, D-Ill., now is satisfied with the arts council's position and is leaving the matter to be worked out between the council and the National Gallery, said a spokeswoman for Rep. Yates last week.

The arts council has approved the

National Gallery's application, but a member must sign a certificate of indemnity to conclude the deal, said a spokeswoman for the National Gallery. As of last week, the certificate remained unsigned.

Art museums, facing ever-tighter budgets, hope the federal indemnity program will be extended to domestic collections.

"Times are extremely difficult for American museums. It is getting harder and harder to organize 'blockbuster' exhibitions—ones with big drawing power. Operating expenses are up, corporate support is down for special exhibits, tourism is down and attendance is down. We need to look into all options for doing our jobs—presenting art exhibitions," said a spokeswoman for The Art Institute of Chicago.

Government coverage for domestic art exhibits is inevitable because of rising insurance costs and an increase in the number of works lent to museums, said Bill Allen, president of Allen Insurance Associates, a Los Angeles museum collections broker.

But new rules must be set for such a program because the existing rules apply to exhibits traveling from overseas, he said.

If the government indemnity program opened up, the program's staff would not be able to handle the flood of applications, he said.

However, contrary to concerns voiced by some, extending the federal program to domestic exhibits would not hurt the commercial art insurance market, he said.

Private insurance is still needed to provide excess insurance, to fund the aggregate deductible and to cover those items that the government program won't cover, like charcoal drawings and paintings on wood panels.

Most large art museums buy all-risk coverage that allows them to circulate exhibits domestically, within certain limits. Beyond those limits, museums must buy separate policies for traveling exhibitions.

That extra coverage can be costly. The standard commercial rate for domestic transit all-risk coverage is 3 cents per \$100 of value. Plus, there is another charge of 2 cents per \$100 of value per month while the exhibit is on view. For a \$1 billion art show like the Barnes collection, transit insurance could cost \$500,000.

Art insurers have mixed feelings about whether the federal program should cover domestic collections.

John Jeffrey, assistant vp-property and marine division at Chubb Corp. in Warren, N.J., said a domestic indemnification program would affect the availability of commercial insurance if it were used as primary insurance—as it is for foreign exhibits.

"We are great supporters of the federal indemnity program," said Huntington T. Block, chairman and chief executive officer of Huntington T. Block Insurance Agency Inc., a unit of Rollins Hudig Hall Co.

As a result of the program, there are more and larger exhibits, and commercial insurers still are needed to cover deductibles and provide excess coverage, he said. **BI**

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INTERNATIONAL

U.K. tax proposal may help insurers, hurt workers

By STACY SHAPIRO

LONDON—U.K. Chancellor of the Exchequer Norman Lamont is proposing tax changes that will affect a wide range of insurance and employee benefit concerns, ranging from reserves for Lloyd's of London members to the tax on company cars.

Every year, the chancellor proposes a budget that is written into a finance bill. Normally, the bill is passed quickly because the political party in power has enough seats in Parliament to guarantee approval. This year's 90-minute budget speech was one of the most far-reaching in British history, announcing changes for this year through 1996.

In his speech, Mr. Lamont announced that Lloyd's members would be allowed to reserve up to 50% of their annual underwriting profits—up to their premium limit—in a tax-free fund to pay for future losses, starting with the 1992 underwriting year. Until now, Lloyd's members

have only been allowed to set aside a maximum of 7,000 pounds (\$10,140) or 50% of annual profits, whichever is less.

This change "should enhance Lloyd's ability to deal with the particularly volatile type of risk which makes up most of their business," Mr. Lamont said. "Lloyd's has had a difficult time recently, but it remains vital if London is to retain its pre-eminent position in the world insurance market."

"We welcome the proposals outlined in the chancellor's speech and the helpful remarks he made about the position of Lloyd's in the London and world insurance markets," Lloyd's Chairman David Rowland stated.

The chancellor also said that a "consultative document" would be released soon concerning whether British insurers should be allowed to build up catastrophe reserves, known as equalization reserves, on a tax-free basis. The Assn. of British Insurers and Lloyd's long have been call-

ing for such legislation, claiming this would put them on equal footing with continental European insurers.

In some respects, "our own tax system is very favorable" to U.K. insurers, said Mr. Lamont. "Nevertheless, having reviewed the position again, I believe that there may indeed be a case for allowing tax relief on certain types of equalization reserves covering occasional, exceptional losses."

The ABI stated that it welcomed the chancellor's acceptance in principle of the association's position. But the "value and importance" of his statement will depend on the content of the consultative document, the ABI said.

It is unclear whether Lloyd's will be included in this document, though the market wants similar treatment, a Lloyd's spokesman said.

Among other proposals outlined in Mr. Lamont budget statement:

- Taxation on company cars—a major employee benefit to middle and upper

management in the United Kingdom—will be drastically reformed during 1994-95 and will be based on the car's value rather than engine size. An employee will be taxed as much as 13% to 14% of the company car's value.

- The value of corporate pension fund will decrease because they will only be able to reclaim 20% of the tax they pay on stock dividends rather than 25%, said Richard Malone, European policy director of employee benefit consultant Noble Lowndes. This means that pension funds will have to reduce their growth assumptions, he said.

- Employees beginning April 1994 will have to contribute as much as an additional 1% of salary for national insurance, lifting the total as high as 10%. This increase does not affect employers' contributions. National insurance includes payments for nationalized medical coverage, social security and unemployment benefits.

Bombings in India

Many businesses have coverage for acts of terror

By GAVIN SOUTER

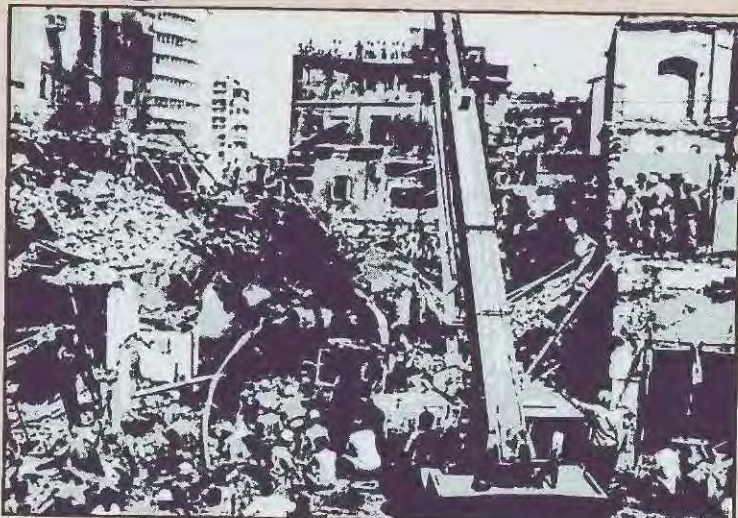
BOMBAY, India—Bomb blasts in two Indian cities could trigger sizable claims for local insurers and foreign reinsurers.

More than 300 people have been killed and buildings have been severely damaged by at least 14 bombs that have exploded in Bombay and Calcutta during the past two weeks.

In Bombay alone, insured damage to buildings and vehicles is expected to total between 300 million and 400 million rupees (\$9.6 million and \$12.8 million), according to local sources. Estimates for losses in Calcutta were not available last week.

About 300 people were killed in Bombay by 13 explosions. More than 500 were injured. Among the buildings damaged were the Bombay stock exchange, the Air India building and some high-rise buildings at Nariman Point.

In Calcutta, about 50 people were killed in a single bomb



AP/Word Wide photo

Rescuers search for victims in the debris of a building that was bombed in Calcutta, India, last week. At least 60 were killed.

blast last week. The explosion damaged two residential apartment buildings.

Property insurance policies in India do not normally cover damage caused by terrorist attacks.

However, policy extensions covering damage due to rioting include coverage for terrorism.

Many Indian businesses extended their coverage to include damage from riots and

terrorism after they incurred losses during riots last year, sources say.

The nationalized local insurance industry is expected to retain about half of the losses, with most of the remainder being reinsured with London and continental European reinsurance markets.

Indian insurers currently are negotiating April 1 reinsurance renewals.

French cleanup orders spur cover questions

By ALINE SULLIVAN

PARIS—French companies that could be held liable for the cost of cleaning up as many as 400 polluted industrial waste sites nationwide are unlikely to be insured for the costs.

