

Business Insurance

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

Entire contents copyright 1998 by Crain Communications Inc. All rights reserved.

Labor Department argues against court's OSHA program jurisdiction

WASHINGTON—The U.S. Labor Department has told a federal court that the court has no jurisdiction over the Occupational Safety and Health Administration's interim inspection program, which employer groups are trying to block.

In a brief filed with the U.S. Court of Appeals for the District of Columbia March 13, the Labor Department argued that the court does not have the power to review "administrative efforts," such as the interim plan.

The interim plan was unveiled after the
See Updates on next page

PBGC's surplus soars

Agency's surplus quadruples, but premium cuts called premature

By JERRY GEISEL

WASHINGTON—Buoyed by robust investment returns, a strong economy and no terminations of big, underfunded pension plans, the Pension Benefit Guaranty Corp.'s surplus in 1997 quadrupled.

The PBGC's surplus—the difference between assets it holds and benefits it must pay to participants in failed corporate pension plans the agency has taken over—leaped to \$3.48 billion last year, up from \$869 million, according to the PBGC's new annual report, which is expected to be released today.

"We have been able to take advantage of nearly unprecedented prosperity to build a cushion," said PBGC Executive Director David Strauss.

Despite the big surplus, agency officials say it is too soon to consider reducing the insurance premiums that employers pay the PBGC. Last year, after the agency announced its first surplus in more than 20 years, the ERISA Industry Committee, a benefits lobbying group that represents large employers, called for premiums to be cut.

"If you look at only the last two years, you would have a snapshot based on perfect conditions," Mr. Strauss said. A much-longer period of time and experience is needed to decide whether the premium should be lowered, he added.

Still, the announcement of the agency's surplus—far larger than what many pension experts had been ex-

pecting—is the most dramatic evidence of the agency's recovery from financial straits so dire that some thought only a taxpayer-funded bailout could save it from insolvency.

Throughout the early 1990s, the PBGC's deficit mounted as the agency absorbed the losses from its takeovers of massively underfunded pension plans sponsored by such failed companies as Pan American World Airways and Eastern Airlines Inc.

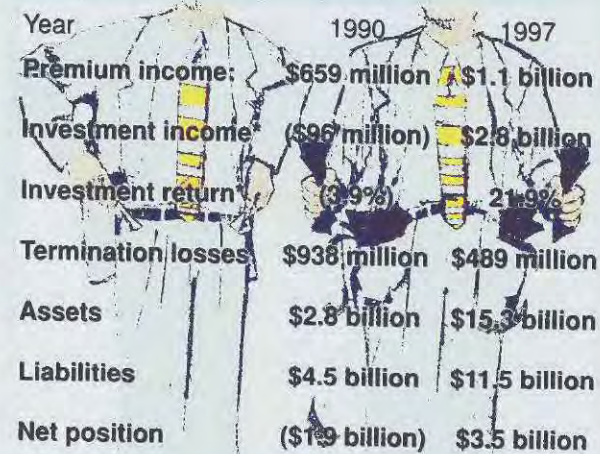
By 1993, the deficit in the PBGC's single-employer insurance program peaked at \$2.9 billion. Since then, aided mostly by a strong economy, the PBGC's deficit has steadily dwindled.

In 1996, the PBGC recorded an \$869 million surplus, the first since Con-

See PBGC on page 10

PBGC bounces back

For single-employer insurance program



*for single-employer and multiemployer programs
Source: Pension Benefit Guaranty Corp.

GRAPHIC BY ADAM DOI

NAIC, New York spar over change in Lloyd's funds, trust governance

By MEG FLETCHER

SALT LAKE CITY—Lloyd's of London remains in the middle of a tug-of-war between New York and other states over a proposal to ease the market's U.S. security requirements.

There is a "huge regulatory controversy" now roiling among several members of the National Assn. of Insurance Commissioners, according to Jim Brown, commissioner of Louisiana and chairman of the NAIC's Surplus Lines Task Force.

The controversy surrounds negotiations over a proposal that would require Lloyd's to adopt an NAIC-approved standard trust agreement making the NAIC's International Insurance Department the trust funds' ultimate overseer, rather than the New York Insurance Department. In exchange for this and other requirements, Lloyd's would be able to reduce the size of the funds, as New York first proposed in December (BI, Dec. 15, 1997).

Although about 20 states support the NAIC's proposal, New York regulators have expressed concern about their ability to relinquish oversight of Lloyd's security to a non-governmental entity.

After the NAIC's quarterly meeting in Salt Lake City last week, Mr. Brown said of negotiations on the proposed change, "All we are doing is beefing up accountability, responsibility and oversight."

Policyholders, he noted, would continue to be well-protected under the proposed changes.

See Lloyd's on page 25

Lloyd's access seen as key to EXEL's Mid Ocean deal

By GAVIN SOUTER

HAMILTON, Bermuda—EXEL Ltd. will become a major force in Lloyd's of London with the \$2.2 billion purchase of Mid Ocean Reinsurance Co. Ltd.

EXEL also will pick up a substantial book of property catastrophe reinsurance and other business through the purchase, though it is Mid Ocean's holding in Lloyd's that is the jewel in the deal, analysts say.

In 1995, Mid Ocean invested in The Brockbank Group P.L.C., a major Lloyd's managing agency, and in 1997 it bought the 49% of the agency it did not already own.

Mid Ocean's ownership of Brockbank is particularly at-

tractive to EXEL, said Peter Wade, vp at Lehman Brothers Inc. in New York.

"One respect where Mid Ocean has always been smart is that it has always been first," he said.

Mid Ocean was the first property catastrophe reinsurer to set up in Bermuda following the capacity crunch in 1992, and it was one of the first outside corporate investors in Lloyd's, which enabled it to buy one of the best syndicate groups, Mr. Wade said.

The purchase of Mid Ocean will give EXEL a high-quality company without any past liability problems, as well as access to the Lloyd's market, said Alice

See EXEL on page 11

EXEL accelerates growth

The purchase of Mid Ocean Ltd. brings greater diversification to EXEL Ltd.

Gross premium volume	\$1.11 billion*
Assets	> \$9.1 billion
Market capitalization	> \$8 billion
Shareholders equity	\$4.8 billion

Combined lines of business: General liability; directors and officers liability; professional liability; employment practices liability; foreign exchange protection; property; property catastrophe; property risk excess; pro rata property; marine and energy; automobile, aviation and satellite; political risk; war.

Offices in Bermuda, Dublin, London, Munich, Singapore, Sydney.

* Reflects adjustments for multiyear premiums
Source: EXEL Ltd. and Mid Ocean Ltd.

GRAPHIC BY ADAM DOI

Still a buyers' market

Despite near end to 'honeymoon,' rates won't rise, analysts say

By JUDY GREENWALD

Risk managers need not worry about a return to higher prices this year and perhaps for the foreseeable future.

After a year of strong earnings bolstered by relatively low catastrophe losses, insurers are not particularly inclined to raise rates, observers say.

The 20 insurers surveyed by *Business Insurance* who report this data, for instance, reported a 46% boost in net income for 1997, to \$13.31 billion.

However, some observers see signs



1997

trophe-free as 1997.

"It would certainly seem that the cracks in the pavement are starting to proliferate and widen," said Ronald Frank, an analyst with Smith Barney Shearson in New York.

"The honeymoon, if you will, that the industry's enjoyed despite severe

price pressure for a number of years is coming to an end," Mr. Frank said.

But while the industry's fundamentals may be deteriorating, "so what?" asked Barbara Stewart of Stewart Economics in Atlanta. "The industry is not in a precarious position."

"Companies have more capital than they know what to do with," Ms. Stewart said, "and it could withstand quite a bit of adversity for quite a while. So, from a buyer's standpoint, I sure wouldn't even dream of thinking there'd be any

See Results on page 24

TO SUBSCRIBE CALL

1-800-678-9595

Updates

Labor Department wants court out

Continued from previous page

appeals court blocked implementation of OSHA's Cooperative Compliance Plan, which some employer groups, including the U.S. Chamber of Commerce and the National Assn. of Manufacturers, charged was coercive and unconstitutional (BI, Feb. 23).

The CCP targeted employers with the highest workplace accident frequency rates and would have given them the choice of carrying out a series of prescribed actions, including drafting formal health and safety plans, in exchange for a moratorium on penalties. Those that refused to participate would have faced wall-to-wall inspections and penalties. The appeals court stayed implementation of the plan last month.

The interim plan targets far fewer work sites and grants no immunity from inspections.

Meanwhile, the House of Representatives approved two modest OSHA reform bills by voice vote last week. One bill would give states \$50 million to expand onsite workplace consultation and training programs. The other specifically forbids the use of penalties or citations issued as a means of measuring OSHA employees' performance. Both measures have the support of the White House, but no Senate action has been scheduled.

Cendant negotiating with ABIG

NEW YORK—Cendant Corp. last week was negotiating a takeover of American Bankers Insurance Group as rival bidder American International Group Inc. agreed temporarily to step out of Cendant's way.

AIG earlier had agreed to waive a provision of its own December 1997 merger deal with American Bankers that barred the Miami-based credit insurer from entering sale talks with anyone else before May 20. AIG gave Cendant and American Bankers until 2 p.m. today to work out a deal.

If American Bankers accepts Cendant's latest offer of \$67 a share, or \$3.1 billion, AIG in return will collect a \$100 million termination fee plus \$10 million to cover merger-related expenses.

Cendant upped its bid last Monday after AIG matched Cendant's previous offer of \$58 a share, or \$2.7 billion. AIG had originally offered \$47 a share, or \$2.2 billion, but Cendant emerged with an unsolicited tender offer, triggering a bitter round of charges and countercharges between the two rivals (BI, March 9; Jan 5). Meanwhile, the Florida Insurance Department last week adjourned further hearings on AIG's and Cendant's opposing applications to acquire American Bankers.

B.A.T denies rumors on deal

LONDON—B.A.T Industries P.L.C. has denied rumors that its Eagle Star Reinsurance Co. Ltd. subsidiary will not be included in the planned merger of B.A.T's financial services unit with Swiss insurer Zurich Insurance Co.

Last year, London-based B.A.T and Zurich announced plans to merge B.A.T's insurance and financial services operations with Zurich's insurance, reinsurance and fund management units to create a new Zurich, Switzerland-based entity called Zurich Financial Services Group (BI, Oct. 20, 1997). Zurich shareholders will own 55% of ZF Group, and B.A.T will hold 45%. ZF group will pay B.A.T £500 million (\$833.5 million) in cash and assume £800 million (\$1.33 billion) of debt for the BAFS operation. The ZF Group is not expected to conduct business as a consolidated entity before late 1998.

London newspaper reports last week speculated that London-based Eagle Star Reinsurance Co. Ltd., part of the Eagle Star Insurance Co. Ltd. fully owned by B.A.T, will not be included in the ZF Group.

The speculation that Eagle Star Re will not be included in the merger is "nonsense," said Ralph Edmunson, B.A.T investor relations manager. "All our financial services are being included in the merger," he said.

Mr. Edmunson said B.A.T and Zurich are "going through the process" of integrating the various businesses included in the merger. He said the extent to which complementary individual business units, such as Eagle Star Re and Zurich Re will be merged "is not yet clear."

B.A.T and Zurich will publish a detailed integration plan May 18. A Zurich spokesman said the company could not make any statement on the merger until the release of the plan.

Meanwhile, Standard & Poor's Corp. has placed Zurich's AA+ rating on CreditWatch with negative implications. S&P said the possibility that Zurich's rating could be lowered reflects S&P's view that aspects of Zurich's rating profile could be "somewhat diluted" by the merger with businesses with lower ratings. "Furthermore, integration of the enlarged group will be challenging and will place significant demands on group management's resources."

S&P said Zurich's rating is unlikely to be lowered below AA.

Tobacco makers prevail in suit

MUNCIE, Ind.—Tobacco makers are not liable for the 1991 death of an Indiana woman whose husband claimed in a lawsuit that secondhand smoke caused her lung cancer, a state court jury has ruled.

Last week's verdict ended a six-week trial in the suit filed by the widow of Mildred Wiley, a nurse for 18 years in a Veterans Administration hospital. The suit alleged her death at 56 was from lung cancer caused by her exposure to secondhand smoke at the hospital.

During the trial, cigarette companies argued, among other things, that secondhand smoke does not cause lung cancer.

Meanwhile, San Francisco and 12 California counties are continuing in their suit against cigarette makers after a federal court judge earlier this month denied a tobacco industry motion to dismiss the suit. The plaintiffs are seeking recovery of medical costs related to caring for indigent smokers and public employees with smoking-related illnesses.

The California ruling is the first to allow a local government to proceed in federal court against the industry.

See Updates on page 26

Aetna's strategy called sound

But smooth integration of NYLCare important, analysts say

By JUDY GREENWALD

HARTFORD, Conn.—Aetna Inc.'s deal to buy NYLCare Health Plans Inc., the health care unit of New York Life Insurance Co., could be a good strategic move if the integration of the company is smooth, analysts say.

As widely expected, Aetna said last week it has reached a definitive agreement to buy NYLCare for \$1.05 billion. Up to another \$300 million in payments may be made beginning in the year 2000 if predetermined earnings and mem-

bership objectives are achieved.

The transaction, which will be financed with fixed-income securities, is expected to be completed in the third quarter. The deal is subject to approval by federal antitrust officials and state regulators.

Richard L. Huber, Aetna's chairman and chief executive officer, said in a statement that the deal is expected to begin to add to earnings about a year from closing, resulting in about \$45 million to \$55 million after-tax in cuts in operating expenses beginning

then. Aetna U.S. Healthcare reported \$12.76 billion in 1997 revenues and \$383.9 million in operating earnings.

The acquisition would add 2.2 million participants to Aetna U.S. Healthcare's membership base—increasing its total to 15.9 million including 6.2 million health maintenance organization members.

Included in the deal is NYLCare's HMO, point-of-service, preferred provider organization and indemnity health care lines, as well as its group life and dis-

See Aetna on page 12

Senior risk managers earn \$103,000 on average: Study

By MICHAEL BRADFORD

NEW YORK—If you are working 47 hours a week, supervising eight employees and earning \$103,000 in a senior risk management position, you're not only busy.

You're average.

That's according to the Risk & Insurance Management Society Inc.'s recently completed second biennial RIMS Compensation and Benefits Survey.

Due for release around April 1, the survey is designed to allow organizations to compare compensation and benefits for risk management and employee benefits



positions.

RIMS mailed 4,200 survey questionnaires and received 930 responses. Of those, 863 were from U.S. organizations and 67 from Canada.

The survey lets risk and benefit managers "see how they stack up against the averages," said John

Stolze, risk manager at Ackerman Family Properties in New York and chairman of RIMS' research committee. "Then you can do a little soul-searching. If you're not hitting the mark in certain areas, why not? Is it reflective of you, or your organization?"

The study shows benefit managers earn an average \$58,000 per year, with claims managers paid \$55,000 and risk management analysts \$41,500.

Because of changes in how risk managers are categorized in the survey, it is difficult to compare a senior risk manager's salary with the average \$116,096 in cash

See Salary on page 6

Consultant details EMLICO work

Liquidator responding to court order

By DOUGLAS McLEOD

BOSTON—The Boston office of Coopers & Lybrand L.L.P. did hundreds of hours of work for Electric Mutual Liability Insurance Co. before the insurer moved to Bermuda and named three Coopers & Lybrand partners as its joint liquidators.

In a March 13 affidavit filed in response to a federal judge's order, joint liquidators David E.W. Lines, Peter C.B. Mitchell and Christopher J. Hughes report that C&L's Boston office collected about \$446,000 from EMLICO for work that included "advice on the restructuring and ownership" of EMLICO and its former affiliate Electric Insurance Co.

Mr. Lines and Mr. Mitchell, C&L Bermuda partners, themselves had "limited" discussions

with EMLICO and sole policyholder General Electric Co. before the 1995 redomestication, the affidavit says. These talks included how a potential "solvent runoff" of EMLICO might operate and details of Bermuda's insolvency law, the affidavit says.

Months later, C&L's Bermuda office billed \$7,687.50 for the time after Mr. Lines and Mr. Mitchell were appointed joint provisional liquidators in October 1995, the affidavit says.

Messrs. Lines, Mitchell and Hughes—who is based in London—said they had no role in the work done by C&L's Boston office, and their affidavit does not specify whether that work included advice on an eventual liquidation of EMLICO.

A C&L spokesman said the *See EMLICO on page 6*

Captive manager listings

Business Insurance will publish its annual Directory of Captive Managers in the April 27 issue.

The directory is published as an editorial service, and there is no charge to be included. Companies simply must submit a completed questionnaire by the extended deadline of March 27.

If your company provides captive insurance management services, manages an alternative risk financing facility or offers rent-a-captives and has not yet received a questionnaire, please request one by calling Assistant Directory Editor Matt Scroggins at 312-649-5483.

The Directory of Alternative Risk Financing Facilities will appear in the June 8 issue.

Inside

• Despite the PBGC's good financial news, it's too early to reduce premiums, this week's editorial says. **PAGE 8**

• A power company has offered to compensate businesses hurt by a power outage in New Zealand if the businesses promise not to sue later. **PAGE 21**

• Marine underwriters are admonished to provide more services and professionalism or risk losing business. **PAGE 21**

Departments

Advertiser Index.....23
 Books & Ideas.....18
 Classifieds.....22
 Coming & Goings: Buyers.....20

Commentary.....25
 Datebook.....20
 Insurance Services Guide.....20
 International.....21
 Legal Briefs.....18
 Opinions.....8
 Perspectives.....17
 Ticker.....27

Business Insurance (ISSN 0007-6864) Vol. 32, No. 12, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. PCSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$87 a year in U.S. \$105 in Canada and Mexico (includes GST). All other countries \$205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1998 by Crain Communications Inc.

Bank balances Year 2000 risk

By JOANNE WOJCIK

LOS ANGELES—Having started its Year 2000 conversion program more than two years ago, Home Savings of America is poised to enter the next millennium without its computers crashing.

"We believe we're in the top percentile of financial institutions with Year 2000 conversion projects," boasted Janna S. Kelley, vp and corporate insurance manager for Irwindale, Calif.-based Home Savings.

However, Home Savings is finding that it must do more than ensure only that its own system will be ready when the clock ticks down on the 20th Century.

"We're testing all of our vendors' software, regardless of the vendors' claims that they will be compliant," said Shareen Smith, senior vp at Home Savings. "Some of the vendors who claimed they were Year 2000 compliant weren't."

Fortunately, because these discoveries were made early, it will

be possible for the bank's vendors to upgrade their computer systems, Ms. Smith said.

Ms. Kelley and Ms. Smith outlined the objectives of Home Savings' "Project 2000" during last week's monthly meeting of the Los Angeles Chapter of the Risk & Insurance Management Society Inc.

Home Savings will continue its conversion program despite last Wednesday's announcement that Seattle-based Washington Mutual Inc. will acquire the bank's parent, H.F. Ahmanson Co., according to Ms. Smith.

Home Savings' Year 2000 conversion project was launched in January 1996, one year after the bank began a corporate awareness program to encourage employees throughout the institution to come forward if they suspected any potential system problems.

The project is being conducted in five phases in addition to the awareness program, which accounted for 3% of the conversion effort's budget. The other phases are:

- Assessment, which accounts for 10% of the budget.
- Modification, which accounts for 15%.

See Year 2000 on page 27



Work, life and benefits

Employees like work/life programs but many don't use them: Poll

By AMANDA MILLIGAN

While employees say work/life benefits are as important as health care benefits, only about half of workers use them when they are available, a new survey shows.

Many employees are reluctant to use the benefits for fear of hurting their careers, according to the survey, conducted by The Gallup Organization and sponsored by Intracorp.

Ninety-six percent of those employees surveyed said their companies offer at least one work/life benefit and slightly more than half said they worked for companies that offer four or more

work/life benefits. Nearly half of those responding had used none of these benefits in the 12 months prior to completing the survey.

The survey indicates that employees who do believe their immediate supervisors encourage the use of work/life benefits are significantly more satisfied with their jobs. Seventy-three percent of all surveyed employees said they were both encouraged by management to use work/life benefits and felt satisfied with their jobs. Of the workers who said their supervisors did not encourage use of the benefits, 48% said they still were satisfied with their jobs.

See Work/life on page 19



Merger costs erode JLT's profits by 37%

LONDON—Consolidation expenses depressed 1997 profits for Jardine Lloyd Thompson Group P.L.C., while the London broker's gross revenues were down only slightly compared with 1996.

JLT, which last year ranked as the world's sixth-largest broker, says it is confident in its future.

As part of the process of integrating JIB Group P.L.C. and Lloyd Thompson Group P.L.C., JLT is changing its reporting date to Dec. 31, so that all 12-month results to the end of 1997 have been calculated on a pro forma basis. Before the February 1997 merger, JIB reported at year end while Lloyd Thompson issued its results June 30.

The pro forma figures show JLT's operating profit up 1.5% to £46.1 million (\$75.5 million), while gross revenues were down 1.9% to £245.8 million (\$402.7 million).

However, charges for exceptional items, including merger-related costs, took £29.8 million (\$48.8 million) off JLT's bottom line, resulting in profits of £16.2 million (\$26.5 million), down 44% from the previous year's profits.

The effect of the merger on earnings was slightly tempered by the addition of profits from associated undertakings, companies in which it holds minority stakes, resulting in an overall 37.2% decline in net income, to £20.7 million (\$33.9 million).

For the 18 months ending Dec. 31, 1997, JLT had gross revenues of £367.6 million (\$602.2 million) and profits, including contributions from associated companies, of £42.3 million (\$69.3 million).

Using the pro forma figures, JLT's revenues from its European operations decreased 4.3% to £128.5 million (\$210.5 million),

while Asia Pacific offices registered a fall of 0.5% to £48 million (\$78.6 million). In contrast, operations in the Americas saw revenues jump 8.5% to £49.4 million (\$80.9 million).

Only JLT's European operations saw profits fall, reporting a 78.5% drop to £4 million (\$6.6 million), again mainly reflecting the exceptional charge for the consolidation expenses. Profits for the Asia Pacific operations rose 13.8% to £9.5 million (\$15.6 million), and the Americas reported a 13% increase in profits to £8.7 million (\$14.3 million).

In a statement, JLT Chairman John Barton said the merger had been a success, "clearly showing potential for the future." In addition, the results had been achieved "against a background of extremely difficult market conditions" and adverse exchange rates, he stated.

