MARCH 31, 1997

Business Insurance®

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

Updates

Giant broker deal completed after quick government approval

NEW YORK—Marsh & McLennan Cos. Inc. has completed its $1.8 billion acquisition of rival Johnson & Higgins after getting early clearance on antitrust filings with the federal government.

Meanwhile, an M&M report filed with the Securities and Exchange Commission offers a few new details of the price paid for privately held J&H. Under the agreement:

• $1.01 billion of the total, consisting of $335.3 million in cash and $670.6 million in M&M stock, will be paid to J&H shareholders,

See **Updates** *on next page*

Louisiana hopes insurers' defense stings big tobacco

By MICHAEL PRINCE

Whether or not Louisiana recovers funds from insurers named as defendants in the state's suit against tobacco companies, all litigating states could gain simply from insurers' efforts to defend themselves.

Information that insurers gather to show why coverage is not triggered in Louisiana ultimately may strengthen states' cases against the cigarette makers elsewhere.

Earlier this month, Louisiana Attorney General Richard Ieyoub added tobacco company insurers as defendants to the state's suit to recover the costs of medical care for tobacco-related illnesses (*BI*, March 24). The Louisiana suit names more than 100 insurance companies, including Travelers/Aetna Property Casualty Corp., Hartford Group Inc., American International Group Inc. and Liberty Mutual Insurance Co., that wrote hundreds of policies dating back to the 1940s for tobacco companies.

"It makes a much bigger fund for the states to get compensation from," said Drew Ranier, an attorney with Badon & Ranier in Lake Charles, La., which is the lead counsel for Louisiana's attorney general. "It provides financial security if and when we obtain a judgment from the tobacco industry."

But the state's success in getting money from the insurers is far from certain.

Eric Simpson, senior vp at A.M. Best Co. in Oldwick, N.J., said the suits don't pose a significant concern for the insurers.

"I don't see it blossoming into a major asbestos or environmental situation," he said.

Since 1966, the insurance companies have inserted "a pretty airtight" tobacco-liability exclusion into their general liability policies, Mr. Simpson said. Because of these, "they appear to be free of liability concerns."

But Mr. Ranier said these airtight exclusions might have a leak. The exclusions as drafted specifically mention personal-injury cases. "That exclusion does not fit the attorney general's case," he said.

As for those policies written prior to 1966, Mr. Simpson said the insurers can defend them successfully by arguing the tobacco companies suppressed known tobacco risks and knowingly created risks to smokers.

The expectation that insurers would assert this defense, though, is part of the Louisiana attorney general's strategy and

See **Tobacco** *on page 23*

Could insurers get burned?

Louisiana has named dozens of insurers, comprising hundreds of policies, as defendants in its litigation against cigarette manufacturers.

Tobacco company	Number of policies	Years covered
Philip Morris Inc.	264	'49-'53 and '54-'97
R.J. Reynolds Tobacco Co.	11	'56-'58, '60-'64, '65-'67 and '68-'71
Brown & Williamson Tobacco Corp.	157	'76-'81, '82-'95 and '96-'97
Lorillard Tobacco Co.	1	'68-'96

Source: Court documents

GRAPHIC BY TONY BUCCINI

Employer group calls for ratings of doctors

By ROBERT KAZEL

A Midwest employers group thinks it has diagnosed a weakness in how workers choose their health plans: a lack of objective evidence on individual doctors' skills and performance.

An increasing number of employers and business coalitions are using comparative quality measurement to help employees pick managed care networks.

But while these so-called report cards are useful in helping workers negotiate a confusing maze of choices in managed health care, in general the report cards stop short of supplying physician-specific quality measures.

A few managed care companies have undertaken limited physician-level quality initiatives, such as the release of satisfaction surveys and background information. But such information generally does not pertain to patient outcomes—the type of data of most interest to employers and employees.

This month, however, the Chicago-based Midwest Business Group on Health unveiled a position statement calling for the measurement of the performance of individual practitioners. Its position drew mixed reactions from physicians experienced in quality measurements and a warning that meaningful statistics probably are at least a few years away.

MBGH, a coalition of more than 100 employers in 11 states, declared at its annual meeting in Rosemont, Ill., that employees and corporate buyers should have "easy and timely access" to doctors' qualifications, accessibility, financial arrangements and performance.

For performance measures, MBGH would include rating of practitioners' "caring attitude and communications skills"; morbidity and mortality rates; length of time patients take to return to

See **MBGH** *on page 21*

Travelers blazes benefit trail

Others may duplicate 401(k) stock option program

By JERRY GEISEL

NEW YORK—Dozens of employers could follow the lead of Travelers Group in setting up stock option programs linked to their 401(k) plans.

The advantages to an employer and employees under Travelers' groundbreaking program—expected to be launched June 30—are so great that many companies soon will follow, benefit consultants say.

"Corporations are very interested in this idea. It is an intriguing idea that potentially could revolutionize the way employee benefits are delivered. It has the potential to be a very widely utilized approach," said Dennis Coleman, a principal with The Kwasha Lipton Group in Fort Lee, N.J.

"This mechanism allows you to do something that could not be accomplished before. Employers are glued to their seats when they hear about it," added James Klein, a principal with Towers Perrin in New York.

Travelers already has received a favorable Private Letter Ruling from the Internal Revenue Service concerning certain tax aspects of the program. Final Labor Department approval of the program is expected. Labor Department officials earlier said they had no objections to the program.

Under the arrangement, Travelers, a giant New York-based financial services company, would contribute stock options to its 401(k) plan for all eligible partici-

See **Travelers** *on page 20*

Meridian owner, insurer settle fire claim dispute

By GAVIN SOUTER

PHILADELPHIA—The owner and insurer of a Philadelphia skyscraper ravaged by a 1991 fire settled a $100 million dispute last week.

The former Aetna Casualty & Surety Co., now part of Travelers/Aetna Property Casualty Corp., and E/R Associates Inc., the owner of One Meridian Plaza, agreed to a confidential settlement shortly before a scheduled trial in Manhattan, where the insurance contract was negotiated.

E/R was demanding $261 million for repair costs and other losses while Aetna was offering $115 million for the repair costs, not including other covered losses, said Joseph P. Dougher, a partner at Obermayer Rebmann Maxwell & Hippel L.L.P. in Philadelphia, who represented E/R.

The "real difference" between the two parties was closer to $100 million, Mr. Dougher said.

None of the parties would comment on the amount.

E/R is a partnership consisting of Richard I. Rubin & Co., a Philadelphia-based real estate company; Equitable Real Estate Investment Management Inc., a unit of Equitable Life Assurance Co. of the United States; and a Dutch pension fund.

One Meridian Plaza, where a fire blazed for 19 hours Feb. 23-24, 1991, was covered under a $1 bil-

See **Skyscraper** *on page 23*

A 1991 fire at Philadelphia's One Meridian Plaza touched off a $100 million battle between its owner and insurer.

AP/ WIDE WORLD PHOTOS

Updates

M&M and J&H deal completed

Continued from previous page

including its roughly 50 active directors and managing principals.

Roughly 150 J&H principals are also expected to share in the buy-out, but the SEC filing does not specify whether their shares are coming out of the $1.01 billion.

- About $500 million, including about $167 million in cash and $333 million in stock, will go to 600 key J&H employees who are not managing principals or principals.
- $297 million, including $99 million in cash and $198 million in stock, will go to 45 retired J&H directors or to estates of deceased retirees.

The cash part of the deal is intended mainly to cover taxes the recipients will owe on the payouts. Sale of the M&M stock is subject to restrictions for various periods.

In addition to the $1.8 billion, a committee of three J&H directors will receive a pool of funds consisting of up to $175 million in "excess cash" plus 85% of J&H's first quarter 1997 earnings. The committee will distribute this money among current and former shareholders and employees as it sees fit, according to the report.

P/C insurers' income up 17%

NEW YORK—Property/casualty insurers enjoyed a 17% surge in aftertax income last year, according to a survey released last week.

Net income rose to an estimated $24.1 billion in 1996 from $20.6 billion a year earlier. The insurers' underwriting loss dropped 5.4% to $16.8 billion in 1996. Consolidated surplus grew 11.5% to $256.5 billion, according to the survey, released by the Insurance Services Office Inc. and the National Assn. of Independent Insurers.

Pretax income included $20.2 billion in operating income and $9.6 billion in realized capital gains. That was diminished by $5.6 billion in income taxes insurers paid.

Net written premium grew 3.5% in 1996 to $268.8 billion.

The ISO/NAII survey estimated that insurers realized capital gains of $9.6 billion in 1996, a jump of 59.5%. Net investment income, primarily stock dividends and bond interest, grew about 2.2% to $37.6 billion last year.

The industry's estimated combined ratio improved slightly to 105.9% for 1996 from 106.4% a year earlier.

The ISO/NAII survey bases its estimates for the entire property/casualty insurance industry on the reports of insurers that account for 96% of the country's property/casualty business.

"The outlook for the industry in 1997 will in part reflect forces external to the industry, like the stock market and catastrophes," said Sean Mooney, senior vp and economist of the Insurance Information Institute in New York.

"A decline in equity prices coupled with an increase in interest rates would severely reduce the industry's ability to record further advances in capital gains. As we move toward the hurricane season, insurers and their reinsurance partners can only keep their fingers crossed in hopes that 1997 will not be the year of the 'Big One,' " said Mr. Mooney in commentary accompanying the survey.

He added that there "is no sense in the marketplace," that prices for commercial lines products have reached "an unacceptable level" and that there "are no clear signs of a return to more adequate rates."

Health care quality panel forms

WASHINGTON—Drawing heavily from the ranks of medical providers and academia, President Clinton last week established a commission to examine and make recommendations by next March to better assure quality in health care plans.

So far, President Clinton has named 31 members of what will become a 34-member commission. Six members each are from academia and medical provider-related organizations. Other commission members include: Shelia Leatherman, executive vp of United HealthCare Corp., a huge managed care organization in Minneapolis; Philip Nudelman, president and chief executive officer of Group Health Cooperative of Puget Sound, which is an HMO in the state of Washington; L. Ben Lytle, president and CEO of Anthem Inc., a health insurer in Indianapolis; and Kansas Insurance Commissioner Kathleen Sebelius. President Clinton has not yet named any corporate benefit managers to the commission, though he is expected to do so.

The panel, formally known as the Advisory Commission on Consumer Protection and Quality in the Health Care Industry, is intended to advise the president on changes occurring in the health care system and make recommendations to ensure health care access and quality.

Bill would lift MSA cap

WASHINGTON—Legislation introduced this month by a trio of Democratic congressmen from Illinois would eliminate the 750,000 cap on the number of tax-favored medical savings accounts that can be established under a 1996 law.

The cap would be removed with enactment of the legislation, H.R. 1068. However, the measure introduced by Reps. Jerry Costello, William Lipinski and Glenn Poshard would leave intact the restriction of tax-favored MSAs to companies with 50 or fewer employees.

Statistics are not yet available on how many MSAs exist. The Internal Revenue Service will survey MSA administrators several times to determine how many accounts have been established. The first survey will report on MSAs set up as of April 30.

Several dozen health insurers sell MSA products linked to high-deductible indemnity plans, said David Lack, president of the Council for Affordable Health Insurance, an insurer trade group in Alexandria, Va., that actively supported the 1996 legislation. Much of the interest in MSA programs is believed to be coming from self-employed professionals.

See **Updates** *on page 22*

Oxford Health unveils new care procedures

By JOANNE WOJCIK

NORWALK, Conn.—Oxford Health Plans Inc.'s latest revision of its medical care delivery, featuring direct access to specialists and care teams, may prompt other HMOs to reorganize their services.

The Norwalk, Conn.-based health maintenance organization isn't providing services that are new to the industry, it is just packaging them more effectively for health care consumers, according to consultants and competitors.

Among other things, the "health and healing" initiative Oxford announced last week will:

- Allow its 1.7 million members direct access to specialists.
- Create physician "care teams" in nine specialty areas to be responsible for a patient's treatment from the time of diagnosis onward.

These teams could include anyone involved in providing a service to the patient, such as surgeons, anesthesiologists, physical therapists and psychiatric counselors.

Under Oxford's approach, groups of specialists would respond to requests for bids on treating certain conditions, and groups whose bids are accepted would be compensated on a so-called case-rate basis. The team members would decide how to allocate the payment among themselves.

The HMO also will track care team outcomes and turn that information over to enrollees to use in selecting providers.

- Assign a dedicated service manager to each member to provide individualized customer attention.
- Create a 24-hour toll-free hot line staffed by nurses who ask callers about symptoms and, aided

See **Oxford** *on page 21*

Appeals court upholds retroactive liability

Olin loses Superfund case

By MARK A. HOFMANN

WASHINGTON—A federal appeals court decision upholding the constitutionality of Superfund's imposition of retroactive liability leaves legislation as the only possibility for reform, Superfund reform advocates say.

If anything, the decision demonstrates that Superfund is still in dire need of reform, they say.

A three-judge panel of the 11th U.S. Circuit Court of Appeals in Atlanta ruled unanimously in *United States vs. Olin Corp.* last week that a district court judge had erred in ruling that Superfund retroactive liability did not apply to the cleanup of an Alabama site once used by Olin Corp. for certain manufacturing chemicals from 1951 to 1982.

U.S. District Court Judge William Brevard Hand of Mobile, Ala., ruled last year that Congress had never expressly intended the Comprehensive Environmental Response, Compensation and Liability Act of 1980, which created Superfund, to apply liability retroactively (*BI*, June 3, 1996; May 27, 1996).

Judge Hand also held that Superfund couldn't be enforced in the *Olin* case because of the U.S. Constitution's commerce clause, which allows Congress to regulate intrastate activities that substantially affect interstate commerce. Judge Hand said that the pollu-

See **Olin** *on page 20*

Reinsurers' earnings up despite competition

By JUDY GREENWALD

Competition continues to escalate among U.S. reinsurers as they vie for business from the still-soft primary property/casualty market.

REINSURER RESULTS 1996

That competition is occurring in spite of significant consolidation among reinsurers in recent years, and is expected to engender additional mergers and acquisitions in the future.

But even with competitive conditions and low premium growth, low catastrophe losses meant reinsurers posted a much-improved combined ratio and higher earnings for 1996.

"It is still very competitive out there," said Kaj Ahlmann, chairman, president and chief executive officer of Employers Reinsurance Corp. in Overland Park, Kan. "Rates continue to go down in nearly all lines, and they probably will continue to do so until we get a good old-fashioned catastrophe again."

"I see increasing levels of competition, and I guess for the first time in a long time we're beginning to see irrational behavior in the marketplace," as a result of the drive for premium growth, said Edward J. Noonan, who has just been named president and CEO of Princeton, N.J.-based American Re Corp.

Mr. Noonan, who formerly was president of American Re's domestic insurance company operations, succeeds Paul H. Inderbitzin, who resigned earlier this month to pursue personal business interests, according to the company.

Mr. Noonan denied speculation that the rest of American Re's senior management was planning to leave, as well. "Munich Re has

See **Reinsurers** *on page 16*

Deadline approaching for directory

The deadline is nearing for companies to return questionnaires to be listed in the annual *Business Insurance* directory of 401(k) plan administrators. The directory will be in the May 5 issue, which also will contain a Spotlight report on pensions and retirement plans.

If your company provides services—such as recording enrollment, maintaining participants' accounts and handling account activity independently from any investment services—and has not received a questionnaire, please request one immediately by calling Assistant Directory Editor Rich Trout at 312-649-5483.

There is no charge to be listed in *BI* directories; companies need only complete and return a questionnaire by extended deadline of April 11.

Inside

- We hope a new commission created by President Clinton to look at health care evaluates the best information available, this week's editorial says. **PAGE 8**
- The U.S. Supreme Court will review a case that deals with how much discretion judges have in determining the admissibility of testimony. **PAGE 17**
- The implementation of a new international air transport agreement may lead to higher liability claims, aviation insurers warn. **PAGE 17**

Departments

Advertiser Index 20
Benefit Beat 4
Classifieds 18
Global Briefs 17
Insurance Services Guide 19
International 17
Letters 8
Opinions 8
Perspectives 15
Ticker 23

Business Insurance (ISSN 0007-6864) Vol. 31, No.13 , 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. POSTMASTER: 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.

Health plan regulation is state domain: NAIC

By MEG FLETCHER

ORLANDO, Fla.—If it looks like a duck, quacks like a duck and swims like a duck, it should be regulated like a duck.

That metaphor succinctly summarizes state insurance regulators' view that states, not the federal government, should regulate any risk-bearing entity covering the cost of health care.

State insurance regulators are especially concerned about provider-owned managed care companies that assume risk but are seeking to avoid state regulation—at least temporarily.

The National Assn. of Insurance Commissioners discussed the issue in a broad white paper presented to its Accident and Health Insurance Committee during the NAIC's meeting earlier this month in Orlando.

State insurance regulators now are writing an executive summary of the 42-page paper as well as a position paper that reflects the NAIC's opposition to proposals for federal oversight of any type of risk-bearing entities.

The NAIC earlier this month voiced its specific opposition to federal lawmakers on two bills in Congress—H.R. 475 and S. 146—that would allow direct federal regulation of "provider-sponsored organizations" that service Medicare beneficiaries until Jan. 1, 2002.

After that deadline, states that have solvency requirements identical to those under the federal law, among other standards, would be allowed to regulate PSOs within their boundaries.

State insurance regulators believe "consumer protection is paramount" when it comes to regulating health insurance, NAIC Vp Glenn Pomeroy told the U.S. Senate Finance Committee earlier this month in written testimony.

"Based on the states' extensive experience in regulating the

See **NAIC** *on page 21*

Coverage knows no boundaries

By MICHAEL BRADFORD

Are you a risk manager who feels stuck in a rut? Are you an underwriter feeling unenthused?

If your days at work ever seem humdrum or you notice eyes glazing over when you explain your profession over cocktails, just remember the offbeat, colorful side to risk management and insurance.

Business Insurance has investigated recent sightings of insurance claims and coverage for losses relating to UFOs, werewolves, vampires, reincarnation and prostitutes.

Consider, for example, the responsibilities of the "technical officers" who work for the city of Amsterdam, the Netherlands. These officers are charged with enforcing new safety standards that are putting some working girls and their employers out of business.

Although it is illegal in the Netherlands to operate a brothel, Amsterdam has graciously turned a blind eye to the establishments. "The city council doesn't want to close them but wants better regulation," explained a spokeswoman for the city's mayor.

Under new regulations passed last year, the city's 250 brothels were required to implement a number of new safety standards and pass an inspection to ensure compliance.

Technical officers have flunked at least 14 brothels and ordered them closed.

Amsterdam's brothel owners are fighting mad, protesting in an unsuccessful suit against the city earlier this year that the requirements are unfairly onerous. Still, the loss control juggernaut rolls on.

See **Unusual** *on page 22*

Value of third-party business overlooked by captives: Panel

By DAVE LENCKUS

TUCSON, Ariz.—Captive insurer owners have more options for writing third-party business than they may realize, and the coverage could do more than help them obtain a tax deduction for their own premiums.

The coverage also could generate profits while adding value to the captives' relationships with their parent companies' employees, suppliers and customers, according to a panel of captive owners speaking at the 24th Annual Captive Insurance Cos. Assn. conference, held in Tucson, Ariz., March 16-19.