France's Ministry of the Environment last month requested several of the country's biggest companies to clean up the polluted sites. The companies, which include automaker PSA Peugeot Citroen, energy group Elf Aquitaine, aluminum and packaging group Pechiney and Electricite de France, contest the government's claims, saying that some of the sites are not polluted and others have already been cleaned.

A Pechiney spokesman said some of the sites were polluted as long ago as the beginning of the century. Most of the sites were polluted within the last 50 years.

"Cleaning up these sites is not a problem for the insurance companies," said a spokeswoman for the Federation Francaise des Societes d'Assurance. "Only the (non-insurance) companies involved will have to pay."

According to Jean Yves Comby, a pollution underwriter

at Societe Commerciale de Reassurance S.A. in Paris, virtually all French companies are uninsured for gradual pollution damage that took place more than two years ago.

"Most of these companies are currently insured with Assurpol (Groupement pour l'Assurance des Risques de Pollution)," said Mr. Comby. "But this pollution damage took place several years ago, before cover was available. Under French law, there can be no pollution claims against an insurance company if there was no policy in place at the time."

Assurpol is a reinsurance pool supported by France's leading insurers and reinsurers. The pool was launched in 1989, succeeding an earlier pooling arrangement called Garpol, which proved unpopular because of its low limits of coverage.

Mr. Comby said some French companies had purchased general liability insurance policies that covered gradual pollution. "But this cover was only written for a couple of years. Now it is usually excluded." It is doubtful that any of the companies named by the government have this coverage, he said.

Continued on next page

Broker JIB Group reports smaller profit in 1992

By GAVIN SOUTER

LONDON—Falling interest rates and higher costs have hurt profits at insurance broker JIB Group P.L.C.

Capacity problems in the London market and soft retail insurance rates in the United States also contributed to a 9.5% drop in JIB's pretax profits to 18.2 million pounds (\$27.6 million) in 1992, from 20.1 million pounds in 1991 (\$37.6 million), said Chief Executive John Barton.

Gross revenues increased 3.1% to 195.2 million (\$295.6 million) in 1992, from 189.4 million in 1991 (\$354.2 million).

The brokerage's prospects appear better this year due to increased insurance rates in most countries outside of the United States and JIB's decision to cut back its unprofitable U.S. business, he said.

Because of lower interest rates in 1992, investment income decreased 5.4% to 19.3 million pounds (\$29.2 million) from 20.4 million in 1991 (\$38.1 million).

Contributing to the squeeze on profits was a 6.7% increase in administrative expenses to 176.2 million pounds (\$266.9 million) from 165.2 million pounds (\$308.9 million) in 1991.

"It is taking us a lot more time and costing us a lot more

LONDON

money to place business in London because capacity has reduced so much," Mr. Barton said. The increased costs outweigh the increased commission JIB receives from higher insurance rates in the London market, he said.

Costs at JIB's Lloyd's of London members agency unit also increased because of litigation brought by loss-strapped members.

And, low rates in the United States continue to make that market difficult, Mr. Barton said.

JIB's U.S. results were also hurt by poor performance at its Philadelphia office and at its small corporate account unit in New York. Consequently, JIB is selling its 3-year-old Philadelphia operation to its local management, and its New York office is pulling out of the smaller corporate market, Mr. Barton said.

Stop-loss coverage test case

Some Lloyd's of London members with cash-flow problems caused by large losses by their syndicates were given a boost

last week in the High Court of England and Wales.

In a test case brought by Lloyd's, the court ruled that some members whose losses are capped by personal stop-loss insurance policies should have payments under those policies paid directly to them and not to their Lloyd's premium trust fund.

As a result of the ruling, the members can spend the money as they wish rather than use it to pay off their Lloyd's losses, a Lloyd's spokesman said.

The dispute dates back to February 1992, when David Coleridge, then chairman of Lloyd's, wrote to brokers instructing them to send any payments under members' stop-loss policies directly to the Lloyd's premium trust funds.

About 80% of members are estimated to have some stop-loss coverage to cap their losses. Members' premium trust funds contain money derived from Lloyd's business and can be accessed by Lloyd's to meet members' losses.

Some members disputed Mr. Coleridge's instructions, arguing that payments under members' stop-loss policies are theirs personally and should only be paid to the trust funds on a voluntary basis. Justice Tuckey ruled in favor of the members last week.

Payments can only be made directly to members under stop-

Continued on next page

INTERNATIONAL

Pollution dispute

Continued from previous page

Many French companies have become aware of the need for pollution coverage only in the past 20 years as French environmental laws have tightened. For example, until two years ago, Pechiney had a liability policy that covered only sudden and accidental pollution, said Risk Manager Alain Neveu. Then, the company arranged with its insurer, Assurances Generales de France, to add gradual pollution coverage to the policy. The gradual pollution coverage is reinsured by Assurpol.

Mr. Neveu said the gradual pollution coverage is underwritten on a claims-made rather than an occurrence basis, and thus covers only claims of damage occurring after the policy became effective. He said AGF would not reimburse Pechiney for gradual pollution damage that occurred before the new pollution policy came into effect.

When the government issued its list of polluted sites, it included sites that have pre-

viously been polluted but since cleaned; polluted sites; and sites that may be polluted. One insurer said that as many as 20% of the sites had already been cleaned. Extensive negotiations will take place between the government and the companies before cleanup costs per company are calculated.

"The government hasn't ordered the companies to do anything yet because there are big disagreements about these sites," an Elf Aquitaine spokesman said.

"The Ministry of Environment is putting pressure on these companies to clean up these sites. But it is unlikely that anything will happen until the elections are over," noted Patrick Power, a lawyer at the Paris office of British law firm Clyde & Co. French legislative elections were to be held March 21.

Meanwhile, the European Commission produced a "green paper" last week on environmental damage liability, said a commission spokesman. This will pave the way for an EC directive, forcing EC member countries like France to tackle the problem. **BI**

LONDON

Continued from previous page

loss policies that do not state that payment should be paid to trust funds. Only about 25% of stop-loss policies allow direct payments to members, the Lloyd's spokesman said.

Despite the judgment, most members are trying to pay rather than evade their Lloyd's losses, the spokesman said.

The case was brought against two members to establish a precedent, but more than 100 other members are disputing the Lloyd's instruction. Lloyd's has not yet decided whether to appeal the ruling.

Merrett's profits drop

Profits plunged at Lloyd's managing agency Merrett Holdings P.L.C. in 1992 because of poor market conditions, said Chairman Stephen Merrett. **BI**

And the reduction in Lloyd's membership this year has led to a substantial reduction in the Merrett syndicates' 1993 capacity, he said.

Merrett's pretax profits fell 73.8% to 839,000 pounds (\$1.27 million) in 1992 from 3.2 million pounds (\$6 million) in 1991.

"Viewed against the difficult conditions which have prevailed in the insurance world and which are reflected in the Lloyd's market, the group's underwriting results have held up very well," Mr. Merrett said. Underwriting results for 1990 are not yet available.

The group's results include a 700,000 pound (\$1.1 million) payment under Merrett's errors and omissions deductible related to settlement of litigation with members of syndicates managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd. over losses in the 1982 underwriting year (BI, Feb. 17, 1992).

The total capacity of the nine Merrett syndicates has fallen 22.7% to 385 million pounds (\$583.1 million at year-end 1992 exchange rate) from 498 million pounds (\$931.3 million at year-end 1991 rate) in 1992. **BI**

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They are presently 38,465 employees and 7,990 retirees participating in various health plans. The 1993 premium for this plan is expected to exceed \$159,000,000. The indemnity plan has been substantially strengthened over the last few years by lessening adverse selection and including a managed care component. As a result, the claims experience has become much more predictable.

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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS,
ex rel.,
Stephen F. Selcke, Director of
Insurance of the State of Illinois

Plaintiff,

v.

HMO Estate, Inc. a/k/a
MEDCARE HMO, INC.,
an Illinois Domestic Stock
Health Maintenance Organization

Defendant.

NOTICE OF CLAIMS DATE AND PROCEDURES

PLEASE TAKE NOTICE, that on January 4, 1993 an Order of Liquidation With A Finding of Insolvency was entered against MedCare HMO, Inc. ("MedCare") by the Circuit Court of Cook County, Illinois. Stephen F. Selcke, Director of Insurance of the State of Illinois ("Liquidator") is the statutory and court affirmed Liquidator of MedCare.