Merging JIB and Lloyd Thompson cost £26.3 million (\$43.1 million). Of this, £15.9 million (\$26 million) relates to transaction and reorganizations costs, and the balance is the writeoff for surplus property. An additional £3.5 million (\$5.7 million) in exceptional items relates to other property JLT no longer needs.

During 1997, JLT increased a number of its shareholdings. It bought all the shares it didn't own in the Triangle Group in Bermuda and majority stakes in Financial Solutions Ltd. in Bermuda and JLT Financial Solutions AB in Sweden.

Other acquisitions included the outstanding shares of Traveltest, a protection and indemnity company, London broker Colburn, French & Kneen Ltd., and Singapore-based Jardine Thompson Graham (Asia) Ltd.

—By Sarah Goddard

Network diagnoses payer pitfalls in experimental cancer treatment

By ROBERT KAZEL

FORT LAUDERDALE, Fla.—When an employee is diagnosed with cancer, that may be only the first of several shocks.

A second jolt may be a doctor's somber declaration that there is no known, traditional cure, or that the disease has progressed so far that standard remedies are unlikely to have much effect.

The third shock may be caused by a letter from the employee's health maintenance organization, stating that because of the experimental nature of the patient's proposed participation in a clinical trial, the HMO declines to re-

imburse any expenses.

The controversial topic of the managed care industry's denial of coverage to cancer patients who want to participate in clinical trials was the subject of a



roundtable discussion of 12 doctors, lawyers, public officials and researchers this month in Fort Lauderdale, Fla., at the March 2-4 meeting of the National Comprehensive Cancer Network, a federation of 16 leading hospitals

that have united for marketing purposes and to create common treatment guidelines for various cancers (BI, March 16).

For self-insured employers, the decision to fund an employee's experimental treatment—sometimes against the advice of an HMO—is not a black-or-white issue and must be predicated on whether the research institution has some data to back up its approach, William T. McGivney, chief executive officer of the NCCN, said after the panel.

The current U.S. health system does a poor job of funneling potential candidates into clinical tri-

See NCCN on page 6

Generali to let NAIC review archives in Holocaust probe

SALT LAKE CITY—State insurance regulators are making progress in their efforts to aid Holocaust survivors and heirs seeking unpaid insurance policy proceeds.

Last week, Trieste, Italy-based Assicurazioni Generali S.p.A. agreed to open its records to U.S. examiners investigating allegations that Holocaust survivors and heirs were denied insurance benefits.

The company agreed in a letter to "unlimited access to inspect and review World War II-era policy records in our archives."

"This is a huge first step for U.S. Holocaust survivors, who have been pursuing justice unsuccessfully for many years,"

said Commissioner Deborah Senn, Washington state's insurance commissioner and chair of the 25-state Holocaust Insurance Issues Working Group for the National Assn. of Insurance Commissioners.

However, she cautioned she wants to make sure that the invitation means full access, "not just being shown how the records are kept."

Tentative plans call for representatives of about seven states to visit the insurer's office in Trieste. They are also considering meeting with regulators from Italy, Germany and Switzerland on the same trip.

Ms. Senn also announced last week that the Winterthur Insurance Co., a part of the Credit

Suisse Group, also has agreed to cooperate with the NAIC's inquiry, though no additional details are available.

The NAIC's Holocaust working group was established in September last year, after the NAIC heard compelling testimony about unpaid insurance benefits, usually for life policies or "dowry-type" annuities.

Since then, individual commissioners have held several public hearings around the U.S. and began seeking claimant data for a proposed national database. Regulators concerned about claims handling also have drafted a handbook and established a subgroup to review procedures.

—By Meg Fletcher

Defined benefit plan in UPS pact

Pension increases also in tentative Caterpillar-UAW deal

ATLANTA—United Parcel Service of America Inc. and the Independent Pilots Assn. ratified a new long-term contract last week that calls for the creation of a new defined benefit pension plan for approximately 2,100 union pilots at UPS.

The new defined benefit pension plan will be offered in addition to the pilots' existing defined contribution plan, according to a spokesman for UPS Airlines, a wholly owned subsidiary of UPS. The existing plan is a money purchase plan with a 401(k) feature.

The new contract also provides the UPS pilots a cumulative 27%

pay increase through the year 2003 and retroactive to Jan. 1, 1996.

Also last week, Peoria, Ill.-based Caterpillar Inc. reached a tentative contract agreement with the United Auto Workers under which pension benefits will increase for the roughly 12,000 UAW-represented members.

UAW members were expected to vote on the new Caterpillar contract proposal over the weekend.

A Caterpillar spokeswoman declined to elaborate on the pension increases until the contract is ratified.

UAW members rejected a tentative labor agreement last month, prolonging one of the longest labor disputes in the United States. Caterpillar has operated without a contract with the union since late 1991.

Under the new proposed contract, Caterpillar said it will rehire all union employees terminated as a result of the labor dispute.

"We concluded that it was in the best interest of all employees to take this final step to get this dispute behind us and move forward," Caterpillar Vp Wayne M. Zimmerman said in a statement.

—By Sally Roberts

Business Insurance promotes O'Brien, hires Akins and Nick

Business Insurance has made several changes to its staff in editorial, promotions and sales departments.



Ms. O'Brien

Barbara O'Brien was promoted to promotion manager in New York, while Steve Akins joined as national sales manager in New York and

Mary B. Nick joined as a copy editor in Chicago.

Ms. O'Brien, 35, is responsible for BI's annual Employee Benefits Communication Awards competition and coordinates trade show activities and promotions and marketing projects. She joined BI in 1987 as an assistant in the communications services department, was promoted to special projects coordinator in 1990 and promoted to her most recent position as promotion coordinator in 1995.

Ms. O'Brien holds a bachelor of arts degree in television and radio from Brooklyn College in Brooklyn, N.Y.

She can be reached in New York at 212-210-0780.

Mr. Akins, 36, is responsible for managing the BI sales staff.

He most recently served as national sales manager for Contemporary Long Term Care magazine, published by Bill Communications Inc. in New York. Prior to that, he served as corporate infobase



Mr. Akins

manager, developing a corporate reprint service and editorial databases for several Bill publications.

Mr. Akins also has worked at Sosland Publishing Co. as a territory sales manager in Kansas City, Mo., and as an account executive for Marketing Communications Inc. in Kansas City. His career began at Intertec Publishing Corp. of Kansas City, where he was a list manager and list broker.

Mr. Akins holds a bachelor of science degree in journalism from the University of Kansas in Lawrence.

He can be reached in New York at 212-210-0133.

Ms. Nick, 39, joins the copy desk after working as a freelance reporter and editor in 1997 and 1998.



Ms. Nick

Prior to that, she was a reporter and analyst with Morningstar Inc. in Chicago. She also has served as a copy editor for In These Times and for the law firm Mayer, Brown & Platt in Chicago.

Ms. Nick also taught English as a second language at Nihon University College of International Relations in Mishima, Japan, and worked as a videographer at Parkland Community College in Champaign, Ill.

Ms. Nick holds a bachelor of arts degree in humanities from the University of Illinois at Urbana and a master of science degree in journalism from Columbia University's Graduate School of Journalism in New York.

She can be reached in Chicago at 312-649-5262. **BI**

Frontier
IS
specialty insurance

Call us and let us describe the unusual risks we underwrite and how we can write a specialty program for you.

call

Donna Braunstein @ 800-836-2100, ext. 5178

Art Hussey @ 800-836-2100, ext. 5133

Laura Wolfe @ 800-836-2100, ext. 5158

Frontier Insurance Group, Inc. • Rock Hill, NY • 12775 • 800-836-2100 • www.frontierins.com • NYSE-FTR



A single drop of water.

POOLED IN A RESERVOIR. THEN FORMING
THOUSANDS OF GALLONS THAT ARE TIED TO
A NETWORK OF PRESSURIZED PIPES AND HEAT-
ACTIVATED SPRINKLERS. A FIRE PROTECTION
SYSTEM DESIGNED PRECISELY TO A BUILDING'S
SPECIFICATIONS. HELPING TO QUALIFY A
COMPANY FOR THE ADVANTAGES OF HIGHLY
PROTECTED RISK COVERAGE. ONLY FROM
A BUSINESS INSURANCE EXPERT, WAUSAU.

The business insurance experts.



NCCN

Continued from page 3

als, with only about 2% to 3% of cancer patients in clinical trials during any given year, said Dr. Robert Young, president of Fox Chase Cancer Center in Philadelphia and chairman of the NCCN.

"One of the things that is frustrating if you step back is that half of the patients with cancer in this country will ultimately die of their cancer," Dr. Young said. "That said, we ought to have a societal system in which there are incentives on the part of physicians and patients and reimbursement systems and employers" to inquire about experimental therapy.

Instead, patients and physicians have too little knowledge about the potential of these treatments, he said.

"We have a system in which there are any number of obstacles placed in front of all the participants if they

wish to enter into an evaluation of promising therapies," he said. "There are no such obstacles to overcome if you want to get...therapy that you already know won't work."

"That doesn't make any sense to me," Dr. Young said "and I think instead of fighting around the edges, we should sit down and say, 'How do we get this done?'"

An example of a clinical trial that should be reimbursed "with enthusiasm" by HMCs would be treatment for pancreatic cancer, because no standard, effective treatment currently is available, he said.

The NCCN's Mr. McGivney, who formerly helped approve bone marrow transplants while working at Aetna Health Plans, said employers generally feel safer paying for clinical trials programs at large, respected medical centers.

"The issue for employers is, 'Which clinical trials do we want to (reimburse)'" he said.

"Managed care and employers want to pay for clinical trials at big institutions," he said. "They're tired of paying little community centers that won't get anybody answers."

Some panelists said they think education of workers and more health prevention programs should dovetail with cancer care.

Dr. Mary Jane England, president of the Washington-based Washington Business Group on Health, a national coalition of many of the nation's leading employers, emphasized firming up links between employers and HMOs as a cancer-fighting strategy.

"I think we have an obligation as purchasers, particularly if the employer remains as part of the payment system for health benefits, to (manage) prevention and chronic illnesses," she said.

According to Dr. England, 38% of WBGH members' employees have access to a full battery of preventive health services. "We want to be able

to have a partnership with our health plans," she said. "We want to be able to offer support services to people with cancer so they can continue to function."

"Increasingly our employees are interested in knowing specific information," Dr. England said. "We need help from the scientific community about what's effective so we don't waste money, so to speak, on treatment or intervention that is really not effective."

Elementary schools should teach youngsters how to evaluate medical information and to choose among health care organizations, said Grace Powers Monaco, an attorney and director of the Medical Care Ombudsman Program, which provides medical specialists to provide independent reviews of complex or contentious cases.

Clifford Goodman, senior manager with The Lewin Group, based in Fairfax, Va., moderated the panel. **BI**

Salary

Continued from page 2

compensation that was paid to vice presidents in risk management departments reported in the 1996 study conducted by RIMS (BI, April 1, 1996).

Among the benefits that senior risk managers reported in the 1998 RIMS survey, 16% said that they are supplied with home computers, 40% said they get cellular telephones, and 29% said they receive car allowances.

Among the other findings in the study:

- Twenty-nine percent of the senior risk manager respondents have a master's degree in business administration.

- Senior risk managers have been in their current positions an average of eight years.

- Accumulation of sick days was

Well equipped

Financial Security

to face the

Global Flexibility

challenges

Market Expertise

ahead

Risk managers shouldn't be 'too disappointed or elated by how they stack up,' says John Stolze.

allowed at 40% of the respondents' organizations.

- Less than half of the respondents' organizations offer long-term care insurance.

Mr. Stolze cautioned that risk managers should not be "too disappointed or elated by how they stack up."

If risk managers fall short in salary, for example, it could simply mean that their companies can't afford to pay more, according to Mr. Stolze.

After it is released, the study can be ordered from Kathy Gazal at RIMS, 655 Third Ave., New York, N.Y. 10017; 212-286-9292, ext. 247.

RIMS members who participated in the study receive a copy free. Non-participating members can buy the report for \$75 plus shipping and handling, and non-members pay \$100 plus shipping and handling.

Questions regarding the contents of the report should be directed to Cecelia Cooper at RIMS. She can be reached at 212-286-9292, ext. 239.

EMLICO

Continued from page 2

Boston office's work consisted mainly of an actuarial evaluation of EIC, which EMLICO spun off before redomesticating in July 1995.

EMLICO reinsurers have charged that EMLICO and GE deceived Massachusetts regulators in a scheme to move the insurer to Bermuda to take advantage of more favorable liquidation laws.

The Massachusetts Insurance Division itself has cited EMLICO's contact with C&L before the move as evidence that the insurer may have known it was insolvent.

J. David Leslie, a lawyer for Massachusetts Insurance Commissioner Linda Ruthardt, said he was "surprised" by the size of the billings by C&L's Boston office, which earlier cited client confidentiality in refusing to turn over documents on its work to Massachusetts regulators.



OdysseyRe
London

From March 23, 1998 the Sphere Drake companies will be known as Odyssey Re London and Odyssey Re Bermuda, marking the beginning of an exciting future. Our businesses are now a core part of a world leading reinsurance operation, Odyssey Re.



OdysseyRe
Bermuda

London +44 (0)171 617 4000 Bermuda +1 (441) 292 0295

**WHEN YOUR
CORPORATE LOGO
IS A FIRE HYDRANT
YOU CAN'T SIT STILL
FOR A MINUTE.**

Reliance began in 1817.

And we've never looked
back. We've been too busy
hounding our competition.

Today, we're an \$11 billion
group of companies in
worldwide property and
casualty insurance.

We're old, established, big.
And anything but staid.

In fact, it's our unusually
innovative approach to
insurance that's helping us
grow at twice the rate of the
rest of the industry.

It might sound self-serving
for us to tell you we're
regarded as the most
dynamic and creative
company in insurance today.

Yet ask our customers about
us—many of whom are
Fortune 500 companies—and
they'll likely agree.

In any event, should you
come across the Reliance
fireplug on a letterhead, an
annual report, a business card,
or a building, you can at least
be certain of one thing.

Nobody's parked there.

1-800-241-4487
<http://www.rgh.com>

Reliance 
Group Holdings, Inc. 1817
HOW CAN WE BE SO OLD AND MOVE SO FAST?SM

Reliance National
Reliance Insurance
Reliance Surety
Reliance Reinsurance

Opinions

Don't disturb PBGC nest egg

IS TWO YEARS OF surpluses enough to warrant a reduction in the premiums the Pension Benefit Guaranty Corp. charges employers?

That question is bound to be asked in the wake of the PBGC's latest financial report, which shows that the pension agency's surplus grew fourfold to \$3.48 billion in 1997 over its 1996 level.

As word gets out about the surplus, which was achieved thanks to hefty investment returns, a healthy economy and the absence of terminations of massively underfunded pension plans, undoubtedly there will be renewed calls by business groups and lawmakers to lower the insurance premiums that employers with defined benefit plans pay the PBGC.

Indeed, business groups last year urged Congress to lower the premiums when the 1996 surplus—the agency's first ever—was announced (*BI*, April 7, 1997).

Certainly on Capitol Hill there will be sympathetic ears for calls for premium reductions, as lawmakers are only too mindful of the upcoming November elections and are seeking ways to please constituents.

But while we agree the pension agency's finances are headed in the right direction, we would agree with PBGC Executive Director David Strauss that it is too soon to begin distributing its good fortune to employers as a dividend in the form of lower premiums.

Simply put, two years of financial experience, positive as it may be, isn't enough to drive a rollback in premiums.

Just as employees are encouraged to sock away savings for retirement, the PBGC's surplus should be considered a nest egg for the eventuality that the economy will turn, the stock market will change course and terminations of underfunded plans will increase. Without a safety cushion for that reversal of fortune, the PBGC may well have to increase premiums.

Consider also that the agency's two years of financial health stack up against more than 20 years of deficits. The PBGC, in fact, until 1996 operated at an



WHA...? TURN IT OFF?! YOU GOTTA BE KIDDING!!!

annual deficit since it was created in 1974.

While the surpluses of 1996 and 1997 are encouraging, we would like to see a longer track record before legislators decide whether the current premium structure should be changed.

Indeed, the pension agency's fortunes are very much tied to the health of the economy, which is cyclical at best and fickle at worst. As long as the economy is buoyant, the stock market remains robust and employers are profitable, the nation's pension plans should enjoy better funding levels. But if something should trigger a change in that delicate state—which might not take much given the prolonged bull market—the health of pension plans is sure to follow.

The purpose of the PBGC is to protect the retirement benefits employers have promised workers. That's the reason for its existence, pure and simple. Given the inevitability that the good times won't last forever, two years of surplus is simply too short a period to justify a reduction in premiums, tempting as that might be.

Letters

Integration, not prizes, promotes work safety

To the editor: The prizes alluded to in Kathryn McIntyre's March 16 commentary, "Safety Incentives Show Concern for Workers Health," don't provide an incentive to be safe of and in themselves. The incentive to be safe must be integrated within the business. You said it yourself: "My respect for safety precautions was ingrained during childhood." Safety has to be integrated (ingrained) into day-to-day policy, procedures and operating practices. To not do so and offer "prizes" to employees to be safe is the greatest hypocrisy possible.

A company that integrates safety into

its business creates a culture, attitude and behavior surrounding performing safely at work—and, likely, also out of work.

A company that does not integrate safety but offers prizes to be safe has no commitment at all to performing safely. The employees see straight through such ploys and know the real lack of commitment.

The value of a safety prize is negative without the integration of safety. The value of a safety prize with the integration of safety is negligible. Recognition is needed, not prizes.

Why can't safety be treated like other aspects of the business world? Do we offer prizes for production, hiring and quality? Rarely. We set goals, measure performance against goals and pay for performance.

We also provide recognition and, occasionally, prizes for performance above and beyond standards. Let's start treating safety as one aspect of production, not a separate area.

Mark Hemmendinger
Principal
AcceptableRisk
Mill Valley, Calif.

Story's angle downplays Blues battle in Ohio

To the editor: Mary Chris Jaklevic's story, "Loss of Blues Name Not Hurting Ohio

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

Plan," in your March 9 edition defies reality. In no other scenario can a health insurer lose 92,000 enrollees and have a leading insurance publication say it did not get hurt. Yet that is exactly what *Business Insurance's* headline did.

I don't think the sunny treatment given to Medical Mutual of Ohio will cause many of your readers to forget the bruising fight we were forced to wage because that plan did not meet Blue Cross & Blue Shield Assn. standards.

I was certainly not surprised at the tenacity Kent Clapp showed during the termination process, but I was shocked to hear him

say, "The cross and shield has never meant anything anyway."

Apparently, Mr. Clapp believed it was worth plenty, as in the untold millions in legal fees and other costs he incurred fighting our efforts to terminate the plan's license to use the cross and shield brands.

Please be aware that many of your readers have long memories and that this article will undoubtedly leave them shaking their heads.

Diane H. Iorio
Vp-Brand Enhancement
and Extension
Blue Cross & Blue Shield Assn.
Chicago

Business Insurance

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

Vice President/
Publisher/Editorial Director: Kathryn J. McIntyre, ARM (Chicago)

Associate Publisher/Advertising Director: Martin J. Ross III (New York)

Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)

Managing Editor: Roseanne White (Washington)

Senior Editors: Meg Fletcher, ARM (Chicago)

Judy Greenwald (San Jose)

Dave Lenkus (Tucson)

Douglas McLeod (New York)

Joanne Wojcik (Los Angeles)

Assistant Managing Editor: Regis J. Coccia (Chicago)

Washington Editor: Mark A. Hofmann (Washington)

Bureau Chiefs: Sarah Goddard (London)

Gavin Souter (New York)

Graphics Editor: Kathy L. Barnes (Chicago)

Copy Editors: Todd J. Behme (Chicago)

Mary Nick (Chicago)

Assistant Copy Editor: Richard Trout (Chicago)

Associate Editors: Michael Bradford (New Orleans)

Roberto Cenicerias (Los Angeles)

Robert Kazel (Chicago)

Matthew MacDermott (London)

Michael Prince (New York)

Sally Roberts (Denver)

Edwin Unsworth (London)

Rodd Zolkas (Chicago)

Directory Editor: Sandra L. Budde (Chicago)

Assistant Directory Editor: Matt Scroggins (Chicago)

Editorial Assistant: Amanda L. Milligan (Chicago)

Production Assistant: Amy R. Kepka (Chicago)

Assistant to the Publisher: Karen Brown Tucker (Chicago)

Editorial Cartoonist: Roger Schillerstrom (Chicago)

National Sales Manager: Steve Akins (New York)

Midwest Advertising Manager: Robert L. Niessse (Chicago)

District Managers: Blake Delany (New York)

Roger Lynch (New York)

Elizabeth McGahren (New York)

Deborah D. Neale (Chicago)

Classified Advertising Manager: Cheryl Adeszko (Chicago)

Sales Assistant: Lori Lieberman (Los Angeles)

Production Manager: Elmer Kerstowski (Chicago)

Director of Communications: Ronnie I. Drachman (New York)

Promotion Manager: Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5398

Denver: 303-698-7601

London: 171-457-1400

Los Angeles: 213-651-3710

New Orleans: 504-269-9988

New York: 212-210-0100

San Jose: 408-774-1500

Tucson: 520-579-1937

Washington: 202-662-7200

ADVERTISING: Chicago: 312-649-5276

New York: 212-210-0228

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by Crain Communications Inc.

Keith E. Crain
Chairman

Merrilee Crain
Secretary

Rance Crain
President

Mary Kay Crain
Treasurer

William A. Morrow
Executive Vice President/Operations

Robert C. Adams
Vice President/Production

Peter Johnson
Vice President/Circulation

G.D. Crain Jr.
Founder (1885-1973)

Mrs. G.D. Crain Jr.
Chairman (1911-1996)

S.R. Bernstein
Chairman-executive committee (1907-1993)

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590. Fax 312-280-

3174. E-mail: biweb@crain.com, Cable CRAINCOM. Offices: 220 E.

42nd St., New York, N.Y. 10017-5806. Fax 212-210-0704. CRAIN

COM NYK; 2726 Prytania, #6, New Orleans, La. 70130. Fax 504-269-

0858; Suite 814, National Press Building, Washington, D.C. 20045-

1801. Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles,

Calif. 90048-4947. Fax 213-655-8157; 967 Bermuda Court, Sunnyvale,

Calif. 94086-6750. Fax 408-774-1155; New Garden House, 78 Halton

Garden, London EC1N 8JQ England. Fax 171-457-1440; 8157 N. Tor-

rey Way, Tucson, Ariz. 85743. Fax 520-579-3476; 777 E. Speer Blvd.,

Denver, Colo. 80203-4214; Fax 303-733-9541. \$4 a copy and \$87 a

year in U.S. \$105 in Canada and Mexico (includes GST). All other coun-

tries \$205 a year (includes expedited air delivery). DON MIERENDORF, cir-

culation manager. Four weeks' notice required for change of address. Send sub-

scription correspondence to Circulation Department, Business Insurance, 965

E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 888-446-1422 or

313-446-0450. Fax 313-446-6777. Microfilm copies are available from

University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche

copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road,

Wooster, Ohio 44691. Portions of the editorial content of this issue are avail-

able for reprint or reproduction in other media. For information and rates to

reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain

News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-

0890. For reprints or reprint permission contact: KAREN BROWN TUCKER,

Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-

5319, Fax 312-280-3174.