Third-party business has become a hot topic to captive owners over the past two years. Like last year's Clinton administration budget proposal, this year's budget plan would require captives to write at least 50% of their business for third parties before their parent companies could take tax deductions on the premiums they pay the facilities for coverage. The current third-party business threshold to obtain favorable tax treatment is 30%.

The mention of third-party business can conjure images of past captive insolvencies that were triggered largely by someone else's losses.

But, captive owners should not picture all third-party business as a financial danger, according to panel moderator Ronald D. Ryan, president of group benefits broker Evergreen Benefits Inc. of Stamford, Conn. "It's unfortunate to paint all third-party business with the same brush."

Based on CSX Corp.'s experience, successful third-party business programs should have several common features, said Richard H. Hamilton, president and general manager of CSX Insurance Co., the Vermont captive for the Richmond, Va.-based surface transportation company:

- "Most important to CSX and myself is that we have control of the exposures or the program terms," Mr. Hamilton said.
- The captive's parent should have "good knowledge" of the underwriting issues and trends associated with the third-party business.
- The outside business must offer a good profit opportunity for the captive.
- The outside business must increase risk shifting and distribution and improve customer, contractor and community relationships.

Four main sources of third-party business have helped the CSX captive rack up a "seven-figure" profit over the past 10 years while also burnishing the company's image, according to Mr. Hamilton.

The captive has been reinsuring fronted coverage for contractors since 1988. One example is force account coverage, which is comparable to owners, landlord and

See **Third-party** *on page 10*

Sale of Lincoln National unit could bring $2 billion: Analysts

INDIANAPOLIS—Lincoln National Corp. could gain as much as $2 billion from the sale of its Indianapolis-based American States Financial Corp. unit, but a change in the insurer's ownership is not expected to have a dramatic impact on its policyholders.

American States said last week it is "exploring a range of strategic options," including the potential sale of 100% of the company.

The unit, which had an initial public offering in May 1996, is now 83.3% owned by Lincoln National Corp., which says it plans to use any proceeds from a sale to focus on its core financial services businesses.

American States, which underwrites property/casualty insurance for small businesses, had 1996 net written premiums of $1.6 billion and $5.5 billion in assets. It has an A+ (superior) rating from A.M. Best Co.

Analysts estimate Lincoln National could gain $2 billion from the sale of the entire company. Names that have cropped up as potential buyers include CNA Financial Corp., Liberty Mutual Insurance Co., Travelers/Aetna Property Casualty Corp. and SAFECO Corp. Spokesmen for these insurers either could not be reached or had no comment.

"This could be a good fit for any company in the commercial lines business, or wanting to be in the smaller commercial market," said Gloria Vogel, senior vp at New York-based Advest Inc."It would give them access to a market they would probably want to be bigger in, because small companies are the fastest growing part of our economy."

Although there is some uncertainty about the adequacy of its reserves for construction defect claims, American States "has a lot of positive things going for it, including a fairly attractive business mix, a good relationship with agents, excellent loss ratio trends and fairly strong reserves on current business," said Weston Hicks, an analyst with Sanford Bernstein & Co. in New York.

A change in ownership is not expected to have a significant impact on policyholders. While there may be an effort to realize economies of scale. "competition is going to keep the price (of the insurance) where it is," said Ms. Vogel. "The question is the service level, and I would think any buyer would try to improve on that which is theirs."

—By Judy Greenwald

PBGC to report surplus for first time in history

WASHINGTON—The Pension Benefit Guaranty Corp. this week is expected to report a surplus for 1996 for its single-employer insurance fund, the first time the agency has operated in the black.

After hitting its low point in 1993, a $2.9 billion deficit—the difference between its assets and the benefits it has promised to participants in terminated underfunded plans it has taken over—the PBGC has rebounded. In 1994, the deficit declined to $1.2 billion and fell to $315 million in 1995.

The agency's turnaround is the result of several factors, including robust investment income on assets and the lack of terminations of big underfunded pension plans as companies have been able to put more money in their plans due to the strong economy.

The agency's future also looks good. Legislation passed by Congress in 1994 and now being phased in requires employers with underfunded plans to accelerate contributions to those plans. That will decrease the likelihood that a plan will be significantly underfunded if a company later runs into financial difficulty and the PBGC has to take over the plan.

At a minimum, the improvement in the PBGC's financial condition ensures that premiums employers with defined benefit plans pay the agency will remain stable. If the PBGC can maintain its surplus, employers may push for reduced premiums. The base premium is $19 annually per plan participant for fully funded plans, while premiums for underfunded plans are linked to the plans' funding levels.

The PBGC is expected to report its full financial results this week. The agency would not disclose details in advance.

—By Jerry Geisel

BI makes changes in London bureau

LONDON—*Business Insurance* has made several changes to its London editorial staff.

Sarah Goddard has been promoted to London bureau chief, while Stacy Shapiro has been named senior editor-international. Edwin Unsworth has joined the staff as associate editor.

In her new position, Ms. Shapiro will focus on reporting, after assuming a reduced work schedule to spend more time with her family. She previously was international editor.

Ms. Shapiro, 41, joined *BI* in Chicago in February 1980 as an editorial assistant and was promoted to associate editor in October 1980. In January 1981, she moved to London and opened the magazine's bureau there. She was promoted to international editor in 1986. Prior to that, she worked for CBS Publications/Woman's Day in 1979 and Chicago Lawyer from 1979 to 1980.

Ms. Shapiro

Ms. Shapiro holds a bachelor's degree in history from the University of Illinois at Urbana-Champaign.

She can be reached at 44-171-457-1426.

Ms. Goddard, 31, will continue reporting but also will manage the resources of *BI's* London bureau and international correspondents. She previously was an associate editor, a post she has held since joining *BI* in 1995.

Prior to joining *BI*, Ms. Goddard was an assistant editor for two years at One Lime Street, the Lloyd's of London magazine for its members. Before that, she was an assistant editor on two other Lloyd's publications.

Ms. Goddard

She has won several writing awards from the British Assn. of Communicators in Business and the International Assn. of Business Communicators. She studied psychology at the University of Manchester in Manchester, England. In 1996, she was named a Freewoman of the City of London.

She can be reached in London at 44-171-457-1422.

Mr. Unsworth, 48, joins *BI* after several years as a free-lance correspondent.

He was the London correspondent for the Journal of Commerce from 1974 to 1990. He next was London correspondent for VWD Financial News from 1990 to 1992, was promoted to London bureau chief in 1992 and continued in that role until 1994. In 1994, he embarked on a free-lance journalism career.

Mr. Unsworth

Mr. Unsworth graduated with honors from St. Bonaventure University in Olean, N.Y., with bachelor of arts degrees in English and economics.

He can be reached at 44-171-457-1425.

California agencies test wellness program waters

SACRAMENTO, Calif.—Eight California government agencies are taking part in a wellness pilot program that eventually could be expanded statewide to 200,000 workers.

Last week, workers in the Sacramento headquarters of eight state agencies completed the first phase of the pilot, a series of free health screenings held onsite at government agencies. About 2,500 workers, or about 25% of the workforce, were expected to have participated by week's end, officials said.

State workers in Sacramento have enthusiastically welcomed the screenings, said Debbie Endsley, manager of the initiative, which is being co-sponsored by California Public Employees' Retirement System and the state Department of Personnel Administration.

The program includes blood pressure, body fat and cholesterol checks, as well as diabetes screening.

The most popular aspect of the screenings has been individual, private sessions with visiting nurses, registered nurses or medical technicians.

"They appreciate onsite cholesterol testing, but they really appreciate a medical professional sitting down with them for 15 minutes," she said. "They appreciate that they can ask any question and it's completely confidential."

Future phases of the wellness pilot will offer employee walking clubs, the placement of more nutritional food in worker cafeterias, and guest speakers on health topics.

The initiative stems from an April 1995 order by Gov. Pete Wilson ordering all state departments to participate in health and fitness programs.

The agencies expect that the wellness effort will help lower health insurance and workers compensation costs and reduce absenteeism, according to James E. Burton, CalPERS' chief executive officer. Ten HMOs, Merck & Co. and Johnson & Johnson are donating resources to the program.

The agencies taking part in the wellness program were CalPERS, the State Compensation Insurance Fund, the California Highway Patrol, the Department of Motor Vehicles, the DPA, the California Department of Transportation, the Department of Health Services, and the State Resources Agency.

—By Robert Kazel

Benefit Beat

More re-engineering

Corporate benefits staffs are busier than ever automating and revamping their departments to modernize plan administration, and they are getting more support than ever from the upper echelons of management, a new study indicates.

The report, by New York-based employee benefit consulting firm A. Foster Higgins & Co. Inc., indicates that businesses are doing an "unprecedented" level of strategic planning for 1997 and considerably more than in previous surveys.

According to the survey of 336 employers, 57% are evaluating software, and 60% are redesigning systems. Additionally, 48% of those surveyed said they were planning to change health plans to ease administration, and the same percentage of employers say that they are reorganizing the human resources department in general.

"There seems to be much, much more activity, and much, much more recognition and budget available to do that kind of work," said Mark Rand, a Foster Higgins principal in New York.

The consequences could be harsh for some benefits staff, Mr. Rand said. Personnel either are being displaced by these types of technology or, if more fortunate, are being moved from traditional "paper-shuffling" clerical roles into more analytical administrative jobs, he said.

"Benefits staff are getting smaller and are moving to outsource the administrative aspects," he said. "The more tools that are out there to use, the greater the staff reduction we will see."

Benefits administration is handled by an average of eight professionals and two support staff, the study found, with the ratio of employees to benefits staff increasing dramatically with company size. There was one benefits staff member for every 149 workers at small companies, those with fewer than 500 employees; there was one benefits staff member for every 2,385 employees for large companies, those with 5,000 or more workers.

The companies reported spending, on average, one out of five human resources dollars on their benefit plan administration last year.

The study, "The Foster Higgins Survey on Human Resources Administration 1996," can be purchased for $50 by contacting Tara Lewis, 212-574-9025.

—By Robert Kazel

More partner benefits

SAN FRANCISCO—Joining a growing list of large employers, BankAmerica Corp. will offer benefits to employees' domestic partners and other adult dependents.

Starting Jan. 1, 1998, 60,000 employees of the San Francisco-based holding company for Bank of America will be allowed to sign up adult dependents for medical, dental and vision benefits equal to spousal benefits. These dependents can be parents, grandparents, adult children or domestic partners. For domestic partners, a written statement must be submitted stating the couple has been in a committed relationship for more than six months.

"It's part of our ongoing effort to create a workplace where members of the workforce can do their best work," a bank spokesman said. "It's an acknowledgement that the family our employees support may include more than just a spouse."

Bank of America joins a list of employers offering benefits to non-spouses.

Other companies that offer the benefits include International Business Machines Corp., Xerox Corp., The Walt Disney Co., Eastman-Kodak Co. and Hewlett-Packard Co.

Although the bank has been investigating extending its benefits for some years, it made the decision in part because of the new San Francisco ordinance requiring all city contractors to offer employees domestic partner benefits equal to spousal benefits, the spokesman said (*BI*, Nov. 11, 1996). Bank of America has contracts with the city of San Francisco.

—By Michael Prince

“The firm is moving into the 21st century. Unfortunately, our insurer isn’t.”

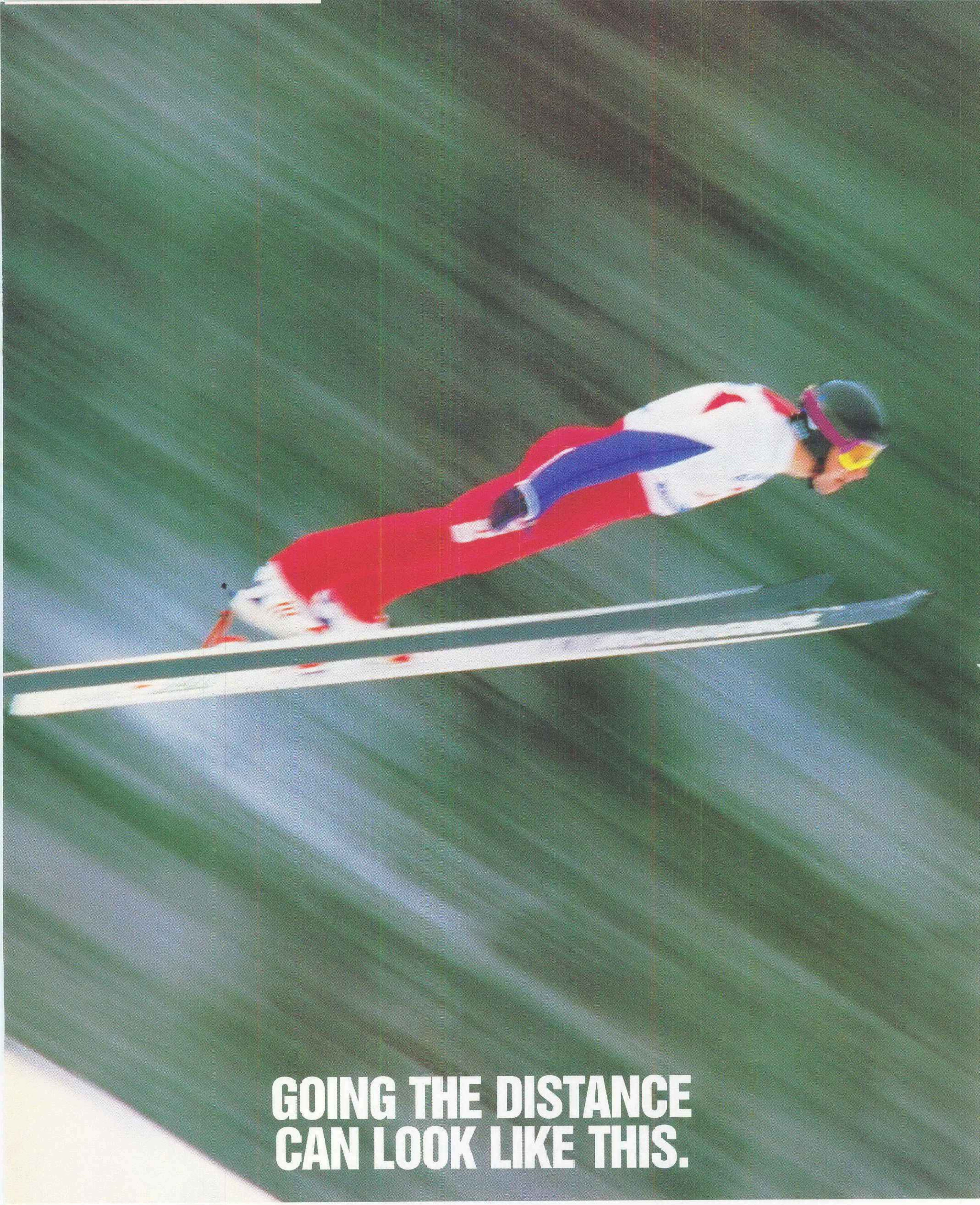
The Power of Partnership® in Lawyers’ Professional Liability.

Your law practice will be there in the 21st century, but will your insurance company? Zurich-American will be, because we created a large law firm facility to take a fresh look at the underwriting process for organizations of 35 attorneys or more. Zurich-American engineers partnerships with our insureds that result in a new standard of understanding, commitment, risk analysis and flexibility of terms. Our commitment to your firm is manifested in our $25 million capacity, backed by the financial strength and security of an A+ rated company. Zurich-American. The Power of Partnership.

For more information, call us at 1-800-382-2150.

ZURICH

www.zurichamerican.com


GOING THE DISTANCE
CAN LOOK LIKE THIS.

Opinions

Gimmick or useful tool?

IS THE HEALTH CARE QUALITY advisory commission that President Clinton named last week a political gimmick, as some Republicans charge, or a sound mechanism to examine the nation's health care delivery system?

We certainly hope it is the latter and are inclined to give Secretary of Health and Human Services Donna Shalala the benefit of the doubt when she says the 34-member commission wants to create a structure to allow all health care stakeholders to examine critical issues without a climate of confrontation. Ms. Shalala will chair the commission.

The commission, she said, is likely to meet monthly and make interim recommendations as it goes along.

There is a tendency in some quarters to dismiss commissions—as has already occurred with this one—as having little real clout or as merely a convenient way for an administration to advance its own agenda.

Commissions have, in fact, at various times laid the foundation for necessary future change. Back in the early 1980s, for example, a bipartisan commission established by President Reagan put together—with thought and care—a sound series of recommendations that became the basis of a legislative package passed by Congress that removed the imminent threat of insolvency from the Social Security program.

What commissions can do is study issues and come to conclusions without the looming deadlines politicians often face and without the need to pander to political constituencies. That means, when things go right, decisions and recommendations can be made on the basis of the best information available.

In the health care arena, anecdotal evidence and lobbying by interest groups unfortunately often has been the basis of legislation. At the state level, the hundreds of health care mandates, specifying what kind of benefits health insurers must offer, have had far more to do with the power of specialized interest groups than good public policy.

And in Congress, anecdote, not analysis, often is the trigger for intervention. This year's cause celebre, for example, is banning so-called drive-through mastectomies, in which managed care plans supposedly are not even allowing women to spend the night in a hospital after the procedure. To hear the discussion, one could think such a practice—admittedly reprehensible—is the norm among managed care plans rather than the rare exception, which we believe is the case.

Lobbying and anecdote is no way to frame health care policy.

We hope this commission critically examines the best information available and then decides what, if any, legislative initiatives are needed to better assure that health care plans deliver quality services without unnecessarily driving up employer costs or crippling the plans with cumbersome rules.

Letters

More comments about the impact of M&A mania

To the editor: The March 24 article, "M&A Mania Coin Has Two Sides, Buyers Say," explored the impact of broker consolidations on risk managers and nicely examined several of the concerns the risk management community has. Here are a few more that we hear from our clients:

• Marsh & McLennan Cos. Inc. has taken its major competitor in the large account business off the table. Many policyholders choose between Marsh and Johnson & Higgins as the two strongest players in the global broking marketplace for U.S.-based policyholders. Now, they are one; who will be the other?

• A well-established strategy for risk managers is to simultaneously use two strong brokers, in part to maintain a competitive environment without the threat of competitive bids, in part to guarantee access to another source of expertise. Marsh and J&H often were the two brokers retained; now what?

• Aon Group Inc. has developed some superb capabilities; is it ready to sit at the same table as Marsh? And what will become of Sedgwick Group P.L.C. and Willis Corroon P.L.C.?

The merger of Marsh and J&H is the best sign yet of the stresses on the old ways of doing insurance. I can't wait to see who replaces J&H as the counterweight to Marsh. And it may be a long wait.

Richard S. Betterley
President
Betterley Risk Consultants Inc.
Sterling, Mass.

Anti-discrimination ordinance to open floodgate

To the editor: After reading Michael Prince's Feb. 24 article about Cleveland's anti-discrimination ordinance, "Law Makes Job Bias Criminal," I don't know whether Councilman Patmon and his colleagues are incredibly naive or simply haven't thought through all the consequences.