TAKE FURTHER NOTICE, that on February 3, 1993, the Circuit Court of Cook County, Illinois, entered an Order Fixing the Final Date for the Filing of Claims ("Fixing Order"). Pursuant to the terms of the Fixing Order, all rights and liabilities of MedCare and its creditors, policyholders and stockholders, and all other persons interested in its assets, are fixed as of January 4, 1993, unless otherwise provided in a subsequent Order of the Court.

TAKE FURTHER NOTICE, that all persons and entities, who have, or may have, claims against MedCare, or the property or assets of MedCare, shall have the right to present and file with the Liquidator, proper proofs of claim on or before 4:30 p.m., C.S.T., on January 4, 1994.

TAKE FURTHER NOTICE, that the form of, and required contents of, all proofs of claim are described in 215 ILCS 5/209. Proofs of Claims, together with supporting documents, if any, are to be filed with, and may be secured from, the Liquidator of MedCare HMO, Inc., in Liquidation, 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. Filing shall occur upon the receipt of the Proof of Claim by the Liquidator. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to MedCare upon all filed claims. All Proofs of Claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATES FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST MEDCARE, OR ITS ENROLLEES, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY, UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE JANUARY 4, 1994 AT 4:30 P.M., C.S.T.

James W. Schacht
Special Deputy Receiver

French insurer wants to expand U.S. presence

By JOANNE WOJCIC

SAN FRANCISCO—French insurer Groupe des Assurances Nationales, which writes \$8.6 billion in premiums worldwide, is seeking to enter the domestic U.S. market by acquiring a shell company licensed in most states.

Paris-based GAN, France's fifth-largest bank-owned insurer, has had marketing affiliations with several major U.S. insurers and has held U.S. licenses.

But GAN no longer wants to use domestic insurers as fronts to underwrite reverse-flow business, said C. Timothy Morris, president and chief executive officer of its U.S. operations based in New York.

The Paris-based insurer plans to increase its book of U.S. domestic business by taking over American Universal Insurance Co. of Providence, R.I., which was

ordered liquidated by the Rhode Island Insurance Department in January 1991.

GAN is negotiating with the department to reactivate the failed insurer's 48 state licenses, Mr. Morris told *Business Insurance* after a speech at the recent National Insurance Symposium Leadership Conference, sponsored by Russell Miller Inc. in San Francisco.

According to Mr. Morris, GAN's push into the United States will enable it to reach its three fundamental goals:

- To expand globally, focusing on commercial lines. Currently, 40% of the insurer's book of business is commercial lines.

- To capitalize on its relationship with the Banque des Assurances de France. GAN has a \$3.6 billion European capital base.

- To update its service capabilities.

One of GAN's most attractive assets is that it "has no past book of business to manage against," Mr. Morris noted. "We don't have a tail, so we're starting essentially from scratch."

Because of its international affiliations, GAN can create a widespread distribution system that will appeal to many multinational companies, Mr. Morris added.

In addition, because GAN is "not a quarter-to-quarter company" it can afford to underwrite much of the business rejected by U.S. insurers, like personal lines auto, workers comp and other commercial property/casualty risks, he said.

"GAN has a strategic view of how they want to do business. They have a European international focus on a longer-term vision of how they want to build the company."

GAN currently has operating licenses in

37 states and the District of Columbia. However, Mr. Morris said its California license has been temporarily suspended by the Insurance Department because it is a foreign-government-owned insurer.

GAN is 80% government-owned, but that is likely to change after the March 21 elections, Mr. Morris said. "The next Parliament is expected to be conservative and will likely reduce government ownership to maybe 51%."

GAN's involvement in the United States extends back to 1979, when it teamed with Chubb Corp. to provide coverage to French companies with U.S. operations and services to U.S. companies with European operations. GAN later forged an affiliation with Continental Corp. and acquired 37 state licenses by buying Union Standard Insurance Co. of Dallas in 1990. **BI**

Getting a grip on real estate

Risk-based capital may force insurers to revalue holdings

SAN FRANCISCO—Risk-based capital requirements soon will force insurers to more accurately value their real estate holdings, a famous investor predicts.

"There's very little connection between the balance sheets of insurance companies today and reality," said Samuel Zell, chairman and chief executive officer of Equity Financial & Management Co. in Chicago.

Part of the reason there have not been more distressed real estate transactions in the United States during the recent recession is "most of the insurance companies have all their turkeys buried," he said.

But risk-based capital standards will force "all those turkeys to come to the forefront. It's just basic discipline that this industry has never had."

Mr. Zell speaks with the experience of 25 years of buying and turning around troubled companies, which has made him one of America's wealthiest men.

The failure of Mutual Benefit Life Insurance Co. should be a lesson to insurers with large real estate holdings, Mr. Zell said during a luncheon address at the recent National Insurance Symposium Leadership Conference, sponsored by Russell Miller Inc. in San Francisco.



Mr. Zell

"Things like that are very disturbing and, frankly, very deleterious to the insurance industry," he said.

Although risk-based capital standards will be "very painful" in the short term, "it will improve the overall confidence level in—and the overall financial ability of—the insurance industry," Mr. Zell said.

Using re-valuing of real estate holdings as an example, he posed this dilemma:

"If you have an asset on your balance sheet, say it's a \$60 million loan that's worth \$30 million, what you're really confronted with is a choice. Do you want to sell it now for \$30 million, or do you want to sell it later for \$30 million?"

—By Joanne Wojcik

Claims administration

Continued from page 3
purchasing decisions, he explained.

A more personal approach in workers compensation claims will likely yield significant savings as well.

"Up until the recent past, many of us in the claims administration business have viewed workers compensation as a legal problem, and the administration process has been focused on the legal issues," he said. "Now, escalating medical costs have caused us to change our focus to the medical issues."

But while the medical costs may make up 40% of workers compensation claims, "we cannot lose sight of the real

issue...the total cost of the claim," Mr. Minix asserted.

As a result, "our administrative procedures must concentrate on returning the injured employee to gainful employment in the most medically efficient and cost-effective method possible without compromising the employee's self-respect."

Too many employers view the injured worker as a liability, he said. "But they should be looking at them as a valuable asset" that must be rehabilitated.

This can only be done in an environment "where all the parties—the employer, the claims administrator and the medical specialist—are involved," Mr. Minix said. **BI**

Symposium examines insurance industry innovation

SAN FRANCISCO—A total of 131 insurer and broker executives attended the annual National Insurance Symposium Leadership Conference sponsored by Russell Miller Inc.

The theme of the conference, held March 7-9 at the Ritz-Carlton Hotel in San Francisco,

was "Innovation: Time to Change the Industry."

It featured sessions on the emerging global marketplace, alternatives to traditional reinsurance and U.S. insurers' ties to the London market.

Next year's symposium also will be held in San Francisco

at approximately the same time of year.

For more information about the symposium, contact Darlene Nelson, Symposium Coordinator, Russell Miller Inc., 300 Montgomery St., San Francisco, Calif. 94104; 415-956-7474.

24-hour coverage

Continued from page 3
among those with the highest workers comp premiums in the state.

"For those of you from California, if that sounds political, it probably is," Mr. Hoskins said.

In addition to preparing seminars, Andreini already is providing coverage that combines workers comp coverage and health insurance to the California Building Material Dealers Assn., according to Mr. Hoskins.

Although he did not identify the underwriter of the program, he did say it was being provided through a Southern California health maintenance organization.

So far, Fountain Valley-based FHP Health Care is the only California HMO that has developed a fully integrated 24-hour product, although other companies are marketing managed care services to employers that self-insure their workers comp exposures (*BI*, Sept. 28, 1992).

The 24-hour coverage pilot program will not allow employees to pick their physicians, as is permitted under current law. However, employees will be given the option of participating in the program. To encourage participation, the law will allow employers to offer incentives such as waiving deductibles on regular health care plans.

Andreini's management believes that once A.B. 3757 is fully implemented, employers in those four counties will realize significant cost savings by reducing their administrative costs and eliminating duplicative coverage, Mr. Hoskins said.

"We really have invested a lot of time and effort learning about the product, and we believe that within a year workers compensation in California could easily be sold by our benefits people and not just by our property/casualty people," he said.

The seminars have not yet been scheduled.