BPA www.businessinsurance.com

TO SUBSCRIBE CALL 800-678-9595 • 313-446-0450 outside of the United States

EMERGENCY PROCEDURE

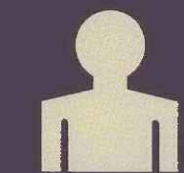
IF CUSTOMER EXPERIENCES FOOD POISONING:

1) SKIP LUNCH.

2) GET A CRISIS REPRESENTATIVE ON-SITE ASAP.



If a crisis isn't handled quickly, the damage can continue long after the actual event. Upon report of an incident, a GAB Robins crisis representative immediately moves on-site to coordinate treatment and help prevent further incident. By working with the entire community, including employees, customers, local authorities and medical personnel, we can stop the crisis at its start. Questions? answers@gabrobins.com



GAB
Robins

PBGC

Continued from page 1

gress created the agency in 1974 to guarantee workers' and retirees' basic benefits when companies run into severe financial problems and no longer can afford to fund their pension plans (*BI*, April 7, 1997).

By far the biggest factor in the agency's climb to sound financial health has been the booming stock market. The PBGC racked up nearly \$2.75 billion in investment income last year, up from \$927 million in investment gains in 1996. Its investment portfolio earned a 21.9% rate of return compared with its average rate of return over the past 10 years of 12%. It achieved a 37.6% return on its equity investments, a huge improvement over its 10-year average rate of return of 14.1% on equities. About 40% of PBGC's assets are invested in equities.

The PBGC's robust financial health is good news for employers with defined benefit plans that pay the agency mandated insurance premiums.

Those annual premiums—initially set by Congress in 1974 at \$1 per plan

participant—have been steadily raised by legislators as losses from failed pension plans the agency has taken over have mounted and exceeded earlier projections.

The current annual premium for employers with fully funded defined benefit plans is \$19 per plan participant. Employers with underfunded plans pay the \$19 base premium plus a surcharge—known as the variable-rate premium—of \$9 per participant for each \$1,000 of plan underfunding. The surcharge can generate an annual premium of several hundred dollars per participant for the most severely underfunded plans.

While the PBGC is in the black, agency officials want to discourage suggestions—certain to increase when the agency's annual report is released this week—that Congress should roll back premium rates. Mr. Strauss acknowledges that the PBGC's economic performance last year was remarkable. But that performance, he said,

was the result of near-perfect events and conditions.

"The stock market has had its best three-year run in decades. Interest rates are at a 20-year low. We are in the seventh successive year of an economic recovery. We have had no major terminations since the early 1990s. This is a sort of perfect snapshot," he said.

But the perfect conditions that have led to the surplus can't be expected to remain forever.

"We have to be prepared for the ups and downs in the economy," he said.

By building and maintaining a surplus, Mr. Strauss said, the PBGC will have the cushion it needs for the inevitable downturn in the economy, when its assets will be worth less, its investment income will be reduced and the likelihood of more losses from terminations of underfunded plans grows.

"This is an eventuality we have to be prepared for. We have to be confi-

dent that our income will be sufficient to meet our expenses for many years in the future," he added.

Mr. Strauss also notes that premium income the PBGC collects from employers, which last year was more than \$1 billion, will be declining in the future even if Congress doesn't lower the rate. That is because as plans become better funded, fewer of them will be liable for the variable-rate premium, which now accounts for about half of the PBGC's premium income. In addition, a change in methodology used to value plan liabilities—as set by Congress in 1994 and due to take effect fully in 2000—will further cut back variable-rate premium income in two years.

"A statutory premium reduction already is in place," Mr. Strauss said.

While a roughly \$3.5 billion surplus may appear large, it is small when compared with a potential exposure of about \$20 billion in liabilities in pension plans sponsored by compa-

nies with below investment grade credit.

"We have a responsibility to ensure there is a margin of safety," said Mr. Strauss.

While it may be too soon to consider a premium reduction, Mr. Strauss said premiums will remain stable. "We are promising stability. We don't want to get into a situation where the premium seesaws," he said.

Even if the economy does sour, the PBGC's exposure to failures of massively underfunded pension plans should be reduced.

Reform legislation developed by the Clinton administration and passed by Congress and now being phased in, requires, among other things, employers to accelerate contributions to underfunded pension plans.

That means that when companies collapse their pension plans will be better funded, reducing the PBGC's payout to participants when it takes over the plans. **BI**

Decision on ESRD will wait

WASHINGTON—The Clinton administration will hold off deciding whether it will appeal a federal court ruling that the government cannot enforce a rule—at least for a limited period of time—under which Medicare is the primary payer of medical bills for retirees with end-stage renal disease.

The legal controversy has significant cost implications to employers with retiree health care plans and retired workers with ESRD and involves changing Health Care Financing Administration interpretations of a provision in a 1993 budget law. If the government appealed and won, Medicare, rather than employers, would pay tens of millions of dollars for treating those with ESRD.

HCFA initially interpreted the law as requiring employers with retiree health care plans to be the primary payer of medical bills for up to 18 months for retired workers 65 and older who are covered by Medicare and then develop ESRD, a kidney ailment whose treatment is expensive.

HCFA later reversed itself and said Medicare would continue to provide primary coverage for retirees who develop ESRD after they turn 65 and are covered by Medicare. But that policy reversal was challenged by a kidney dialysis center operator and U.S. Senior District Court Judge William Bryant, who issued a permanent injunction barring HCFA from enforcing the rule between August 1993 and April 1995, when HCFA formally reversed its earlier interpretation (*BI*, Feb. 9).

A HCFA attorney said the government thinks it can reserve its right to appeal the injunction until after Judge Bryant rules on the broader issue of whether HCFA correctly interpreted the ESRD provision in the 1993 law. That ruling is not expected until the end of the year.

—By Jerry Geisel

DISCOV
E X P A N S I V E

GA General Accident Insurance

When you visit Colorado's Royal Gorge bridge, be
Personal • Small to Large Commercial • Marine •

EXEL

Continued from page 1
Schroeder, a managing director at Oppenheimer & Co. in New York.

"It's a deal that doesn't have any black holes," she said.

The deal also enlarges EXEL, making it an insurance and reinsurance company with \$4.8 billion in shareholder equity and operations worldwide.

EXEL will also more closely resemble its Bermuda rival and sometime partner ACE Ltd. ACE was also created during the liability crisis in the mid-1980s and has since diversified into other lines of business. In 1996, it bought Bermuda catastrophe reinsurer Tempest Reinsurance Co. Ltd. and it became a substantial presence in Lloyd's with the purchase of Methuen Group Ltd.

Through their expansion and acquisitions over the past several years,

EXEL and ACE have become the two giants of the Bermuda insurance and reinsurance market.

In addition to the Mid Ocean acquisition, EXEL also is likely to use some of its capital to buy another insurer in the United States, analysts predict. EXEL last year acquired Folksamerica General Insurance Co., making its first direct entry to the U.S. market (BI Nov. 10, 1997).

While the United States would be a natural area of expansion for EXEL, it is not planning to make a substantial move into the U.S. market in the near future, said Brian M. O'Hara, EXEL's president and chief executive officer.

"It's an obvious place for us to look, but we have this deal to digest, so we won't be embarking on anything soon," he said.

While no formal offer was made until recently, EXEL already owns 23.82% of Mid Ocean and Mr. O'Hara sits on its board, so the two companies

know each other well, he said.

EXEL will issue 1,021,500 new shares for each Mid Ocean share it does not already own. The deal is subject to shareholder and regulatory approval and is expected to be completed by the summer.

EXEL also announced it intends to repurchase up to \$500 million of its shares.

Both EXEL and Mid Ocean shares were trading at \$74 to \$75 per share last Thursday. By comparison, EXEL closed at \$71.25 a share on March 13, the last trading day before the deal was announced, while Mid Ocean closed at \$33.31 that day.

The purchase of Mid Ocean resulted after informal discussions between the two Bermudian companies over the past year.

While Mid Ocean has held talks with other interested buyers, any deal would need to include EXEL or have its approval due to the size of EXEL's stake, Mr. O'Hara said.

Michael Butt, president and chief executive officer of Mid Ocean, would not comment on previous discussions with other companies.

Mid Ocean was interested in finding a buyer, as it has become increasingly apparent with the consolidation of the insurance market over the past several years that strong insurers and reinsurers need both size and diversity, Mr. Butt said.

"Scale is required today, both financially and in terms of products," he said.

While Mid Ocean has grown substantially from its base as a property catastrophe reinsurer when it was formed in 1992, it still would have to diversify and grow much more before it would be anything like the company that has been created through this deal with EXEL, Mr. Butt said.

The purchase also will lead to substantial diversification for EXEL, the holding company for X.L. Insurance Co. Ltd., X.L. Europe Insurance, X.L.

Australia Pty. Ltd. and X.L. Global Reinsurance Co. Ltd.

EXEL was set up in 1986 as a policyholder-owned facility to provide excess liability insurance. It has since expanded to write other property and casualty lines, and last year it entered the property/catastrophe reinsurance market with the purchase of GCR Holdings Ltd.

GCR, along with Mid Ocean, was one of the eight reinsurers set up in Bermuda after Hurricane Andrew to take advantage of the hardening property catastrophe market.

Mid Ocean also has expanded beyond its original concentrations in property/catastrophe and marine and aviation reinsurance.

Both of the Bermuda companies made their reputations as specialists that sought to make underwriting profits. The key challenge for the combined company will be to maintain disciplined underwriting and management control of the broader group, Mr. Butt said.

"As long as the managements maintain the culture of underwriting profit, then I think we'll have a much better chance of succeeding with the execution risk," he said.

Mr. Butt will retire from his executive position at Mid Ocean at the end of 1998, but will have a seat on the board of EXEL and will remain a consultant to the company. Mid Ocean's chairman, Robert J. Newhouse, also will join the EXEL board.

The reinsurance operations of both companies will be combined to form X.L. Mid Ocean Reinsurance Co. Ltd.

Henry C.V. Keeling, president, chief operating and underwriting officer of Mid Ocean Reinsurance Co. Ltd., will become an executive vp of EXEL and president and chief executive officer of the new reinsurance company.

K. Bruce Connell, who headed EXEL's reinsurance operations, will move over to assume responsibility for North American development and will become chief executive officer of EXEL's financial products division.

While property catastrophe reinsurance rates have slumped over the past two years, ownership of Brockbank will give EXEL access to a lot of business it would not normally see, said Mr. Wade of Lehman Brothers.

EXEL currently has only a 20% investment in another Lloyd's agency, Venton Underwriting Agencies.

As part of a more diversified company, Mid Ocean will be able to more easily scale back its property catastrophe business if the market continues to soften, without severely hurting EXEL's overall premium income, Mr. Wade said.

However, one possible downside of the deal for EXEL is that it will increase its participation in the cat market at a time when rates in that business are falling, he said.

The \$2.2 billion price tag was fair for both companies, said Ms. Schroeder of Oppenheimer. EXEL did not get a bargain, but it did get a high-quality reinsurer through the deal, she said.

The deal could be followed by others involving Bermuda catastrophe reinsurers, said Gloria Vogel, equity analyst at Advest Inc. in New York.

"There are too many companies in that market," she said.

The cat reinsurers have excess capital, and though they are trying to diversify into other lines, a merger or a sale could be more expedient, Ms. Vogel said.

The reinsurers in Bermuda that are still independent could merge to form larger groups or could strike deals to become departments within larger, more diversified companies in the same way Mid Ocean has, she said.

Whatever happens in the future, the combination of EXEL and Mid Ocean is unlikely to have much effect on cat reinsurance rates, said Ms. Schroeder.

"It will have no impact... the pressure on prices is really coming from Europe," she said.



ure to checkout its spectacular insurance program.
urety • National Programs • International Accounts

1-800-606-4233
www.genacc-us.com

Aetna

Continued from page 2

ability businesses, which generated about \$3.1 billion in revenue last year. The deal accounts for the bulk of New York Life's group business, a New York Life spokesman said.

NYLCare's biggest markets include Texas, where it is the leading managed care provider, with 630,000 HMO members, and the Maryland/District of Columbia/Virginia market, where NYLCare is one of the top three managed care companies, with about 470,000 HMO members.

The deal also would increase Aetna's health plan membership in such markets as Illinois, New Jersey, New York, North Carolina, South Carolina and Washington.

Employers are expected to benefit from having a larger health insurer that would bring added leverage with providers and more efficiency and

breadth to its clients, though it will reduce the number of competitors in the market, experts say (BI, March 9).

Aetna plans to take a "market-by-market approach" to integrating the two operations, "and we intend to proceed on a gradual, paced timetable," Mr. Huber said.

"By integrating the smaller, more easily absorbed markets first, and continuing to run parallel systems in the larger markets in the interim, we intend to minimize the potential for service disruption and substantially complete the integration by the end of the year 2000," he said.

Sy Sternberg, New York Life's chairman, president and CEO, said the deal lets New York Life focus on building its core strengths in the domestic life insurance and annuity businesses, increase its portfolio of proprietary mutual funds in its asset management business and expand in international markets.

Observers say the strategy behind

the deal is sound, though Standard & Poor's Corp., A.M. Best Co., Duff & Phelps Credit Rating Co. and Moody's Investors Service Inc. all have placed Aetna's ratings under review for possible downgrades, citing the financial and operational risks inherent in the deal.

"Strategically, the deal seems to make some sense," said Arun N. Kumar, director at S&P in New York. "It definitely strengthens Aetna's hand in certain key markets," including New York, the District of Columbia and Texas, he said.

"If someone else had to pick up this block, it could have exerted additional pressure on Aetna's margins in these regions, so this acquisition can be probably classified as opportunistically defensive, if there is such a word," said Mr. Kumar.

"Aetna has no fear," said Michael LeConey, an analyst with National Securities Corp. in New York. The company has decided to pursue its

strategy of focusing on managed care, and "they clearly are prepared to stick with that plan." Conceptually, that "makes a lot of sense," he said.

"There's a huge business opportunity" here, he added. But, "it takes a lot of management skills and know-how, we have seen, to build a huge, successful managed care operation."

"I think they're looking at this thing from a very long-term point of view and could emerge from all this as... a very strong, viable company. It won't be easy, but they could," Mr. LeConey said.

John Ward, chief executive officer of the Cincinnati-based Ward Financial Group, agreed. "I would anticipate a challenging integration facing them," he said.

Noting that Aetna plans to integrate the NYLCare operation gradually, Mr. Ward said, "Our experience with integration mergers is that the companies that decide to integrate

are most successful when they promptly and swiftly move forward with the integration process."

Otherwise, the integration "raises questions among clients and employees about what happens next, and it's a big distraction," he said.

In light of Aetna's \$8.9 billion acquisition of U.S. Healthcare in 1996, Mr. Ward said he suspects that though NYLCare "was an opportunity they just couldn't pass up, they would probably have preferred it if the opportunity had presented itself a year or two down the road."

Douglas L. Meyer, an analyst with Duff & Phelps Credit Rating Co. in Chicago, said that while the deal appears to make good strategic sense, there are "operational challenges and integration risks" associated with the deal.

In addition, S&P's Mr. Kumar pointed to the goodwill on Aetna's balance sheet.

The NYLCare deal would add another \$900 million of goodwill, which is the premium paid for a book of business over its asset value, Mr. Kumar noted. This is in addition to the \$8.5 billion already on Aetna's books from the U.S. Healthcare deal and other acquisitions, he said.

"It's not an asset you can typically realize immediately," according to Mr. Kumar. The acquired business' performance will determine whether the goodwill is justifiable, Mr. Kumar said.

Larry Mayewski, senior vp at Oldwick, N.J.-based Best, said that while the deal makes "good business sense" strategically, Best also is concerned about the amount of goodwill on Aetna's books.

"The organization's going to have to improve its earnings performance over time to strengthen its position" and justify the price it paid, Mr. Mayewski said. **BI**

N.C. Blues to pay fine over data

DURHAM, N.C.—Blue Cross & Blue Shield of North Carolina will pay a \$300,000 fine to the North Carolina Department of Insurance to settle records violations found at the insurer and its wholly owned subsidiary, Personal Care Plan of North Carolina.

The Insurance Department charged that during routine market-practice examinations held last June and July, the insurer and health maintenance organization, both headquartered in Durham, N.C., delayed producing requested information and records, provided inaccurate and incomplete information, and failed to provide requested records required by the state.

In a statement, BC/BS of North Carolina said that, to date, new guidelines and procedures have been put in place that correct 97% of the cases mentioned in the report. Among other changes, the insurer revamped its data collection, streamlined its record-keeping and brought new computer systems online.

BC/BS, the state's largest health insurer, attributed the delays in meeting records requests in large part to the tremendous growth that occurred in its HMO line of business, including PCP, between 1994 and 1997.

A statement from the Insurance Department said it will conduct onsite compliance exams of both companies this summer.

—By Sally Roberts

Your Amazing New Digital Office



Aficio™ FX10

An entire office in one small footprint

The digital plain paper copier that's also a high speed laser fax, high resolution scanner and PC printer.

Big capabilities for small offices. The Aficio FX10 from Ricoh. The most versatility for the money. As a digital copier, it's a great buy. As a digital copier, top-quality fax, PC-connectable laser printer and reliable scanner, it's the best multifunction buy in its class. All you have to do is clear off some desk space. And call **800 63 RICOH**. Or meet us online at www.ricoh-usa.com

RICOH
Image Communication

Hoping to reach top decision-makers?



BI's RIMS coverage puts your message in the hands of your best prospects.

Influencing commercial insurance decision-makers is critical to your success — but finding the most effective way to reach them can be a worrisome task. You can take a chance with unproven methods and hope for the best ... or, you can be sure you'll get the best possible results by relying on a proven industry leader, *Business Insurance*.

When you advertise in *BI's* Captives spotlight report, featuring an in-depth profile of the Risk Manager of the Year, you'll be certain to capture the attention of more than 153,000* risk and benefit managers, brokers, consultants, insurers and reinsurers. Plus, bonus distribution at the Risk & Insurance Management Society's annual meeting will increase your exposure — and your confidence that you'll reach your prime prospects.

Turn your hopes into a reality ... *BI* will put your sales message directly in the hands of top decision-makers. Call to reserve ad space today.

*Includes pass-along readership

Captives/Risk Manager of the Year

Publishing: April 27 • Closing: April 15

Directory: Captive Managers

Distribution: RIMS, Alliance of American Insurers

Put your trust in other RIMS issues from *BI*:

RIMS Report: Employee Benefits & Workers Comp
Publishing: May 4 • Closing: April 22

RIMS Report: Risk Management
Publishing: May 11 • Closing: April 29
Distribution: AAMGA

***Business
Insurance***
www.businessinsurance.com

New York: 212-210-0133 • Fax: 212-210-0704
Chicago: 312-649-5276 • Fax: 312-649-7937
Los Angeles: 213-651-3710 • Fax: 213-655-8157

THESE PEOPLE LOOKED AT PR

. . . AND PACKAGE POLICIES WILL NEVER BE THE SAME.

Here at the Kemper Insurance Companies we asked our folks to build us a new, leading-edge property policy. They started by ripping every typical property form to pieces.
Line by line. Word by word.

They talked to agents and customers.
They questioned everything. Every restriction. Every limitation. They walked into meetings expecting to break the rules.

And they came up with something truly remarkable. *KEMPER PROPERTY RESOURCESM*.

Fewer restrictions. More coverage. Unparalleled flexibility. Boiler and machinery coverages that are truly seamless. Claim arbitration features that give customers options unlike anything they've ever seen. And insurance protection designed to keep pace with how business is done today . . . and how it will be done tomorrow. A real high-performance product.

How could a simple property form be that revolutionary? Just ask the people who built it. Use their e-mail addresses.
We also put the *Kemper Property Resource* story on CD-ROM. Call 1-800-CAVALRY for your free copy.

Because once you see what we've built, you'll want us to build one for you. JUST ASK US.

To learn more about *Kemper Property Resource*, call an independent agent or broker who represents Kemper, or contact one of our Branch Marketing Directors listed below.

thouseho@kemperinsurance.
Tim Householder,
Property Claim Specialist

KEMPER.

www.kemperinsurance.com

Nick Catalano, Atlanta
(770) 986-7702

Jane Stein, Charlotte
(704) 329-2576

Neal Finn, Cleveland
(216) 514-3888

Ben Montgomery, Dallas
(972) 364-5182

Larry Osie, Los Angeles
(818) 369-8808

John Varitimos, Braintree
(781) 380-7218

Jeff Fox, Chicago
(312) 559-2199

Maureen Herzog, Denver
(303) 752-5492

John Wakelin, Houston
(281) 583-3390

Darrell Happel, Minneapolis
(612) 820-6201

PROPERTY IN A WHOLE NEW LIGHT

gchester@kemperinsurance.com

Geoff Chester, Package Underwriting Specialist

dmelone@kemperinsurance.com

Deke Melone, Team Manager, Atlanta



jwatras@kemperinsurance.com

John Watras, Team Manager, New York

bwagner@kemperinsurance.com

Barb Wagner, Package Underwriting Specialist

om



Lou Frascotti, New York
(212) 313-4141

Ron Vindivich, Pittsburgh
(412) 434-8806

Mark Rott, Philadelphia
(215) 574-5876

Malcolm Perkins, Richmond
(804) 418-6712

Penny Webber-Hyde, San Francisco
(415) 616-6523

Jamie Wohlgenuth, Seattle
(206) 281-3367

Mary Wilkinson, St. Louis
(314) 951-3130

Jim Maraska, Summit
(908) 522-4191

Paula Banks, Syracuse
(315) 449-5642

Danny Sgro, Toronto
(416) 351-2401

At RIMS in San Diego everyone will be watching *Business Insurance's*...