The ordinance not only deals with alleged discrimination in firing or demotion, which are relatively rare in individual cases, but with failure to hire, a much more common situation. The ordinance prohibits discrimination because of race, religion, color, sex, sexual orientation, national origin, age, disability, ethnic group or Vietnam-era or disabled veteran status, and most job-seekers fall into at least one of those categories.

Take my own situation as an example. I have not worked full time in the insurance industry since last June, but now my troubles are over. All I have to do is move to Cleveland, apply to the company of my choice with a well- prepared resume, inform the personnel officer of my age and religion, and threaten to call the police if I'm not hired!

Multiply this scenario by hundreds, possibly thousands, of job-seekers and dozens of companies, and you can see the potential for tying up the criminal courts with anti-discrimination cases. While it may bring psychic satisfaction to the jobless to haul personnel officers into court, and this law may result in more and better explanations of why people are not hired, is it really necessary to make every decision not to hire someone a potential criminal case?

Harry Cylinder
Philadelphia

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

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 Editor-International:	Stacy Shapiro (London)
Senior Editors:	Meg Fletcher, ARM (Chicago)
	Judy Greenwald (San Jose)
	Dave Lenckus (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. Knight (Chicago)
Copy Editors:	Todd J. Behme (Chicago)
	Sara J. Harty (Chicago)
	Lee Velker (Chicago)
Associate Editors:	Michael Bradford (Dallas)
	Deborah Shalowitz Cowans (Chicago)
	Roberto Ceniceros (Los Angeles)
	Robert Kazel (Chicago)
	Michael Prince (New York)
	Sally Roberts (Chicago)
	Edwin Unsworth (London)
	Rodd Zolkos (Chicago)
Directory Editor:	Sandra L. Budde (Chicago)
Assistant Directory Editor:	Richard Trout (Chicago)
Assistant to the Publisher:	Karen Brown Tucker (Chicago)
Editorial Cartoonist:	Roger Schillerstrom (Chicago)
Eastern Advertising Manager:	Stephen P. Lincoln (New York)
Midwest Advertising Manager:	Robert L. Niesse (Chicago)
District Managers:	Cynthia Quinn (New York)
	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)
Sales Associate:	Kerry Reynolds (New York)
Production Manager:	Elmer Kerstowske (Chicago)
Director of Communications:	Ronnie I. Drachman (New York)
Promotion Coordinator:	Barbara O'Brien (New York)

EDITORIAL:	Chicago:	312-649-5398
	Dallas:	214-361-2295
	London:	171-457-1400
	Los Angeles:	213-651-3710
	New York:	212-210-0100
	San Jose:	408-774-1500
	Tucson:	520-579-1937
	Washington:	202-662-7200
ADVERTISING:	New York:	212-210-0228
	Chicago:	312-649-5276
	Los Angeles:	213-651-3710
COMMUNICATIONS:	New York:	212-210-0132
SUBSCRIPTIONS:	Detroit:	800-678-9595

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
Circulation Director

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 76735.3045@CompuServe.com, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; Fax 214-696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hatton Garden, London EC1N 8JQ England, Fax 171-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476. $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). DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com

BPA INTERNATIONAL
30 YEARS OF *Business Insurance* 1967-1997

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

We'll Help You Make Connections.

RIMS '97
ATLANTA

In this fast-paced world, catching up with the leading decision-makers in commercial insurance can be a real challenge. Fortunately, you can stay in touch through *Business Insurance*. We'll help you connect with these buyers of insurance, reinsurance, workers comp, employee benefits and health care services as they take time to review *BI's* coverage of their biggest conference — the annual meeting of the Risk & Insurance Management Society.

Make contact *before* the gathering begins as these executives turn to our RIMS Preview issue for an advance look at the meeting's hottest topics — and the best Atlanta has to offer. Network *during* the conference as they browse through our Directory of Captive Managers and peruse the accomplishments of the 1997 Risk Manager of the Year. Follow up *after* RIMS when our post-conference Reports on Employee Benefits/Workers Comp and Risk Management sessions are widely-read.

Start making sales connections now. Call *BI* and reserve your advertising space before you lose touch with these opportunities.

RIMS Preview
Publishing: April 7 ▪ Closing: March 26

Captives/Risk Manager of the Year
Directory: Captive Managers
Publishing: April 14 ▪ Closing: April 2
Distribution: NMHCC, RIMS

RIMS Report: Employee Benefits & Workers Comp
Publishing: April 21 ▪ Closing: April 9

RIMS Report: Risk Management
Publishing: April 28 ▪ Closing: April 16

New York: 220 E. 42nd Street, NY 10017-5806 ▪ Tel: 212-210-0133 ▪ Fax: 212-210-0704
Chicago: 740 N. Rush Street, IL 60611-2590 ▪ Tel: 312-649-5276 ▪ Fax: 312-649-7799
Los Angeles: 6500 Wilshire Blvd., CA 90048-4947 ▪ Tel: 213-651-3710 ▪ Fax: 213-655-8157

Business Insurance®
www.businessinsurance.com

Third-party

Continued from page 3

tenants coverage. It protects contractors when they are working on, for example, CSX railroad tracks that cross a third party's property.

Since 1991, the captive has been participating in a group home and automobile insurance program with Metropolitan Property & Casualty Insurance Co. of Warwick, R.I. Metropolitan writes "discounted" homeowners coverage for CSX employees, and CSX Insurance reinsures a portion of this business on a quota-share basis.

In addition, in an effort to ease any tensions created when CSX began requiring employees to use personal vehicles for company business, the captive—again offering reinsurance support—and Metropolitan have teamed up to offer inexpensive auto coverage to CSX employees. The program covers about 700 vehicles, Mr. Hamilton said.

Another source of third-party business is reinsuring the fronted coverage of benefits for 5,000 international employees of a containership subsidiary.

CSX Insurance also participates in pooling arrangements with rail industry association captives, including Railroad Insurance Assn. Ltd. and Transportation & Railroads Assn. Co. Ltd., both of Bermuda.

A supplemental employee life insurance program has helped the Bermuda-based captive of Burlington Industries Inc. of Greensboro, N.C., generate a tremendous amount of third-party business, said Gerald McCabe, director of risk management for Burlington and a vp of its captive, Insuratex Ltd.

The textile, apparel and home furnishings manufacturer provides its employees with a free life insurance benefit that is equal to their annual salary.

Then, through an Insuratex program with Provident Life & Accident Insurance Co. of America of Chattanooga, Tenn., Burlington employees can purchase additional coverage of up to three times their annual salary.

Term and universal life plans are available, and employees can borrow up to 50% or $50,000, whichever is less, of their death benefit. Another attractive feature for employees is that the coverage is portable, Mr. McCabe said.

Insuratex writes a 50% quota-share reinsurance program for Provident.

'If you make a bad decision. . .your involvement with third-party risks could be very short,' says Joe Ney.

As a result of the life insurance program, which has been profitable, the percentage of Burlington business in the captive has dropped to 51% from 100%, according to Mr. McCabe.

And, in January, Insuratex began participating in a new reinsurance pooling arrangement designed to generate significantly more third-party business for the pool's participating captives.

Seven companies—including Burlington, highly diversified FMR Corp. of Boston, electrical equipment manufacturer Hubbell Inc. of Orange, Calif., and Tyson Foods Inc. of Springdale, Ark.—participate in the Green Island Reinsurance Pool, which is managed by Johnson & Higgins (Bermuda) Ltd.

Under the arrangement, the captive participants cede the first $100,000 of their primary general liability, auto liability and workers compensation losses to the pool.

Pool losses are combined and then allocated to pool members. The allocation percentage equals the ratio of a captive's premium to all of the premiums paid into the pool.

A participant's pool losses are limited to two times the premium it has paid. Losses beyond that are kicked back to the pool participant that incurred them.

And, a "batch clause" protects participants from a sequence of related events by limiting the number of times those events could trigger coverage.

Each captive's premium, determined by Milliman & Robertson Inc. in Boston and paid in four installments, is equal to its parent company's expected losses during the one-year policy period.

The captives, though, do not have to commit any capital to the pooling arrangement, because it is not an entity.

Besides the third-party business the pool generates for its participants, the arrangement also is designed to reduce claims variability with minimal frictional costs.

The Certified Grocers of California, a grocers cooperative, also runs a captive insurer that writes third-party business. The captive, Springfield Insurance Co. of Covina, Calif., currently writes workers compensation coverage for co-op members, and it plans to begin writing more casualty coverage for members later this year, said Joe Ney, president of Grocers & Merchants Insurance Service in Covina.

Still, Mr. Ney sounded a note of caution to risk managers who are contemplating writing third-party business through their companies' captives.

He reeled off a list of potential sources of captive business: a captive's owners; related entities; related customers, like owners of a co-op; niches within your industry; and totally unrelated risks.

"The potential risk to your career goes up very fast as you go down that list," Mr. Ney said. "If you make a bad decision there, your involvement with third-party risk could be very short." BI

Handling claims well

In-house approach calls for caution

By DAVE LENCKUS

TUCSON, Ariz.—A captive owner often is better off using a third-party administrator to handle claims, though in-house claims handling can be effective at times, according to a panel.

The key to effective claims management, though, is focusing on settling claims, not just handling them, said panel moderator C. Michael Mattix, an assistant vp with Employers Reinsurance Corp. in Tampa, Fla.

"Some focus a lot on the process rather than the goal," Mr. Mattix told

CICA
CAPTIVE INSURANCE COMPANIES ASSOCIATION, INC.

attendees at the 24th Annual Captive Insurance Cos. Assn. conference, held in Tucson, Ariz., March 16-19.

"Does good claims handling make a difference to the bottom line? Clearly, it does," he said. And, he said, it is not that tough to achieve.

Mr. Mattix referred to a news story a few years ago that pointed out that new law school graduates were having much greater difficulty than medical school graduates in finding the types of jobs they wanted. One law school graduate who had wanted to begin his practice with a Wall Street law firm instead ended up handling workers compensation claims for an automaker. He was quoted as saying "a trained monkey" could do his job.

While that is not true, good claims management "is not rocket science," Mr. Mattix said.

The panel of two risk managers and a fronting insurer executive largely focused on whether in-house claims handling or retaining a TPA would help captive owners achieve that end.

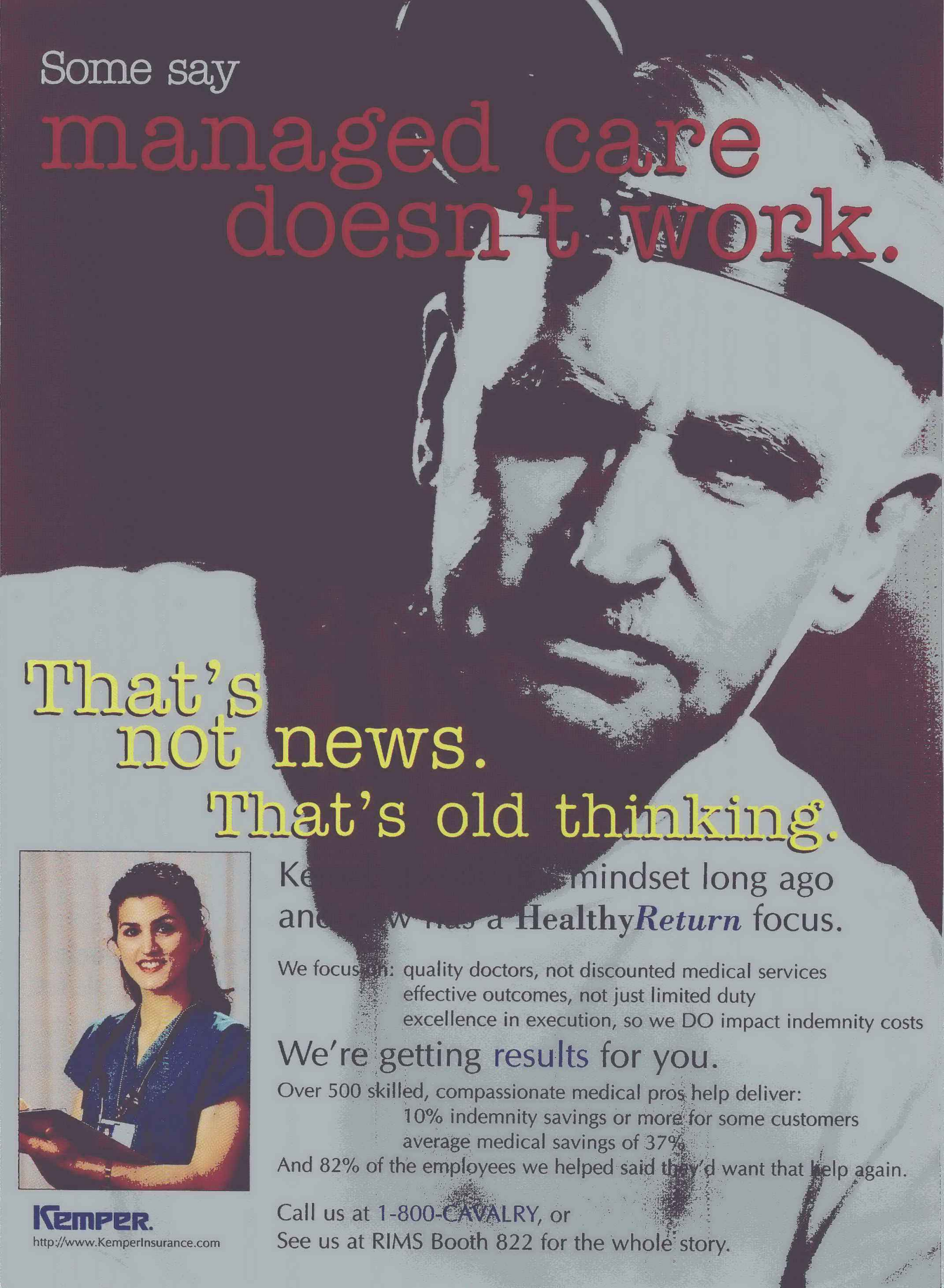
At least one fronting insurer, Old Republic International, is not anxious to enter into arrangements with policyholders' in-house claims departments unless they agree to abide by the same dozen requirements to which the insurer holds TPAs, said Michael J. O'Connell, vp-claims at Brookfield, Wis.-based subsidiary Old Republic Risk Management Inc.

Under those criteria, the in-house claims department must:

- Receive, review, investigate and adjust all reported claims during the policy term.
- Maintain claim files and make them available to the insurer during normal business hours. Closed files must be maintained for a minimum of eight years.
- Furnish monthly reports to the insurer.
- Agree to abide by each state's fair claims practices acts and comply with all applicable adjuster licensing laws.
- Indemnify the insurer for damages resulting from negligence or bad-faith claims handling, unless the department had acted under the insurer's specific orders.

Even given those guidelines, a captive owner should not handle automobile or workers compensation claims in-house, Mr. O'Connell advised. Otherwise, a risk manager would have to maintain a huge staff to deal effectively with all the

See **Claims** *on page 12*


Some say
managed care doesn't work.
That's not news.
That's old thinking.
Ke mindset long ago
an a HealthyReturn focus.
We focus quality doctors, not discounted medical services
effective outcomes, not just limited duty
excellence in execution, so we DO impact indemnity costs
We're getting results for you.
Over 500 skilled, compassionate medical pros help deliver:
10% indemnity savings or more for some customers
average medical savings of 37%
And 82% of the employees we helped said they'd want that help again.
Call us at 1-800-CAVALRY, or
See us at RIMS Booth 822 for the whole story.
Kemper.
http://www.KemperInsurance.com

Claims

Continued from page 10

varying state auto and workers comp claims laws, he said.

However, Weyerhaeuser Co. handles its workers comp claims in-house, said Gary A. Baxter, assistant treasurer and director of insurance for the Tacoma, Wash.-based forest products company. The company brought workers comp claims handling in-house 15 years ago. By having injured workers deal with only company personnel and by redoubling its commitment to safety, the company has cut its workers comp claims and its claims staff significantly, he said.

Mr. O'Connell said general liability and product liability claims may be best handled by an in-house claims staff. An in-house staff can provide consistency in handling and coordinating claims, with an eye toward keeping down defense costs, he said.

But, he expressed some concern with the relationship between some in-house claims departments and legal departments. "Legal has to know who is funding the claims. Sometimes, legal shunts the claims department aside. My experience is you don't want to abandon claims to the legal department, because many times they don't have the expertise from a claims standpoint. And, unless the legal cost is charged back, sometimes they don't care about the expense," he asserted.

However, the corporate claims staff must be sensitive to the inherent conflict of interest issues in handling those claims in-house, he said. "In a third-party claim, it's nice to have someone in between the claimant and the insured," he said.

Michael D. Phillipus, casualty risk manager for Houston-based Pennzoil Co., agreed. "You maintain a view of objectivity when a claim is denied or only a certain amount is paid. The company isn't doing that. A company with claims expertise is doing it."

For that reason, Weyerhaeuser uses a TPA to handle its third-party claims, Mr. Baxter said.

Mr. Phillipus noted several other reasons that a TPA might be more effective than in-house staff in handling claims, including:

- The client might gain access to a substantial amount of statistical data it might not have from its own claims database.
- TPAs likely will have greater claims-handling experience than an in-house staff.
- Outsourcing facilitates downsizing at the risk manager's company.
- Claims arising from a catastrophe, like an oil spill or a chemical release, could overwhelm an in-house staff.

The panel also offered several tips on selecting a TPA and what assistance it should expect from clients:

- The TPA should have one key contact or office that deals with its client's risk management department.
- The TPA should be qualified to handle claims arising from your particular exposures. In addition, one should assess the experience level and the turnover of the TPA's staff.
- The TPA should be capable of handling your claims volume, whether it is large or small. If you have many claims, the TPA's staff size should be sufficient before the TPA is engaged. If your claim volume is small, "you many not want to choose someone used to dealing with a large number of claims. You may be seen as a speck on the screen and not get the services you want," Mr. Phillipus said.
- Study the TPA's client base and verify why former clients left and if your industry is represented.
- The client must give the TPA enough authority to operate efficiently, both in settling claims and in reporting authority. Don't make TPAs go through a lot of channels to settle small claims. And, eliminate captured reports on small claims, as long as the TPA, for example, provides the client some claims information through an electronic transmission. BI

Captive ratings touted by Best

By DAVE LENCKUS

TUCSON, Ariz.—Obtaining ratings on claims-paying ability would significantly help captive insurance company owners in running captives efficiently, a rating agency official says.

Among other things, a rating would both improve captives' access to reinsurance and banking markets and suppress an over-stimulated appetite they might develop for third-party business if Congress enacts new captive premium tax-deductibility legislation, said John Andre, an assistant vp with insurer rating agency A.M. Best Co. of Oldwick, N.J.

In light of the middle market's growing interest in alternative risk financing, Best last year began to research and rate alternative risk-transfer mechanisms, including both single-parent and group captives, risk retention groups and pools. Best plans to expand that effort by rating even more alternative arrangements this year. As with the standard insurers Best rates, the alternative market ratings would be voluntary.

Standard & Poor's Corp. already rates captives, but it is looking at them as an increasingly "interesting market opportunity" as well, said Alan M. Levin, managing director of S&P Rating Services in New York.