For more information, contact Mr. Hoskins or Dennis Windsor, Benefits Department Manager, Andreini & Co., 220 W. 20th Ave., San Mateo, Calif. 94403; 415-573-1111.

—By Joanne Wojcik

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Minnesota plan

Continued from page 1

Restoring the plan to an adequate funding level required a 1989 funding increase of 67%, split between the state and employees, and a combination of legislative appropriations, special charges to state agencies and negotiations with BC/BS of Minnesota over its responsibility for claims payments, Mr. Cooley said.

To bring health care costs under control, Minnesota implemented its managed competition approach to health insurance purchasing in 1989. "In that year, overall health insurance premiums increased

42%," Mr. Cooley explained. "With the new approach, the increase dropped to 14% in 1990, 9% in 1991 and 6% in 1992 and 1993."

Minnesota's health care budget, including employee contributions, totaled \$240 million in 1992.

The state was able to slow health care premium increases through a combination of strategies, including:

- Replacing the traditional fee-for-service plan with an indemnity plan with a preferred provider organization option.
- Decreasing the number of HMOs offered to six from 10 and standardizing benefits and eligibility.

- Collecting and disseminating information about employee satisfaction with the different HMOs offered by the state program.

- Tying the employer contribution to the premium charged by the lowest-cost HMO.

The last element was certainly one of the most important, Mr. Ogren said. It enabled the state to break a cycle of so-called "shadow pricing," which plagues many employers offering both traditional indemnity plans and managed care plans like HMOs and PPOs.

Shadow pricing occurs when underwriters for HMOs and PPOs try to guess how high the employer's

indemnity insurer will raise premiums. Those underwriters then submit premium increases close to the indemnity plan's increase.

"For years we went to the HMOs and banged on their desks saying they must lower their rates," Mr. Ogren said. But the HMOs either attempted to justify their rate increases or simply ignored the state's complaints.

In 1988, the state told its HMOs it would base employee contributions on the lowest-cost health plan rather than the indemnity plan. The strategy would force HMOs that wanted to grab market share to hold the line on premium increases in

order to attract more employees. "We told them, 'All we need is one of you to break rank, and we'll base contributions on your premiums,'" Mr. Ogren explained.

Group Health Inc. of Minneapolis was the first HMO among the six offered by the state to significantly reduce its rate of premium increase. As a result, its market share rose to 35% in 1993, compared with 19% in 1988.

Labor-management cooperation was a vital factor in making this strategy work, Mr. Ogren noted. Labor unions were willing to accept different employer contribution levels for different employees. Contributions varied because the Group Health HMO wasn't available in every one of the 87 counties where state employees work. Those employees' contributions are based on the lowest-cost plan available to them.

Convincing the different HMOs to offer virtually identical benefits also helped foster managed competition, Mr. Ogren added. "What HMOs have traditionally done if they couldn't compete on price is to add another benefit—a bell or whistle—so their benefits package would look better." The added benefit usually increased the cost of the plan, but its perceived value would attract more employees. "That's not the behavior we want to encourage," Mr. Ogren said.

Employees now choose among HMOs based on price and quality, which is measured by member satisfaction surveys. The survey results are distributed during each enrollment period, so employees contemplating a switch can get information on other HMOs.

A group purchasing program modeled after the state's will be offered to private employers this July, Mr. Cooley said. The state will administer—but not fund—the program, which will function like a multiple-employer plan. Small and midsize employers are expected to join the program, which will offer their employees a choice of three fully insured health plans: a point of service plan and two independent practice association-model HMOs.

Mr. Cooley said he is "optimistic" that the private-sector employers will gain from pooled purchasing power, just like the state did.

The new pool could serve as a model Health Insurance Purchasing Cooperative under a managed competition program, because "the rationale behind an HIPC is to create the leverage necessary to have equal bargaining power with health plans," he added. **BI**

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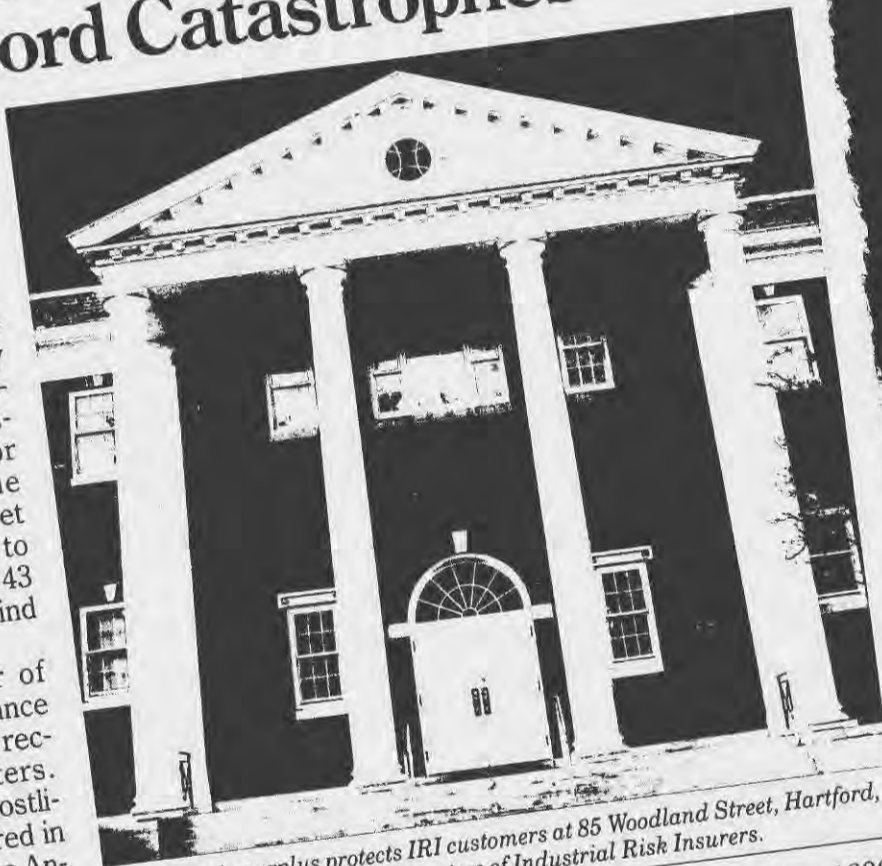
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Storm damage

Continued from page 1
and expects that figure to rise to 37,000.

Nationwide predicts \$53 million of its losses and one-third of its claims will come from Florida. Another 15,000 less-severe claims are expected from North and South Carolina, a spokesman said.

A.M. Best Co. estimates total insured damages of \$800 million from the blizzard.

Up to \$425 million of that total is expected to come from the South. Best based that estimate on the belief that this storm pummeled the Southeast with the same force as a series of tornadoes that ravaged the Midwest and several southern states last November (BI, Dec. 7, 1992).

In the Northeast, Best said blizzard damage will not likely approach damage from the December "Nor'easter" that ripped the coastlines of New Jersey, New York, Connecticut and Massachusetts, causing an estimated \$625 million in insured damage (BI, Dec. 28, 1992).

"The (blizzard) affected 24 states with the worst destruction occurring in the Southeast," said Best Senior Vp John H. Snyder. "There will be a lot of frozen pipes and water damage because of the freezing temperatures, and snow in the South always causes a large number of auto accidents. Our best guess is that it was comparable to the November storm that brought with it about 50 tornadoes."

The Blizzard of '93 is expected to have a proportionately greater impact on primary insurers than did the Nor'easter.

"Compared to the December storm in the Northeast, the portion of this loss retained in the primary market will be greater," said Michael A. Smith, an insurance analyst with Lehman Bros. in New York. Insurers that renewed their catastrophe reinsurance programs on Jan. 1 were forced to retain more risk because of reduced market capacity, he said.

As businesses throughout the East dug themselves out last week, only a few said they were hit hard.



Doug Goodman

The deep snow hampered business and transportation—including the buses on New York's 42nd Street—all along the East Coast.

Skaarup Shipping Corp. of Greenwich, Conn., lost a 500-foot bulk freighter full of gypsum chips in stormy seas off Nova Scotia. All 33 Chinese crew members, who were hired by an agency in Hong Kong, are believed dead.