For advertising
information call:
Martin Ross at
212-210-0228

Since 1995, *BI's* expanded news coverage of the Risk and Insurance Management Society's Annual Conference & Exhibition has included televised conference reporting.

Now, *BI's* RIMSTV will be produced in San Diego and shown on exclusive channels in official conference hotels and on monitors around the exhibit hall.

Three original programs, shown 24 hours daily, Monday, Tuesday and Wednesday, will include news stories, coverage of major conference sessions, interviews with association leaders, industry leaders, conference speakers, attendees, exhibitors and more.

Executives attending the conference will tune in to *Business Insurance's* RIMSTV for the same timely, accurate news reporting that more than 149,000* readers rely on each week in print. Book your commercial time now on the conference's official daily television program.

*includes pass-along readership

Business Insurance's RIMS  TV

Solid partnerships key in litigation

Better outcomes, more cost-effective solutions will result

By Steven R. Goldstein
and Amy R. Stein

As anyone involved with claims handling, risk management or litigation knows, the best litigation is that which never gets started. However, when litigation does become unavoidable, it should be handled and resolved in a cost-effective manner.

To keep litigation from becoming the central concern of a company's operations, corporate counsel, risk managers and their outside litigation attorneys must redefine both the nature of their relationship and their perceptions of the litigation process.

Make outside counsel part of the corporate team

On occasion, the relationship between in-house attorneys or risk managers and outside counsel can become adversarial. For those inside the corporation, the focus is on the bottom line, and they are rightfully concerned about minimizing their legal fees. At the same time, outside defense counsel may think their judgment and professional skills are being second-guessed by people who are not "in the trenches" of litigation. The concerns of both sides are valid and need to be balanced to avoid counterproductive case management.

The first step in improving this relationship is for outside counsel to think and act as if they were part of the client's business. Ideally, corporate counsel should support this process. Let the outside attorneys learn everything they can about your business—have them visit the factories, witness actual product manufacturing, even spend an hour on the assembly line. Consider having corporate counsel take the outside litigators into the design department to see what the company is planning for the 21st century. The lawyers will become more knowledgeable, and, equally important, they will also feel a greater sense of loyalty to the client company.

Centralizing the use of outside counsel

Once a client has encouraged an outside attorney to better understand its business, the attorney can put this newly acquired knowledge to work in a systemized approach.

Let's say you manufacture five types of widgets, and outside counsel at one law firm knows every detail of the manufacturing process for Alpha widgets. It only makes sense that all cases arising out of Alpha widgets are assigned to that firm. If the company is sued in many jurisdictions, it may prefer to have a firm expert in Alpha widgets in each jurisdiction. If more than one firm handles Alpha widget cases, each of those firms should be encouraged to compare notes on their experiences with Alpha widget litigation.

The advantages to centralizing a certain type of litigation with either one firm nationwide or with one firm in each region are numerous:

- Discovery demands used in one case may be "recycled" in another, with minor changes, as the information sought will be similar regardless of jurisdiction.
- Discovery responses also may be reused, saving significant amounts of time for both the attorney and company employees in document searches. The same information produced for use in one suit usually is responsive to the demands of another plaintiff in a different jurisdiction.
- Attorneys who get to know the contact people in your company don't require additional time from

senior management. If a certain law firm has a familiarity with the design or engineering staff, or with the construction manager at a particular site, the outside attorney already will know the right person to call for information and documents for discovery responses and will not have to waste time (and money) to get the required information.

- Similarly, outside attorneys need not expend time determining the appropriate witness for depositions in individual lawsuits. If the same witness is used repeatedly in one or more jurisdictions, deposition preparation time also can be significantly reduced.

- Experts may be reused in more than one case and in more than one jurisdiction. Repeated testimony by the same expert on the same product will lead to a significant reduction in the learning curve, which translates into real cost savings.

- The company may end up having the same co-defendants in more than one jurisdiction. Discovery obtained from common co-defendants should be pooled among various members of the defense counsel.

- Any one or more law firms handling numerous cases arising out of the same product may pick up on a certain design defect, inadequate warning or other such weakness that leaves the company vulnerable to future litigation. The client should use this knowledge to its advantage. Integrate the expertise of the attorneys at the design and engineering stage to improve products, warnings, and promotional and marketing materials. After the investment of time and energy necessary to let outside counsel truly know the business, use that knowledge to get valuable suggestions as to how the company may wish to make changes to reduce the risks (and costs) of future litigation.

The centralized approach outlined above works well in many types of cases. For example, many engineering/construction companies routinely assign all general and professional liability cases arising out of construction operations at a particular site to one law firm. Most insurers, even if they have the right to choose counsel, will bow to the desires of an insistent and valued client rather than lose the opportunity to underwrite the next project or policy renewal.

After the first case comes in, the outside law firm has the opportunity to visit the site and become familiar with the layout and to travel to the firm's main headquarters and review all the project documents, as well as to speak to the construction manager and other supervisory personnel. Although the initial time outlay may be larger than it otherwise would be, considerable time is saved in future litigation.

The axiom that knowledge is power applies in this situation—all of the cases can be defended more effectively as a result of outside counsel's intimate knowledge of all aspects of the site and all relevant project documents.

Explore opportunities for early resolution

The majority of cases settle on the eve of trial, often after vast sums have been expended on depositions and discovery. While there may be cases that, for strategic reasons, a company is unwilling to settle, defense attorneys and those responsible for handling claims should look for creative ways to resolve those claims. Early settlement and non-binding mediation both should be routinely considered as part of the case-handling process.

Corporate counsel, risk managers and outside counsel should institutionalize the process of evaluating cases after some simple, basic discovery has occurred.

This approach is advantageous to the client in that

problematic cases can be highlighted early on and appropriate arrangements can be made for dealing with such situations before they explode. Cases ripe for early settlement will be brought to the client's attention and handled appropriately. Finally, cost discovery can be bypassed in cases that may be suitable for mediation.

Mediation is a low-risk, cost-effective alternative to litigation for a client. Because mediation is non-binding, neither side will have to accept an unsatisfactory result. Mediation generally can occur quickly, with little discovery, resulting in savings to the client.

Finally, and of great significance to high-profile companies that often carry large deductibles or self-insured retention levels, the results of mediation are private and confidential and not available to the general public. This means that there is a greater incentive to settle because a company will not have to fear setting a bad legal precedent. Moreover, the threat of a public-relations disaster is eliminated.

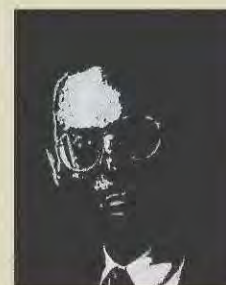
Which cases are suitable for mediation? There are no hard and fast rules, but here are some examples:

- If liability clearly rests with the company and there is a fear of putting the case in front of a jury on damages, consider mediation.
- If a plaintiff's veracity is in doubt, and you believe having an impartial mediator point that out to an otherwise closed-minded plaintiff might lead to a quick resolution, consider mediation.
- In a case in which the plaintiff needs his or her "day in court" to vent feelings and to "be heard" before accepting an otherwise fair and reasonable settlement, consider mediation.

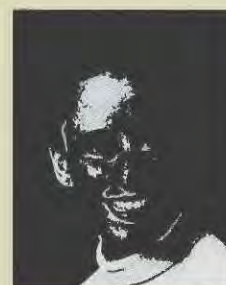
For example, in a case in which a young woman sustained a serious injury at a nightclub due to a criminal assault, her own lawyer was becoming frustrated with her unwillingness to settle the matter in the face of a very reasonable settlement offer. Mediation was suggested. The case involved a somewhat novel legal theory, which was risky and would have required the plaintiff to hire several experts. Plaintiff's counsel felt a reasonable settlement was in his client's best interest.

The nightclub preferred a settlement to avoid unfavorable publicity or the risk of a runaway verdict. Mediation gave the woman an opportunity to testify as to the ongoing effect she believed these injuries had on her life. Done in a "quasi-legal forum" with a retired judge (wearing his robe) as the mediator who took "testimony," the plaintiff felt she had gotten her day in court and was emotionally satisfied. The mediator then was able to effectuate a fair and reasonable settlement.

In sum, a true partnership among outside defense counsel and in-house counsel and risk managers will encourage all involved to search for creative solutions to a company's legal problems. This, in turn, will lead to better outcomes and more cost-effective litigation. **B**



Mr. Goldstein



Ms. Stein

Steven R. Goldstein is the founding partner and Amy R. Stein is a senior associate at Goldstein & Associates, with offices in New York and Syosset, N.Y. The firm specializes in litigation services such as insurance coverage and defense, and employment and professional liability.

Primer on business finance easy to read

"Every Manager's Guide to Business Finance"

By Robert G. Finney

Published by AMACOM,

a division of the American Management Assn.,

135 W. 50th St., New York, N.Y., 10020,

800-262-9699

\$26.95

By Kevin M. Quinley

Risk managers without quantitative skills or a firm grounding in finance are vocationally handicapped.

In fact, these days, a risk manager without an understanding of finance might as well wear a big sign that says, "NOT QUALIFIED FOR ADVANCEMENT."

Unfortunately, self-education in this area is difficult. Virtually all the books and workshops on "finance for non-financial managers" come from the financial pros. This often leaves their audiences more budget-challenged than ever.

Robert G. Finney, an experienced manager from the operations side, closes this knowledge gap in Every Manager's Guide to Business Finance. In 256 pages, his handbook tells risk managers much of what they need to know about business money—from finance and accounting to purchasing, contracts, compensation and budgeting.

Mr. Finney has more than 40 years of management experience, including eight years as president and chief executive officer of Electronic Associates Inc. While risk managers are not the book's sole intended

Books & Ideas

audience, they are among the business professionals who will find this volume a handy resource.

Veteran risk managers will breeze through this book, but new risk managers may find it a useful grounding, especially if they come to risk management from a non-financial field.

While it seems as though many risk managers come from finance or accounting backgrounds, this is often not the case. Many come from the insurance brokerage industry, from safety engineering or from legal backgrounds. Risk managers with these experience profiles will profit most from Finney's book.

Mr. Finney presents finance from the viewpoint of his own management colleagues in sales, marketing, engineering, customer service, MIS and others who—unlike the risk manager—normally do not report to the chief financial officer. "Today, these managers often have to justify everything they want to do in terms of profit, cash flow and return on investment," he points out.

For those who are phobic about math and numbers, this guidebook makes them easy to comprehend. Mr. Finney does this by probing the subject in terms of four basic questions:

First, how does your organization make money? Second, how does it get the money? Third, how does it spend it? Fourth, how does it protect it? This fourth question is, in a way, the essence of the risk manager's mission.

This fundamental approach will likely make sense to every new risk manager. It is a logical gateway to more complex topics, ranging from balance sheets to equity financing to taxes to (heaven forbid!) bankruptcy.

Risk managers who get money-wise tend to get more of what they want and have longer longevity. As Mr. Finney states, financial savvy in any manager tends to "improve the performance of their own divisions and command more resources from the financial side." This new-found skill also helps propel any manager—risk or otherwise—up the career ladder. As Mr. Finney observes, "The higher places in any company always go to those proficient with money as one or more of their operating talents."

There is likely little here that will surprise seasoned risk managers or risk managers with finance backgrounds. For the new risk manager or those who came to the job via other backgrounds, though, "Every Manager's Guide to Business Finance" is user-friendly—and much less expensive than an MBA program. **BI**



Kevin M. Quinley is senior vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va.

Sexual harassment not 'personal injury' in policy: Court

Claims of sexual harassment did not raise a potential for coverage under a comprehensive general liability insurance policy, according to the 5th U.S. Circuit Court of Appeals.

In October 1992, Cheryl Gisentaner filed a lawsuit in Texas state court against her former employer, Valsamis Inc., her supervisor at Valsamis, and others, claiming sexual harassment by her supervisor.

The employer was covered under a CGL policy issued by Americas Insurance Co. that covered bodily and personal injury. The definition of personal injury included injury arising out of "false arrest, detention, imprisonment or malicious prosecution," or "a publication or utterance... in violation of an individual's privacy." Ms. Gisentaner sought coverage for her claim in the definition of personal injury in the Americas policy.

The defendants in the state court suit settled with her for \$1.25 million, but Ms. Gisentaner agreed to take an assignment of her employer's claims against Americas and also not to pursue her judgment against her employer. The insurance company then brought this suit in federal court, seeking a declaration that its CGL policy did not provide coverage for the claims settled by the employer and Ms. Gisentaner. The trial court ruled for the insurance company, denying coverage.

The appellate court concluded that Ms. Gisentaner's claims would not be recognized as a cause of action for invasion of privacy under Texas law. According to the court, Ms. Gisentaner's allegations that her employer and supervisor made offensive comments and inappropriate advances toward her, absent a physical invasion of her property, did not fall within the CGL policy coverage. The trial court decision was affirmed.

Cornhill Insurance P.L.C. vs. Valsami, Inc., U.S. Court of Appeals for the Fifth Circuit, Feb. 7, 1997 (BI/05/S.-\$10).

Wyoming court OKs benefit differentiation

The Supreme Court of Wyoming has upheld the constitutionality of the state workers compensation law that awards benefits for a mental injury

Legal Briefs

accompanied by physical trauma while denying benefits for mental injury unaccompanied by physical trauma.

Lorraine Pinkerton, a correctional officer at a state facility, while working the graveyard shift, discovered the body of an inmate who had committed suicide by hanging. Although she does not remember doing so, Ms. Pinkerton untied the knot from around the decedent's neck and helped to lay her down. This incident was followed by flashbacks, an overwhelming fear of the dark, and extreme anxiety and fatigue due to nightmares. Ms. Pinkerton was unable to return to work for several days after the incident. Although she subsequently returned to work, additional symptoms surfaced, interrupting her attention to her work. Anti-depressants prescribed by her physician did not help. She finally resigned her position. She sought further medical assistance and was diagnosed with post-traumatic stress disorder. Ms. Pinkerton's claim for workers' compensation benefits was denied.

She appealed, arguing that the state law awarding benefits for mental injury accompanied by a physical trauma while denying benefits where no physical trauma occurred was an unconstitutional classification. But the appellate court said that denying coverage for mental injury did not violate equal-protection guarantees because the classification bore a rational relationship to a legitimate state objective, namely, the economic concerns and burdens associated with mental injury. The lower court decision was affirmed.

Pinkerton vs. State Ex Rel. WWSCD, Supreme Court of Wyoming, June 10, 1997 (BI/01/F.-\$10)

ERISA plan ruled entitled to repayment

An Employee Retirement Income and Security Act plan can recover for medical benefits it paid to a plan beneficiary from the beneficiary's recovery from a third party who was responsible for the beneficiary's medical

needs, according to a decision of the 5th U.S. Circuit Court of Appeals.

Leonard Whitehurst Jr., a longtime employee of Sunbeam-Oster Co. Inc. was severely injured in a non-work-related highway motor accident. Mr. Whitehurst's extreme injuries required extensive surgery, hospitalization and rehabilitation. He was covered under an ERISA plan as a dependent under a family coverage arrangement in which his wife, also a Sunbeam employee, was the participant and paid the premiums. Mr. Whitehurst's medical bills totaled \$137,000.

Mr. Whitehurst, his wife and minor children sued the driver of the truck involved in the accident, the driver's employer and the latter's insurer, seeking damages. The Whitehursts settled all their claims for \$500,000, plus \$9,000 in property damage. The plan included a subrogation provision, allowing the plan to recover duplicate benefit amounts. The ERISA plan sought reimbursement from Mr. Whitehurst for the medical benefits paid on his behalf. The trial court denied the plan any reimbursement.

Although the appellate court agreed that the subrogation provision in the plan lacked technical precision, it concluded that this was not a valid reason for branding the summary plan description as silent and subjecting it first to a search for the intent of the parties. The court believed that the central thrust of the plan's reimbursement rights was made amply clear—the plan was entitled to obtain reimbursement for duplicate benefit amounts. The trial court decision was reversed.

Sunbeam-Oster Co. Group Ben. Plan vs. Whitehurst, 5th U.S. Circuit Court of Appeals, Dec. 19, 1996 (BI/04/Au.-10). **BI**

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

Work/life

Continued from page 3

Other reasons, such as the presence of relatives or friends who assist in child or elder care or the use of programs from the worker's community, church or school, explain to some degree the low use of work/life benefits, but "the single greatest factor impacting employees' use of work/life benefits is corporate culture," the study says.

Intracorp, a Philadelphia-based health care and work/life management company, and Gallup, based in Princeton, N.J., examined eight common work/life benefits to determine the impact of corporate culture on the use of these programs. The benefits are: flexible work arrangements, family/unpaid leave, long-term care insurance, workplace seminars, employee assistance programs, resource and referral services for child care and elder care, and onsite or employer-sponsored child care or adult care centers.

The survey reflects responses from 1,004 employees Gallup interviewed nationwide. Study respondents work for companies with more than 500 employees. About 35% of respondents manage at least one person.

Because a satisfied worker is often a loyal and productive worker, work/life experts agree that employers help themselves by offering solutions to problems employees regularly face, such as child and elder care. Employees who use these benefits often feel they are achieving more equity between their personal and professional lives, experts say.

The survey portrays the heaviest user of work/life benefits as a married female with children in a household where both spouses work. About 60% are between 36 and 55 years old.

Of the group of heavy users—those who use two or more benefits—24% also provide assistance to older adults. "Employees with elder care responsibility exhibit high levels of stress and work/life imbalance," according to the authors of the survey report. The other groups that experience the most stress are employees who provide elder care and have children under 18, and married employees with children where both spouses work full time, the report says.

But the survey indicates that the majority of employers with 500 or more employees do not offer elder care and/or child care benefits.

Donna Altenpohl, Intracorp's director of marketing, said the work/life industry began with child care and largely was perceived as a women's issue. She said the growing need for elder care changed this view.

"Elder care hits all employees and all levels of management," Ms. Altenpohl said. "With the competitive work force, balance is very important to all generations."

Kenneth Ross, an Intracorp senior vp, said the idea of managing one's personal life and getting the job done is something many respondents cited as critically important. "Creating that environment is the most important employer challenge," he said.

Without supportive management, employees may feel they are placing their careers in jeopardy when asking to use these benefits. The survey cites feelings of "employees' distrust and cynicism toward their employers" as reasons for the reduced use of work/life benefits despite the emotional value employees place on them.

Dana Friedman, senior vp of consultant CorporateFamily Solutions in Port Washington, N.Y., agreed that reliance on "management buy-in" determines the success of a company's work/life benefits.

"These findings are a classic picture of what's going on even in the

most family-friendly companies," she said. "You can say you have all of these, and then no one uses them because evaluations depend on face time."

Employers can try to reverse the non-use trend in a couple of ways, experts say.

Robert Schussel, vp/managing research director in Gallup's Chicago office and one of the designers of the survey, said one thing the survey showed is that by offering more work/life benefits, a corporation signals to its employees that it's acceptable to use them.

"By offering a greater number and a wider variety of benefits, employers can attract segments of their work force who might not otherwise use these benefits," the survey report states.

Perhaps the best way to assure employees that management backs work/life benefits is to integrate their use with the company's mission

statement and all facets of its business strategy, said Ms. Altenpohl. "There's a real business message that work/life benefits have an impact on the overall business strategy," she said.

Mr. Ross suggests that employers assess their corporation's needs by internally surveying employees, hosting focus groups and evaluating programs currently in place.

"I continue to believe employers want to do what's best for employees because it helps their bottom line," he said.

Eighty-four percent of the respondents said they would be inclined to use work/life benefits if they better matched their individual needs. Having successful work/life users as role models would motivate 81% of respondents to use the programs, and 78% cited having more information as a means to bolster use.

Pamela Fisher, manager of human resources and corporate work/family

coordinator for Madison, N.J.-based Schering-Plough Corp., said the company's employees have responded positively to the benefits. "I can't believe the number of people who utilize this system."

Schering-Plough, a health care and consumer product manufacturer, hosts seminars and sends out fliers to address work/life issues such as elder care, child care and stress management. The company also provides onsite child care and promotes some telecommuting.

Ms. Fisher said that beyond the emotional feedback measured by Schering-Plough's consulting agency and some in-house surveying of program effectiveness, her corporation can't quantify the impact of the initiatives it has offered since 1990.

"But it certainly has made a difference for employees," she said.

Diane Piktalis, vp of WFD, a Boston-based work/life consultant, said she is encouraged by the survey

results. "I think most companies would be happy to get that kind of usage," she said of use figures above 50%.

Experts say that once managers have tangible results that illustrate a correlation of work/life benefits with increases in productivity, reduced absenteeism and a lower rate of job turnover, work/life initiatives will have stronger ties to corporate policy than just as benevolent perks.

"Eighty percent of the work force is going home to somebody in the evening," said CorporateFamily Solutions' Ms. Friedman. "This is not a marginal issue."

Free copies of "Too Seldom is Heard an Encouraging Word: A Study of Work/Life Programs and Corporate Culture's Impact on Utilization" are available from Intracorp by calling (800) 345-1075 or from Intracorp's site on the World Wide Web, at <http://www.intracorp.com>.



WHEN THE TOUGH GET GOING.

Looking for clear directions for your international employee benefit plans? Swiss Life is the way to go for coordinated global programs and real financial savings. As the world's leading international network of life insurers, we're never far from where you need us. And every Swiss Life Network Partner is a local leader, with the expertise, flexibility and service capabilities to meet your most challenging insurance and benefit requirements. It's a sign of the times that more and more top multinationals follow the Swiss Life route. Call us in Zurich on +411/284 3797, or contact your local Network Partner. It can be tough out there. But with Swiss Life, you're never on your own.