Best's effort is a "credit to the alternative risk-financing market industry," Mr. Andre claimed. It underscores Best's belief that captives and other alternative arrangements will continue to grow, despite the enduring softness of the property/casualty market, he told attendees earlier this month at the 24th Annual Captive Insurance Cos. Assn. conference in Tucson, Ariz. Indeed, Best may publish separate rating guides on captives and other arrangements, he said.

CICA
CAPTIVE INSURANCE COMPANIES ASSOCIATION, INC.

Of the approximately 650 U.S.-domiciled captives, Best rates about 100, or 15%, of them.

Mr. Andre said captives that obtain a Best rating likely will find it will:

- Improve their access to reinsurance markets. "Our feeling is that a rating on your captive's credibility helps in this area," he said.
- Strengthen a captive's credibility with banks.
- Doubly help captives if Congress enacts a Clinton administration proposal that would force captives to make 50% of their business unaffiliated—up from a 30% standard set by several courts—before their parents could take a tax deduction for the premiums they pay their captives.

A rating would help captives' marketing efforts in courting additional third-party business, Mr. Andre said.

Additionally, in a paper released last week, Mr. Andre said a rating would help a captive prevent itself from becoming overly aggressive in chasing new business, which could result in financial instability.

Mr. Andre noted that Best's rating appeal process means captive owners do not have to silently accept a captive rating with which they do not agree. The exception may occur in a catastrophic situation, when Best would need to act quickly in reassessing a captive's rating, he said.

In a question-and-answer session, an attendee reminded Mr. Andre about a couple of insurers that carried A ratings from Best at the time they became insolvent.

He agreed that those cases "left Best with egg on our face." But, Best since then has increased its meetings with insurer company managers and has beefed up its own staff, he said.

Among the captives and risk retention groups Best currently rates, the distribution of those with secure and vulnerable ratings surprisingly is comparable to the standard insurance market's, he noted. Some 74% of the alternative risk-financing arrangements carry secure ratings ranging from A++ to B+, compared with the 66% of standard market companies that carry secure ratings.

As part of its increased interest in rating captives, S&P is researching how it might modify its financial reports on the facilities, Mr. Levin said. He expects the modified reports would be attractive to risk managers involved with group captives. They tend to have a weaker grasp of their facilities' financial soundness than do risk managers involved with single-parent captives, he said. BI

New York proceeds with domiciliary plans

By DAVE LENCKUS

TUCSON, Ariz.—New York state is not jumping into the captive business too late to develop into an important domicile, asserts an attorney for the state's insurance regulators.

CICA
CAPTIVE INSURANCE COMPANIES ASSOCIATION, INC.

"When we put the proposal together and got it to the governor's office, that was a concern," said Peter J. Molinaro, associate counsel of the New York Insurance Department. "But, we still believe growth is left in this field."

The captive insurance industry's growth during the extended soft market is evidence that organizations continue to look to this alternative risk-financing arrangement, he said during a panel discussion at the 24th Annual Captive Insurance Cos. Assn. conference in Tucson, Ariz.

New York regulators in September 1995 unveiled their plan to establish a captive domicile in New York, which they said would fit well in Gov. George Pataki's economic development plan (*BI*, Sept. 18, 1995).

Mr. Molinaro expects that the governor's office soon will release a bill that would authorize the state to establish a captive domicile. Last year's bill died in the Legislature due to inaction. Mr. Molinaro said the bill was introduced late in the session when lawmakers were dealing with more

Continued on next page

Continued from previous page
pressing workers compensation reform and budget bills.

Noting that Manhattan is home to many large corporations, Mr. Molinaro said, "We want to provide an option to New York companies so they don't have to go elsewhere."

As a financial leader, Manhattan has "a lot to offer" captive owners, he said. "We hope to enhance our role as a financial leader in the world and enhance the job situation."

But, shortly after New York regulators announced their captive plans, risk managers at several major companies said they would not consider relocating their captive insurers to New York unless the state offered clear advantages over other domiciles.

Mr. Molinaro, though, said New York does not intend to compete with other onshore or offshore captive domiciles by trying to lure away current captive owners. New York would be targeting untapped sources of captive business, he said.

He noted, for example, that public entities and religious groups already have expressed their interest in captives to New York regulators.

By helping those organizations as well as other potential captive owners move into this type of alternative risk-financing arrangement, "We'll actually help the captive industry grow," Mr. Molinaro said.

"It's sort of like when you put one large supermarket across the street from another. The theory is the additional traffic the one will attract will help both."

Panel moderator Henry H. Traendly, chairman and president of Crest Hill (Ltd.) Bermuda in Hamilton, asked Mr. Molinaro how, specifically, New York regulators plan to show they support the captive industry.

Regulatory attitude toward captive owners, which has undermined ambitious captive growth efforts in other states, will be the key, Mr. Molinaro responded. "The bill is only the first step. We need to have the right regulatory attitude and flexibility this industry needs."

For example, the New York Insurance Department is committed to establishing a separate bureau for captive formation.

"We'll be a consistent group of people, so you won't be getting pinch-hitters all of the time," Mr. Molinaro said.

That unit also would gather "complaints, suggestions and also hopefully kudos," he said.

Some other members of the panel, though, had different ideas for potential new captive owners.

Kymn Astwood, Bermuda's top insurance regulator as registrar of companies, welcomed additional competition, which he called the "best remedy for complacency."

In making his sales pitch to potential new captive owners, he said Bermuda offers them "one-stop shopping." The island domicile's numerous insurers and reinsurers can "enhance captive programs," he said.

Captive tax expert attorney P. Bruce Wright, a partner with LeBoeuf, Lamb, Greene & MacRae, added that establishing a captive offshore could be more tax efficient than establishing an onshore captive. BI

CICA meeting draws 351

TUCSON, Ariz.—The Captive Insurance Cos. Assn. drew 351 attendees at its 24th annual conference, which was held in Tucson, Ariz., March 16-19.

Sessions focused on captive basics; claims settlement; the accounting and tax implications of

CICA
CAPTIVE INSURANCE COMPANIES ASSOCIATION, INC.

certain reinsurance arrangements; investment strategies; third-party business; the impact catastrophes have on shareholder value: the value of self-insuring vs. buying insurance; new captive ratings from an insurer rating agency; onshore and offshore regulatory dynamics; proposed changes in the tax status of captive premiums; the growth of association captives; and reinsurance options for captives.

Next year's conference will be at the Hyatt Grand Champions Resort in Indian Wells, Calif., March 15-18. For more information, contact Judie Harrington, executive administrator for CICA, at 612-928-4655; fax: 612-929-1318.

Systems decisions among most difficult

Atmosphere of change adds to difficulty in selection process

By David A. Tweedy

It must be remembered that there is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than the creation of a new system.

—Machiavelli, 1513

PROPHETIC WORDS FROM A MAN who never had to wrestle with such crucial issues as "Do I invest in client server technology or wait until there is an Internet-ready risk management information system?"; "Should I outsource the RMIS or bring it in-house?"; "Do I upgrade my RMIS now or wait until my broker or insurer comes out with that 32-bit system later this year?"; "What impact will the recent acquisition of broker X by broker Y have on my broker X-provided information system?;" "Do I invest in network computers or stick with PCs?"; "What about data integrity?"

It seems Mr. Machiavelli was right on target.

Systems decisions these days are among the most ethereal and fraught with risk. Seemingly wise decisions made today can be rendered ineffectual at best within months by forces outside the risk manager's control. Therefore, the above questions—and related ones—undoubtedly will occupy the thoughts of many risk managers and MIS directors as they visit the plethora of RMIS vendors and systems during the Risk & Insurance Management Society Inc.'s 35th annual conference and exhibition in Atlanta.

One of the reasons for this difficulty is the constant atmosphere of change. From my perspective, it is very difficult to encapsulate in one column all of the changes over the past year, not to mention those that will have the most significant impact over the next few months. In fact, the recent "RMIS Review" I just wrote—due to be released at the conference—already is missing some of the latest organizational developments: including the acquisition of Johnson & Higgins by Marsh & McLennan Cos. Inc. (*BI*, March 24) and the mutual disbanding of InfoRisk, a joint venture between Arkwright Insurance Co. and Effisoft SARL. Interestingly, many of the changes and trends are organizational and not just technical.

Because of the dynamic nature of the industry, my purpose in this column is to best organize these changes or trends from a proactive perspective: Which are the most significant to the end user and provider? The two major categories of change and trends are organizational and technical.

Organizational

The most sensational changes have been here.

Industry contraction: During the past six months, the RMIS industry has seen significant evidence of the contraction I have been predicting. To wit, Aon Group Inc.'s acquisition of Alexander & Alexander Services Inc. and the other recent blockbuster: M&M's takeover of J&H. Aon, of course, has one of the leading turnkey or comprehensive risk management information systems in Pyramid, whereas A&A has Anistics, one of the oldest and most respected RMIS providers.

J&H has several system products, the most popular of which is J&HStars, another comprehensive RMIS. M&M since the mid-1980's has been without a system product; instead it positioned itself as an RMIS consulting firm. Now it has one of the most comprehensive RMIS products in J&HStars and must incorporate it within its consulting organization.

Obviously, these deals were made for larger reasons than RMIS. Nevertheless, these important departments within Aon and M&M must make some difficult decisions in the months ahead to deal with such issues as account consolidation, technical differences, staffing, strategic direction, client service continuation, and the inevitable problems of some clients "falling through the cracks" during this transition process. Clients must be sure to proactively work with the new vendor to ensure their problems are not tabled until "transition problems" are resolved.

Continued insurer growth in RMIS: Another dominant theme, sure to be validated as one walks about the exhibition hall, is the continued development of RMIS systems and related services by insurers. Liberty Mutual Group, American International Group Inc., Kemper Insurance Cos., Chubb Corp., ITT Hartford Group Inc., Travelers Corp., USF&G Corp., and Zurich Insurance Group all have made significant investments in their client systems. Many of these have re-engineered their internal underwriting, administration and claims systems as well. While most still "bundle" their system services with the main underwriting and claims products, many do allow for other data sources to be input for a more complete snapshot of a client's risk profile.

Strategic realignment and alliances: The rest of the RMIS market also has been making moves. Many of the smaller vendors continue to search for capital infusion through strategic alliances with insurers, large brokers or other investors. Here are two examples:

Envision Enterprises L.L.C./Near North Insurance Agency: Envision possesses one of the best claims administration RMIS available, but as a small vendor would be unable to make the necessary ongoing investment to improve the product as well as service its growing clientele. Near North Insurance Agency investment in this vendor provides the necessary capital as well as important input from a broker's perspective.

Seemingly wise decisions made today can be rendered ineffectual at best within months by forces outside the risk manager's control.

Risk Laboratories Inc./Intelligent Systems: Risk Labs, founded two years ago in Atlanta, provides one of the most comprehensive risk management and analysis systems available today. It was designed not only for claims analysis, but also for exposure and policy analysis from a risk manager's perspective. Yet it needed the necessary capital infusion and system design expertise Intelligent Systems provided.

Some other vendors are making different strategic decisions.

Crawford RSG: Much has happened here in recent months. The RSG subsidiary has been pulled closer to the parent, Crawford & Co., and has made decisions not to promote its standalone, client/server ParaRisk claims administration system. While it will support ParaRisk, it will focus its total risk management orientation through Sigma for Windows and a new product on the design board now. The changes have caused some high-level personnel movement, and it will be interesting to watch the new Crawford RSG organization.

InfoRisk: InfoRisk was the new company created as the result of a joint venture between Arkwright Insurance and Effisoft SARL of Paris and London last year. Arkwright clients could have access to their engineering recommendations and property data through InfoRisk as well as a well designed risk management information system that focused on policy and exposure, rather than the U.S. orientation on claims. Recently, the joint venture was dissolved amicably.

Technical

Technology is the one constant variable of change. Everyone expects advancement, and it continues to be true in the RMIS industry as well. As one walks about the RIMS exhibition hall, the attendee will see Windows-based, client/server, graphical user interface products by the truckload. These system features are now fairly industry standard, with some exceptions.

Secondly, the use of more object-oriented tools and application languages, such as Visual Basic, PowerBuilder, and powerful database languages, such as SQL Server, Oracle and SyBase, have combined to allow RMIS vendors to simultaneously increase ease of use, flexibility and functionality.

But among the more interesting developments is the continued interest in the development of Internet/World Wide Web products, intranets, expanded use of electronic data interchange, and links to popular office software and internal systems.

A case in point is CIGNA Property & Casualty's cooperative venture with Microsoft Corp. CIGNA's Special Risk Facilities organization has created a new pilot RMIS product utilizing Microsoft Office '97—the leading integrated office software product offering word processing, spreadsheets and presentation software.

But Office '97 also has rich Web and ActiveX technologies, Microsoft Internet Explorer 3.0, Office doc hyperlinks, open data access interfaces and integrated support for Visual Basic programming technology across the suite of Office 97 applications.

The product is really designed as a decision support tool for CIGNA risk consultants who conduct research on the several available databases for their clients who are looking for benchmarking and specific claims analyses. The process begins by utilizing the internal company intranet to request a client report, i.e., workers comp losses as a percent of payroll. The request is processed in the data warehouse and fed to the Excel component. Automatically, the system places tables and graphs into PowerPoint and produces a Microsoft Word document, ready to be discussed with the client. In the future, CIGNA plans to make the data available on a secure Internet site for client access.

This is just one example. Many other vendors are working on similar products and services to meet the changing nature of the risk management industry. The big question will be how these vendors maintain or improve their client service records. The more services and system functionality, the greater the complexity of the hardware configuration, the greater the need for exemplary service. This is especially true for those risk managers with downsized departments and outsourced functions who rely so much on their RMIS.

As we approach and pass 2000, risk managers will face an ever-changing array of technology, functionality and services offered by a constantly evolving host of service providers.

I guess Machiavelli had it right after all. BI

David A. Tweedy is principal of Tweedy Risk Consulting in South Kingstown, R.I. Mr. Tweedy's column on risk management information systems appears quarterly.

Reinsurers

Continued from page 2

affirmed their commitment to American Re as an independent subsidiary, with no co-management or joint management from Germany," he said. "Senior management has reaffirmed their commitment to the company for the long term."

Looking to the overall reinsurance market, Mr. Noonan said, "I think the underlying adequacy of pricing in the industry will be diminished this year."

"Everyone talks about the softness of the market and for us in 1997, we continue to emphasize to our people that they should focus on bottom-line profitability and not worry about top-line growth," said Heidi Hutter, chairman, president and CEO of the Swiss Reinsurance America Corp.

"The outlook is probably similar to what we just experienced in 1996," including single-digit premium growth, said Gary Ransom, an analyst with Hartford, Conn.-based Conning & Co. Reinsurance conditions are driven by competition in the primary market and by insurers raising retentions and restructuring programs to keep more premium for themselves, he said.

"Nothing will change that much in 1997," Mr. Ransom predicted. "The combined ratios will probably be stable, too."

However, at least one observer sounded a cautionary note.

"If pricing and underwriting continue to deteriorate as indicated by the Jan. 1 renewal period, then we've got to have worse results this year," said David Seifer, vp with Donaldson Lufkin & Jenrette Securities Corp. in New York.

"I would expect higher combined ratios that could be accentuated if there are, in fact, catastrophic losses that actually impact reinsurers," added Mr. Seifer.

For 1996, the 49 reinsurers surveyed by the Reinsurance Assn. of America posted a 103.5% combined ratio, compared with the 109.9% combined ratio reported by a comparable group in 1995 (*BI*, April 1, 1996).

The Top 20 reinsurers, based on net premiums written, reported a 103.2% combined ratio, compared with a 110.1% combined ratio in 1995. Those ratios include results for the Berkshire Hathaway Group, which does not participate in the RAA survey. Also, while the merger will not officially be completed until later this year, *Business Insurance* has combined the 1996 and 1995 RAA numbers of American Re Corp. and the Munich Re Group's U.S. operations.

The reinsurance industry experienced single-digit growth last year. The RAA group posted a 4.5% increase in net premiums written to $18.95 billion, while the Top 20 reinsurers alone increased their premiums by just 3.1% to $16.58 billion.

This compares with a 13% increase in premium growth in 1995 for the RAA reinsurers and a 14.6% increase for the Top 20 that year.

"The reinsurance segment's growth has fallen prey to heated competition, rate softening within the property sector and just the beginning of dramatically softer rates on the casualty side that's now spilling over from the primary," said Eric Simpson, senior vp at A.M. Best Co. in Oldwick, N.J.

"The irony here is that some observers were concerned that with the number of reinsurers exiting the business that competition would wane. If anything, competition is just heating up because the surviving reinsurers are pretty formidable in terms of balance-sheet strength and market presence, so a lot of the peripheral players have been taken off the playing field," said Mr. Simpson.

"From what I hear, there's some deterioration in underwriting and pricing at the reinsurance level in order to finance the increasingly competitive" conditions at the primary level, said DLJ's Mr. Seifer.

"What is difficult to determine is to identify who among the reinsurers are the financiers of what has to be a losing proposition," he said.

However, such companies as General Reinsurance Corp., Transatlantic Reinsurance Co. and the Bermuda catastrophe reinsurers "are all doing very well and seem to be walking around the near-term competitive problem," Mr. Seifer said.

There were fewer large reserve charges among reinsurers in 1996 compared with 1995, with the only major boost being Kemper Reinsurance Co.'s $300 million addition to reserves for asbestos and environmental losses in the second quarter, said Craig Elkind, associate director of Standard & Poor's Corp. in New York.

By contrast, reserve charges in 1995 included a $700 million capital infusion that Swiss Reinsurance America Corp. received from its parent, the Swiss Re Group, to bolster incurred-but-not-reported asbestos and environmental reserves, and a $347.4 million addition to reserves by American Re Corp.

'I consider it the most competitive market I've seen in 15 years, and the reality is that there are a lot of hungry reinsurers. They want a bigger piece of the reinsurance pie,' says Dennis Zettervall.

"It's pretty pure results this year, and pretty appealing results at that," said Mr. Elkind, noting the 103.5% combined ratio is "pretty nice."

John L. Ward, CEO of the Cincinnati-based Ward Financial Group, agreed. "I think there are a number of positive signals in their results," he said. "I think it was a strong investment performance with an assist from the stock market. Underwriting results remained strong. Although we're seeing some downward pressure on reinsurance rates, I don't think that's necessarily a problem signal. I think they're doing a very good job of selecting and pricing risk."

Michael Smith, an analyst with Salomon Bros. in New York, noted that excluding the reinsurance departments of insurance companies, professional reinsurers had a 7.7% premium increase in the fourth quarter. "I think there's a little bit of increased demand coming into the market," he said.

Mr. Smith also noted that the professional reinsurers had a 103.8% combined ratio, with direct writers alone having a little less than a 101% ratio while the broker market reported a 107% combined ratio.

The RAA report also can be broken down by size of the reinsurers. The top five professional reinsurers included in the RAA report, which also are direct writers, "have a fairly stable situation in terms of rates," said Mr. Smith. Those in the No. 5 through 20 position are more competitive. But from No. 25 on down, it is a "bloodbath," he said.

The larger broker-market players, he said, are able to increase their share of reinsurance treaties to 25% from 20%, thus squeezing out the smaller companies with less capacity that may previously have had that 5% share of the risk, he said.

These smaller players are "finding themselves pushed off the end of the table" and are "just having to beat each other over the head to get business," said Mr. Smith.