The ship, the Gold Bond Conveyor, was leased to National Gypsum Co. at the time of the mysterious disappearance. The ship's \$30 million hull and machinery value is fully insured, primarily at Lloyd's of London, where coverage is led by syndicates managed by Janson Green Ltd., and in Norway, by units of Vesta Gruppen A/S. A very small portion of the coverage was written by U.S. insurers, said Frank Parker, executive vp.

Liability coverage is placed with Gard Protection & Indemnity Club of Norway.

Electronic Data Systems Corp. was forced to shut down about 5,000 automatic teller machines around the country after the roof collapsed at its data processing center in Clifton, N.J.

A spokesman said EDS has "some form of insurance protection" to cover the costs of repairing the building and subsequent attempts to arrange backup computer systems.

EDS ordinarily has a backup computer facility, but the facility was already being used by a displaced World Trade Center tenant. The teller machines were out of service for several days until arrangements could be made with other companies.

It could have been worse. Computer equipment was housed in an area not directly affected by the roof collapse. "We were lucky from that standpoint," the spokesman said. "When the roof caved in, we took the system down entirely, which allowed us to store all data. We had no injuries and no lost data."

He said the company may never move back into its building in Clifton. "I don't know if we'll ever go back. The damage is extensive. It looks like it got hit by a tornado."

Southern Co. Services Inc., which owns five Southern utilities, said its losses could well exceed its \$15 million self-insured retention.

"The damage to our distribution systems is very heavy," said Gary Meggs, risk manager for the Atlanta company. "There were an awful lot of tree limbs that fell on the lines."

As of Friday, about 90,000 of its customers in Alabama were still without power and the utility was having to borrow crews from elsewhere to repair lines.

If Southern Co.'s damages exceed its retention, a special transmission disruption policy

would be triggered. That coverage, written in London, applies to all property damage and repair costs to the electricity distribution system.

Southern also has standard property coverage above a \$1 million deductible.

Heavy snow in northern Georgia damaged an estimated 50 manufacturing plants. In Calhoun, Ga., at least 28 roofs collapsed under the weight of snow in buildings of various sizes and industrial uses, said Cathy Harrison, city administrator.

One company, Chattanooga, Tenn.-based Dixie Yarns Inc., suffered an undetermined amount of losses from the partial collapse of several roofs at carpet manufacturing sites owned by its Carriage Industries Inc. unit.

"It is impossible to make a complete evaluation of damage at this time. While Carriage's core carpet manufacturing facilities should resume operation soon, some equipment will be out of service for many weeks," said Daniel Frierson, chairman of Dixie Yarns.

Dixie Yarns said its property insurance will cover all the damage to Carriage facilities and the company also has business interruption coverage, though it released no details.

Snow also damaged Georgia's chicken farms and early blooming peach crops.

High winds and freezing temperatures killed about 2 million chickens in Georgia, estimated Tommy Irvin, the state commissioner of agriculture. Winds also destroyed 140 broiler houses and 14 breeding houses.

Peach crops in southern Georgia also were hard hit, though damage was mild in the middle of the state, state officials said.

Some 70% of the state's greenhouses were also damaged. Total physical damage was estimated at \$2.5 million to \$3 million; losses to peach trees could top \$5 million.

Most businesses outside the Southeast were spared the storm's wrath.

"We had no physical damage at all to our fleet of trucks or our facilities. The only problem we had was that we were unable to make our deliveries on Sunday because the roads were still closed," said Colleen Manuola, insurance supervisor for Tasty Foods Inc., a baked goods company based in Philadelphia. "You can't insure perishable items like we make, so anything that didn't get out was a loss."

Deliveries were also delayed at Blair Corp., a mail-order house in Warren, Pa. "In this part of the country, we're pretty used to snow, although not such heavy snow. Everyone just fought

'Good' risk managers prepared for storm

By SARA MARLEY

"Once-in-a-lifetime" events like the Blizzard of '93 force risk managers to consider all potential catastrophes—no matter how remote.

And even though most will ultimately devote their resources to controlling more frequent, lower-profile losses, it is important to think about the remote risks, as well, loss control experts say.

"Everybody ought to think about every possible peril," said George L. Head, vp of the Insurance Institute of America in Malvern, Pa. "Unless you consider them, there is no way of managing them. Consider all that can happen, from a plague of locusts to an invasion of Martians."

"If you have a good emergency plan, it will deal with most issues," said Steven M. Sachs, vp-risk management services division at Hobbs Group in Columbia, Md., the brokerage arm of Arkwright Mutual Insurance Co.

"If a risk manager has done a good job, the infrequent event will be easily mitigated," said David Grupp, senior loss control engineer at Kemper National Insurance Cos. in Long Grove, Ill. "A good risk management program is generic."

Many organizations decide it is more efficient to devote resources to preventing carpal tunnel syndrome than to preventing a terrorist bombing. Those calculations could vary, though. At politically sensitive businesses, like clinics that perform abortions, for example, the risks of violence can be substantial.

But, even loss control experts concede that is possible to have too much of a good thing.

"It is possible to spend too much on loss control," cautioned Mr. Head.

Systems and programs can become so elaborate that they are worth more than what they are supposed to protect. For ex-

ample, a company could spend so much time and effort on protecting an unstaffed warehouse that the value of its sprinkler system would exceed the value of its building and goods.

Risk managers also need to factor politics into the equation.

"If you throw too much at (loss control), soon you're not heard by management," warned Mr. Sachs.

Close calls should be left up to top management, Mr. Head said. Some loss control decisions will depend on corporate culture, finances and a company's image in the community.

Cash-strapped manufacturers, for instance, may make different decisions than a hospital concerned about its image in the community, Mr. Head said.

Programs also will reflect geography.

"We stress customizing a (disaster) plan to a specific plant," pointed out Dick Gross, research consultant at Industrial Risk Insurers in Hartford, Conn. "They can take into account climate differentials."

An IRI management and loss control program called "Overview" is designed to lead companies through designing responses to all catastrophes.

Rather than build a roof in Atlanta to withstand as much snow as a roof in Buffalo, the Georgia risk manager should have a shovel or another way to get the snow off the roof, said John Davenport, assistant vp and director of research at IRI.

Midwestern firms should have a plan to deal with an earthquake, but they do not need buildings to meet the same strict requirements that a California business would, headed.

Companies should keep these issues in mind when making business decisions, as well. If the time comes to build an additional plant that produces the same goods as another, it may be wise to build the new one in a different part of the country so both would not be shut down by the same disaster. **BI**

For the Record

Appeals panel finds exclusion ambiguous

ATLANTA—A trial court erred in concluding that the phrase "considered experimental" in a health insurance policy exclusion is not ambiguous, a three-judge appellate panel has ruled.

The 11th U.S. Circuit Court of Appeals on March 9 vacated the decision of the U.S. District Court in Pensacola, Fla., and remanded the case to that court.

A federal judge ruled in December 1992 that Mutual of Omaha Life Insurance Co. could deny coverage for high-dose chemotherapy performed in conjunction with an autologous bone marrow transplant for Mary P. Dahl-Eimers, who has advanced breast cancer (BI, Jan. 4).

However, "The insurance policy does not clearly specify who will determine whether a treatment is considered experimental or how that determination is made," the appeals court wrote.

"We think Ms. Dahl-Eimers will prevail, and we hope this sets a precedent that opens doors for similarly situated people," said John Thomas, an attorney with de la Parte & Gilbert in Tampa, Fla. Mr. Thomas, who filed an amicus curiae brief for Ms. Dahl-Eimers, represents H. Lee Moffitt Cancer Center & Research Institute Inc. in Tampa.

Mutual of Omaha won't comment on matters in litigation.

Inland Steel settles EPA lawsuit

EAST CHICAGO, Ind.—Inland Steel Co. has agreed to pay a \$3.5 million civil fine and to commit about \$51 million for cleanup projects to settle a 1990 federal anti-pollution lawsuit over its operation of an Indiana Harbor Works steelmaking plant.

The settlement, which requires federal court approval, will resolve multiple air, water and solid-waste violations at the company's 2,400-acre facility in East Chicago, Ind.

EPA officials say the case is noteworthy because it is the first one in which numerous violations were combined into a single complaint.

"This agreement puts all that behind us, and continued operation of the plant will be in environmental compliance," said M.S. Nelson Jr., Inland Steel's president and chief operating officer.

Louisiana to propose expansion of Medicaid

BATON ROUGE, La.—Up to two-thirds of Louisiana's 1 million residents without health insurance eventually could be covered under a plan that would create an insurance program for the working poor and expand Medicaid to more of the unemployed.