Head Office: Swiss Life, General Guisan-Quai 40, 8022 Zurich / Switzerland; Telephone 411/284 3797, Telefax 411/284 3997, Internet www.swisslife.com; Argentina: Royal & SunAlliance; Australia: Hannover Life Re / Swiss Life International Services Asia Pacific; Austria: Wiener Städtische; Belgium: Swiss Life; Brazil: Icaru Hartford; Canada: Canada Life; Chile: Euroamérica; China: Swiss Life Beijing & Guangzhou Rep. Offices; Colombia: Bolívar; Czech Republic: Česká Kooperativa; Denmark: Danica / International Health Insurance / PFA Pension; Finland: Ilmarinen / Pohjola Life; France: Société suisse (Swiss Life); Germany: Schweizerische Rentenanstalt (Swiss Life); Greece: Aspis Pronia; Guatemala: Occidente; Hong Kong: CMG Asia Life; Hungary: Glória-Swiss Life; Indonesia: Lippo Life; Ireland: Irish Life; Italy: Swiss Life; Japan: Meiji Life / Yasuda Life; Korea: Korea Life; Luxembourg: Swiss Life; Malaysia: Hong Leong; Mexico: Comercial América; Netherlands: ZwitterLeven (Swiss Life); New Zealand: Hannover Life Re; Norway: Vital; Panama: Mundial; Philippines: First Guarantee Life; Poland: PZU; Portugal: Império; Russia: Rosgosstrakh; Singapore: NTUC INCOME; Slovakia: Kooperativa; South Africa: Southern Life; Spain: Swiss Life; Switzerland: La Suisse (non-life); Taiwan: Kuo Hua Life; Thailand: Bangkok Life; United Kingdom: Swiss Life (UK) plc; USA: First Allmerica / Swiss International Services; Venezuela: Orinoco



THE RIGHT DECISION

Berigan gets post at Campbell Soup

Comings & Goings: Buyers

Karen E. Berigan has been named manager-global risk management at Campbell Soup Co. in Camden, N.J.

Ms. Berigan, 29, previously was claims and risk manager at Garden Way Inc., a manufacturer of outdoor power equipment in Troy, N.Y.

In her position at Campbell Soup, she is responsible for the company's global property insurance program and administration of its self-insured workers compensation program.

Ms. Berigan replaces **Lawrence Sokolowski**, who left Campbell to join U.S. Cold Storage in Cherry Hill, N.J., as risk manager.

Ms. Berigan reports to Christopher I. Johnson, director-risk management.

She holds a bachelor of science in business administration from LeMoyne College in Syracuse, N.Y., and a master of business administration degree from the College of Saint Rose in Albany, N.Y.

Ms. Berigan holds the Associate in Risk Management designation from the Insurance Institute of America.

Howard M. Edelstein has been named director of risk management at Sealed Air Corp., a manufacturer of protective packaging products in Saddle Brook, N.J.

Mr. Edelstein, 47, comes to the newly created position after working as a private consultant with Sealed Air. In addition, he spent 20 years in the insurance brokerage business.

As director of risk management, Mr. Edelstein is responsible for all insurance, risk management and claims management functions at

Sealed Air.

He reports to Tod S. Christie, assistant treasurer.

Mr. Edelstein holds a bachelor of arts degree in economics from American University in Washington. He holds the Associate in Risk Management designation from the Insurance Institute of America and is a member of the New Jersey chapter of the Risk & Insurance Management Society Inc.

Pamela T. Chavez has been named corporate claims manager at Jacobs Engineering Group Inc. in Houston.

Ms. Chavez, 37, is responsible for managing claims in all lines of coverage at the company. Previously, she was property and casualty claims manager at Aon Risk Services of Texas Inc. in Houston.

She replaces **Vicki Schleimer**, now corporate claims specialist at Jacobs Engineering.

Ms. Chavez reports to Robert Erickson, director-corporate risk management.

She earned a bachelor of business administration degree in marketing at the University of Houston and holds the Certified Insurance Counselor designation.

We'd like to report on staff changes in your company's risk management, safety and employee benefit departments. Contact Michael Bradford, Associate Editor, Business Insurance, 2726 Prytania, #6, New Orleans, La. 70136; 504-269-9988; fax: 504-269-0858; e-mail: mbradfor@crain.com. Please send a photograph, too.

Datebook

MARCH

MARCH 30-31. Best Practices in Claims Services conference in Chicago, sponsored by Global Business Research Ltd.; \$1,295 for conference only. Conference Administrator, Global Business Research Ltd., 775 Sunrise Ave., Suite 260, Roseville, Calif. 95661; 916-773-3236.

MARCH 31-APRIL 3. Benefit-Cost Analysis for Environmental, Health and Safety Regulation course in Boston, sponsored by the Harvard School of Public Health Center for Continuing Professional Education; \$945. Harvard School of Public Health Center for Continuing Professional Education, 677 Huntington Ave., LL-23, Boston, Mass. 02115-6096; 617-432-1171.

APRIL

APRIL 1-3. Property & Casualty Product Management Skills and Techniques seminar in Chicago, sponsored by Dorman Consulting Associates; \$995. Also **May 6-8** in Boston. Dorman Consulting Associates, 1 Haverhill Court, Beachwood, Ohio 44122, 216-464-5678.

APRIL 1-3. Property/Casualty Financial Analysis seminar in Philadelphia, sponsored by the Fells Road Group/Michael Conn Associates; \$1,250. Also **May 6-8**. Fells Road Group Inc., 271 Route 46 West, Building D, Suite 207, Fairfield, N.J., 07004; 973-227-5955.

APRIL 2. Insuring the Crime Exposure: Commercial Crime Bonds, Fraud Risk Management and the Ethical Culture workshop in Fort Lauderdale, Fla., sponsored by the CPCU Society; \$89 for society members, \$99 for non-members. Bonnie Kinsley, CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728.

APRIL 2-3. Integrated Environmental Risk Management: Strategies and Tactics for Decision Making seminar in Exton, Pa., sponsored by The Center for Environmental Risk Management and Wharton School of Business Risk Management and Decision Processes Center; \$695. Sarah German or David Bennink, 520 Eagleview Blvd., P.O. Box 636, Exton, Pa. 19341-0636; 800-327-1414.

APRIL 2-3. Marine Seminar in San Francisco, sponsored by The Board of Marine Underwriters of San Francisco; \$185 for pre-registered attendees. The Board of Marine Underwriters of San Francisco, 233 Sansome St., San

Francisco, Calif. 94104; 415-981-0350 or 650-728-2544.

APRIL 2-3. The Technology for the Defense Summit in Chicago, sponsored by the Federation of Insurance & Corporate Counsel; \$195. Lewis F. Collins Jr., Program Chair, Technology for the Defense Summit, P.O. Box 3979, Sarasota, Fla. 34230; 941-366-4680.

APRIL 3. The CGL Policy: Important Changes workshop in Chantilly, Va., sponsored by the CPCU Society; \$99 for members, \$109 for non-members. Also on **April 7** in Greenville, S.C. Bonnie Kinsley, CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728.

APRIL 5-7. The American Assn. of Insurance Services Annual Conference in Del Mar, Calif., sponsored by AAIS; \$400 for conference, \$200 for spouse. Joe Harrington, AAIS, 1035 S. York Road, Bensenville, Ill., 60106-3497; 800-564-AAIS.

APRIL 5-8. Claims Conference in Chicago, sponsored by the Chartered Property Casualty Underwriters Society and the American Institute for CPCU; \$475 for members, \$500 for non-members. CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709. Claims Conference Hot line: 847-330-8664.

APRIL 5-8. HR Evolution: Transforming the Nature of Work conference in New York, sponsored by the American Management Assn.; \$1,245 for members, \$1,370 for non-members. AMA, Attn: Registrar, P.O. Box 169, Saranac Lake, N.Y. 12983-9988; 800-262-9699.

APRIL 6. Environmental Insurance Information Exchange seminar in Pittsburgh, sponsored by ECS Underwriting; no charge. Also **April 7** in Cleveland, **April 8** in Cincinnati, **May 4** in Phoenix and **May 5** in Denver. ECS Underwriting, 520 Eagleview Blvd., P.O. Box 636, Exton, Pa. 19341-0636. 800-ECS-1414.

APRIL 6-7. "Property & Casualty Pricing and Rate Making in Plain English" seminar in Chicago, sponsored by Dorman Consulting Associates; \$895. Also **May 11-12** in Boston. Dorman Consulting Associates, 1 Haverhill Court, Beachwood, Ohio, 44122, 216-464-5678.

APRIL 6-10. Guidelines for Laboratory Design: Health and Safety Considerations course in Boston, sponsored by the Harvard School of Public Health Center for Continuing Professional Education; \$1,495. Harvard School of Public Health Center for Continuing Professional Education, 677 Huntington Ave., LL-23, Boston,

Mass. 02115-6096; 617-432-1171.

APRIL 13. Rethinking Insurance Regulation 1998: Restoring Private Markets in Public Policy conference in Washington, sponsored by the Competitive Enterprise Institute; \$75. Margaret Ard, CEI, Suite 1250, 1001 Connecticut Ave. NW, Washington, D.C. 20036-5504; 202-331-1010.

APRIL 14. Employment Practices Liability: Risk Management and Coverage Aspects workshop, in Fort Wayne, Ind., sponsored by the CPCU Society. \$85 for members, \$95 for non-members. Bonnie Kinsley, CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728.

APRIL 14-15. Purchasing Health Care to Fit Expectations conference in Rosemont, Ill., sponsored by Midwest Business Group on Health; \$575 for members and \$735 for non-members. T.M. Enterprises, P.O. Box 9064, Rockford, Ill., 61126-9064; 815-332-7084.

APRIL 14-16. Fundamentals of Purchasing Reinsurance seminar in Irving, Texas, sponsored by The Reinsurance Management Institute; \$675. Bruce Evans, University of Dallas, Reinsurance Management Institute, Irving, Texas 75062-4736; 972-721-5360 or 800-721-5235.

APRIL 15. An Interpretation of Brokers Fees and When to Charge Them and Managing Trust Accounts seminars in Burbank, Calif., sponsored by the Professional Insurance Agents of California and Nevada and the California Department of Insurance; \$30 for members and \$40 for non-members. PIA of CA/NV, Attn: Meetings Department, 1315 I St., Suite 200, Sacramento, Calif. 95814; 800-553-4221.

APRIL 26-MAY 1. 36th RIMS Annual Conference and Exhibition in San Diego, sponsored by the Risk & Insurance Management Society Inc.; \$895 for RIMS members, \$1,095 for non-members. RIMS Customer Service, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292.

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

Services Guide

CPCU® and IIA candidates

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

FOR 1998 RATES AND
EDITORIAL CALENDAR
CALL 312-649-5340

Publishing in

Business Insurance®

April 6th

Benefits: Pensions/Retirement Plans
Directory: 401(k) Plan Administrators
Ad Closing: March 25th

April 20th

RIMS PREVIEW
Bonus Distribution:
National Managed Health Care Congress
Ad Closing: April 8

Call Now To Reserve Your Space!
(312) 649 - 5340

For advertising information contact: Cheryl Adeszkó,
Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340 • Fax (312) 649-7937

"Be sure that you return it."

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

To subscribe, use the card in this issue
or Call 1 (888) 446-1422 Toll-Free.

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

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

USA	\$87
Canada/Mexico	\$105*
All other countries by expedited air.	\$205
* Price includes Canadian GST.	

Business Insurance®

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

INTERNATIONAL

Global Briefs

J&H Marsh & McLennan Inc. has acquired a minority stake in Kessler & Co., a Zurich, Switzerland-based broker that was previously the Swiss member of the UNISON broker network. Kessler will assume J&H Marsh & McLennan's existing operations in Switzerland and will serve as a correspondent broker for J&H Marsh & McLennan. . . New U.K. insurer **General Star International Indemnity Ltd.** has joined the London International Insurance & Reinsurance Market Assn. London-based General Star, a subsidiary of U.S. surplus lines insurer General Star Indemnity Co. of Stamford, Conn., received authorization Jan. 23 from the U.K. Department of Trade and Industry. Chris Burbidge, managing director of General Star International, said the new company will write specialty lines and unusual risks. . . **Gerling-Konzern Allgemeine Versicherungs A.G.** of Cologne, Germany, has been licensed by the Japan Ministry of Finance to write non-life insurance in Japan. Gerling is the 32nd foreign non-life insurer licensed in Japan. . . **Insured natural catastrophe losses** in 1997 fell about 50%, to \$4.5 billion worldwide, even though 1997 was the warmest year in 130 years, a report by Munich Reinsurance Co. says. While the number of catastrophes has varied little annually since 1992, most of the 538 catastrophes occurred in areas of low insurance density. Flooding was the largest cause of cat losses in 1997, particularly in Eastern Europe, where floods caused about \$800 million in insured losses. . . **Zurich Insurance Co.** of Zurich, Switzerland, has reached an agreement in principle to sell its non-life business in Greece to Assicurazioni Generali S.p.A. of Trieste, Italy. The sale is subject to approval by Greek authorities. No details on the sale price are being disclosed. . . **Imperial Chemical Industries P.L.C.** of London has received a record £300,000 (\$501,540) fine for environmental pollution. The fine is the largest prosecution by the U.K. government's Environment Agency since it was established in 1996. ICI pleaded guilty to contaminating groundwater with chloroform at its site in Runcorn, Cheshire. . . Japanese insurer **Mitsui Marine & Fire Insurance Co. Ltd.** has decided against injecting funds into failed broker Sanyo Securities Co. Ltd. to create a new securities broker. Mitsui had considered putting capital into Sanyo earlier this month, which would have been the first move by a non-life insurer into the Japanese securities market. . . **Ann Godbehere** has been appointed divisional chief financial officer of London-based Swiss Re Life & Health, a specialist global division of Swiss Reinsurance Co. of Zurich, Switzerland. She will be responsible for global financial management, including business planning, financial control and risk management. . . Swiss insurer **Winterthur Group** has announced a 31% increase in operational net profits in 1997 to 664 million Swiss francs (\$457 million). Gross premiums rose to 26.75 billion Swiss francs from 25.95 billion Swiss francs in 1996. When converted into dollars, premiums fell to \$17.87 billion last year from \$19.27 billion. Winterthur plans to create a new individual and group life division April 1. . . **Overseas insurance companies in Shanghai**, China's largest economic center, reported combined premiums of 616 million yuan (\$74 million) in 1997, up 23.2% from 1996, according to figures from the People's Bank of China. . . A U.K. budget proposal to **restrict value-added tax grouping** for business could raise costs for U.K. holding companies. Under VAT grouping, corporations owned by a holding company are treated as a single entity for tax purposes. U.K. Chancellor of the Exchequer Gordon Brown announced a possible restriction on VAT grouping to raise additional tax revenue. A consultation paper soon will be published on the issue. Arthur Andersen said VAT grouping is common particularly among U.K. insurers and restrictions will increase costs and the burden of dealing with VAT.

Marine insurers told to offer more

Executives say shipowners may consider more sophisticated options

By EDWIN UNSWORTH

LONDON—Shipowners will find other ways to finance risk if marine insurers do not offer more services and increase their professionalism, executives say.

Hull underwriting needs to be completely overhauled, especially to get away from the commodity approach, said Oddvar Kvan, senior vp of Storebrand Skadeforsikring A/S of Oslo, Norway.

Speaking at the Marine Insurance 1998 conference in London organized by IBC UK Conferences Ltd., Mr. Kvan said, "I perceive a very limited future for the traditional subscription market where each underwriter has only a relatively

minor stake in his client's insurance venture and therefore can invest little time and expense in each account."

Unless hull underwriters can provide a "value-added service," such as expert claims assistance and advice on loss prevention and control, shipowners will look to other ways of reducing their risks. These might be a greater degree of mutualization or use of financial products, he warned.

Mr. Kvan said the protection and indemnity clubs, which provide liability coverage to members, easily could expand into hull insurance, much as the oil and gas companies did in forming a mutual to insure their catastrophe risks.

Mr. Kvan said hull underwriters need to intro-

duce three vital tools:

- Proper risk assessment procedures by people familiar with all technical and operational aspects of ship operations
- The systematic use of risk statistics drawn from extensive database information, without which the underwriter is operating "blindfolded"
- The extensive use of price differentiation to achieve more correct pricing and to avoid the cross-subsidy of low-quality risks

Peter Ahlas, chief executive of the marine, cargo and aviation division of brokers HSBC Gibbs, expressed similar sentiments. "There are still too many underwriters who think it is a waste of

See Marine on page 23

Lloyd's syndicate 657 facing big losses

By SARAH GODDARD

LONDON—While Lloyd's of London last week—as expected—announced profits topping £1 billion (\$1.68) for the 1995 year of account, Archer Managing Agents Ltd. warned that syndicate 657 faces a loss of up to 98.9% of its 1994 capacity.

Although the 1994 underwriting year normally would be closed and reported in 1997 under Lloyd's three-year accounting system, syndicate 657 remains open because its managers have not been able to estimate its liabilities.

Syndicate 657 wrote mainly U.K. liability business, particularly employers liability and professional indemnity coverage. The syndi-

cate, which stopped writing new business in 1996, has been the subject of several warnings over results in the annual accounts of Lloyd's corporate investors.

A statement Archer issued late last week said the 1994 year of account is showing losses between 57.9% and 98.9% of its capacity. According to Limelight, a directory of syndicate results published by The Sedgwick Information Exchange Ltd., syndicate 657 had £43 million of capacity (\$63.6 million) for 1994.

The results projection made at year-end 1997 by actuaries Bacon & Woodrow London Market Services is an improvement on figures supplied at the end of 1996, when the projection for 657's 1994 underwriting loss fell between 48% and 115%.

Archer made a cash call of 24% at the end of 1996, but it is not looking to make another for the 1994 year.

The 1995 year of account, which remains open, is showing a similar, though not so drastic, pattern of results. The losses fall in the range of 12.3% to 51.2%. These figures represent a deterioration of about 12% over projections made in fourth-quarter 1997, partly because of notification of new professional indemnity claims, according to the statement. Syndicate 657 had £42 million (\$65.7 million) of capacity in that year, according to Limelight.

The 1996 year of account showed a deterioration of 20% in the last quarter of 1997, and

See Lloyd's on next page

Forbes Group Ltd. changes structure

JOHANNESBURG, South Africa—Forbes Group Ltd. is restructuring to compete with the major U.S.- and U.K.-based brokers to offer its services and compete for business on a worldwide basis.

The group announced this month that it is integrating its risk management consulting, property/casualty insurance brokering and reinsurance brokering businesses under one umbrella. Johannesburg, South Africa-based Forbes acquired London-based Nelson Hurst P.L.C. in August.

The new company, Nelson Hurst Ltd., will be able to offer its services on six continents and in more than 30 countries, according to John Percy-Davis, London-based chairman and chief executive officer of Nelson Hurst. It will operate internationally under the name of Nelson Hurst Ltd., as Sedgwick Group P.L.C. has rights to the Price Forbes name outside South Africa. However, the Price Forbes name will continue to be used in South Africa.

Using the worldwide experience of Nelson Hurst and the state-of-the-art risk management and alternative risk financing skills built up by Forbes in South Africa, the new business will be able to compete with the major brokers in offering clients a comprehensive range of services, said Mr. Percy-Davis.

"We are not seeking to copy the style of the largest players in the marketplace," said Jo-

hannesburg-based Forbes Chairman Paul Heinemann. "Quite the contrary, in fact. We firmly believe our manageable size, combined with an international reach, will facilitate the speed of response to our clients which other brokers will find hard to match."

It is "clear to us that alternatives are needed to the megabrokers which have emerged in the past few years. We are hearing it from clients, insurance carriers and professionals in the industry," Mr. Heinemann said.

Forbes' extensive employee benefits operations will continue to be based in South Africa.

Forbes, including Nelson Hurst, employs 4,000 and has offices in 25 countries, principally in Europe, Southeast Asia, Latin America, South Africa and sub-equatorial Africa.

Forbes' interim results for the six months that ended Sept. 30, including two months contribution from Nelson Hurst, show revenues up to 457 million rand (\$98 million), compared with 307 million rand (\$67.7 million) for the six months to Sept. 30, 1996. Employee benefits consulting contributed 191 million rand (\$41 million), short-term brokering and risk management contributed 253 million rand (\$54.2 million), and reinsurance brokering provided 13 million rand (\$2.8 million).

—By Carolyn Aldred

Power company generates relief

By YVETTE HIGGINS

AUCKLAND, New Zealand—Power company Mercury Energy Ltd. is offering a compensation package to businesses and residents affected by an ongoing power failure in central Auckland, New Zealand.

Auckland-based Mercury Energy last week offered customers a choice of six months' free electricity or up to \$10,000 New Zealand (\$5,596) for losses as a result of the outage. The utility also agreed to pay the costs of running generators, which many large businesses have done since the outage began Feb. 20 (BI, March 2), until power is restored.

Although electricity has been partially restored in Auckland's central business district, full power is not expected to be available for four to 12 weeks, according to Mercury Energy.

Meanwhile, losses for businesses in the area continue to mount.

Mercury Energy Chairman Jim Macaulay said in a statement that customers suffering losses greater than the utility's offer should seek coverage from their insurers. The compensation offer is contingent upon customers agreeing not to sue the utility for further compensation.

A spokeswoman for the Insurance Council of New Zealand warned that policyholders should consult their insurers before accepting Mercury Energy's offer, as acceptance could reduce possible insurance payouts.

See Outage on page 23



AP PHOTO
Emergency cables have been installed to help supply power to central Auckland, New Zealand, where power has been out since Feb. 20.

INTERNATIONAL

Lloyd's

Continued from previous page
Bacon & Woodrow is estimating a loss range of 19.7% to 65.6% vs. £38.7 million of capacity (\$60.1 million). Underwriter David Lowe, who joined syndicate 657 in 1993, left Archer in 1996 when the syndicate stopped writing new business.
Particularly affected by 657's performance is New London Capital P.L.C., a corporate Lloyd's investment

trust that had a £7.5 million (\$11.6 million) line on the syndicate for all three years of account. But, 657's effect on NLC's results will be diluted, since the trust's capacity rose from £105 million (\$155.4 million) in 1994 to £123 million (\$192.5 million) the following year, and £138 million (\$214.3 million) in 1995.

Stephen Wenman, chairman and chief executive of Archer Group Holdings P.L.C. and executive director of Chartwell Re Corp., which bought the agency in November 1996,

said that members of the syndicate were reassured that the actuarial range for the losses has been tightening. But he criticized members agents who had not told names of the syndicate's losses. Archer has been "putting out a great deal of information" to keep names informed, he said. "The really good news is that there will be no cash call for the time being" on any of the syndicate's open years, he said.

In the meantime, Lloyd's centrally has issued unaudited results for 1995, showing a £1.01 billion profit (\$1.69

billion), before members agents' fees and profit commissions. In addition, about £149 million (\$250.2 million) will be released from reserves to boost the profit to £1.16 billion (\$1.94 billion), £61 million (\$104.3 million) higher than 1994's record profits.