"The real drama lies behind the numbers, not with the numbers," said Dennis Zettervall, CEO of Hartford, Conn.-based Hartford Re Co. "I consider it the most competitive market I've seen in 15 years, and the reality is that there are a lot of hungry reinsurers. They want a bigger piece of the reinsurance pie.

"Unfortunately, the pie is getting smaller, so this hits the second- and third-tier reinsurers particularly hard if you're competing on price only," he said.

"There's clear movement toward consolidation within the market," said John N. Adimari, vp-investor relations for Greenwich, Conn.-based NAC Re Corp. "Some of it's very visible," such as with the American Re/Munich Reinsurance Co. deal (*BI*, Aug. 19, 1996). "Some is not as visible, where you see some of the players within the broker market begin to reduce or quietly shut down their operations. As a result, you see the high-quality, high-surplus companies grow."

Mr. Adimari said he expects the trend to continue. "Smaller, less capitalized companies are going to find it increasingly difficult to compete" and, as a result, books of business will shift to larger, better-capitalized companies as they increase their participation on existing or new treaties.

"I think there's a strong drive" for mergers, said American Re's Mr. Noonan. However, he added, "I don't know that consolidation will be on the same magnitude as over the last couple of years."

He noted that there are "completely different dynamics" involved when deals involve broker-market reinsurers as opposed to direct reinsurers.

"We've already seen consolidation on the direct writers' side. There may be more financial pressures for additional consolidation on the broker side," predicted Conning's Mr. Ransom.

"I think the pressure's there" because growth is so sluggish and there is pressure, particularly on publicly traded companies," to build earnings, said Mr. Ransom.

A.M. Best, which predicts the number of reinsurers will be cut by about a third by the year 2000, believes merger and acquisition activity is particularly likely among the smaller, "undifferentiated" reinsurers "that are struggling to compete effectively," said Mr. Simpson.

When you look at the reinsurance companies ranked Nos. 26-41, most have single-digit returns on equity, "so it doesn't take much to figure out there are some candidates out there who have to be thinking about an exit strategy," said Mr. Smith.

Someone earning a 3% return on equity ought to do better investing in certificates of deposit "rather than trying to write reinsurance," he added.

More mergers will enable the surviving reinsurers to be better service providers, said Mr. Ward. The trend "will largely be positive for buyers of reinsurance." BI

Largest U.S. reinsurers' 1996 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurers	Net reinsurance premiums written 1996	Net reinsurance premiums written 1995	Policyholders surplus (reinsurers only)	Net income 1996	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1996	Combined ratio 1995
1. General Re	3,080,995	2,964,374	5,326,632	759,591	2,143,310	68.8	915,765	29.7	98.5	99.0
2. American Re*	2,625,942	2,324,880	2,248,945	356,352	1,685,115	67.5	817,098	31.1	98.6	115.6
3. Employers Re	1,789,336	2,391,393	4,309,044	489,228	1,386,822	75.7	533,714	29.8	105.5	104.6
4. Transatlantic/Putnam	1,064,701	1,008,781	952,707	131,708	783,282	74.5	284,553	26.7	101.2	102.2
5. Everest Re	898,853	807,697	772,691	88,517	609,309	71.2	285,024	31.7	102.9	131.1
6. St. Paul Cos.	760,624	713,474	N/A	N/A	553,316	75.2	228,894	30.1	105.3	99.1
7. Zurich Re Centre	729,278	602,269	690,099	17,754	485,784	71.0	238,136	32.7	103.6	106.5
8. Berkshire Hathaway	715,500	770,000	N/A	N/A	572,900	75.6	192,400	25.4	101.0	102.9
9. Swiss Re America	693,613	869,105	1,118,349	191,874	498,051	67.0	255,920	36.9	103.9	193.9
10. Hartford Re Co.	570,612	483,639	N/A	N/A	398,396	75.3	152,829	26.8	102.1	104.3
11. TIG Re Co.	547,948	510,718	515,143	96,397	386,363	72.3	165,759	30.3	102.6	103.6
12. Kemper Re	534,714	441,833	512,036	(228,257)	688,510	135.5	155,080	29.0	164.5	106.6
13. Constitution Re	531,352	558,610	354,438	39,805	393,323	73.4	161,547	30.4	103.8	102.6
14. NAC Re	521,876	476,048	663,867	59,826	303,284	63.7	195,370	37.4	101.1	103.1
15. F&G Re	493,817	506,818	N/A	N/A	303,556	63.9	130,131	26.4	90.3	92.3
16. SCOR U.S. Group	477,438	256,656	396,677	333	224,855	67.7	159,499	33.4	101.1	103.1
17. Underwriters Re	334,989	275,728	613,807	24,395	235,225	72.3	100,462	30.0	102.3	103.4
18. Signet Star Re	264,355	217,018	257,641	10,531	177,229	73.9	78,191	29.6	103.5	104.1
19. Winterthur Re	226,969	204,588	261,483	29,163	157,287	70.4	76,950	33.9	104.3	103.1
20. Trenwick American Reins. Corp.	226,364	197,162	286,284	29,555	129,316	61.3	77,841	34.4	95.7	95.6
Totals for Top 20	**17,089,276**	**16,580,791**	**19,279,843**	**2,096,772**	**12,115,233**	**72.7**	**5,205,163**	**30.5**	**103.2**	**110.1**
Total for all companies	**18,947,181**	**18,127,264**	**23,671,940**	**2,448,273**	**13,428,193**	**72.7**	**5,831,443**	**30.8**	**103.5**	**109.9**

* *BI* estimate including business of Munich American Reinsurance Co.

Source: Reinsurance Assn. of America and *Business Insurance*

INTERNATIONAL

Global Briefs

Insurance education institutions around the world are creating the **Institute for Global Insurance Education** to coordinate educational programs they offer in risk management and insurance, especially in developing countries. Founding members are the Insurance Institute of America, Britain's Chartered Insurance Institute and the Insurance Institute of Canada. Affiliate members include insurance institutes in Australia, New Zealand, South Africa and Brazil. J. Chris Rhind, chief executive officer of the Insurance Institute of Canada, will be chairman of the new educational facility.... London broker **Steel Burrill Jones Ltd.** has recruited two brokers from Aon Group Inc.'s recently acquired U.K. subsidiary, rival Bain Hogg Group. Stephen Bottley, who had been at Bain Hogg for the past 14 years, will become managing director of SBJ's new automotive division. Penny Shurmur, also from Bain Hogg, will join him as an assistant director. Meanwhile, SBJ announced a 61% decline in pretax profits to £2.21 million ($3.6 million) in 1996. The sharp drop was attributed to its London market operations, which were hurt by the contraction of SBJ's non-marine reinsurance activities in 1995 and the competitive conditions of 1996. Revenues fell 8% to £39.9 million ($64.6 million). SBJ Chairman Clive Richards warned that the environment for brokers remains "hostile" in 1997, with insurance rates continuing to decline in most markets.... The **Archer Group**, an underwriting agency group, has appointed Stephen Wenman chief executive. Mr. Wenman previously was chairman of Special Risk Services, an international financial risk broker. He replaces Brian Kellett, who remains chairman.... **Swire Renshaw**, the Huddersfield, England-based retail brokerage unit of Lloyd's broker and financial services group, Swire Blanch Ltd., is acquiring commercial insurance broker Charles Stanley & Co., based in Halifax, England.... Lloyd's of London members agent **Kiln Cotesworth Members Agency Ltd.** has acquired the business of Stewart Members Agency from its parent Stewart Underwriting P.L.C.. It will be merged to form Kiln Cotesworth Stewart Ltd. and will become the third-largest members agent in Lloyd's.... The **Insurance Brokers Registration Council** of Britain is proposing a requirement that brokers, possibly even those doing business at Lloyd's of London, establish trust accounts for clients' money. It says the trust accounts it is proposing would be more secure than the existing segregated client accounts, as well as less bureaucratic and cheaper to operate.... James F. Dougherty, a Miami lawyer found guilty of **overcharging syndicates at Lloyd's**, has been sentenced to six and half years in prison and ordered to return $1 million to the syndicates. The syndicates had paid him $9.1 million to fight a disputed $6 million claim from Jordanian coffee trader Munther Bilbeisi (*BI*, Dec. 23/30, 1996).

Casinos refuse to gamble on fire safety

By KATE TILLEY and MATTHEW MacDERMOTT

BRISBANE, Australia—Management at a pair of Australia casinos doesn't leave fire safety up to chance.

Attention to basics and communicating safety programs to employees are the keys to safety for both complexes.

Fire safety procedures, equipment, testing, maintenance, housekeeping, continuous monitoring, input from many sources and communication are among the methods the Conrad International Hotels chain uses to maintain safety in its two casinos in Queensland, Australia.

As a result, its insurer has awarded the casinos its highest possible fire safety rating. The hotel-casino complexes are Conrad Jupiters on the Gold Coast and the Conrad International Treasury Casino in Brisbane.

While other hotels—and buildings—have achieved the AAA rating from CIGNA International, the Conrad complexes are the only hotel-casino complexes in the world to achieve the rating. CIGNA does not insure all Conrad complexes globally but says it insures many hotels and casinos.

The Conrad Jupiters and Conrad Treasury complexes are insured with Sydney-based CIGNA Insurance Asia Pacific Pty. Ltd., a unit of CIGNA International that actually made the award. Coverage is provided for property, liability and business interruption losses.

Beverly Hills, Calif.-based Conrad International Hotels operates hotels and casinos in eight countries.

Bob Anderson, CIGNA's Sydney-based director, Pacific region risk management engineering services, said the two complexes had to achieve the top rating on 21 criteria to be eligible for CIGNA's AAA award. CIGNA's AAA rating criteria includes documentation of fire safety procedures, maintenance of equipment, training, smoking controls, housekeeping standards, regular inspections, water supplies, security, and contingency planning.

Alexander & Alexander Inc. is broker for both complexes.

Bill O'Brien, chief engineer at Brisbane's Conrad Treasury, said meeting the sophisticated fire policies, procedures and training requirements for the AAA standard was very demanding.

The Conrad Treasury opened in December 1995; documentation of fire safety systems started seven months earlier.

Both the Conrad Jupiters and Conrad Treasury complexes have operated under generic fire safety systems, developed for Conrad's worldwide operations, since their openings in 1986 and 1995, respectively.

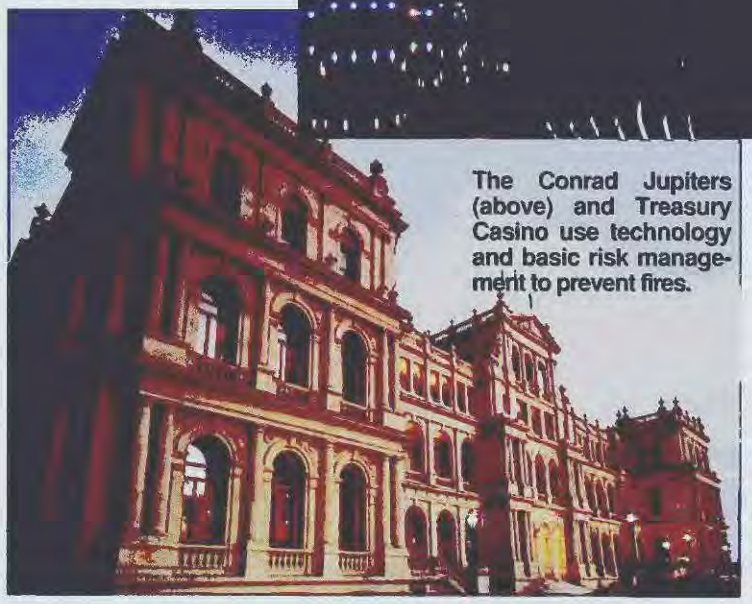
Both complexes employed the fire division of Brisbane-based consulting engineers Lincolne Scott Australia Pty. Ltd. for advice on the best fire equipment available in Australia and how to adapt it to meet each building's needs.

Each casino's fire system includes hundreds of smoke detectors, fire sensors, alarms, sprinklers, intercoms and wall control panels. Casino engineers regularly maintain, test and evaluate the equipment's performance.

Mr. O'Brien said that while advanced fire detection and control systems were an important part of achieving the AAA rating, good housekeeping and maintenance contributed greatly to the rating.

Basics, such as cleanliness and ensuring there are no obstructions at fire exits, may seem obvious but are fundamental to effective fire safety

See **Casino** *on page 19*



The Conrad Jupiters (above) and Treasury Casino use technology and basic risk management to prevent fires.

PHOTOS: CONRAD INTERNATIONAL

IATA agreement raises rating issues

By EDWIN UNSWORTH

LONDON—Aviation insurers are warning airlines that the size of passenger liability claims could surge by as much as 20% a year when members of the International Air Transport Assn. remove liability limitations on international flights.

Even as exposures are growing, aviation rates are already at 'unsustainable' levels, says Barry Wilkes.

The IATA earlier this year cleared the last of the major obstacles to widespread adoption of its Intercarrier Agreement on Passenger Liability Limits, which waives airlines' per passenger liability limits for international flights (*BI*, Jan. 20).

Barry Wilkes, chairman of the Aviation Insurance Offices' Assn., which represents international aviation insurers operating in London, said that increased claims from the removal of liability limits could total about $200 million to $300 million annually as a result of the new agreement. The IATA pact is expected to come into effect this week and will be retroactive to mid-November 1996.

Mr. Wilkes said the agreement will create added exposures for insurers, which are "currently assessing the coverage and rating implications" of the IATA agreement.

With unlimited liability already the norm for U.S. domestic flights, Mr. Wilkes said he expects most of the increased claims to come from passengers on international travel in Europe and parts of the Far East. That is because these are areas with higher standards of living and also have major airlines that have accepted the IATA pact on unlimited liability.

At the same time the exposure will grow, Mr. Wilkes said that current aviation rates are already at "unsustainable" levels.

Rates weakened generally throughout 1996, but the pace of decline accelerated particularly in the last quarter, when the majority of major airlines traditionally renew their cover, he said on the eve of the AIOA's annual meeting.

Commenting on the outlook for aviation insurance pricing, Mr. Wilkes said that the test for whether rates firm up will be the April 1 renewals, though he conceded "the market remains extremely soft, dogged by surplus capacity worldwide."

Other classes of aviation insurance—major manufacturers' hull policies, product and airport liability insurance and general aviation—also have followed a downward trend in rates, he said.

Mr. Wilkes attributed the market's pricing weakness to better-than-average loss statistics for 1995, the continuing high level of excess capacity and the fact that the world's airlines saw their profits on international scheduled routes drop last year.

The AIOA estimates that the cost of major losses for Western-built jet aircraft was $477 million in 1996. Although this was up from an exceptionally low total of $418 million in 1995, it still was one of the lowest figures of the past decade, mainly because a large proportion of 1996 losses were of older, lower-value aircraft.

Passenger fatalities last year arising from 11 accidents involving Western-built jets were the highest since 1985, at 1,306 against 383 in 1995. BI

AXA, UAP report mixed '96 results before merger

By STACY SHAPIRO

PARIS—AXA-UAP, which will merge later this year, last week reported dramatically different results for 1996.

AXA S.A. announced a 39.5% increase in its net income at year end 1996 to 3.8 billion francs ($666.9 million). However, UAP reported a loss of 6.4 billion francs ($1.12 billion) after exceptional items totaling 7.6 billion francs ($1.33 billion).

The results of the two companies that form AXA-UAP were announced separately, as AXA and UAP Group do not merge formally until May. They announced the merger last November and have said the company worldwide simply will be called AXA (*BI*, Nov. 18, 1996).

UAP's exceptional items, which the company says result directly from the merger, include 3.7 billion francs ($649.4 million) for the reevaluation of some assets and liabilities in the life and property/casualty insurance business in France and Italy and within its subsidiary Banque Worms.

The exceptional items also include 800 million francs ($140.4 million) for costs in its real estate companies and 1.8 billion francs ($315.9 million) for the waiver of deferred tax credits against past losses.

Meanwhile, AXA's results include those of New York-based life insurer Equitable Group, whose net income dropped dramatically to 143 million francs ($25.1 million) last year from 497 million francs ($87.2 million) in 1995. This decrease, according to AXA, was the result of two exceptional items: the strengthening of reserves for disability insurance by 1.1 billion francs ($193.1 million) and the implementation of new U.S. accounting rules which resulted in a charge totaling 560 million francs ($98.3 million).

AXA-UAP together had revenues last year totaling 340 billion francs ($59.67 billion).

Lloyd's to revive E&O requirement

By EDWIN UNSWORTH

LONDON—Lloyd's of London is planning to reintroduce compulsory errors and omissions protection for agents and advisers in the market.

Lloyd's currently is exploring several proposals for financing the exposure, including various insurance options, and hopes to have an E&O program in force by the start of 1998.

Lloyd's suspended mandatory E&O coverage earlier this decade after E&O underwriters withdrew from the market due to mounting litigation against Lloyd's agents.

Lloyd's earlier this month began canvassing market participants for their views on its proposals.

Lloyd's noted that both its own underwriters and those in the company market are showing renewed willingness to underwrite a form of clerical E&O coverage—which would cover errors in policy word-

See **E&O** *on page 20*

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is $163.00 per column inch, minimum of one inch. Straight classified is $14.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $22.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Cheryl Adeszko, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340, FAX 312-649-7799, or e-mail cadeszko@crain.com

BUSINESS OPPORTUNITY

Investors looking to purchase a small TPA in the Southeastern US. Please contact:
Lawrence R. Diamond, Esq.
1800 2nd Street, Suite 777
Sarasota, Florida 34236
(941) 954 - 8555

BUSINESS OPPORTUNITY

Strong, multi-disciplined, nationwide, Case Management firm interested in a possible Joint Venture arrangement with a TPA and/or ASO firm. Please contact (908) 688-1'00 for inquiries and discussion.

HELP WANTED

HELP WANTED

TOP PRODUCERS FROM THE LETTER FIRMS ARE CALLING KAYE INSURANCE, FIND OUT WHY YOU SHOULD TOO!

Are you tired of consolidations and downsizing? Falling further and further down in the pecking order? If the answer is yes, consider the following:

Kaye Insurance Associates, a growing, top 20 US Broker with offices in New York City, Los Angeles, Southport, CT and Warwick, RI is seeking successful, entrepreneurial, property and casualty producers. If you fit this description, have a book of business and are currently with a large regional or national broker anywhere in the US, we want to talk to you.

With Kaye, you will be able to offer your clients the market clout and risk management services they want. Not only will you have the access to top management and the quick decisions you need, you will have the independence you desire.

Be a part of a growing company with over 45 years of serving clients successfully. Be a part of a nationally recognized brokerage firm where you count. Come grow your business with Kaye.

Kaye Insurance Associates, Inc.

Want to find out more? Call: Jeff Rubin, Sr. Vice President

1-800-456-KAYE, Ext. 2272 or in N.Y. 212-338-2272

Fax: 212-661-3690

Executive Offices: 122 East 42nd Street, New York, NY 10168

INSURANCE

NATIONAL ACCOUNT MANAGER

Hertz Claim Management, a nationwide Third Party Administrator, is seeking a qualified individual to be our National Account Manager based out of our Park Ridge, New Jersey Corporate Headquarters.