Under the proposal, the working poor who earn less than 250% of the federal poverty level and are ineligible for Medicaid would be covered for primary and preventive care and some yet undetermined but minimal level of hospitalization, said George Renaudin, executive director of the Louisiana Health Care Commission.

Insurance Commissioner Jim Brown, who unveiled the plan with Gov. Edwin Edwards on March 16, created the commission, which is independent of the Insurance Department.

The coverage also would be por-

table to a new employer, whose insurer could not deny coverage for pre-existing conditions.

Low-income workers or their employers would pay \$75 per month per adult and \$35 per month per child for the coverage, plus deductibles. Health insurers would bid to write the plan.

The proposal also encourages Medicaid recipients to enroll in managed care plans by guaranteeing them coverage for six-month periods, even if they become ineligible for Medicaid during that time. The expected medical cost savings should allow the state to cover more residents under the Medicaid program, which is financed with state and federal funds, Mr. Renaudin said.

The proposal had not been introduced in the Legislature as of late last week.

Disaster reinsurance proposed in Congress

WASHINGTON—No hearings have been scheduled on a bill that would create a national reinsurance program for private insurers and a federal homeowners insurance program for people in disaster-prone areas.

H.R. 935, the Earthquake, Volcanic Eruption and Hurricane Hazards Insurance Act of 1993, would create an excess-of-loss reinsurance program to be triggered if losses from a disaster exceeded 8% of the property/casualty insurance industry's nationwide premium volume. The coverage also would come into play if any one insurer or reinsurer experiences losses from a single event that exceeded 50% of its nationwide premiums.

The bill, sponsored by Rep. Patsy Mink, D-Hawaii, would also "encourage" states to adopt disaster mitigation programs and require all homeowners who hold federally guaranteed mortgages in earthquake-, volcano- or hurricane-prone areas to buy the applicable insurance. A new federal program would assure that such coverage would be available.

Maxwell group filing claims on fidelity cover

LONDON—Administrators of Maxwell Communications Corp. to date have filed claims in excess of \$500 million on fidelity insurance policies covering the company against fraud by directors.

The administrator, Price Waterhouse, has made 18 claims on the policies, which have a limit of 50 million pounds (\$72.8 million at current exchange rates) on any one loss, a spokesman for the accounting firm confirmed. The firm would not disclose Maxwell's aggregate fidelity coverage. Price Waterhouse did not make projections about the possibility of additional claims.

The policies were placed in London by Willis Corroon P.L.C.

The Maxwell media group collapsed in 1991 amid allegations of widespread fraud by group directors, including the late Robert Maxwell and his sons Kevin and Ian (BI, Dec. 16, 1991).

California to increase comp agency budget

SAN FRANCISCO—While most other state government units are braced for cutbacks, Gov. Pete Wilson's proposed 1993-94 budget calls for increased funding for the

Division of Workers Compensation.

A \$5.29 million supplemental infusion approved by the Legislature in January corrects a recently discovered budgeting error, according to the governor's office.

The proceeds will be used to:

- Fill 41 positions, including eight workers comp judges, four hearing reporters, four rehabilitation consultants, two information and assistance officers, one disability rater and 22 clerical positions.

- Upgrade 24 referee positions to workers comp judges following enactment of legislation permitting the judges to conduct mandatory settlement conferences.

- Begin a series of pilot projects on 24-hour coverage authorized by A.B. 3757, which the Legislature passed in 1992 (see story, page 3).

The division also has begun a staffing redistribution plan, moving judges and support personnel to high-volume district offices of the Workers Compensation Appeals Board.

Pine Top directors face suit by liquidator

CHICAGO—Illinois liquidators will be allowed to amend and proceed with a suit that had been dismissed last year against directors and officers of defunct Pine Top Insurance Co.

Reversing its own 1992 ruling, an Illinois appeals court ruled that the "business judgment rule" did not necessarily protect directors that made bad business decisions but were not charged with crimes (BI, April 20, 1992). The rule generally shields directors and officers from liability for exercising their business judgment.

Pine Top's liquidator—now Illinois Director of Insurance Stephen F. Selcke—first sued in 1988 seeking damages in excess of \$100 million. The Schaumburg, Ill.-based insurer, a former unit of Greyhound Corp., was placed in liquidation in 1987 and is insolvent by more than \$300 million.

In its new ruling, the appeals court held that the business judgment rule does not allow directors to "completely ignore their responsibilities...without incurring liability."

Actions against Pine Top's auditors, Touche Ross & Co., and its former parent, Whitney Financial Group, are still pending.

BC/BS of Michigan to offer POS plan

DETROIT—A new point-of-service product soon to be offered by Blue Cross/Blue Shield of Michigan will limit health plan premium increases to 5% for at least the next two years.

The new POS plan is based on an arrangement with two area hospital systems—Henry Ford Health System and Mercy Health Services—that have agreed to provide services to plan participants for a fixed annual fee.

Self-insured employers, though, are not eligible for the rate guarantee, unless they purchase the POS plan on a fully insured basis, said Marianne Udow, senior vp for planning and development services at BC/BS of Michigan in Detroit.

Local employers remain skeptical about the plan, questioning how much premiums will rise after the rate guarantee period expires.

"We can't project what will happen" when the contract expires, Ms. Udow said. "We think a 5% annual increase is realistic."

BC/BS of Michigan will begin marketing the plan later this year. **BI**

Update

State comp regulation upheld

Continued from page 2

intent or effort to invalidate California workers' compensation law."

STAFCOR, a unit of Employee Staffing Services Inc. of Dallas, had obtained a temporary restraining order last October to prevent the state from enforcing California's law requiring all employers to have workers comp coverage (BI, Dec. 14, 1992).

The Torrance, Calif.-based firm argued that the ERISA pre-empted state authority to regulate its plan.

Insurer to defend in sex case

SAN FRANCISCO—Insurers must provide policyholders a defense for any non-sexual charges included in sexual molestation cases, the California Supreme Court has ruled.

The decision was handed down in an Orange County, Calif., case in which a seventh-grade teacher was accused of sexually molesting a 13-year-old female student. The high court said the school's insurer, Horace Mann Insurance Co., was obligated to provide defense because the lawsuit naming both the teacher and the school also alleged non-sexual acts of public embarrassment or harassment by the teacher.

The insurer had asked the high court to adopt a clear-cut ruling that it did not have to defend or indemnify a defendant in any case arising from the sexual misconduct of covered individuals. Previously, the insurer agreed to defend the teacher under a reservation of rights.

For the past two years, California courts have followed the 1991 precedent set by the California 3rd District Court of Appeal in *J.C. Penney Casualty Insurance Co. vs. M.K.*, which found that homeowners insurers are not obligated to provide coverage for sexual molestation claims.

E&A selling troubled units

LONDON—The English & American Group P.L.C. is selling much of its insurance-related operations in the wake of deteriorating results at its subsidiary English & American Insurance Co. Ltd.

E&A Insurance's results—particularly for marine business—have "deteriorated very significantly" since it stopped underwriting last November, the directors said. Last week it ceased paying claims and intends to ask a judge to appoint provisional liquidators.

At least five other insurers on line slips underwritten by English & American Underwriting Agency Ltd. also stopped paying claims last week.

The suspension of payments may only be temporary, though. The directors of E&A Group say they will sell its insurance services companies to John Head & Partners L.P. The sale also includes one of the largest runoff agencies in London, Trinity Square Services Ltd.

The deal does not include Guernsey captive manager Transglobe Underwriting Management (Guernsey) Ltd., which is owned by E&A Insurance. Transglobe last week lost its largest client, airline captive Polygon Insurance Co. Ltd., which plans to manage itself.