Figures from Syndicate Underwriting Research Ltd. show the marine sector to have been the most profitable, posting an average 21.5% profit. Liberty Syndicate Management Ltd.'s syndicate 190 took the overall top spot in terms of profitability,

showing a 59% profit on its £40 million capacity (\$62.6 million).

But Lloyd's Chairman Max Taylor warned that the overall 1995 results are the best the market will see for some time to come. "Since the 1995 year, conditions have deteriorated considerably," he said in a statement. "While we can see profits for the 1996 and 1997 years, rating conditions have continued to decline. It is far too early to make any projection for 1998, but, in all likelihood, it will be a very difficult year." **BI**

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$171.00 per column inch, minimum of one inch. Straight classified is \$15.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$25.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Cheryl Adeszko, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340, FAX 312-649-7937, or e-mail cadeszko@crain.com

HELP WANTED

RISK MANAGER
\$6,140 - \$8,105/mo.
The Santa Clara Valley Transportation Authority is recruiting for Risk Manager. This critical position will be responsible over functions of insurance, claims liability, workers compensation and other leaves, disability accommodation, and environmental health and safety programs and will act as VTA's risk management expert and advisor to senior management. Must have substantial and increasingly responsible experience performing risk management, insurance and/or claims liability management for public or private sector organization. Excellent working conditions and extensive benefit package.

For an application and a job bulletin call (408) 321-5575 or write to:
Santa Clara Valley Transportation Authority
Personnel Department
3331 North 1st St., Bldg. B
San Jose, CA 95134-1906
EOE/AA

HELP WANTED

DIRECTOR RISK FINANCE & INSURANCE
U S WEST, a leader in the telecommunications industry, has an immediate opening in Denver, Colorado, for a professional who will be responsible for the strategic planning and directing of all risk financing activities for the corporation.

The successful candidate will have the best combination of the following skills and qualifications, which are reflective of an ideal candidate: Undergraduate degree in business or related Risk Management field and 10-12 years experience or a graduate degree (Finance or MBA) with 8 to 10 years experience. Professional certifications strongly preferred (ARM, CPU). Excellent interpersonal, managerial, organizational, computer, and presentation skills.

U S WEST is an equal opportunity/affirmative action employer. Any offer of employment is conditional upon satisfactory completion of pre-employment background verification and drug testing. To be considered, resumes must include salary requirements and be received by April 1, 1998. Please send or fax resumes to:

U S WEST
Reference: RFI/JMM
7800 East Orchard Road, Suite 240
Littleton, CO 80127
FAX: (303) 793-6309

HELP WANTED

ASSOCIATE UNDERWRITER
Managing General Agent of national durable goods program for a top 20 P&C insurer seeks an underwriter experienced in underwriting the durable goods industry, manufacturing or wholesaling. 2-5 years experience desirable. CPCU helpful. Send resume to American Wholesalers Underwriting, Ltd., 1100 High Ridge Road, Ste. 203, Stamford, CT 06905 or fax to (203) 322-9776.

HELP WANTED

CNA, a premier, financially stable leader in the insurance industry, has built a reputation for professionalism, integrity & innovation through 100 years of quality service. We currently seek a seasoned professional to act as Underwriting V.P. in our **North-eastern Regional Office in New York City.**

V.P. - UNDERWRITING

The selected candidate will be accountable for managing/directing the Underwriting activities of the Risk Management Regional office. You will be responsible for the development and achievement of unit objectives and goals in order to increase market share in the territory and to service national accounts. You will utilize your excellent communication skills to maintain favorable client contact and for management of existing business. Development of financial plans to monitor and evaluate results and developing alternative strategies to achieve profit objectives will be a key function. Position requires some travel and that you manage a staff of 10-12 Underwriters. To qualify, you will need expertise in large account production and Underwriting, in-depth understanding of all aspects of Risk Management business, Loss Control, Claims, and administrative support. A minimum of 10 years Underwriting experience coupled with strong managerial experience is also required as well as excellent analytical, decision-making, organizational, sales/negotiation, and oral/written communication skills.

In return for your expertise, we offer excellent compensation and benefits, including 401(k). For consideration, please forward your resume to: CNA, Attn: Risk Management - Human Resources, 180 Maiden Lane, 14th Floor, New York, NY 10038. FAX: (212) 440-3002. CNA is an Equal Opportunity Employer M/F/D/V committed to a diverse work culture.



REQUEST FOR PROPOSALS

The City of New York Management Benefit Fund is soliciting competitive proposals from qualified vendors to insure and/or administer Group Basic Life and Accidental Death & Dismemberment, Group Long Term Disability, and Superimposed Major Medical Insurance Programs. In addition to submitting a separate proposal for each program, carriers may submit a proposal on a combined basis. The Request for Proposals (RFP) is available beginning April 10, 1998. Proposals are due by May 29, 1998. To receive a copy of the RFP or if you have any questions, please contact Lou Porpora at (212) 306-7306.

LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE
NO. 005081 OF 1997
CHANCERY DIVISION
IN THE MATTER OF FREMONT INSURANCE COMPANY (UK) LIMITED
and
IN THE MATTER OF SECTION 425 OF THE COMPANIES ACT 1985

At a meeting held on 15 December 1997 in London, the Scheme of Arrangement ("the Scheme") between Fremont Insurance Company (UK) Limited ("the Company") and its Scheme Creditors (as defined in the Scheme) was approved by the requisite majority of Scheme Creditors.

On 4 March 1998, the High Court of Justice of England and Wales ("the Court") sanctioned the Scheme in the form approved by the Scheme Creditors and dismissed the winding up petition.

On 10 March 1998, an office copy of the Court Order sanctioning the Scheme was delivered to the Registrar of Companies for registration. The effective Date of the Scheme is, therefore 10 March 1998.

An Order for permanent injunction relief under Section 304 of the US Federal Bankruptcy Code providing for recognition of the terms of the Scheme in the United States of America, was made on 11 February 1998 in the United States Bankruptcy Court in the Central District of California.

Philip John Singer and Christopher John Hughes, partners in the United Kingdom firm of Coopers & Lybrand are the Joint Scheme Administrators responsible for implementing the Scheme.

Claims against the Company under contracts of reinsurance (or otherwise) should be submitted to the Joint Scheme Administrators at the following address:

Fremont Insurance Company (UK) Limited c/o Coopers & Lybrand insurance services Coopers & Lybrand House 3 St. Philips Central Bristol, B52 0XJ United Kingdom
Dated this 10th day of March 1998.

LEGAL NOTICE

PINE TOP INSURANCE COMPANY LIMITED
(IN A SCHEME OF ARRANGEMENT)

Registered Office: 130 Minories, London, EC3N 1NT
Phone: 0171 680 0620 Fax: 0171 680 0630

CLAIM SUBMISSION DEADLINE 30TH APRIL 1998

NOTICE IS HEREBY GIVEN, that creditors of the above named company, are required, under the terms of the Scheme of Arrangement, to file proof of claims before the claims submission deadline of the 30th April 1998.

All known creditors have been provided with the required claims forms, however, if you believe you may be a creditor of the above named company and have not received a claim form, please contact the company at the above address.

All completed claims forms must be received by the company, at the above address, no later than the 30th April 1998. Proof of claim forms not received by that date will not ordinarily be entitled to rank for any distribution that becomes payable under the Scheme of Arrangement.

LEGAL NOTICE

FOR SALE

Web Domain Name Sale

\$5,000.00 EACH

insureus.net
insureme.net
insureusa.net
insureyou.net
insureall.net

call 203.961.0100
fax 203.961.0102

REQUEST FOR PROPOSALS

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

The Los Angeles County Metropolitan Transportation Authority (MTA) will receive proposals for RFP No. PS 5310 0329 for Public Liability / Property Damage Third Party Claims Administrator per specifications on file at the LACMTA Office of Material, One Gateway Plaza, 12th Floor, Los Angeles, CA 90012.

All proposals must be received on or before 2 pm April 27, 1998 at the address listed above, sent to the attention of **Tommye Williams**. Proposals received later than the above date and time will be rejected and returned to the proposer unopened. A Pre-Proposal conference will be held on March 25, 1998 at 10 am in the Imperial Conference Room on the 12th Floor located at the address above.

You may obtain a copy of the RFP, or further information, by contacting **Ms. Tommye Williams** at **(213) 922-1051 or FAX (213) 922-1005**

UNDERWRITING MANAGER

We are an established underwriting manager and claims administrator located in picturesque Santa Ynez Valley, CA (30 min. north of Santa Barbara). We underwrite on behalf of a major A- (IX) national insurance group looking to expand its West Coast operation. Parent company is a public company.

Seeking candidate to lead underwriting operations. Principal lines of business are contractors and products liability written on a Surplus Lines basis. Also underwrite Architect & Engineers professional liability and Ocean Marine coverage. The Company is currently adding Property, Multi-peril and Environmental business lines.

Right candidate should have minimum 15 yrs. experience to include 3-5 years specific to Casualty Surplus Lines. Possess excellent relationships with Surplus Lines wholesalers. Position of Vice President of Underwriting. Excellent benefits, compensation, stock options, professional support offered. Opportunity for advancement based on results.

Mail or fax resume to:
Westcap Insurance Services
Human Resources (UM)
2029 Village Lane
Solvang, CA 93463
Fax: (805) 686-1923
No Phone Calls Please

SENIOR CASUALTY UNDERWRITERS

We are an established underwriting manager and claims administrator located in picturesque Santa Ynez Valley, CA (30 min. north of Santa Barbara). We underwrite on behalf of a major A- (IX) national insurance group looking to expand its West Coast operation. Parent company is a public company.

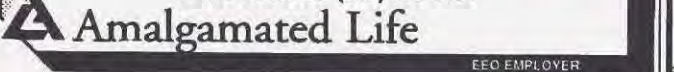
Immediate openings for two seasoned underwriters with a minimum of 10 yrs. general casualty experience to include minimum 3-5 yrs. specific to Surplus Lines. Familiar with contractor and product liability. Possess excellent relationship with Surplus Lines wholesalers. Excellent benefits, compensation, stock options, professional support offered. Opportunity for advancement based on results.

Mail or fax resume to:
Westcap Insurance Services
Human Resources (SCU)
2029 Village Lane, Solvang, CA 93463
Fax: (805) 686-1923
No Phone Calls Please

SALES EXECUTIVE

Amalgamated Life, America's Labor Insurance Company, seeks an experienced sales person to grow its business. Products include group life & disability, TPA, utilization management & demand management products. Knowledge of sales techniques, sourcing & presentation skills needed. Located in either NYC or Salem, N.H. with travel between both regions and some national travel. Candidate should be independent & self-directed.

Amalgamated Life offers a competitive salary with commission & full benefits. Fax resume with salary requirements to:
Sales Recruiter (212) 780-4104



We're on the Web
Business Insurance Online!
www.businessinsurance.com

Business Insurance
Circulation Breakdown
Commercial Consumers

Administrative:
CEO's, Presidents, and Owners, 2,710
Vice Presidents, General Managers and
Other Administrative Personnel 5,122

Financial:
Chief Financial Officers and Vice Presidents
of Finance 5,429
Secretaries, Treasurers, controllers and
other Financial Personnel 4,145

Risk/Employee Benefits:
Vice Presidents, Directors, Managers, and other
related department personnel of: insurance, risk,
employee benefits, personnel, compensation,
pension, safety, security, industrial relations,
human resources and employee/
labor relations 14,748

Sub-total **32,154**
Associations 286
Government, Unions and
Educational Institutions 1,019

Commercial Consumers
Sub-total **33,459**
Insurance Agents and Brokers 8,083
Insurance Companies 6,933
Accountants, Actuaries,
Attorneys & Consultants 2,705
Adjusters, Appraisers, TPA's, Captive Managers
& Health Care Providers 1,578
Others Allied to the Field 757

Total Qualified **53,515**
Non-qualified/Paid Subscription 14
Single Copy Sales 27

TOTAL CIRCULATION **53,556**
★ Source Business/Occupational
breakdown of qualified circulation,
November 24, 1997 Issue, as
submitted to BPA for December 1997
BPA Publisher's Statement

INTERNATIONAL

Outage

Continued from page 21

Coverage for losses from the outage would depend on policy wordings, she noted.

Last month, the New Zealand government announced it would hold an inquiry to determine the cause of the crisis. Insurers are conducting their own investigation and say they will need at least a month before they can estimate insured losses from the outage.

Mercury Energy has agreed to give Insurance Council investigators access to the faulty cables. The council's spokeswoman said it would take four to six weeks from the time they started for independent engineers to complete an investigation.

Patrick Strange, general manager of Mercury Energy, said the company is happy to allow the council ac-

cess to "failure sites" and said he was sure the company had already notified the council.

"Determining the cause of the problem will be a significant factor in determining liability, which will then enable insurers and brokers to look at individual contracts and determine whether there is insurance cover or not," said the council's spokeswoman. Some insurance policies that cover power failure have a specific clause limiting coverage to a specific cause.

"The insurance industry wants to be in a position to pay valid claims as quickly as possible, but it is not able to do this until it has an independent report on the cause of the crisis," the spokeswoman said. Some insurers may look at subrogation later, but cannot determine whether they are at risk until the cause of the crisis has been determined, she added.

Mercury Energy estimates it will

be another four to 12 weeks before power is fully restored to Auckland's central business district. That section of downtown Auckland lost 90% of its power Feb. 20, when the city's four main power cables failed (BI, March 2). Other parts of the city have electricity.

The Auckland office of Melbourne, Australia-based law firm Slater & Gordon is preparing to sue Mercury Energy for breach of contract and negligence on behalf of an estimated 800 businesses and domestic users who allege they were affected.

Mark Walter, an associate at Slater & Gordon, said losses to Auckland businesses and residents would total "hundreds of millions of dollars." Some potential plaintiffs were insured but were considering legal action because it had not been determined whether their policies would respond, Mr. Walter said.

"Mercury Energy's response has

been to ignore the interests of the claimants," he said.

Auckland Mayor Les Mills said the inner city was operating on 95% power from 30 large and hundreds of small generators, two Mercury Energy cables and from the New Zealand navy vessel Rotorua. Both the Auckland City Council and Mercury Energy have requested that residents and businesses conserve energy.

Mr. Mills said Mercury Energy has 8,000 customers in the city center, which includes major hotels, law offices, banks, stock brokers, retail stores, restaurants and residences.

Mercury Energy is developing a system to handle customer claims quickly and is talking with its insurer, which it would not name, according to a statement from Mercury Energy's board.

"We don't want to see our customers subjected to an expensive, drawn-out process, and we will de-

velop a system that is quick, simple and fair," the statement said.

Mercury Energy still was battling to restore full power and backup power to the city after suffering a setback March 5 when two repaired cables failed on testing.

Mercury Energy Chief Executive Officer Wayne Gilbert said the company was installing new overhead power cables along an unused rail line. The cables are to be operating in a month.

"The overhead link is no longer a backup line; it's what's required to bring full power back to the city," Mr. Gilbert said.

Mercury Energy in February had created a \$2 million New Zealand (\$1.2 million) fund to help small businesses hurt by the outage, but the fund received few claims.

Claims for the utility's latest compensation offer must be received by April 30, Mercury Energy said. **BI**

Marine

Continued from page 21

time looking for technical information because the market will decide the rate," he said.

Today's market "is as soft as an overripe tomato" because for the past five years there has been "too much competition based on price in the hull market, and not enough on analytical underwriting," added Mr. Ahlas.

He said he detects at least the beginning of a trend in which marine insurers are becoming aware

'There is nothing to suggest at the moment that hull rates are going to firm up,' says Peter Ahlas of HSBC Gibbs.

of the advantages of a service-driven market. While an insurer may lose a certain amount of market share when it charges more for an extra service, it is unlikely to lose entire blocks of business, Mr. Ahlas said.

"An insurer which is dedicated to providing a high level of service can still keep a slice of business at higher rates than its competitors on the same slip if it gets the cost/service ratio right," he added.

Both Mr. Kvan and Mr. Ahlas were gloomy about the prospects for any upturn in hull rates.

Mr. Kvan cited figures from the Central Union of Marine Underwriters in Norway showing that hull rates are now 70% of their 1989 level.

Mr. Ahlas said "there is nothing to suggest at the moment that hull rates are going to firm up." Nor is there any sign of an increase in reinsurance rates.

He said the present underwriting cycle, unlike most others, has no discernible upturn, "and it seems likely that only a series of big losses will serve to force rates up across the board."

Contrary to policyholders' belief, these low rates are not good news for customers, Mr. Ahlas maintained. It takes a strong insurance market to force through improvements in shipping safety by driving out substandard operators and, eventually, substandard underwriters, he said.

Commenting on the International Safety Management Code, Mr. Kvan criticized the "gutless" attitude of some hull underwriters

who are still prepared to insure shipowners and operators who do not meet the July 1, 1998, compliance deadline.

The ISM Code is proposed by the International Maritime Organization, the shipping arm of the United Nations. Whereas other treaties already are in place to ensure that merchant ships themselves are safe, the ISM Code requires owners and operators of passenger ships, tankers, and bulk and gas carriers up to 500 gross tons to demonstrate that they have safe management systems in place.

Mr. Kvan said the P&I clubs have taken "the only responsible attitude" in making clear they will not provide insurance coverage to members who do not comply with the code.

In contrast, he criticized the Institute of London Underwriters, which represents the marine insurance companies operating in the London market, for saying at its annual meeting in February that it was seeking a clear statement on the ISM Code from the International Union of Marine Insurance. The IUU wants guidance on whether they should make compliance with the code—by those seeking insurance—a condition of cover.

Marine insurers should stop paying only lip service to marine safety and follow the example of the P&I clubs in making ISM code compliance a condition of coverage, Mr. Kvan said. **BI**

U.K. to reopen probe of wreck

LONDON—The British government plans to reopen an investigation of the 1980 sinking of the bulk carrier Derbyshire after a recent underwater survey of the wreck ruled out suspected design faults as a cause of the disaster.

A report from the survey, issued earlier this month, concluded that the sinking of the vessel—one of the biggest British ships ever lost at sea, at 169,000 tons dead weight and 965 feet from bow to stern—in a typhoon 400 miles east of Japan could not be attributed to a single cause. The survey was jointly sponsored by the European Commission and the U.K. government.

One of the survey's key conclusions was that the Derbyshire, which was carrying 157,000 metric tons of iron ore, sank as a result of a series of events initiated by flooding

caused by the failure of a hatch cover in the bow. This allowed water to flood the ship, increasing pressure on other hatch covers, which also failed. The report says the ship sank quickly, and the buildup of water pressure "led to implosion/explosions...resulting in the ship's almost total disintegration." The swift sinking resulted in the death of all 44 people on board.

The report said that while the evidence showed some poor workmanship and questioned the crew's skill, there was no evidence of structural failure, as some safety experts had suspected.

However, the recommendations of the two loss assessors who worked on the survey could have far-reaching implications for shipowners.

The assessors called for ships to be

strengthened to survive rough seas and for bulk carriers to have higher bow sides to deflect high waves.

If the assessors' recommendations are endorsed by the International Maritime Organization, the shipping arm of the United Nations, it could lead to requirements that future bulk carriers be built to new specifications and that the 4,600 bulk vessels currently in use worldwide under various flags be retrofitted.

Calling for the inquiry to be reopened, Deputy Prime Minister John Prescott said that while the survey had shown how the Derbyshire was lost, further investigations would aim to establish why.

He has given interested parties three months to make submissions on the scope of the inquiry.

—By Edwin Unsworth

ADVERTISER
INDEX

Issue of March 23

ADVERTISER	PAGE #
Burnham Systems	20
Business Insurance	13-16
Carvill America, Inc.	23
Frontier Insurance Co.	4
GAB Robins	9
General Accident Ins.	10-11
Kemper Insurance Companies	14-15
Lexington Insurance	28
Odyssey Re	6
Reliance Group Holdings	7
Ricoh of America	12
Swiss Life	19
Wausau Insurance Company	5

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE

SINCE 1977

Atlanta Bermuda Chicago London Stamford

Results

Continued from page 1

change in the pricing environment."

But David McDonald, senior vp and chief underwriting officer at Royal & SunAlliance USA in Charlotte, N.C., believes differently. "Pricing of the insurance product, in my mind, is at a level equal or lower than it was in the early '80s," Mr. McDonald said, and while it is unlikely to occur this year, "at some point in time we're going to have to pay the piper as an industry."

Other year-end results reported by the 23 insurers in BI's survey included:

- Premium volume growth was a modest 5.5%, to \$94.78 billion. This compares to a 6% increase for the first three quarters of 1997 and a 9.9% increase in 1996 (BI, Nov. 24, 1997; March 24, 1997).

- Investment income grew 17.1%, to \$16.89 billion, compared with a 16.5% increase for the first three quarters of the year and an 11.7% increase in 1996.

- Helped by low catastrophe losses, underwriting losses improved 62%, to \$2.41 billion. This compares to a 66.8% improvement for the first three quarters of the year and a 57.4% worsening in 1996.

- Insurers reported a 102.2% combined ratio for 1997 vs. a 106% combined ratio for 1996. They reported a 102% combined ratio for the first three quarters of 1997.

- Policyholder surplus grew 29.3%, to \$120.26 billion from \$92.98 billion in 1996. It grew by 21.5% in the first three quarters of the year.

Results were generally good, some observers say. "It was an excellent year on all fronts from a results point of view" said John Ward of the Cincinnati-based Ward Financial Group. Companies had excellent growth in premiums and performed even better on measure-

ments including profitability and return on equity, he said.

"The primary story line seems to be that virtually all of the important areas worked in favor of the industry," added Mr. Ward. "Catastrophes were down... we had another phenomenal year in the stock market, and so capital gains and investment returns were excellent. Really, all the arrows were pointed in the right direction, and they added up to just quite an excellent year for the industry overall."

"Fourth-quarter numbers were pretty good, and part of that was the overall favorable weather," said Gloria Vogel, senior vp at Advest Inc. in New York.

"There really weren't major activities of any kind that really hurt the fourth quarter, and other than, I guess, TIG (Holdings Inc.), there weren't any real shock reserve strengthenings that went on," Ms. Vogel said.

TIG announced last month a pre-tax loss reserve charge of \$145 million at TIG Reinsurance Co. in connection with a limited number of large accounts (BI, Feb. 9).

Others, however, gave the quarter a more equivocal evaluation. "Earnings for commercial lines carriers were somewhat mixed during 1997," said Kenneth Zuckerberg, an analyst with Moody's Investors Service Inc. in New York.