Reporting to the Vice President of Sales & Risk Management, you will be responsible for the following:

- Interfacing with clients, our operations group and the Management Information group.
- Developing customer relationships and loyalty.
- Attending new client setup meetings and write specific client handling agreements.
- Attending client/broker audits
- Assisting the Sales Department in obtaining new clients

We are seeking an individual who is a self-starter and who can work independently. Travel is required, but is mostly limited to the Metropolitan New York/New Jersey area.

We offer a competitive salary and benefits package. Please send your resume, which MUST include salary requirements, to:

Hertz
Claim Management

Dept WG
225 Brae Boulevard
Park Ridge, New Jersey 07656

An Equal Opportunity Employer

Responses will ONLY be made to qualified applicants who supply the requested salary information.

HELP WANTED

PRODUCER

Regional broker seeks producer with book of business. Central and Eastern PA preferred. Covenant not a problem. Respond: E-H&D, Box 83080, Lancaster, PA 17608.

ATTORNEY

Large firm with major insurance and reinsurance practice seeks insurance regulatory/corporate attorney with minimum of 2 years experience. Property & casualty background required, reinsurance and life desirable.

Please send resume and cover letter to: Business Insurance, Box 3036, 740 North Rush Street, Chicago, IL 60611-2590.

DIRECTOR/MANAGER OF CLAIMS

Major Midwestern Transportation Company wishes to employ a Director/Manager of Claims. This position requires a minimum of 10 years experience, including supervision, direction and management of a claims staff (Ins. Co., TPA or Internal) emphasizing trucking liability claims. College degree required. An advance degree designation a plus (J.D., CPCU, AR/A). Relocation to corporate headquarters and moderate travel required. This individual must be aggressive, with strong analytical, organizational, negotiating, and interpersonal skills. Excellent salary and benefit package. The employer is an equal opportunity employer and AAP employer M/F/D/V.

Mail resume and salary requirements to:

NAS Reply Service
Dept 1061
35 East Wacker Drive
Chicago, IL 60601

For a 1997 Classified Rate Card Call: (312) 649-5340

HELP WANTED

US HEALTH & LIFE

A newly Michigan Domiciled Carrier is seeking to hire an experienced individual to manage and operate profit center. The position requires 10 years experience in the Insurance Industry with a background in Regulatory Compliance and Business Development. The person selected will be responsible for establishing the long-term business plan, obtaining financial ratings, and maintaining compliance. We will strongly consider an attorney or actuary seeking an entrepreneurial opportunity. Please send cover letter and resume to:

Attn: Personnel
P.O. Box 4545
Troy, MI 48099-4545

RISK MANAGEMENT

International commercial real estate brokerage and property management firm located in north suburban Chicago seeks two risk management professionals.

Risk Manager

You should have 5 to 7 years experience in coordinating activities relating to property and casualty insurance, claim submission and management, risk analysis, policy renewal maintenance, insurance compliance analysis, loss control and prevention and contract review. College degree, excellent communication and writing skills and advanced knowledge of Word and Excel required.

Assistant Risk Manager

You will support the risk manager in all aspects of our corporate insurance program. Must have excellent administrative, communication and writing skills and be well organized. Advanced knowledge of Word and Excel required. Type 65 wpm.

Please send your resume, cover letter, and position applying for to: Business Insurance, Box 3035, 740 North Rush Street, Chicago, IL 60611.

HELP WANTED

HELP WANTED

MANAGER OF INSURANCE AND CLAIMS

CONSIDER CINERGY!

Cinergy is positioning itself as an innovator in the energy services industry. Our management team is viewed by Wall Street as one of the most aggressive, innovative and creative in the electric utility industry. We're putting together the best team in the business to meet immediate demands and build the proper infrastructure to support our aggressive growth. To prepare for rapid change in our industry, we've created some exciting opportunities. We currently offer a career opportunity for a **Manager of Insurance and Claims** for our **Cincinnati Ohio** corporate offices.

The successful candidate will manage and direct the corporate property and liability insurance program and provide general supervision over the administration of liability claims and fire protection activities. This manager will utilize creativity to design and implement methods to reduce, eliminate or transfer potential loss/risk.

A Bachelor's degree supplemented by ten years of experience in Risk Management or Insurance is required. CPCU or ARM is a plus. Effective written and oral communication skills are a must.

In return, we offer outstanding benefits with an employee incentive program and competitive salary, commensurate with experience.

Qualified individuals may submit their resume and salary history, mentioning "Manager, Insurance and Claims #0126," electronically to: **resumes@cinergy.com** or mail to **Cinergy Corp., Staffing Services, 1000 East Main Street, Plainfield, IN 46168 (no later than April 18th, 1997).**

CINERGY.

An Equal Opportunity Employer M/F/D/V

REQUEST FOR PROPOSAL

REQUEST FOR PROPOSAL
GROUP DENTAL PLANS

The University of California is accepting bids for its indemnity and prepaid dental plans covering a total of approximately 120,000 employees and annuitants. Employees are located at 9 campuses, 2 laboratories, and various other smaller sites throughout California, at one major New Mexico laboratory site and at smaller sites throughout the United States. Companies may bid on either the indemnity plan or the prepaid plan, or on both plans. Indemnity plan bids must be made on both a conventionally insured basis and ASO basis, and must provide worldwide coverage. Prepaid plan bids must be made on a conventionally insured basis and provide coverage throughout California.

Companies must meet certain minimum pre-qualifying criteria in order to submit a proposal. The following is a list of key criteria, however, other criteria listed in the RFP will need to be met as well:

- The University account will not represent more than 25% of the organization's overall book of business.*
- Have been in existence as an organization for five or more years.
- Have multi-year history (greater than three years) with an account with enrollment of at least 25% of the size of the University enrollment.*
- A.M. Best rating of at least "A" (for category size 7 or greater) or Standard & Poor's "AA".
- Have approved group dental policies in California.

* This standard may be applied separately to the indemnity and prepaid dental products. Assume projected enrollment up to 15,000 for the prepaid dental plan.

Companies that can provide proof they meet the above requirements as of 4/7/97 and who provide a copy of their most recent audited financial report may be mailed a copy of the RFP by contacting:

Ms. Laurie Himelstein
William M. Mercer, Incorporated
(408) 291 - 6380

Eligible bidders must submit proposals by 5:00 p.m., May 5, 1997 (PST). Commission or services fees of any kind will not be payable by the University.

Business Insurance

Circulation Breakdown

Commercial Consumers

Administrative:	
CEO's, Presidents, and Owners,	2.200
Vice Presidents, General Managers and Other Administrative Personnel	5,129
Financial:	
Chief Financial Officers and Vice Presidents of Finance	3,166
Secretaries, Treasurers, controllers and other Financial Personnel	2,973
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	17,043
Sub-total	**30,511**
Associations	290
Government, Unions and Educational Institutions	946
Commercial Consumers Sub-total	**31,747**
Insurance Agents and Brokers	8,588
Insurance Companies	7,327
Accountants, Actuaries, Attorneys & Consultants	2,831
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,624
Others Allied to the Field	966
Total Qualified	**53,083**
Non-qualified	9
Single Copy Sales	16
TOTAL CIRCULATION	**53,108**

★ *Source Business/Occupational breakdown of qualified circulation, November 25,1996 Issue, as submitted to BPA for December 1996 BPA Publisher's Statement*

Looking for a candidate to fill the job?

The most talented men and women in the insurance industry know where to turn when they want to make their moves.

Business Insurance Classifieds assure top quality results!

Call Cheryl Adeszko at
312-649-5340
for advertising details.

Business Insurance

Professional Marketplace

HELP WANTED | HELP WANTED

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
IN THE PETITION OF ANTHONY JAMES MCMAHON AND PHILIP WEDGWOOD WALLACE, AS JOINT PROVISIONAL LIQUIDATORS OF ANGLO AMERICAN INSURANCE COMPANY LIMITED
Case No. 97-B-41556 (PCB)

NOTICE IS HEREBY GIVEN that on March 19, 1997 an order was entered by the United States Bankruptcy Court for the Southern district of New York (the "Bankruptcy Court") in connection with the case filed with respect to Anglo American Insurance Company Limited (the "Company") pursuant to section 304 of the Bankruptcy Code (the "Order"):

1. Enjoining all persons and entities from (a) transferring, relinquishing or disposing of any property of the Company in the United States,* or the proceeds of such property, to third parties; (b) commencing or continuing any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or pro-cess whatsoever and any discovery in connection therewith) against the Company, or any of its representatives or agents, including run-off agents, or any of their property in the United States, or any proceeds thereof; (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award, and commencing or continuing any act or action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any lien, setoff or other claim against the Company, or any of its representatives or agents, including run-off agents, or any of their property in the United States, or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; and (d) drawing down any letter of credit established by, on behalf or at the request of, the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of amounts expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established; except, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioners or permitted by further Order or the Court;

2. Requiring all persons and entities that are beneficiaries of letters of credit established by, on behalf or at the request of, the Company or parties to any escrow or similar arrangement in which the Company has an interest, are required to (a) provide notice to the Petitioners' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, setoff against or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Petitioners to assess the propriety of such drawdown, withdrawal, setoff or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of any agreement pursuant to which such drawdown, withdrawal, setoff, or other application was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Petitioners for all funds resulting from such drawdown, withdrawal, setoff, or other application in excess of amounts expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow or similar arrangement has been established;

3. Requiring that every person and entity that has a claim against the Company arising under a contract of insurance, reinsurance, retrocession or otherwise, written or entered into by the Company and that is a party to any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or as a result of which a liability of the Company may be established, is required to place the Petitioners' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure that such counsel receives (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding, and (b) any and all correspondence, or other documents circulated to parties named in the master service list; and

4. Providing that, with respect to any action, arbitration or other proceeding that may be commenced or become known to the Petitioners in the future, or the entitlement or alleged entitlement of any beneficiary of any letter of credit established by, on behalf or at the request of, the Company, or of a party to any escrow agreement or similar arrangement in which the Company has an interest that is identified by the Petitioners in the future (each a "Subsequent Claim"):

(a) when informed of a Subsequent Claim, counsel for the Petitioners shall serve upon the holder of such claim a copy of the Summons and Petition, and the most recent injunction order entered by the Court;

(b) the holder of a Subsequent Claim will have twenty (20) days from service of the Summons in which to submit a motion or answer to the Petition; and

(c) on such notice to counsel for the Petitioners as the Court may require, the holder of a Subsequent Claim may file a motion seeking an order of the Court vacating or modifying the injunction entered in this proceeding with respect to such Subsequent Claim. Such request shall be the subject matter of a hearing as scheduled by the Court. Otherwise, the holder of a Subsequent Claim may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a hearing in the future on the relief sought by the Petitioners in this proceeding.

The Order shall remain in effect pending a hearing scheduled to be held on May 13, 1997 at 2:30 p.m. before the Honorable Prudence Carter Beatty, United States Bankruptcy Judge, in Room 617 of the Alexander Hamilton Custom House, One Bowling Green, New York, New York. Any party-in-interest that has not received a copy of the Petition and Supporting Papers and/or the Order should contact counsel for the Joint Provisional Liquidators in writing at the address below:

CHADBOUREN & PARKE LLP
30 Rockefeller Plaza
New York, New York 10112
Tel: (212) 408 - 5100
Fax: (212) 541 - 5369
Attention: Kenneth P. Coleman, Esq.

** As used herein, United States is defined to include the United States and its territories and possessions.*

INTERNATIONAL

Casino

Continued from page 17

management, he said. "You must ensure that all areas are being used as intended," he said.

Allan Porter, chief engineer at Conrad Jupiters on the Gold Coast, agreed that attention to basic details is just as important as sophisticated fire systems. "It is a bit like running an airplane; you have to make sure the exits are clear and people know where they are," he said.

He said it is also crucial that any modifications to the building, such as new doors, are integrated into the fire safety system.

Mr. O'Brien and Mr. Porter agreed the biggest fire safety challenge facing casino/hotel operations is the large number of people passing through the buildings. "We can have up to 8,000 people in the complex at anyone time," Mr. Porter said.

And guests are enlisted to help with safety. All Conrad Jupiters' guests are encouraged to report anything out of the ordinary. Notices telling guests whom to contact to report things they see are posted. "If a customer says they smell something, you have to check it out."

Mr. O'Brien said the large number of people who visit casinos often creates crowd problems, particularly around popular gaming tables and machines. But Conrad Jupiters' security staff continually monitors crowd levels to ensure they do not create safety risks.

Mr. O'Brien and Mr. Porter said standards for basic fire safety and "housekeeping," such as general tidiness and clearing doorways, were developed from input from all staff departments.

The standards "are not just something I write," Mr. Porter said. "There is continual input."

Mr. O'Brien said all departmental heads were involved in the development of basic "housekeeping" standards for the Conrad Treasury complex. The standards are outlined in staff handbooks so all employees are aware of them.

Mr. O'Brien and Mr. Porter agreed the success of basic fire safety systems is dependent on effective internal communication.

Mr. Porter said Conrad Jupiters' 48 engineers are responsible for monitoring and evaluating the performance of fire safety equipment, while the complex's 95 security staffers are responsible for evaluating the basic fire safety standards daily.

He said reports of lapsed standards or potential problem areas are communicated to casino management through regular departmental and workplace health and safety meetings. Recent breaches or new changes to the standards are communicated to all staff through e-mail and staff notice boards.

Mr. O'Brien said there is continual communication, including meetings, memos and e-mails, among Conrad Treasury's departmental heads to ensure safety standards are being addressed. He said various departments could unknowingly violate safety standards. For example, a marketing department could place promotional signage in front of or too close to an exit. Mr. O'Brien said such incidents are rare and that the focus is on preventing potential breaches before they occur.

Conrad Treasury's 40 engineers and 120 security staff constantly monitor implementation of general safety standards.

Regular staff meetings inform all staff of recent breaches or changes to standards to ensure "everyone is toeing the line," Mr. O'Brien said.

"We have to make sure everyone is aware of how their actions can impact on safety."

CIGNA staff audits the Conrad Jupiters and Conrad Treasury complexes three to four times a year. CIGNA provides a full report on all 21 criteria in the AAA rating.

Both casinos also regularly assess their fire safety systems.

Mr. Porter said Conrad Jupiters engineers are constantly conducting internal audits to prepare comparative data for all safety areas.

Mr. O'Brien said Conrad Treasury engineers inspect fire safety systems three times a week.

Inspection data is filed and compared over different periods to identify potential problem areas.

Mr. O'Brien said one of the hardest parts of achieving and maintaining the AAA rating at Conrad Treasury is ensuring all fire safety procedures are consistent with the building's heritage requirements. "There is a protocol that we have to follow," he noted.

The Conrad Treasury complex was converted from a former Queensland Government Treasury Department building, and is heritage-listed. The Queensland Department of Environment and Heritage decides what buildings will be so listed based on historical significance. Once listed, and after any owner or tenant appeals, the department sets rules for the use of the building.

One condition under which Conrad is able to use the 111-year-old building for a casino is that the sandstone facade and much of the original interior cannot be altered. All modifications and general maintenance also require approvals from the Queensland Government's Department of Environment and Heritage.

Mr. O'Brien said because the building once was used for government offices, it has more small rooms than in modern, purpose-built casinos.

Small rooms create additional fire risks, but fire evacuation procedures have been modified to ensure special attention is paid to clearing all rooms. The small rooms are used for gambling, especially high-stakes game, and functions. BI

Services Guide

INTERNATIONAL

E&O

Continued from page 17

ings—that would cover some of the risk.

"There are signs of more comprehensive cover becoming available," Lloyd's added.

In addition to purchasing coverage in the market, other options being considered by Lloyd's include:

Because any new plan would be compulsory, the Regulatory Board has said it would need to be available and affordable.

• A "sinking fund" arrangement, in which premiums would go into a fund that would essentially provide policyholders with a line of credit. When a claim occurs, the fund would pay the claim and the policyholder would be required to pay back the amount over a specified time period.

• A levy on syndicate premium volume. The proceeds of such a levy would then be used to capitalize a corporate syndicate or to fund a compensation plan.

• A compensation plan based on the current Lloyd's Members' Compensation Scheme, which is a program funded by agents and designed to compensate members of insolvent agents.

Its advantage would be low start-up costs, as agents could make a modest annual contribution to establish a working fund, Lloyd's said. They could be called upon to make additional contributions should any claims exhaust the fund.

• A two-tiered program, in which policyholders would fund a primary layer of coverage through some mechanism above which excess insurance would respond. This could result in reduced insurance costs because the compensation plan would meet the first layer of any claim, Lloyd's said.

The Regulatory Board has said that because any new plan would be compulsory for Lloyd's agents and advisers, it would have to meet the key criteria of affordability and availability.

Mandatory E&O coverage was suspended for members' agents in 1991 and for managing agents in 1992 due to problems with coverage availability and affordability. E&O underwriters, nearly all of whom came from Lloyd's, became unwilling provide coverage in the face of mounting losses from members' litigation against agents.

However, a 1995 Treasury and Civil Service Committee report on the regulation of Britain's financial services industry concluded that the lack of E&O insurance at Lloyd's was "a matter of considerable concern" that should be dealt with as a "priority."

The report said: "It is inequitable for names to trade forward with unlimited liability where even a simple clerical error could result in a major loss for the names without the availability of some form of cover."

As a result, Lloyd's 1997 Regulatory Plan called for the reintroduction of mandatory E&O coverage, prompting the current proposals from Lloyd's Regulatory Division.

Interested parties have until April 18 to submit comments to Lloyd's Regulatory Division on the E&O proposals. BI

Olin

Continued from page 2

tion at the McIntosh, Ala., site did not cross state lines and so was beyond the scope of the commerce clause.

The 11th Circuit disagreed on both counts.

"Because the legislative history of CERCLA documents how the unregulated management of hazardous substances, even strictly within individual states, significantly impacts interstate commerce, we conclude the statute can be applied constitutionally under the circumstances of this case," Senior Circuit Judge Phyllis A. Kravitch wrote for the 11th Circuit.

The appeals court also dismissed the argument that Congress had not intended Superfund liability to be applied retroactively. Although CERCLA "contains no explicit statement regarding retroactive application of its cleanup liability provisions," Congress clearly intended liability to indeed apply retroactively, wrote Judge Kravitch. She cited the remarks of those commenting on the bill as it was debated, CERCLA's own language holding that its reach extended to "any person who at the time of disposal owned or operated" a facility where hazardous substances had been deposited, and other indications of legislative intent.

Disappointed as they are that the 11th Circuit reversed Judge Hand's decision, Superfund reform advocates were neither surprised nor particularly discouraged about its impact on current congressional efforts to reform the pollution law.

"It might have had some impact if the case had gone the other way. It hasn't changed the playing field at all," said John Arlington, senior counsel for the American Insurance Assn. in Washington.

Mr. Arlington added that he believes the case has gone as far as it will. "I think it's highly unlikely this case will be appealed. It was a unanimous decision and Olin is already cleaning up the site, so it's really a moot case."

Peter Lefkin, senior vp-government and industry affairs for Fireman's Fund Insurance Co. in Washington, agreed that the decision will have "fairly little" impact on congressional Superfund action.