Briefly noted

Martin Slate, director of the technical and actuarial division at the Internal Revenue Service, is expected to be named as the next executive director of the Pension Benefit Guaranty Corp., government sources said last week. . . Standard & Poor's Corp. lowered **Crum & Forster Inc.**'s claims-paying ability rating to A from AA+. According to S&P, C&F posted a preliminary statutory net loss of \$508.9 million for 1992 and a 150.5% combined ratio after reserve adjustments. . . George W. Brown will be named chairman of **Jardine Insurance Brokers Inc.** on May 1, replacing Richard A. Archer, who will become deputy chairman. David J. Batchelor, president and chief executive officer of Jardine Insurance Brokers Asia Ltd. in Hong Kong, will succeed Mr. Brown as president and CEO of San Francisco-based JIB. . . **Lloyd's of London** in June may report 1990 losses of 2.4 billion pounds (\$4.63 billion), according to unofficial market estimates. The unofficial estimates are 800 million pounds (\$1.54 billion) more than the 1.6 billion (\$3.09 billion) 1990 loss estimated by syndicate analyst Chatset Ltd. in January. . . President Clinton is likely to name **Olena Berg**, California's chief deputy treasurer, to head the Labor Department's Office of Pension and Welfare Benefits Administration. The Labor Department would not comment. . . The First Baptist Church of Northville, Mich., has put up its church building to secure an \$810,000 bail bond for **Wade R. Waterman**. Mr. Waterman, a church deacon, was convicted last month of taking \$5 million in illegal loans from American Commercial Liability Insurance Co., a defunct Grand Rapids insurer he owned (BI, Oct. 21, 1991). He is scheduled to be sentenced April 15. . . The California Supreme Court has ordered a state appellate court to hear **Pfizer Inc.**'s argument that 16 out-of-state plaintiffs with heart valves made by its Shiley Inc. unit should be precluded from suing the company in California (BI, Jan. 11). . . Florida Insurance Commissioner Tom Gallagher has ordered **Florida Insurance Guaranty Assn.** Executive Director Jerry Service and nine industry board members to speed up processing of Hurricane Andrew claims filed by policyholders of failed insurers. . . Insurance executive **Charlotte C. Rentz** pleaded not guilty to federal charges that she and her husband, **Alan Teale**, defrauded thousands of policyholders through a network of insurance-related companies. Mr. Teale has been hospitalized with a heart condition and has not yet been arraigned (BI, Jan. 25). . . A former employee of **International Business Machines Corp.** has been charged with stealing IBM computer memory cards worth \$49 million. However, IBM expects to recover all the cards and does not expect to file an insurance claim. . . **Snow, ice, wind and flooding** caused an estimated \$100 million in insured property damage March 4-5 to portions of Delaware, Maryland, New Jersey, New York and Pennsylvania, according to the American Insurance Services Group.

Blumeyer indictment

Continued from page 1

The others charged are W.G. King, president of a St. Louis branch of Royal Banks of Missouri; Marvin Lewis, a Texas attorney; and John W. Peckham Jr., a vp with one of Mr. Blumeyer's companies who handled political lobbying for Mr. Blumeyer.

Mr. Blumeyer was arrested Thursday and released after posting \$250,000 bond secured by his house. He will plead not guilty at an arraignment scheduled for today, said his lawyer, Barry Short of the St. Louis firm of Lewis, Rice & Fingersh.

"He finds the charges totally baseless," Mr. Short said.

Mr. Crump, who was released on \$50,000 bond, will also plead not guilty, said Chris Hogan, his St. Louis lawyer.

"He was shocked to have been indicted," Ms. Hogan said. "He was shocked by the allegations."

The other defendants either were arrested or surrendered to federal authorities. All were released after posting bond. None of the other defendants or their lawyers could be reached.

Mr. Blumeyer currently heads Evergreen Management Services Ltd., which has run into various regulatory problems in its attempts to solicit business for offshore insurers through the American Assn. of Parents & Children, an organization Evergreen manages (BI, March 1).

Several of the offshore insurers Evergreen has used to insure AACP members—including Marigot Casualty Co. Ltd. and Tiberian Insurance Co. Ltd., both domiciled in Anguilla, and Olympian Insurance Co. Ltd. of Antigua—have been barred by regulators in various states.

Last month, the AACP ran ads in *Business Insurance* and other publications to solicit business that had been written by offshore insurers, many of them linked to Alan Teale (BI, March 1). Mr. Blumeyer at the time called the effort a "fact-finding" exercise.

Mr. Teale and his wife were arrested in January on charges that they operated a network of U.S. and offshore insurers that defrauded thousands of policyholders out of millions of dollars (BI, Jan. 25).

The indictment charges that Mr. Blumeyer and the other defendants devised a scheme to use Bel-Aire and several offshore companies, including Marigot, to defraud policyholders of \$43.5 million.

Mr. Blumeyer obtained a Missouri license

for Bel-Aire in 1987 by falsely representing that the insurer had the required \$900,000 in initial capital and surplus, the indictment alleges. In fact, \$500,000 of the total represented a certificate of deposit Mr. Blumeyer bought with a 17-day loan from Royal Banks. He repaid the \$500,000 after Bel-Aire received its license, depleting the insurer's surplus, prosecutors charge.

The other \$400,000 was money loaned by the now-defunct Insurance Corp. of America, a Boca Raton, Fla., insurer headed by Al Johnson, an associate of Mr. Blumeyer's. Bel-Aire repaid the loan with premiums it took in after it started issuing policies, the indictment says.

ICA—unrelated to a Houston insurer of the same name—claimed to be exempt from state regulation under two turn-of-the-century federal court decisions that were later determined to be phony (BI, June 1, 1987).

Between 1987 and 1990, Mr. Blumeyer and other defendants repeatedly falsified Bel-Aire's finances in filings with Missouri regulators, the indictment charges. For example, Bel-Aire reported in a 1988 filing that it had borrowed \$2 million from Atlantic General Insurance Co. of Anguilla and that Atlantic General had agreed to reinsure Bel-Aire.

However, Atlantic General didn't even exist at the time, the indictment alleges: Originally formed in 1987 as "U.S. Reinsurance Co. Ltd.," the insurer did not adopt the name Atlantic General until April 1989.

Mr. Blumeyer controlled U.S. Reinsurance, but concealed his interest by having two others hold his shares, the indictment says.

One of them, Kevin Chapman, later appeared as a director and officer of Tiberian, an AACP insurer barred by California regulators last year (BI, May 4, 1992).

Bel-Aire also claimed in 1989 to hold receivables backed by Arizona real estate worth \$3 million and in 1990 claimed to hold shares in a penny-stock company worth \$1 million. The real estate was actually worth only \$385,000, though, and the stock was worthless, the indictment charges.

Missouri regulators placed Bel-Aire in receivership in June 1990, estimating it to be insolvent by \$6.5 million. By then, it had been used to defraud policyholders of about \$40 million, prosecutors allege.

As regulatory pressures on Bel-Aire increased in late 1989, Mr. Blumeyer is charged with shifting business to a succession of fraudulent offshore companies he controlled.

The first was Atlantic General, for which Mr. Blumeyer, Mr. Peckham, Mr. Lewis and

others produced false 1989 financial statements showing non-existent assets, the indictment alleges. Mr. Blumeyer circulated the statements to brokers, who produced \$3.5 million in premiums for the insurer between October 1989 and October 1990, the indictment says.

Mr. Blumeyer and others created a new Anguilla company, Atlantic General & Specialty Insurance Co. Ltd., in July 1990, and changed its name to Marigot in December of that year.

Mr. Blumeyer and others also prepared false 1990 financial statements for Marigot, reporting assets that were fraudulently created in early 1991 to make the company appear solvent, prosecutors charge.

As part of the alleged conspiracy, Mr. Blumeyer is accused of ordering employees in October 1990 to conceal or destroy documents.

Mr. Crump also is charged with introducing legislation designed specifically to benefit Bel-Aire and slow down regulatory action against Mr. Blumeyer's companies. One of these bills, for example, would have eliminated the position of Mark W. Stahlhuth, the Insurance Department's legal counsel in the Bel-Aire matter. Another bill would have reclassified Bel-Aire as a single-line insurer, cutting its initial capital and surplus requirement in half, the indictment says.

In total, Mr. Blumeyer is charged with 32 counts of conspiracy, wire fraud, mail fraud and money laundering. The charges carry maximum sentences ranging from five years to 20 years each and fines of \$250,000 to \$500,000.

The other defendants are charged with multiple conspiracy and fraud counts carrying maximum jail sentences of five years and fines of \$250,000 apiece.