"While property results benefited somewhat from fewer insured catastrophe losses, reported liability results looked somewhat suspect due to declining—and in many cases, inadequate—rate levels in several business lines, and also deteriorating loss experience in others."

"The word that comes to mind is lackluster," said Weston Hicks, an analyst with Sanford Bernstein & Co. in New York. "We had very few positive earnings surprises relative to expectations" with indicators of financial health such as cash flow, premium growth and investment in-

come "generally sluggish."

Said Smith Barney's Mr. Frank, "I think overall, the fourth quarter results really showed you a few things. One is that the ability to maintain or extend a given level of earnings, particularly for commercial lines-oriented companies, is getting thin. The data have shown full well that the industry's been mining prior year reserves pretty heavily."

Last year will be a tough act to follow, say observers, who point to 1997's unusually good weather conditions and the declining level of reserve redundancies.

"The problem is whether in this competitive market climate companies can continue to produce the same level of profitability in 1988, and I think it's going to be harder to get there," said Ms. Vogel.

Mike Smith, an analyst with Bear, Stearns & Co. in New York, said: "It's going to be very, very difficult to see how combined ratios improve much from 1997, given the very benign catastrophe experience. Of course, a lot of that has continued into the first quarter, but it's tough to say the gods are going to be that kind to us two years in a row."

In addition, said Mr. Smith, a certain amount of 1997's earnings improvement came from redundant reserves, "and you wonder how deep that well can be."

Robert M. Steinberg, chairman and CEO of the Reliance Insurance Group in New York, agreed. In terms of catastrophes, he said: "I think that '97 was an anomaly and probably won't be repeated. Weather, as we all know, has a way of evening itself out." In addition, Mr. Steinberg said, "you would have to assume the reserve redundancies are disappearing."

"I certainly see that the competitive environment shows no signs of easing," said Michael Lewis, an analyst with Warburg Dillon Read in New York. "The ability to release

prior-year reserves will become less and less viable as they kind of run the course there, and it's hard for me to believe the weather will stay good forever. So it's our belief that the comparisons going forward should get more difficult with, I would say, a growing variance between better underwriters and the run-of-the-mill companies."

"I think what you'll see is maybe an increasing number of blowups," said Mr. Lewis. "In other words, in the fourth quarter the major surprise was TIG Holdings' operating results shortfall, and maybe you'll see more of those individual problems develop."

This year, more clarity will emerge as to "who the winners are and who the losers are," said Bill Stanway, president of Hartford Commercial, the commercial insurance arm of The Hartford Financial Services Group Inc.

"What we're seeing is a market where you're having to work harder and harder just to stand still on premium volume," Mr. Stanway said. "I think we're seeing a very unforgiving market."

"You've really got to get your act together right across the board" in areas including price, service, commission rates and technology, he said. "That's the only way you can rely on being in there and rely on getting business."

"We expect the commercial lines to deteriorate for '98," said Jeanne Dunleavy, a vp in Oldwick N.J.-based A.M. Best Co.'s property/casualty division, which predicts a 107% combined ratio for commercial lines, up from 103.7% for 1997. This will be the result, in part, she said, of more "normalized" catastrophe activity this year as well as less-favorable loss development going forward.

Sanford Bernstein's Mr. Hicks said, "I think, clearly, the same dynamics that have been driving results will continue to play out in

1998, and this is a fairly modest top line, with earnings growth coming from expense savings in the case of consolidation stories or capital management activities."

"I think there are real questions," he said, "whether companies exposed to the broader commodities part of the market are going to see their margins deteriorate."

"I tend to believe that 1998 will be a difficult year for commercial insurance carriers, and I think the recent consolidation activity—for example, the pending mergers of St. Paul and USF&G as well as EXEL and Mid Ocean—is very indicative of the competitive state of the commercial lines marketplace," said Mr. Zuckerberg (see story, page 1). "Consolidation activity is often a defensive response to difficult operating conditions," he said.

"Disciplined underwriters like St. Paul have, to their credit, walked away from underpriced business, while some less-disciplined players have taken on longer-tail risks, hoping the loss experience doesn't come back to haunt them one day," said Mr. Zuckerberg.

The year will not be particularly bad, however, said Jay Cohen, an analyst with Merrill Lynch in New York. "I guess the message is, yes, there will be pressure on margins; yes, that cushion of reserve releases will likely begin to wear thin, but I am not looking for the industry to have an awful year in 1998."

Mr. Cohen said, "I think a low level of inflation is of benefit to these companies, so you can't just look at the insurance industry and not see it as part of the overall economy."

"I don't see any reason now why the industry wouldn't perform as well as it did in '97" this year, said Royal's Mr. McDonald. "I don't see anything on the horizon other than a natural disaster that could have a negative impact, obviously assuming the stock market performs as it has." **BI**

Major property/casualty insurers' 1997 results

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

Corporate

Property/casualty operations

Rank 1997	Net income 1997	Percent increase (decline) 1996-1997	Consolidated revenues 1997	Combined ratio 1997	Net Combined ratio 1996	Percent premiums written 1997	Pretax increase (decrease) 1996-1997	Percent underwriting income (loss) 1997	Pretax increase (decline) 1996-1997	Percent investment income 1997	Percent increase (decrease) 1996-1997	Policyholder surplus 1997	Percent increase (decrease) 1996-1997	
1	Hartford Fin'l Services Group	1,322,000	1,445.5	13,305	103.6	105.0	7,158,000	3.8	(235,000)	77.2	932,000	15.3	7,660,000	91.1
2	Royal & SunAlliance USA ²	257,000	655.9	1,885,900	104.0	123.9	1,435,700	(6.8)	(46,700)	87.2	345,700	6.0	2,765,500	30.9
3	Reliance Ins. Co. and subs.	229,419	375.9	3,442,636	100.9	109.0	2,065,847	11.9	(31,722)	81.6	263,981	2.7	1,302,490	9.7
4	Travelers P/C Corp.	1,236,400	216.6	9,910,900	102.3 ³	116.8 ³	7,831,600	23.7	(343,400)	69.1	2,048,400	23.9	6,188,200	14.1
5	Argonaut Insurance Co.	57,402	146.6	209,447	117.6	303.1	123,360	(9.8)	(23,462)	90.5	80,160	(2.8)	564,799	16.0
6	Chubb Corp.	769,500	50.1	6,664,000	96.9	98.3	5,448,000	14.1	117,000	286.1	711,200	10.1	2,532,000	(3.6)
7	The St. Paul Cos. Inc.	773,223	38.6	6,219,273	105.5 ²	105.7 ²	4,479,903	1.9	(180,067)	16.7	880,802	10.8	3,294,866	11.6
8	Berkshire Hathaway Group	952,600	35.1	5,634,000	90.3	94.4	4,852,300	18.2	461,400	100.0	872,900	22.6	37,200,000	42.5
9	Old Republic International	298,122	29.4	1,962,870	98.5	100.1	907,529 ²	4.9	(4,818) ²	73.9	197,832 ²	1.8	1,418,475	0.2
10	Ohio Casualty Corp.	139,047	26.3	1,437,423	105.3 ²	109.5 ²	1,207,581	(0.1)	(49,640)	55.8	172,372	(3.9)	1,075,039	8.4
11	Hartford Steam Boiler	66,300	24.2	603,400	91.72	94.72	498,500 ²	9.7	39,800 ²	82.6	36,800 ²	14.0	550,800	88.4
12	Fremont General Corp.	97,826	21.5	728,192	93.0	94.8	621,092	31.0	42,022	65.8	129,014	24.2	548,286	37.1
13	American International Group	3,332,335	15.0	30,602,300	96.2	96.5	13,407,529	5.6	490,168	9.0	1,853,523	9.6	14,071,326	14.3
14	Sentry Insurance Cos. ²	114,022	13.3	1,511,725	106.4	106.5	1,091,986	(11.4)	(67,859)	21.2	203,721	0.9	1,511,294	15.9
15	General Re/Cologne Re Group	967,700	8.3	8,246,600	100.6	100.5	5,326,100	(4.6)	(31,800)	(23.7)	1,183,000	5.5	6,308,900	18.4
16	CIGNA Corp.	1,052,000	5.0	20,038,000	99.8	101.6	3,330,000	(2.8)	9,000	117.0	365,000	(5.2)	1,880,000	(5.1)
17	CNA Financial Corp.	966,000	0.1	17,070,000	109.0	108.6	10,280,000	(2.8)	(990,000)	4.5	1,880,000	5.0	7,120,000	12.1
18	SAFECO Corp.	430,000	(2.1)	4,770,400	98.7	98.3	2,828,200	22.3	36,200	(6.0)	327,000	16.1	3,160,500	45.9
19	USF&G Corp.	193,866	(25.7)	3,403,906	103.3 ³	105.6 ³	2,452,025	(7.1)	(98,793)	40.7	443,165	0.5	1,461,713	6.3
20	TIG Holdings	52,300	(33.7)	1,757,200	111.5	105.0	1,436,200	(6.0)	(164,900)	(155.7)	305,400	0.3	1,013,000	3.9
—	Kemper Insurance Cos.	N/A	N/A	4,403,522	104.2 ²	121.4 ²	3,870,761 ²	8.2	(214,791) ²	72.2	448,1442	2.6	2,373,983	23.8
—	Nationwide Mutual Ins. Co. ²	N/A	N/A	N/A	104.8	112.2	8,203,340	0.8	(430,136)	58.0	2,145,438	126.8	9,315,986	67.0
—	Liberty Mutual Ins. Co. ²	N/A	N/A	N/A	111.1	112.3	5,920,920	15.1	(693,070)	(8.6)	1,066,329	2.5	6,941,329	23.5
	Cumulative	13,307,062	46.0	130,514,999	102.2	106.0	94,776,473	5.5	(2,410,568)	62.0	16,891,881	17.1	120,258,486	29.3

¹After dividends ²Statutory ³Before dividends N/A-Company did not provide data

Asteroids' impact on insurance industry

A giant asteroid may be hurtling through the universe toward our planet as you read this (don't worry, you have time to finish reading).

The International Astronomical Union earlier this month announced that a mile-wide asteroid, designated 1997 XF11, could pass within 30,000 miles of the Earth at its closest point in October 2028. The mean distance of the moon from the Earth, by comparison, is nearly 240,000 miles.

"The chance of an actual collision is small, but one is not entirely out of the question," the IAU cautioned.

The announcement whipped the media and Hollywood publicists into a frenzy. But, just as fast as you can say "Halley's Comet," the furor passed.

That's because one day after the IAU announcement grabbed headlines, the National Aeronautical and Space Administration rushed to assure the planet that, based on its calculations, asteroid 1997 XF11 would pass no nearer than 600,000 miles. In other words, we're safe. For now.

In spite of NASA's assurances, the universe is a big place and who knows what's in store for us from the next piece of space debris streaking through the cosmos? Anything from an asteroid to a meteor to parts of the Mir space station could come crashing through our atmosphere at any time.



Paul D. Winston

For the risk management industry—which broadly runs the gamut from professional risk managers to underwriters, brokers and other insurance service providers—minimizing potential losses from unknown risks is a familiar process. One might be quick to assume that a huge piece of metal striking the Earth at a fantastic rate of speed might be a bad thing for insurers, especially HPR underwriters.

We all know the downside risks of such a collision, but let's take a moment to look at the bright side. The impending collision of a really big asteroid might actually bring some good news to the industry, because it would:

- Make the Y2K problem look like a typo.
- Make underreserving problems a non-issue.
- Justify decisions to buy coverage solely based on price, not the financial strength and staying power of an insurer.
- Render questions about Equitas' long-term viability meaningless.
- Make the current pace of consolidation look sluggish.
- Be a real boon to the viatical settlement companies.
- Accelerate or clear most court dockets.
- Prompt serious consideration of a disaster reinsurance mechanism by the United Nations.
- Eliminate worry over when the New Madrid quake will occur.
- Extinguish property claims disputes over act-of-God exclusions.
- Give new meaning to environmental-impact statements.
- Eliminate the need for high-priced actuaries.
- Render moot the debate over federal vs. state regulation.
- Make rates for windstorm and earthquake perils seem small by comparison.
- Squelch the urgency for Superfund and product liability reform.
- Replace El Nino as the rationalization for virtually every weather condition and happenstance.
- Create new markets for beach and windstorm insurance plans in the Midwest and Rocky Mountain states.
- Put a damper on banks' expansion into the life and annuity markets.
- Generate a booming demand for the coverage of aerospace risks (especially for private space shuttles).
- Reduce the need to retrofit buildings to withstand ground shaking.

All in all, there are a lot of positives for the insurance industry from a collision between an asteroid and our planet. On the downside, though, finding an insurance company afterward to pay business interruption claims could be a real problem.

Editor Paul W. Winston and Publisher and Editorial Director Kathryn J. McIntyre publish columns on alternate weeks.

Lloyd's

Continued from page 1

But unless New York and Lloyd's agree to conform with the NAIC trust agreement, there is a risk that Lloyd's and other international insurers would be forced to modify their operations and perhaps even move "billions" of dollars in trust fund deposits from New York to a state that recognizes the NAIC trust agreement, said Mr. Brown.

Most NAIC regulators involved in the controversy want New York and Lloyd's to adopt the NAIC-approved version of the trust agreement, as is essentially required by about 20 states' laws or rules, Mr. Brown said. Lloyd's current trust agreement does not comply with the NAIC agreement.

Trust agreements for Lloyd's and a relatively small number of other alien insurers currently name New York as the ultimate overseer of their security funds. That reflects the decades of regulatory dominance the New York Insurance Department historically has provided and that most states welcomed, until recently.

"We are caught between a rock and a hard place," Mr. Brown said. We recognize that New York "is doing a good job, but we cannot stand by as public officials and let our individual state laws be violated."

New York's position, according to Mr. Brown, is that the NAIC has historically acceded to the state's primary oversight of Lloyd's trust funds and those of most other alien insurers.

"New York is saying, 'If you have concerns, we will listen to them, but the buck is going to stop with us,'" he said.

John Calagna, director of public affairs and research for the New York Insurance Department, said the state may not have a choice. "New York has a legal opinion that says we cannot cede our authority to a non-governmental entity like the IID or the NAIC without first seeking approval from the Legislature," he said.

Mr. Calagna said, however, that he disagrees with Mr. Brown's assessment of potential dangers to New York of not accepting the NAIC trust agreement.

"We don't believe that the existing trust funds will go anywhere, but other states may require new trust funds to be established," he said.

Such a development, however,

would put added financial pressure on Lloyd's as it is forced to meet the trust fund requirements of other states, including an unfunded \$100 million trust Louisiana requires.

In an apparent attempt to address New York's concerns about the NAIC's authority, regulators at the NAIC meeting last week adopted two proposals that clarify that IID policy is determined by regulators from a variety of states, rather than IID staff members.

The potential seriousness of the issue helped explain why regulators needed an hour-long, closed-door session last week to negotiate the complex proposal adopted by the NAIC's Surplus Lines Task Force.

At that meeting, the task force

the additional \$100 million to the joint asset trust.

Gregory Serio, New York's first deputy commissioner, said: "This is NAIC ratification of the New York-proposed plan" that was suggested in December last year but delayed until the NAIC could obtain a legal opinion on the change and conduct a review of Lloyd's records in London.

Earlier this year, the NAIC obtained an acceptable legal opinion on reducing the security requirements, as well as favorable outcome of the two-week examination done in London.

"As a result of our testing, we found no evidence that the financial reporting processes were not

adequate. While there were areas identified as needing improvement, the team felt very good about the continuing development and improvements of the syndicate capitalization standards and the regulatory structures now be-

ing institutionalized inside Lloyd's and the U.K. Treasury," according to a preliminary NAIC report.

At the root of the issue was a November 1997 request on behalf of about 150 Lloyd's syndicates writing U.S. business that the New York Insurance Department and the IID reduce their trust fund requirements for surplus lines business. Otherwise, the syndicates said they would face "severe cash flow problems" from having to purchase reinsurance to close on the 1995 year of account, which was the first year New York imposed the 100% gross security requirement in response to Lloyd's financial problems at that time (BI, Dec. 15, 1997; May 29, 1995).

Peter Lane, managing director of Lloyd's America Ltd., said after the meeting last week, "With this decision, I'm pretty confident that those problems will abate."

U.S. policyholders of Lloyd's should have no fear their security will be diminished as a result of the proposed change, Mr. Brown said. They "are protected better today than at anytime in the history of state regulation," he said.

"There are some major fights going on among regulators, but the beneficiaries of this controversy will be Lloyd's policyholders. There will be stronger regulation, not weaker," said Mr. Brown.

"Lloyd's policyholders are gaining enormously from this debate, this controversy, because you have many states that never understood or paid attention to the operations of Lloyd's that are now in the mix," Mr. Brown said. BI

'There are some major fights going on among regulators, but the beneficiaries of this controversy will be Lloyd's policyholders, says Louisiana Insurance Commissioner Jim Brown.'

voted on a proposal that would permit Lloyd's syndicates to fund their gross U.S. surplus lines liabilities at 50%, rather than the current 100% required, for syndicate years 1995-1997.

However, such a reduction would be contingent upon Lloyd's agreeing to:

- Increase the minimum value of its Joint Asset Trust Deed for Excess or Surplus Lines to \$200 million from \$100 million, on or before the reduction in funding.
- Guarantee in writing that it has not entered into any contractual relationships with policyholders or other parties regarding the level of trust funding for policies beginning Aug. 1, 1995 through Dec. 31, 1997.
- Agree to keep at least \$600 million in aggregate value in its trust for surplus lines business written on risks in the United States.

Before the proposed agreement is approved, the NAIC task force must first vote on whether to modify certain wording in the NAIC's standard trust agreement. That could happen in the next few weeks.

Once the task force approves a standard form trust agreement, Lloyd's will have 90 days to obtain the necessary approval to bring its trust funds into compliance. If it does not, the funding level for the "U.S. situs trusts" shall return to 100% of gross U.S. surplus lines liabilities for all years of account after Aug. 1, 1995.

Assuming all caveats are met, Lloyd's New York funds will be able to release a net amount of about \$550 million, after adding

Excluded insurer not liable: Court

SANTA ANA, Calif.—An insurer is not required to cover a settlement agreement when a policyholder excludes the insurer-appointed defense counsel from settlement negotiations, California's 4th Appellate Court ruled last month.

The court's Feb. 26 decision stems from a general liability policy sold by Truck Insurance Exchange, a Los Angeles unit of Farmers Insurance Co., to Aliso Viejo, Calif.-based software company Dynamic Concepts Inc. Dynamic was sued in federal court by a German distributor named UniBasic Computer Service for breach of contract and libel, among other allegations, according to court records.

TIE agreed to defend its policyholder under a reservation of rights and appointed an attorney for Dynamic. But Dynamic's own attorney refused to accept TIE's defense unless the insurer withdrew its reservation of rights. The TIE-appointed attorney later agreed to participate in the defense while allowing Dynamic's attorney to control the litigation.

Afterward, though, TIE sued Dynamic in state court, alleging Dynamic had acted in bad faith while secretly negotiating a settlement with UniBasic. Dynamic's attorney declined to meet with TIE's appointed counsel until a settlement already had been reached with UniBasic, court records show.

In ruling on the bad-faith suit, *Dynamic Concepts Inc. vs. Truck Insurance Exchange C.A.*, the Superior Court of Orange County found that TIE was not responsible for covering the settlement because the insurer had not been allowed to participate in the discussions. The appellate court agreed that there had been no breach of the insurer's duty of defense to justify the insured's action of settling the underlying case and excluding the insurer from participating in settlement negotiations. The court said that siding with Dynamic would "encourage insureds to cultivate conflicts with carriers rather than resolve them."

—By Roberto Cenicerros

Deregulation proposals advance

By MEG FLETCHER

SALT LAKE CITY—A white paper proposing to streamline rules for commercial lines coverages continues to get a warm reception from most state insurance regulators, dispelling industry fears that regulators' support may have cooled.

Members of the National Assn. of Insurance Commissioners' Special Committee on Regulatory Re-engineering unanimously voted to forward the white paper to the Commercial Lines-Property & Casualty Committee.

They asked the commercial lines committee to provide "review, evaluation and recommendation," including proposing a more specific plan to implement the white paper's recommendations. However, the full NAIC membership must still vote on the streamlining proposal before it becomes policy.

"This Special Committee has reached a consensus that it is time to seriously consider a shift to a different regulatory framework for large, industrial insureds so we can shift more resources to protecting purchasers of other lines of insurance," NAIC President Glenn Pomeroy said. "I am very encouraged with the advancement of this significant white paper," he said.

Before the NAIC's spring quarterly meeting began in Salt Lake City last week, a few industry representatives feared that the drafters' widespread support for the pro-industry proposal may have cooled because of consumer groups' recent complaints. The consumer groups wrote letters to all governors, alleging that undue insurer influence at the NAIC has caused a breakdown in state regulation. The groups urged independent state funding of the NAIC (BI, March 16).

Another concern was that the change in chairmanship of the Special Committee to Mr. Pomeroy from Robert Lange, the former Nebraska director, might slow development of the white paper.

While Mr. Pomeroy previously expressed his support for the concept of commercial lines deregulation, he is unfamiliar with the history of how some proposals developed during the past two and one-half years (BI, Feb. 9). Mr. Pomeroy solved that problem last week by having Colorado Deputy Commissioner Maryellen Waggoner, an experienced committee member, lead the discussion about proposed revisions.

At that meeting, Special Committee regulators reaffirmed their commitment to the commercial lines re-engineering proposals in the 23-page white paper. However, the committee did make several minor techni-

cal changes to clarify intent.

The white paper continues to recommend exempting some large commercial buyers from most laws or regulations governing the form and content of commercial insurance policies. To be eligible for "exempt commercial policyholder status," a company must self-certify that it meets two of seven financial or operational thresholds

NAIC

(BI, Dec. 15, 1997). Those seven thresholds are: a net worth of more than \$50 million; has net revenues or sales of more than \$100 million; employs more than 500 persons, or is part of a holding company that has more than 1,000 employees; procures its insurance through the use of a risk manager; has aggregate annual insurance premiums of more than \$500,000; is a not-for-profit, or public entity with an annual budget or assets of at least \$45 million; or is a municipality with a population of more than 50,000.

Mandatory coverages, such as auto and workers comp, still must provide for people's substantive rights or protections as specified under various statutes. However, an exempt commercial policyholder and its insurer still would be free to negotiate all other terms and conditions.