"I think most people had expected the *Olin* decision to be reversed and were predicating their hopes for the overhaul of the Superfund program based upon two facts: One, the taxes had expired and Ways and Means Committee Chairman (Bill) Archer (R-Texas) said they would not be reauthorized until the program was overhauled; and, two, the Superfund liability regime does not work even if it is legal," Mr. Lefkin said.

David Farmer, senior vp-federal affairs in the Alliance of American Insurers' Washington office, said: "Basically, this decision simply emphasizes the need for congressional reform of the Superfund statute. We are disappointed that the 11th Circuit Court of Appeals did not agree with the trial court's decision. We respectfully disagree with their analysis.

"It is going to energize the reform community into redoubling their efforts to reform this law, which is flawed, unfair and poorly administered," he predicted.

But one pro-reform observer is concerned that the decision might slow down reform efforts on Capitol Hill.

"We are disappointed but not surprised by the decision. We believed that a decision favoring Olin would have given Congress a bit more motivation to complete Superfund reform this year. Now, unfortunately, that extra motivation won't be there," said Paul Brown, director of government affairs for the Risk & Insurance Management Society Inc. in New York.

"The decision, though, clearly indicates that Congress must address the issues of joint and retroactive liability quickly to avoid any more confusion in the future," he added.

•

United States vs. Olin Corp., 11th U.S. Circuit Court of Appeals; No. 96-6645, March 25, 1997.

Travelers

Continued from page 1

pants. As of Dec. 31, 1996, Travelers' 401(k) plan had $2.8 billion in assets, with about 72% of the company's 61,000 employees participating. The stock option program would replace a matching feature, under which Travelers matches dollar for dollar with Travelers' stock participants' first $1,000 of contributions.

Under the new feature, employees would not be required to contribute to the plan to receive stock options.

The number of stock options contributed would equal 10% of an employee's compensation, up to $40,000 of compensation. The stock options would give employees the right to buy Travelers common stock at the closing price on the day before the option is granted.

The stock options would vest immediately, and each term of the stock option would be 10 years. Options could be exercised at a rate of 20% per year. Employees would decide when to exercise the option.

While Travelers officials declined to discuss the program at length—pending final Labor Department approval—a spokesman said the program reflects Chairman Sanford Weill's belief that broad-based employee ownership of company stock helps employees think like owners, while helping them build financial security for themselves.

Benefit experts say the Travelers program combines the advantages of stock option plans and qualified savings plans.

"This is a new avenue that combines the best aspects of the two programs," said Michael Butler, a consultant with Hewitt Associates L.L.C. in Rowayton, Conn.

For employers, stock options linked to a 401(k) plan means that—compared to contributing stock or cash—they can conserve cash until the option is actually exercised. And, employers can obtain an immediate tax deduction for the fair market value of the options.

Employees are not taxed when they receive the options or when they exercise the options and receive the shares. Even if employees sold the shares and the proceeds stayed in their 401(k) plan account, they would not incur any tax liability.

This favorable tax treatment, employee benefit experts say, along with Travelers only allowing employees to exercise options at the rate of 20% a year, gives employees both an incentive and a requirement to hold on to stock and their savings for a long time.

"You have a long-term retirement savings accumulation vehicle," said Hewitt's Mr. Butler.

Still, benefit experts caution a Travelers-type 401(k)-linked stock option is not for everyone.

Administratively, it does require significant record keeping. More fundamentally, while everyone loves stock option plans when share values are climbing and the price of a share is worth more than the option, stock options are worthless if the price of shares declines below the option price and stays there.

"If your stock is not going well, this is not a very good way to deliver benefits. On the other hand, if you are a company like Travelers whose stock has been substantially appreciating in value, it is a great way to deliver benefits from the perspective of employees and employers," said Mr. Coleman of The Kwasha Lipton Group. The value of Travelers has increased roughly tenfold since 1986. BI

How Travelers' plan would work

NEW YORK—Here is how the Travelers Group 401(k) plan stock option program would work.

Employees can exercise their stock options only through cashless, "sell to cover" transactions. Under this approach, no money or other plan assets are used to exercise the stock options.

Instead, the plan trustee receives as a type of loan from Travelers the number of shares matching the options to be exercised. Then, the trustee would sell on the open market the number of shares needed to cover the exercise price. From sale proceeds, the trustee would pay Travelers for the cost of the shares, which would be the exercise price. The trustee then would deposit in the employee's account shares representing the sale profit.

An example illustrates how this "cashless" transaction would work.

Assume an employee wants to exercise an option for 100 shares of Travelers stock at $60 a share. The current trading price is $75. The plan trustee would "borrow" 100 shares of Travelers stock from the company. The trustee would sell 80 shares on the open market to raise the $6,000 exercise price.

The trustee would pay $6,000 to Travelers to cover the cost of the shares. Twenty shares of Travelers stock—worth $1,500—would be deposited in the employee's account. BI

ADVERTISER INDEX

Issue of March 31

ADVERTISER	PAGE #
American Re-Insurance Co.	6-7
Brownyard Group	4
Business Insurance	9,13,14
Carvill America, Inc.	10
Healthnetwork, Inc.	12
Kemper Insurance	11
Price Waterhouse - London	20
Quantum Consulting	10
Reliance National	24
Sherwood Insurance	12
Zurich Professional Liability	5

Oxford

Continued from page 2

by expert computer systems, direct callers to the appropriate setting for care.

• Create a site on the World Wide Web to give members online access to benefits information, a claim's status, or to switch doctors or look up the latest treatments in an extensive medical encyclopedia.

"Consumer sentiment is decidedly in favor of greater choice and less restriction," said Oxford Chairman and Chief Executive Officer Stephen F. Wiggins at a news conference last week in New York.

"Oxford is restructuring its systems to give our physicians and members more freedom to choose from a wider range of treatment options that will get them better and keep them healthy," he said.

But Oxford's moves may not be all that innovative, some observers say.

"There's not quite as much real news there as they're getting credit for," said Dr. Christopher Coulter, executive director and chief medical officer of Ultralink, an HMO network manager based in Costa Mesa, Calif., that also conducts HMO evaluations for employers. "There are a number of health plans already doing this in bits and pieces."

For example, Minneapolis-based United HealthCare Inc. has given its members direct access to specialists since 1974.

"It's a signature product for United Healthcare," said George S. Goldstein, CEO of MetraHealth, United HealthCare's Southern California operation based in Long Beach.

Some other plans, including Blue Shield of California, also have begun marketing these so-called "open access" products (*BI*, Aug. 5, 1996).

And specialty care teams have been in use for at least a decade, according to Marshall Rozzi, president and CEO of United HealthCare of Illinois Inc. in Chicago. "Everybody's doing case rates for major procedures," he said, particularly cardiac care, cancer and hip replacements.

But even though the changes Oxford announced aren't that groundbreaking by themselves, the approach the company took in assembling them and selling them to the public as a package is new for the managed care industry, observers say.

"Oxford has done the best job of publicizing and packaging this for the public," observed Barry Rosenfeld, a benefit consultant with Apex Management Group Inc. in Princeton, N.J.

And it is likely that other HMOs, if they are not already, will follow Oxford's lead.

"HMOs have to do this if they're going to be able to capture the next segment of the population that so far has resisted managed care," said Armando Baez, principal of Ultralink in Costa Mesa.

"It's clearly what the market has been asking for," agreed MetraHealth's Mr. Goldstein.

"Benefits administrators fear programs that make employees come back to them and say: 'What are you doing? You're putting me into programs that might prevent me from getting access to specialists,' " said Helen Darling, manager of health care strategy and programs for Xerox Corp. in Stamford, Conn.

"I think this has great potential for reassuring patients," especially those with the misperception that "with managed care, individuals will have trouble or even be denied access to specialists," she said.

Oxford's introduction of specialty teams last week was the latest in a string of announcements that began with the company's creation of an alternative medicine network comprised of about 1,500 acupuncturists, chiropractors, massage therapists, yoga instructors, nutritionists and naturopaths (*BI*, Feb. 3).

More recently, Oxford said it would begin a program in April using nurses as primary care gatekeepers as part of an agreement with Columbia Presbyterian Medical Center in New York (*BI*, Feb. 17).

All of the changes have been made in response to consumer demand, explained Oxford's Mr. Wiggins.

And with the case-rate system, which attempts to strike a balance between fee-for-service medicine and capitation, Oxford also is trying to be more responsive to providers, according to Todd Farha, CEO of Oxford's new Specialty Management Division in Norwalk.

"The pendulum may have swung so that HMOs were too focused on cost," making them less responsive to providers, he acknowledged.

This care team approach, which some liken to disease management, already is getting rave reviews from corporate consumers, such as Xerox's Ms. Darling.

The disease management approach "is a terrific idea and very exciting to patients and consumers," she said, adding such an approach will likely prove to be very cost-effective.

"The trick is obviously finding the balance and using good internal medicine specialists and gynecologists and obstetricians to detect problems that may need to be handled aggressively by specialists," Ms. Darling said.

But while Mr. Rosenfeld applauds Oxford's efforts, he expressed concerns that other HMOs that mimic this approach will focus on cost and select only the lowest-bidding providers.

"Such an approach could be dangerous if cost considerations are given precedence over quality," Mr. Rosenfeld warned.

"From Oxford's standpoint, they're always striking a balance between quality issues and cost issues," Mr. Rosenfeld said.

"But as this approach begins to permeate throughout the managed care industry, we're going to have to be watchful," he said. **BI**

MBGH

Continued from page 1

work after treatment; Caesarean section rates; and past records of malpractice litigation.

Consumers must question doctors and shoulder more responsibility for selecting them critically, said Jim Mortimer, MBGH president. He said employers will be supportive.

"Employers realize the health care system varies a lot," he said. "They're after better and better panels of physicians."

MBGH has formed two committees to study how a system of physician ratings can be achieved. The business group has no specific plans to issue its own report cards or other forms of physician-level ratings but rather considers itself to be a "change agent" that will help others—such as health plans— unite to devise an area-wide system, said Larry Boress, MBGH vp.

MBGH's position statement did not address who might pay for such an initiative.

Physicians who are experts in health care quality measurement were cautious in their reactions to the coalition's proposal.

"I think it is a good idea," said Dr. Cary Sennett, vp for performance measurement of the Washington-based National Committee for Quality Assurance, which accredits and rates managed care companies. "It is a reflection of the idea that employees need good information if they are to make good decisions as consumers," he said. "I think physicians will recognize this information will be of great value to them. If I were a practicing physician, I'd want this to move ahead as soon as possible."

Nonetheless, MBGH faces imposing hurdles in realizing its vision, Dr. Sennett and other experts cautioned.

One question is whether patient populations will be large enough to have any statistical meaning, he said. For example, if a doctor has treated only a few cases of pneumonia in a year, it is doubtful that outcomes for that illness are significant. If a doctor contracts with many health plans, a way to aggregate data and avoid duplication must be found.

Risk adjustment also must be performed so that doctors who treat sicker patients are not penalized for seemingly worse outcomes—a difficult and expensive statistical challenge. And poorly developed information systems also may not be able to capture data effectively, Dr. Sennett said.

The health care community is several years away from being able to measure physician quality accurately, he said. "That isn't to say we can't begin," he said.

But many doctors may not like the MBGH position because physician-level measurements can stigmatize practitioners for outcomes out of their control, said Dr. Dennis O'Leary, president of the Oakbrook Terrace, Ill.-based Joint Commission on Accreditation of Healthcare Organizations.

Post-treatment functionality of the patient, for instance, is largely out of the hands of the physician, he said. Caesarean section rates may reveal more about a health plan's policies than a doctor's ability.

"Everyone needs to be understanding of the limitations of measurement data," Dr. O'Leary said. "This is one of those things that seem very attractive on the surface, and when you start digging down a bit, it gets more complicated."

And although some doctors wouldn't mind being rated, "others would be very nervous about this," he said.

Despite such reservations, reasonably reliable data from a single source would be superior to the paperwork jungle of internal evaluations health plans now generate, said Dr. William Jessee, vp of quality and managed care for the Chicago-based American Medical Assn.

An associate of Dr. Jessee, for example, recently received two letters from separate managed care plans, one noting that he performed very few Caesarean sections and the other questioning him for performing too many.

"You wind up in a situation where the physician doesn't believe the (report) and he tosses it in the trash," Dr. Jessee said. "For physicians, the current system is a huge hassle."

The AMA has its own long-range plan to roll out a voluntary accreditation program for physicians. It will include the evaluation of clinical performance and patient care outcomes. Even the AMA will find it difficult to gather scientifically reliable data, he said.

"Trying to figure out what to measure at what cost with what kind of data obviously is going to be a major challenge," he said.

The MBGH is not the first coalition looking at doctors. The San Francisco-based Pacific Business Group on Health in 1996 began a three-year, $1 million study of 48 physician groups in California and eight groups in the Pacific Northwest.

"We recognize that consumers choose doctors first and then health plans, so it would be helpful for consumers to have information on providers," said Cheryl Damberg, the coalition's director of research.

The group-level comparative information will be made available on the Internet and in printed form, and will be based on patient questionnaires. Data on individual doctors is not being collected because reliable performance measures are still elusive, she said.

An added unknown for MBGH is that even if physician quality measurement takes off, it is unclear whether employees will want to use the data or understand it.

According to a study last fall by the Kaiser Family Foundation and the Agency for Health Care Policy and Research, 76% of survey respondents said they would choose a surgeon who had successfully treated their family in the past, whereas only 20% would pick an unfamiliar surgeon who had better ratings.

Employees also might need help from employers or health plans to comprehend the data.

"A lot of this stuff is just really Greek to consumers," said Jim Pfeiffer, director of client services of the Boston-based Picker Institute, which studies patient attitudes toward hospital stays. "They need a guide or an interpreter." **BI**

NAIC

Continued from page 3

business of insurance, we strongly believe that the most appropriate approach to the regulation of health insuring organizations is by function and not by acronym," added Mr. Pomeroy, North Dakota's insurance commissioner, alluding to PSOs' claims that they are different from traditional health insurers.

"Anyone who is engaged in the business of insurance is—and should remain—subject to regulation by the states," he said.

"The protections we offer extend beyond financial solvency and other licensing standards to market-conduct standards and financial examination activities," he said. "To provide these same protections, the federal government would need to replicate the states' insurance regulatory framework, resulting in significant unnecessary costs to the federal government."

Supporting the NAIC's position are representatives of the National Governors Assn., National Conference of State Legislatures and the American Assn. of Health Plans.

Opposing state regulation of PSOs are representatives of the American Medical Assn. and the American Hospital Assn.

State regulation generally creates "high" barriers for PSOs to enter a market, said Ed Hirshfeld, vp-health law for the AMA in Chicago. Other problems include the lack of uniformity in regulation among the states as well as delays in getting regulatory approval, he said.

State regulators dispute that unnecessary delays occur.

"The average application processing time for complete applications by most states is within 90 days," Mr. Pomeroy told the Senate's Finance Committee. **BI**

Regulators address various topics

ORLANDO, Fla.—State insurance regulators tackled a variety of issues at the National Assn. of Insurance Commissioners' spring meeting.

In addition to discussing commercial deregulation of insurance (*BI*, March 24) and regulation of risk-bearing health care providers, regulators:

• Hosted the first meeting of a new NAIC/Industry Liaison Committee, designed to increase direct communication between regulators and the insurance industry.

The NAIC's representatives on the committee are its three officers, four zone chairmen and one at-large member.

Serving as the insurance industry's representatives are a rotating group of senior insurance company officials who belong to key industry trade associations. At any one time, there are two officials representing each of the following: health insurers, life insurers, property/casualty insurers and insurance producers.

• Postponed for six months the required date for accredited states to adopt a required practice.

States now have until Jan. 1, 1998, to report market-conduct data to NAIC databases.

• Heard that the NAIC's Internet Producer Database is well under way after being launched last month. The database is a central repository of producer licensing information updated daily by participating state insurance departments.

Currently, 9% of the producer population is represented on the database, with regulators in Iowa, Washington and Wisconsin now sending daily updates. The database is expected to represent 21% of producers with the addition soon of Florida and Michigan.

By year's end, an estimated 84% of the producer population should be represented as more states join the project, according to comments at a meeting of the Insurance Regulatory Information Network. IRIN is a public-private partnership affiliated with the NAIC.

• Learned that state insurance regulators' most pressing concern about the sale of insurance via the Internet is that unlicensed or unauthorized companies or producers would attempt to sell coverage, according to a new NAIC survey presented to the Internet Marketing Issues Working Group.

The group also outlined the contents of a white paper scheduled to be completed by the September national meeting. Topics will include privacy and confidentiality; agent, broker and company licensing, regulatory enforcement; fraud; technology issues such as electronic signatures; electronic funds transfers; and electronic applications.

• Decided to continue drafting a "prudent person" model investment law as an alternative to its current approach, which sets limits by category on the types of investments insurers can make.

• Granted Iowa its second, five-year accreditation.

—By Meg Fletcher

Unusual

Continued from page 3

So what are some of these requirements?

Many are the same as for other Amsterdam businesses, such as those requiring access to fire escapes and heating systems that operate properly.

Other regulations are in place to ensure an injury-free workplace. "It's for the safety of the women and also for the clients," said the spokeswoman.

Beds must be bolted down. The brothel work area must be of sufficient size to allow a comfortable working environment. Floor space must be at least 11.9 square feet, and rooms have to include a washing corner with hot water.

Amsterdam's window prostitutes are required to display themselves behind reinforced glass in a room with at least 6.6 square feet of floor space.

The houses also must provide a safe for customers' valuables.

There are no insurance requirements for brothel owners or prostitutes, but the working girls may want to consider coverage that is written through a London underwriting agency.

Goodfellow Rebecca Ingrams Pearson Ltd. offers for an annual premium of £100 ($162) coverage that pays prostitutes for loss of earnings due to backaches and other conditions that keep them out of work. The insurer recently said it has paid no claims on that.

The coverage is written through a consortium of unnamed U.S. and European insurers.

This isn't Goodfellow Rebecca's most popular coverage. The agency's alien abduction coverage is taking off at a time when the subjects of UFOs and the supernatural are growing increasingly popular.

The unusual coverages are offered as a way to draw attention to Goodfellow Rebecca's more mainstream business of writing disability insurance for professional athletes, explained Simon Burgess, director of the agency.

A former Lloyd's of London underwriter, Mr. Burgess said he began writing alien abduction insurance about 15 years ago just as "a bit of fun, a brain holiday from the more tedious business."

The consortium of insurers had issued about 100 policies over the years for coverage against a close encounter until Hollywood frightened Britons into buying more.

Last summer's blockbuster film Independence Day and airing of "The X-Files" on British television has driven residents to seek out insurance against pesky otherworld invaders. Goodfellow Rebecca now has about 3,000 abduction policies in force.

"We have a policy of parting the feeble-minded from their cash," said Mr. Burgess.

One policyholder, however, doesn't appear so feeble-minded. The question is, who has been taken for a ride?

The skies were clear the evening Joseph Tagliarini and his friends went out to search for UFOs in the countryside. They had spotted flying objects buzzing the skies over Swindon Warminster several times before, he said. "It's a hot spot in Europe. It has a great history of past activity."

The 24-year-old former electrician said the group spotted a triangular shaped craft that he first thought was a police helicopter come to shoo them away. "We were trespassing," he admitted.