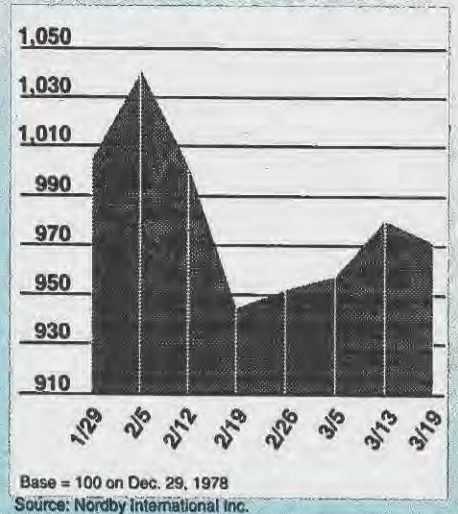
Although the Missouri department took over Bel-Aire in 1990, it still is fighting for a court order that the insurer is insolvent and should be liquidated.

A state judge ordered Bel-Aire into rehabilitation Jan. 14, but amended the order the next day, directing the department to hire an outside consultant to determine whether rehabilitation is feasible, a department spokeswoman said.

The Missouri department's battle with lawyers representing Bel-Aire and five related Blumeyer companies has cost the Bel-Aire estate \$2.4 million so far, including \$1.8 million paid to lawyers representing the Blumeyer companies, the spokeswoman said.

Bel-Aire's remaining assets total \$1.2 million and its liabilities \$7.9 million, she said. **BI**

BI Insurance Index



Insurance industry stocks declined last week, as the *Business Insurance* index fell 7.9 points to 971.9 on March 19 from 979.8 on March 12. Advancing issues for the week were led by Kemper Corp., up 32.8%; USF&G Corp., up 24.8%; and Zenith National Insurance, up 11.6%. Declining issues for the week followed U.S. Healthcare, down 13.9%; Sierra Health Services, down 13.4%; and United Healthcare Corp., down 9.0%. The most active issue was U.S. Healthcare, 7.7 million shares traded. The BI index was down 0.9%; the NYSE Composite was up 0.01%; the Standard & Poor's 500 was up 0.1%; and the Dow Jones 30 Industrials rose 1.3%.

British Issues

March 18 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comm Union	611	N/M	32.5	5.3	619	607
Geni Accident	591	N/M	35.7	6.0	591	582
Gdn Royal Exch	183	N/M	9.3	5.1	184	183
Royal	318	N/M	6.7	2.1	318	305
Sun Alliance	361	N/M	19.0	5.3	361	350
Brokers						
Bradstock	141	16.6	6.8	4.8	141	140
CE Heath	359	20.8	21.3	5.9	359	358
Hogg Group	188	17.9	10.9	5.8	188	185
JIB Group	194	19.2	10.0	5.1	194	184
Lloyd Thompson	294	23.7	7.5	2.6	294	294
Lowndes Lambert	345	13.6	16.8	4.9	347	345
PWS Holdings	66	9.9	5.3	8.0	66	66
Sedgwick Grp	178	21.4	8.0	4.5	182	175
Steel Brit Jones	246	12.0	17.7	7.2	246	246
Willis Coroon	203	19.0	8.8	4.3	208	200

BI Industry Stock Report

MARCH 15, 1993 THROUGH MARCH 19, 1993

BROKERS											CONGLOMERATES & HOLDING COMPANIES											INSURERS/REINSURERS											HEALTH MAINTENANCE ORGANIZATIONS																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value																																																																																																																																																																																																																																																																																																																																																																																																																																																
Accordia Inc.	NYS	24.00	-2.04	11.63	24.75	15.13	135	0.36	1.50	16	7.01	3.42	Mutual Risk Mgmt. Ltd.	NYS	38.25	-1.92	-5.56	46.00	25.75	59	0.28	0.73	22	7.51	5.09	NAC Re Corp.	OTC	41.00	-1.80	1.23	44.75	21.75	198	0.16	0.39	72	13.60	3.01	National Re Corp.	NYS	34.63	-3.48	16.88	39.00	17.00	64	0.12	0.35	19	N/A	N/A	Navigator's Group	OTC	34.50	3.76	6.15	47.00	28.50	125	0.00	0.00	27	15.69	2.20	Nobel Insurance LTD.	OTC	7.88	5.00	34.04	8.25	4.25	290	0.00	0.00	5	3.91	2.01	NWNL Companies	NYS	64.75	2.17	27.27	64.75	31.13	258	1.48	2.29	16	46.21	1.40	Ohio Casualty Corp.	OTC	68.00	1.49	7.72	68.75	49.00	112	2.84	4.18	12	43.08	1.58	Old Republic Int'l	NYS	25.63	0.49	3.02	27.38	18.75	659	0.40	1.56	8	18.63	1.38	Orion Capital Corp.	NYS	45.63	3.40	28.98	45.63	23.19	102	0.80	1.75	10	28.62	1.59	Phoenix RE Corp.	OTC	25.63	-1.44	62.70	27.00	8.88	477	0.20	0.78	-39	13.32	1.92	Provident Life	NYS	28.00	0.00	-1.75	31.50	20.00	114	1.04	3.71	11	30.38	0.92	Re Capital Corp.	ASE	14.88	0.00	-9.85	16.63	12.25	81	0.24	1.61	71	16.88	0.88	Reliance Group Holdings	NYS	7.00	1.82	14.29	7.13	4.13	1017	0.32	4.57	3	2.94	2.38	RLI Corp.	NYS	27.38	0.92	10.61	28.63	17.75	5	0.52	1.90	12	17.92	1.53	St. Paul Companies	NYS	80.63	0.78	4.71	83.25	65.50	480	2.80	3.47	-14	59.79	1.35	SAFECO Corp.	OTC	63.38	1.81	11.67	65.63	42.00	636	1.64	2.59	15	35.37	1.79	SCOR U.S. Corp.	NYS	20.25	-1.22	15.71	20.75	13.13	28	0.32	1.58	84	14.39	1.41	Seibels Bruce Corp.	OTC	1.31	-4.51	-29.97	6.13	0.38	147	0.00	0.00	0	6.22	0.21	Selective Ins. Group	OTC	25.25	1.00	14.77	25.75	16.75	82	1.12	4.44	12	20.22	1.25	Statesman Group Inc.	OTC	16.13	-1.53	34.38	16.50	5.00	424	0.05	0.31	9	6.71	2.40	Tokio Marine & Fire	OTC	53.25	10.94	10.94	53.25	32.25	171	0.00	0.00	107	70.93	0.75	Torchmark Corp.	NYS	61.00	1.46	7.49	64.75	36.00	454	1.04	1.70	17	14.87	4.10	Transamerica	NYS	50.00	1.78	4.17	51.00	40.00	1162	2.00	4.00	12	35.86	1.39	Transatlantic Holdings	NYS	51.88	0.24	-7.57	56.75	29.38	124	0.28	0.54	17	21.85	2.37	Travelers Corp.	NYS	28.50	4.11	4.59	30.75	17.13	1081	1.60	5.61	-4	43.85	0.65	Trenwick Group Inc.	OTC	46.00	-5.64	12.88	49.25	25.00	189	0.80	1.74	18	23.87	1.93	United Fire & Casualty	OTC	38.00	0.66	-8.43	43.00	36.34	2	1.00	2.63	109	28.47	1.33	Unifair	OTC	42.25	-1.17	-1.17	44.00	32.75	299	1.20	2.84	13	36.51	1.16	UNUM Corp.	NYS	56.38	-0.44	6.37	58.00	32.00	618	0.64	1.14	15	21.83	2.58	US Facilities Corp.	OTC	9.25	10.45	-7.50	17.00	6.50	787	0.00	0.00	12	9.64	0.96	USF&G Corp.	NYS	17.00	24.77	37.37	17.00	8.00	4331	0.20	1.18	-100	10.29	1.65	USLICO Corp.	NYS	16.00	-3.03	-11.11	20.00	15.00	53	0.24	1.50	-5	29.80	0.54	USLIFF Corp.	NYS	38.88	0.00	7.24	42.63	28.41	284	1.20	3.09	13	64.90	0.60	Washington National	NYS	27.50	-1.35	19.57	28.00	16.88	61	1.08	3.93	16	30.27	0.91	Zenith National Ins.	NYS	28.88	11.59	46.20	28.88	15.50	170	1.00	3.46	30	14.81	1.95	INSURERS/REINSURERS AVERAGE		1.9	9.0	2.3	20.0	HEALTH MAINTENANCE ORGANIZATIONS AVERAGE		-0.8	4.2	2.0	19



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