In addition, the paper proposes to ease the problem posed of multistate operations by allowing a commissioner to waive state requirements for policyholders primarily located in another state. It also urges greater uniformity in cancellation, non-renewal and other statutory requirements.

The white paper addresses ways to streamline insurer licensing procedures, such as through the development of reciprocal agreements among states and an expedited application process.

The most sweeping criticism of the white paper came from an Ohio regulator last week.

"We are very concerned about the whole concept that regulation dampens competition" implicit in the white paper, said Sally Van Meter, assistant director for the Ohio Department of Insurance's office of property/casualty services.

Also, Ms. Van Meter said, establishing the category of exempt commercial policyholders creates some antitrust concerns stemming from a lack of state regulation. In addition, greater flexibility for large policyholders is not needed in Ohio, which has a "special filings" option, she said.

In response, Ms. Waggoner said the white paper's proposals should be

viewed as providing a continuum of regulation from which state insurance commissioners can choose a level of flexibility.

The commercial lines committee also will be asked to review such individual states' concerns, including a Virginia regulator's previous questions about the appropriateness of some characteristics used to define exempt commercial policyholders. The regulator, Mary Bannister, deputy commissioner for Virginia's property and casualty division, thinks the term "risk manager" is too vague and lacking in credentials to be one of the criteria.

The commercial lines committee will accept public comment on the white paper until May 15. At the NAIC's summer meeting June 20-24 in Boston, the committee plans to discuss the white paper's contents, take comments on it and then determine whether it is necessary to revise white-paper language, said South Dakota Insurance Director Darla Lyon, chairwoman of the committee.

In response to a procedural question, an NAIC spokesman said Friday that the commercial lines committee has the freedom to make any changes it wants before it sends the white paper to the executive committee.

Among the implementation proposals Ms. Lyon's committee will consider is whether the NAIC should replace prior model rating laws with a single law that will address rate and form.

Meanwhile, a broad group of industry participants continues to favor the white paper's proposals to streamline commercial lines of insurance.

The New York-based Risk & Insurance Management Society Inc. "is pleased to see progress on this issue and welcomes the committee's regulatory re-engineering efforts," Anne B. Allen, director of governmental affairs, wrote in a Feb. 24 letter to Mr. Pomeroy. She urged that the presence of a full-time risk manager should remain one of the possible criteria for a commercial policyholder to become exempt.

The technical changes made last week are "not a problem," said Donald Cleasby, assistant general counsel for the National Assn. of Independent Insurers in Des Plaines, Ill. The white paper still contains "a lot of solid recommendations for commercial lines."

"I think it was an excellent outcome," said Larry Kibbee, vp with the Alliance of American Insurers in Schaumburg, Ill.

Comments should be directed to Eric Nordman at the NAIC's headquarters in Kansas City, Mo. Copies of the latest draft of the white paper will be available soon. Call 816-842-3600.

Updates

Court order favors Lloyd's

LONDON—Lloyd's of London names are petitioning to appeal a High Court ruling that allows Lloyd's to collect £130 million (\$215.2 million) it paid on behalf of the names to reinsure their pre-1993 underwriting accounts with Equitas Ltd.

The names had argued at trial that they were not legally bound to pay the Equitas premiums they were assessed. All but 30 of the 565 names remaining in *Society of Lloyd's vs. Terence William Fraser et al.* have opted to petition for appeal. If the Court of Appeal doesn't rule on the petition by April 15, the case will revert to the High Court.

If the Court of Appeal decides it will hear the names' case, Lloyd's effort to collect the amount will be frozen pending a final verdict.

Philip Holden, head of Lloyd's Financial Recovery Department, said in a statement: "We are very pleased with the outcome of these hearings which bring to an end the argument raised by names in respect of their obligations to pay their Equitas premium. Lloyd's now has quantified judgments which will be pursued, and those members who have paid should be reassured that all appropriate enforcement measures will be taken as soon as possible."

This is not the last lawsuit by names against Lloyd's. Lawyers are expecting one of the longest civil actions in British legal history with the so-called "Jaffray counterclaim" being brought by Sir William Jaffray.

Sir William alleges that Lloyd's committed fraud because it knew of the pending problems with asbestos, pollution and other long-tail liabilities when it deliberately recruited thousands of new names in the 1980s to pick up the losses. A date for a preliminary hearing in that case has not been set.

Equitas names next chairman

LONDON—Equitas Holdings Ltd., the reinsurer of Lloyd's of London syndicates' pre-1993 liabilities, has named Hugh Stevenson as its next chairman.

Mr. Stevenson, chairman of Mercury Asset Management Group P.L.C., will become a non-executive director of Equitas on April 1 and assume the chairmanship on Nov. 1. He will replace David Newbigging, who had said last year he would step down as Equitas' chairman and a director in the second half of 1998.

"Equitas is a unique organization with a unique mandate, and helping ensure that it builds on its very encouraging progress to date represents a fascinating challenge," Mr. Stevenson said.

Mr. Stevenson joined London-based Mercury Asset Management as a non-executive director in 1986, becoming chairman in 1992. The company was acquired by Merrill Lynch & Co. Inc. in late 1997. From 1970 to 1992 he worked for S.G. Warburg & Co., spending the last two years there as managing director of its investment banking business.

Mr. Stevenson is also deputy chairman of the Institute of Fund Managers Assn. and a director of the Investment Management Regulatory Organization and The Securities Institute.

HMO loses contract ruling

ST. LOUIS—A Missouri state judge last week ruled against RightCHOICE Managed Care Inc., which means the HMO must honor its multiyear contract with a health plan for Missouri employees, dependents and retirees.

A spokesman for RightCHOICE, a for-profit subsidiary of Blue Cross & Blue Shield of Missouri, said the managed care company sought to rebid the contract, which runs through the year 2000, submit new rates, or be freed of it because of changes it contends MCHCP made.

Among other charges, RightCHOICE says MCHCP exceeded its statutory authority by including various public entities in its plan without conducting an actuarial or other appropriate analysis to determine the fiscal impact of their inclusion.

Ron Meyer, executive director of MCHCP, said the plan's position is that no such analysis is required.

RightCHOICE had recorded a \$29.5 million provision for losses on the contract in September.

Cole County Circuit Court Judge Thomas Brown issued the ruling.

"We're disappointed in Judge Brown's rulings today, and we're evaluating our options, including whether to appeal the rulings," said RightCHOICE Chairman and Chief Executive Officer John A. O'Rourke in a statement.

The Jefferson City, Mo.-based MCHCP covers medical expenses of officers, employees and retirees, including spouses and dependents, for the state of Missouri. The group comprises about 26,000 underwritten members in RightCHOICE's BlueCHOICE HMO and HealthNet Blue products.

"The decision substantiates our position in regard to the lawsuit, and I think it upholds the integrity of the contract," Mr. Meyer said.

Briefly noted

A Clinton administration proposal to allow retirees as young as 55 to purchase Medicare coverage was introduced in the House and Senate last week. The proposal also would require employers terminating early retiree health care plans to extend COBRA coverage to retired workers until they are eligible for Medicare at age 65. . . Insured damage from **January ice storms** in Canada will total at least \$790 million Canadian (\$557 million), according to updated figures from the Insurance Bureau of Canada. In the United States, those storms caused at least \$75 million in insured damages, and that amount could reach more than \$125 million, according to the Property Claims Services division of the American Insurance Services Group. . . Mark Mosca has been appointed chief executive officer of **Risk Capital Holdings Inc.**, the Greenwich, Conn.-based reinsurance and investment company. Mr. Mosca continues as president of Risk Capital, in addition to serving as president and CEO of its reinsurance operating subsidiary.

BI archive free during trial

CHICAGO—*Business Insurance* has launched a searchable online archive containing the full text of all articles and directories in the magazine from January 1994 to the present.

The *BI* Article Archive provides easy access to a database containing the industry's most comprehensive information on news and trends in risk management, employee benefits, commercial insurance and managed care. The archive is a useful source of information for market research, data gathering, speech writing, competitive analyses and legal inquiries.

The Article Archive, located on *Business Insurance's* home page on the World Wide Web at www.businessinsurance.com, may be browsed at no charge during a six-week trial period. Beginning April 13, one-year subscriptions providing unlimited access to the archive will be available at a rate of \$80 for subscribers to *Business Insurance* magazine and \$120 for non-subscribers. Major credit cards will be accepted online for subscriptions offering immediate access to the Article Archive.

At all times, the most recent two issues in the archive may be searched for no charge.

Year 2000

Continued from page 3

- Validation, which accounts for 10%.
- Migration of data from one system to another after modification and validation, which accounts for 5%.
- Testing, which accounts for 57%—the bulk of the effort's resources.

While a total of 43% of the effort is devoted to identifying and correcting the problem, more than half of the effort will be spent testing the system to ensure it is Year 2000 compliant, Ms. Kelley said.

"There's no room for shortcuts," she asserted, pointing out that just one failure of the more than 1,000 tools and services the bank employs could disrupt the bank's systemwide operations.

In fact, the IT department also is developing contingency plans should such a failure occur, she said.

Ms. Kelley declined to disclose the cost of the conversion project, though it will be required to report the cost in its Securities and Exchange Commission filing. Members of the conversion team include representatives from the board of directors, top management, the information systems department, and representatives of all of the company's business units and vendors.

"This cannot just be an IT problem," Ms. Kelley said. "You have to involve people from all areas of your business, and management too."

Because a banking system failure can have a

domino effect on other businesses, "our regulators are very actively involved" in the conversion process, Ms. Kelley noted.

For example, the Federal Financial Institutions Examination Council has issued four interagency statements to provide guidance, she said.

The Office of Thrift Supervision is publishing a "MMillennium" newsletter and is co-

'This cannot just be an IT problem. You have to involve people from all areas of your business, and management, too,' says Janna S. Kelley.

sponsoring with the Federal Deposit Insurance Corp. three conferences on conversion issues related to community banks, Ms. Kelley added.

And the FFIEC has created a special site on the World Wide Web to provide information on conversion issues to financial institutions. That site's URL is: www.ffiec.gov/y2k/.

The FDIC also is conducting periodic examinations of financial institutions to ensure that they will be compliant, Ms. Kelley said.

And Home savings also has launched a Year 2000 awareness program for its customers.

Because of the size of Home Savings—it is a federal savings bank with assets of more than \$56 billion—the conversion process is going

slowly.

Approximately 20% of the project was completed as of the end of 1997, and the bank hopes to reach the halfway mark by June 30.

A Dec. 31, 1998, deadline has been set for converting all of the bank's internal systems and 90% of vendor systems critical to banking operations, according to Ms. Kelley.

This will free up all of 1999 for validation, cleanup and testing, she said.

While the bank has not purchased millennium protection insurance like that being marketed by some companies, "it's something that we'll be considering," Ms. Kelley said.

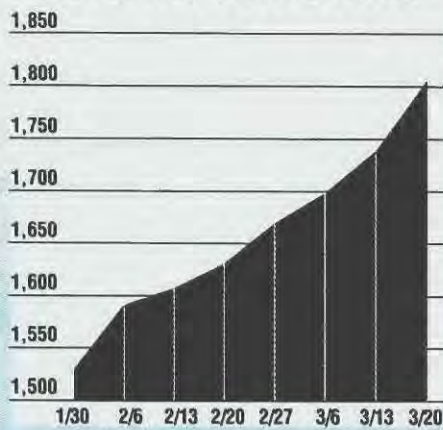
Approximately 20 companies are undergoing the audit process required to obtain such coverage through J&H Marsh & McLennan Inc., according to Michael J. Vizio, senior vp in the broker's Los Angeles office. The policy, which provides up to \$200 million in limits on a claims-made basis, is underwritten by Lloyd's of London, several U.S. insurers and Bermuda reinsurers.

Not all companies applying for the coverage will qualify, he said.

"If you're not that far along (in the conversion process) and if you don't have the money or the manpower to address the problem, you're not going to qualify for this insurance," he said.

The luncheon seminar on Year 2000 conversion also featured presentations by Blake C. Rea, senior vp at Aon Financial Services Group Inc. in Los Angeles, and Julianne Sartain, a partner in the Irvine, Calif., office of Snell & Wilmer.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of March 20			
Call spread	Price bid/ask	Call spread	Price bid/ask
National Annual 1998			
40/60	9.0/—	40/60	1.5/2.3
60/80	6.0/7.5	150C	1.7/3.0
80/100	4.0/6.0		
Eastern September 1998			
20/40	3.5/5.5	Western Annual 1998	
40/60	3.0/3.4	40/60	1.5/2.5
		80/100	1.0/1.9
		150C	2.1/3.0
Southeastern September 1998			
40/60	2.5/3.3	Florida September 1998	
		40/60	1.4/2.4
Northeastern September 1998			
100/150	.9/1.4		

Total volume: 200 Total open interest: 18,858

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

Risk managers warned of suit potential

LOS ANGELES—Lawsuits are expected to fly in almost every direction as a result of Year 2000 software problems, a lawyer predicts.

Not only will customers and shareholders likely sue non-compliant companies, but the companies also are likely to look for deep pockets themselves if their systems are unable to adapt to the Year 2000, predicts Julianne Sartain, a partner in the Irvine, Calif., offices of Snell & Wilmer.

"If you say you're Year 2000 compliant and you're not, you may be sued for fraud," Ms. Sartain warned a group of risk managers and insurance industry executives attending last week's monthly meeting of the Los Angeles Chapter of the Risk & Insurance Management Society Inc.

Federal and state regulatory agencies also may take civil action against public utilities

and publicly traded companies if they fail to disclose Year 2000 conversion costs to customers and shareholders, she said.

But companies faced with such claims may be able to recoup some of their defense costs from the vendors and consultants who advised them, Ms. Sartain pointed out.

"While I don't recommend this," she quipped, "if you have problems in your disclosures, you may sue your attorneys and accountants for failing to advise you properly."

Computer consultants hired to set up systems initially or to fix the Year 2000 problems also could be on the hook if the problem persists, she added.

Already at least three lawsuits have been filed in connection with Year 2000 conversion problems:

• *Produce Palace International vs. TEC America Corp. and All American Cash Regis-*

ter Inc. was filed in Michigan state court in August 1997. In its complaint, the grocer asserts that its cash registers malfunctioned when it attempted to scan credit cards with renewal dates after the year 1999.

• *Altaz International Ltd. vs. Software Business Technologies Inc.* was filed in Marin County, Calif., Superior Court in December 1997. The complaint alleges the software maker committed fraud by failing to disclose that its software was not Year 2000 compliant.

• *Caplan vs. Symantec* was filed earlier this year in Santa Clara County, Calif., with the software purchaser alleging breach of warranty. A software upgrade was available, but Symantec wanted to sell it for an additional \$29 rather than provide it free, the suit charges.

—By Joanne Wojcik

BI Industry Stock Report MARCH 16, 1998, THROUGH MARCH 20, 1998

BROKERS														
Company	Price	Weekly % change	Year to date % change	52-week High	52-week Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	52-week High	52-week Low	Vol.(000)	
Aon Corp.	55.38	1.55	11.51	65.38	40.25	1079	ESG Re Limited	NDQ	26.13	-5.43	11.17	28.88	20.88	439
E.W. Blanch Holdings Inc.	38.00	3.93	10.34	38.00	22.00	164	Enhance Financial Services	NYS	69.00	6.96	15.97	69.00	37.63	239
Gallagher Arthur J. & Co.	44.25	3.21	28.49	44.25	30.38	235	Everest Reinsurance	NYS	40.44	6.77	-1.97	43.00	26.75	1824
Hilt, Rogal & Hamilton	18.38	3.16	-4.85	19.63	13.25	64	Executive Risk Inc.	NYS	72.88	1.57	4.39	75.75	43.25	71
Kaye Group Inc.	7.25	3.57	9.43	9.00	4.38	4	EXEL Ltd.	NYS	74.38	4.38	17.36	75.94	39.00	3325
Marsh & McLennan	90.75	-0.55	21.71	92.50	56.50	1458	Frontier General Corp.	NYS	60.88	1.67	11.19	61.75	26.38	429
Poe & Brown	37.88	-0.33	27.31	38.50	17.00	35	Frontier Insurance Group	NYS	26.44	2.92	15.57	39.25	20.00	914
Sedgwick Group PLC	14.38	9.52	16.75	14.38	9.38	35	Gainsco Inc.	NYS	7.94	0.00	-6.62	10.19	7.88	121
Willis Corroon Corp.	12.81	-2.36	4.06	13.50	9.75	157	General RE Corp.	NYS	226.50	3.90	6.84	226.50	151.50	506
BROKERS AVERAGE		2.52	14.16				Gryphon Holdings	NDQ	15.13	1.68	-9.70	17.75	13.88	725
							Harleysville Group	NDQ	26.50	7.61	10.42	27.50	15.38	166
							Harford Steam Boiler	NYS	66.88	2.88	21.18	66.88	44.00	154
							HCC Insurance Holdings	NYS	22.75	2.82	7.06	32.69	15.63	921
							ING Groep N.V.	NYS	57.50	3.72	35.89	57.50	38.88	215
							IPC Holdings Ltd.	NDQ	31.75	2.01	-1.36	32.88	22.38	383
							Hartford Financial Services	NYS	108.38	5.35	15.83	108.38	68.13	1427
							LaSalle Re Holdings Ltd.	NYS	39.25	7.53	10.95	39.56	27.25	181
							Life Re Corp.	NYS	72.81	5.14	11.70	72.81	37.38	848
							Lincoln National	NYS	84.56	1.20	8.24	85.50	49.00	1081
							MAIC Holdings Inc.	NYS	28.81	-2.74	7.57	30.38	15.06	59
							Markel Corp.	NYS	174.00	-1.42	11.45	177.50	102.50	21
							MBA Insurance Group	NYS	77.19	7.02	15.53	77.19	45.44	1150
							Meadowbrook Insur. Group	NYS	30.75	3.58	17.99	31.25	21.50	47
							Mid Ocean Ltd.	NYS	74.06	16.98	36.52	76.38	44.13	2158
							MMI Cos. Inc.	NYS	23.88	1.33	-4.98	27.88	20.75	88
							Mutual Risk Mgmt. Ltd.	NYS	34.31	3.39	14.61	35.06	16.75	609
							NAC Re Corp.	NYS	52.25	4.89	7.04	53.81	35.38	253
							Navigators Group	NDQ	19.38	-3.13	3.16	22.50	15.75	34
							Nobel Insurance Ltd.	NDQ	13.19	-0.47	0.48	15.38	12.13	25
							NYMagic Inc.	NYS	29.63	-0.84	7.48	30.06	18.38	12
							Ohio Casualty Corp.	NDQ	48.19	-1.53	7.98	51.00	35.50	305
							Old Republic Int'l	NYS	44.25	4.57	18.99	45.25	24.63	1055
							Orion Capital Corp.	NYS	53.00	2.05	14.13	53.94	30.88	279
							Partner Re Ltd.	NYS	47.50	0.00	2.43	50.25	30.75	333
							Penn-America Group Inc.	NDQ	21.63	-2.26	5.49	23.00	11.25	24
							Pennsylvania Manufacturer's	NDQ	19.13	3.38	14.18	19.38	16.25	38
							Philadelphia Cons. Holding	NDQ	21.00	5.00	18.31	23.25	14.00	153
							PXRE Corp.	NYS	30.06	-1.43	-9.42	35.25	24.75	386
							Reliance Group Holdings	NYS	17.88	1.42	26.55	18.19	10.13	757
							Reliastar Financial Corp.	NYS	48.13	2.39	16.84	48.75	28.63	1217
							RenaissanceRe Holdings Ltd.	NYS	46.94	4.60	6.37	50.00	34.13	89
							Risk Capital Holdings	NDQ	23.13	-1.60	-3.93	24.00	16.00	249
							RLI Corp.	NYS	54.88	4.28	10.16	55.25	30.50	103
							St. Paul Companies	NYS	92.50	0.48	12.72	94.31	63.00	1713
							SCOR	NYS	56.00	2.75	17.28	56.06	38.25	5
							SAFECO Corp.	NDQ	55.00	4.02	12.82	55.38	38.50	1705
							SCPIE Holdings Inc.	NYS	30.56	-0.61	5.62	32.25	19.13	NA
							Seibels Bruce Group	NDQ	8.13	6.56	8.33	8.94	5.88	259
							Selective Ins. Group	NDQ	27.13	0.00	0.46	28.63	19.75	303
							Terra Nova Insurance Co. Ltd	NYS	29.50	1.94	12.38	30.00	18.00	92
							TIG Holdings	NYS	26.13	-3.02	-21.28	36.56	24.56	574
							Tokio Marine & Fire	NDQ	55.88	-3.46	-3.25	66.00	41.25	147
							Torchmark Corp.	NYS	47.63	5.69	12.89	47.63	26.25	1524
							Transatlantic Holdings	NYS	77.25	1.15	8.04	77.94	53.38	127
							Travelers Property/Casualty	NYS	44.25	3.81	0.57	46.06	31.38	1200
							Travelers Corp.	NYS	62.00	2.69	15.08	62.00	30.88	13269
							Trenwick Group Inc.	NDQ	36.75	5.38	-2.33	39.63	31.88	132
							Unico American Corp.	NDQ	16.88	3.85	37.76	18.13	9.63	80
							United Fire & Casualty	NDQ	42.75	-1.44	-3.39	47.00	30.00	4
							Unitrin	NDQ	70.00	1.08	8.32	71.44	48.50	253
							UNUM Corp.	NYS	53.81	2.38	-1.03	54.81	33.63	1643
							USF&G Corp.</							

**SHOCK AND ANGER ARE
NORMAL RESPONSES TO SEXUAL MISCONDUCT.**

**ESPECIALLY WHEN YOU FIND OUT
YOUR COMPANY'S NOT INSURED FOR IT.**

Did you know that in cases of sexual misconduct involving children, your company could be held liable for the actions of an on-site day care facility, including one run by an outside firm? What's just as shocking is that your general liability policy may not protect you in the event of this type of claim. That's why we created Lexington's Sexual Misconduct Liability Coverage. It protects companies and organizations that provide facilities where children are in the care of adults. Plus, we can customize coverage and make available a valuable 12-point loss control program to help ensure stability to your bottom line. Call your surplus lines broker to find out how the largest U.S.-based excess and surplus lines company can help you.

LEXINGTON INSURANCE COMPANY PIONEERS IN REVOLUTIONARY COVERAGE