But the beam of light that shone from the craft was not the searchlight of a helicopter. "It was a gravitational beam that lifted me off the ground. When I awoke, I was inside the craft," he told *Business Insurance.*

Inside, he said, was lots of vegetation and two luminous orange mini-UFOs.

A couple of shots from a disposable camera he carried were destined to become part of the claim file.

But suddenly, trouble!

From behind, a pointy headed, slit-eyed, dolphin skinned, telepathically communicating extraterrestrial startled Mr. Tagliarini. "It scared the hell out of me. I lashed out at the creature and hit it."

That's when it communicated, mind to mind, in B-grade movie lingo. "It said: 'Do not be afraid. I mean you no harm,' " Mr. Tagliarini recalled.

'We have a policy of parting the feeble-minded from their cash,' says Simon Burgess, director of Goodfellow Rebecca Ingrams Pearson Ltd.

When he awoke back on terra firma 45 minutes later, Mr. Tagliarini found himself with a wealth of evidence for his insurer. The claw sticking to his coat would be a convincing piece, along with the photos he had taken and videos taken by the group.

For being in the right place at the right time, Mr. Tagliarini received his unworldly payoff, policy limits of £1 million ($1.7 million) for being abducted. He swears he didn't fake the evidence. "I would have to be Steven Spielberg's cousin to pull this off."

Goodfellow Rebecca isn't too upset about paying Mr. Tagliarini. The agency has recouped more than the claim amount by selling the evidence to an unnamed U.S. entertainment company.

Mr. Tagliarini, a believer in offbeat insurance, holds several policies written by Goodfellow Rebecca that provide coverage for a number of supernatural events. The coverage provided peace of mind as he was shark fishing in the Bermuda Triangle after collecting his claim payment.

Nothing unusual happened there, he said, but if it had, he was pretty sure he would have been covered for it.

The London underwriting agency offers not only alien abduction insurance but other non-traditional policies that pay the same £1 million for such unlikely occurrences as death and injury from poltergeist activity and conversion to a werewolf or vampire.

Goodfellow Rebecca isn't the only source for alien abduction insurance, although the agency has a decidedly better procedure for paying claims.

UFO Abduction & Casualty Insurance Co. in Altamonte Springs, Fla., offers $10 million in coverage for a single lifetime premium of $19.95. The policy arrives in an attractive frame and is the only coverage offered by the "company."

There are some interesting terms to the coverage. Double indemnity is payable in the event that "aliens insist on conjugal visits," "if the encounter results in offspring being referred to as the next missing link" or "the aliens refer to the abductee as a nutritional food source or the other white meat."

Claimants who submit proof of an abduction will receive $1 per year for 10 million years or for 20 million years in the case of double indemnity.

A policyholder in upstate New York convinced the insurer he was abducted and is being paid, said Mike St. Lawrence, owner of the company. "He's received four or five dollars, and he's very happy."

Mr. St. Lawrence said a number of insurance company executives have copies of his policies hanging on their office walls. "Insurance people are probably our No. 1 one purchasers. A lot of agents use it as icebreakers with their new clients."

A sister company, The Future Life Insurance Co., offers reincarnation insurance with limits of $10 million. "If you come back, you have a $10 million policy waiting for you," Mr. St. Lawrence explained.

He suggested policyholders who return as lower life forms may have to seek help filling out claim forms.

The London market, particularly Lloyd's of London, has a long reputation of writing coverage for non-traditional risks. And it isn't only UFO-watchers who are chasing some of the coverages.

When the national lottery appeared in England in 1994, workers in offices across the country began forming syndicates to buy blocks of tickets. An employer's nightmare was a telephone call on the morning after the drawing when he would learn that his workforce was still crawling through pubs with fistfuls of money.

Thus was born coverage that would indemnify a company whose workers won the lottery and lost the will to work against resulting production losses. A spokesman for Lloyd's said the coverage is written on a line slip at the marketplace, and the price is carefully calculated against the odds of such an event actually happening to an employer.

Lloyd's has gained a reputation as a place to indulge the coverage quirks of movie stars, coverage of Betty Grable's legs as a well-known example. Rock stars also are drawn to the marketplace, with Bruce Springsteen purchasing £3.5 million ($5.9 million) of coverage for his voice.

The spokesman for the marketplace provided a list of some of the more unusual risks Lloyd's has covered over the years. Syndicates have written coverage for:

- The world's largest cigar at 12 1/2 feet long. It was insured during an exhibition in London for its retail value of £17,933.35 ($30,334). The stogie was rolled to launch a new brand.
- Loss of souvenir sales due to the cancellation of royal weddings.
- A grain of rice with a portrait of the Queen of England and Duke of Edinburgh engraved on it. Limits were $20,000.
- Payment of a £1 million prize by Cutty Sark whiskey to anyone who captured the Loch Ness monster alive.
- Payment of a $1 million prize by a Memphis radio station to anyone who captured Elvis Presley alive.
- The taste buds of food critic and gourmet Egon Ronay.
- A comedy theater group against the risk of an audience member dying laughing.

It isn't all fun and games in the risk management and insurance business of course. But it ain't as dull as some people make it out to be. BI

Updates

Lloyd's preparing 1994 results

LONDON—Lloyd's of London this week will announce preliminary 1994 global results based on the accounts of 168 of the 179 syndicates underwriting that year.

The 11 remaining syndicates have been given extensions for reporting their results, which were supposed to be filed to Lloyd's by the end of last week, according to a Lloyd's spokesman.

These results will be the first to be released by the market since the signing of the reconstruction and renewal program allowing all syndicate liabilities prior to 1993 to be reinsured into Equitas Ltd.

Lloyd's predicted last year that it would report a profit equal to 9.3% of the market's 1994 capacity of £10.9 billion ($16.13 billion), or £1.01 billion ($1.73 billion). This would be slightly less than the record £1.08 billion ($1.68 billion) profit the market earned in 1993. Lloyd's syndicates closed their 1994 accounts at year-end 1996, based on the market's three-year accounting method.

Last week, many of the syndicates released forecasts of their results to the London Stock Exchange. Based on these forecasts, syndicate analyst Syndicate Underwriting Research Ltd. estimated the market would post a £1.09 billion profit ($1.87 billion) for 1994 and £958 million ($1.49 billion) in 1995.

Charles Sturge, a director of syndicate analyst Chatset Ltd., last week predicted the 1994 profits will be slightly lower than the £1.18 billion ($2.02 billion) his firm forecast in January (*BI*, Jan. 13).

The preliminary syndicate forecasts "are telling us that the marine market results are better than we expected, but the non-marine market is slightly disappointing," said Mr. Sturge.

Verdict won't derail settlement

INDIANAPOLIS—An Indiana state court jury's $2 million award to a couple whose son contracted AIDS from HIV-tainted blood-clotting products will not upset a settlement reached last year between a class of plaintiffs and four manufacturers.

John and Vicky Barnes, whose son John died in 1991 of AIDS contracted from a product sold by Bayer Corp., were among about 550 claimants who opted out of the settlement reached last year between plaintiffs—mainly individuals who used the product to counteract hemophilia—and the manufacturers (*BI*, Aug. 19, 1996).

But because the opt-out period has now passed, the 6,500 people who agreed to the settlement can't pull out and bring suit, said David Shrager with Shrager McDaid Loftus Flum & Spivey of Philadelphia, the lead attorney for the plaintiffs who settled and co-counsel in the Barnes case.

Under the settlement reached last year, the four manufacturers of the blood-clotting product—Baxter Healthcare Corp.; Bayer Corp., a unit of Bayer A.G.; The Armour Pharmaceutical Co., a unit of Rhone-Poulenc Rorer Inc.; and the Alpha Therapeutic Corp., a unit of the Green Cross Corp. of Japan—will pay $100,000 to each of the approximately 6,500 people who have agreed to the settlement.

The payments will be divided according to market share, with Bayer's 45% contribution the largest.

The Indiana verdict may be unusual. Mr. Shrager said Indiana law favors plaintiffs in product liability suits, and this case involved a child. Nevertheless, he said, "What it shows is that these cases, properly prepared, could be won."

A Bayer spokesman said the company is evaluating the Indiana verdict and has not yet determined the next step. Meanwhile, the settlement is scheduled to be approved by a judge in Chicago at a May 1 hearing, provided the four defendants are prepared to proceed. A spokesman for the defendants said that decision has not yet been made.

One point to finalize involves the group of claimants that has been asked to pay some of their settlement to the government or private insurers to repay the cost of health care. Mr. Shrager said an agreement has been worked out with the private insurers that allows each of the plaintiffs to keep the entire $100,000. He expects a similar agreement to be reached with the federal government.

Briefly noted

A state judge has postponed until May 6 a hearing on the Massachusetts Insurance Division's proposed settlement of issues related to **Electric Mutual Liability Insurance Co.**'s controversial redomestication to Bermuda. EMLICO reinsurers had sought to delay the hearing, originally scheduled for April 8. The judge did not rule on motions by Lloyd's of London underwriters and General Re Corp. units to intervene as parties in the settlement case.... **Don D. Hutson**, 60, president and chief operating officer of TIG Holdings Inc., plans to retire by the end of this year, according to the company. Jon W. Rotenstreich, the company's chairman and chief executive officer, will serve as acting president and COO until a successor is chosen.... **Blue Cross of Washington & Alaska** has received a downgrade in its rating from A.M. Best Co. In reducing the rating to B++ from A-, the rating organization cited Blue Cross' poor earnings in 1995 and 1996 and the problems it faces "as it migrates its enrollment base to managed-care products." A recently approved rate increase, however, could improve future earnings, A.M. Best noted.... The former **Blue Cross & Blue Shield of Ohio** cannot use the Blue Cross and Blue Shield trademarks and logo, a federal appeals court in Cincinnati said last week. Indianapolis-based Anthem Blue Cross & Blue Shield will take over as the only Blue Cross & Blue Shield organization serving Ohio. The court action stemmed from the Cleveland-based Blues' aborted merger with Nashville, Tenn.-based Columbia/HCA Healthcare Corp., and the national Blue Cross' efforts to remove its license. (*BI*, March 17).... Alabama will replace the Boca Raton, Fla.-based **National Council on Compensation Insurance** as the servicing carrier for its assigned risk plan, beginning June 1. Replacing the NCCI will be a team consisting of Zurich Insurance Group of Schaumburg, Ill., Alexander & Alexander Inc.'s workers compensation specialists in Kansas City, Mo., and third-party administrator Goff Group Inc. of Montgomery, Ala.... U.S. District Court Judge Charles Brieant last week approved the $176 million settlement **Texaco Inc.** agreed to pay to settle its racial discrimination suit brought by employees.

Tobacco

Continued from page 1

the reason the attorney general said the move "opens a second front against the tobacco companies."

To succeed with this defense, the insurance companies must obtain proof of the tobacco industry's knowledge of the health hazards of cigarettes. And if they can get this, it also will land in the laps of the attorneys general.

"It's a win-win situation for the states," Mr. Ranier said.

Either the insurance companies find incriminating evidence against their policyholders or the evidence eludes them and they pay money to Louisiana, he said.

Few other states, however, can have suits as elegant as that of Louisiana. Only Louisiana, New Hampshire and Wisconsin have "direct action" statutes allowing third parties to sue insurance companies, Mr. Ranier said.

The state of Wisconsin would not comment on its strategy or Louisiana's.

An AIG spokesman said the insurer would not comment on the suit. The Hartford's spokeswoman said it could not comment because the insurer had not yet been served with the suit. The other insurers did not return calls.

Meanwhile, a proposed settlement between Liggett Group Inc. with 22 state attorneys general is obscuring the tobacco company's settlement of a class-action suit in Alabama.

Liggett, the country's fifth-largest tobacco company, settled a class-action suit in Alabama state court that ends all present and future suits against the company.

The Alabama settlement calls for the company to pay 25% of pretax profits for 25 years into a fund for distribution to individuals. The same terms were set for the financial portion of the settlement with the 22 states. In exchange, it ends all present and future claims against the company, and together with the settlement reached with the attorneys general, resolves all litigation against Liggett. Only the 28 states that have yet to sue the tobacco company can bring future claims.

"It was an attempt to negotiate a limited fund which will produce complete immunity for Liggett," said John Coffee, a professor at Columbia University Law School.

Preliminary approval has been granted, but final approval won't come until after a July 11 hearing in the Mobile, Ala., courtroom of Judge Braxton Kittrell. But that approval is far from assured.

Not everyone suing the tobacco companies applauds the Alabama settlement, and some legal experts say it won't stand up to a challenge.

Michael Ciresi, an attorney with Robins, Kaplan, Miller & Ciresi in Minneapolis, said both of his clients suing the tobacco industry, Blue Cross & Blue Shield of Minnesota and the state of Minnesota, will actively oppose the settlement.

Two aspects of the settlement give rise to their opposition.

First, the settlement does not permit claimants to opt out and bring their own suits. This forces all people with suits against Liggett to accept the settlement's terms, whether they agree or not. "We do not agree with cram-down class-action settlements," Mr. Ciresi said.

Second, the settlement binds all future claimants to the settlement.

"If you don't know you are a claimant, it makes it hard to say you oppose the settlement," said Arthur Bryant, executive director of Trial Lawyers for the Public Justice, a Washington public-interest law firm. Mr. Bryant added that to be certified as a class, members must represent all people who might bring suit. But future claimants might not have the same interests as present claimants, making it inappropriate to bind them to the settlement, he said.

The lawyers also doubt whether the type of settlement used can survive a challenge. Mr. Coffee said he doubts the settlement will survive because neither settlements that bind future claimants nor those that bar opt-outs have been approved by the U.S. Supreme Court.

Mr. Bryant agrees. "It raises serious constitutional questions" he said.

"It offends any sense of due process," added Mr. Ciresi.

The settlement's survival could depend on how the U.S. Supreme Court rules in the case of *Amchem Products Inc. et al. vs. George Windsor et al.*

In *Amchem*, the Supreme Court has been asked to review an appeals court ruling overturning a settlement of asbestos class-action claims (*BI*, Feb. 24). The high court will address the legality of binding future claimants to a global settlement.

What the Supreme Court says in the *Amchem* case "massively affects the validity of this settlement," Mr. Bryant said.

The *Amchem* appeal was argued before the Supreme Court in February, and a decision is expected before the term ends in June. BI

Skyscraper

Continued from page 1

lion blanket property and business interruption program underwritten by Aetna, of which about $131 million of the property limit was applicable to the office tower.

However, all of the blanket policy limits could be applied to losses stemming from the fire. Aetna leads the $100 million liability program for the building owners (*BI*, March 18, 1991; March 4, 1991).

Eight of the building's 38 floors were destroyed in the fire, which happened when oil-soaked rags left by a cleaning crew caught fire. The building was made safe after the fire but has remained unoccupied while Aetna and E/R argued over the level of restoration needed.

The legal battle started two years after the fire, when Aetna filed a suit alleging that E/R had failed to exercise due diligence and reasonable speed in the repair of the building, according to Peter Kanaris, a partner at law firm Kostow & Daar in Chicago, who represented Aetna.

The dispute between the insurer and E/R soon escalated into an argument over the cost of repairing the building and the level of repair or renovation needed.

E/R had claimed the steel columns supporting the building had moved four inches during the fire and could not be certified as safe, so the building needed to be torn down to the 19th floor and rebuilt.

Aetna argued the columns were unaffected by the fire and, therefore, the building damage could be repaired without tearing down half of it.

Last July a court-appointed engineer assessed the building; his report favored Aetna's analysis.

Aetna argued that as a result of the independent report, E/R's repair estimate should be deemed unscientific and excluded from a trial.

However, the judge ruled that the E/R estimate could go before a jury at trial, according to Jeremy G. Epstein, a partner at law firm Shearman & Sterling in New York, who also represented E/R.

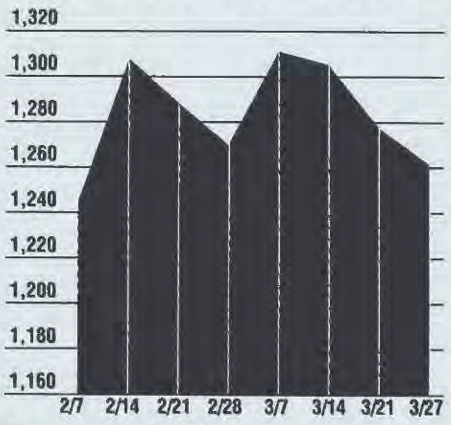
The two parties also disagreed over the cost of environmental cleanup for the building, which was reflected in the difference in their overall cost estimates.

E/R estimated the cleanup would cost $51 million, which included between $15 million and $19 million in demolition costs, while Aetna estimated that a $14 million cleanup would suffice, said Mr. Dougher.

The building's fate still is unknown.

In a statement released last week, E/R said it is reassessing the building's physical status with consultation from architects, engineers and other experts and will weigh alternatives for the building's future. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of March 27

Call spread	Price bid/ask
Eastern September 1997	
40/60	3.1/3.9
60/80	—/3.5
80/100	—/2.3
National Annual 1997	
80/100	4/6.5
120/140	—/4.2
June Midwestern 1997	
10/20	1.2/1.6

Call spread	Price bid/ask
California Annual 1997	
40/60	—/3.4
80/100	—/2.3
Western Annual 1997	
40/60	1.5/3.4
80/100	—/2

Total volume: 30 Total open interest: 12,541

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

March 27	Price	P/E	Div.	Yield	52 week
Companies	pence		pence	%	high—low
Comml Union	672	12.2	30.3	5.5	759—550
Genl Accident	827	7.8	34.3	5.3	876—613
Gdn Royal Exch	281	6.0	10.0	4.3	301—218
Independent	680	8.7	13.3	2.4	710—373
Royal & Sun	447	13.9	19.0	4.9	515—349
Brokers					
Bradstock	77	10.6	5.7	11.0	81—54
CE Heath	102	12.7	4.5	5.4	115—74
JIB Group	159	11.4	9.8	6.4	161—101
Lmbrt Fenchurch	117	13.6	8.4	9.0	150—101
Lloyd Thmpson	197	NA	10.0	6.4	206—167
Nelson Hurst	128	NA	8.6	8.8	206—123
Sedgwick Grp	119	10.9	8.0	6.3	152—115
Steel Brl Jones	23	6.5	3.8	17.0	48—23
Willis Corroon	150	13.2	6.6	5.3	169—117

Source: Nordby International Inc.

BI Industry Stock Report MARCH 24, 1997, THROUGH MARCH 27, 1997

BROKERS

		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
Acordia Inc.	NYS	32.50	-1.14	12.07	33.75	27.25	47
E.W. Blanch Holdings Inc.	NYS	22.50	0.00	11.80	23.25	17.75	16
Gallagher Arthur J. & Co.	NYS	32.75	2.75	5.65	37.00	29.13	80
Hilb, Rogal & Hamilton	NYS	13.63	0.93	2.83	14.00	11.38	26
Kaye Group Inc.	NDQ	4.63	-5.13	-11.90	7.50	4.63	9
Marsh & McLennan	NYS	117.13	-4.49	12.62	129.63	88.00	730
Poe & Brown	NDQ	25.63	-0.73	-3.30	27.50	22.75	23
BROKERS	AVERAGE		-1.12	4.25			

INSURERS/REINSURERS

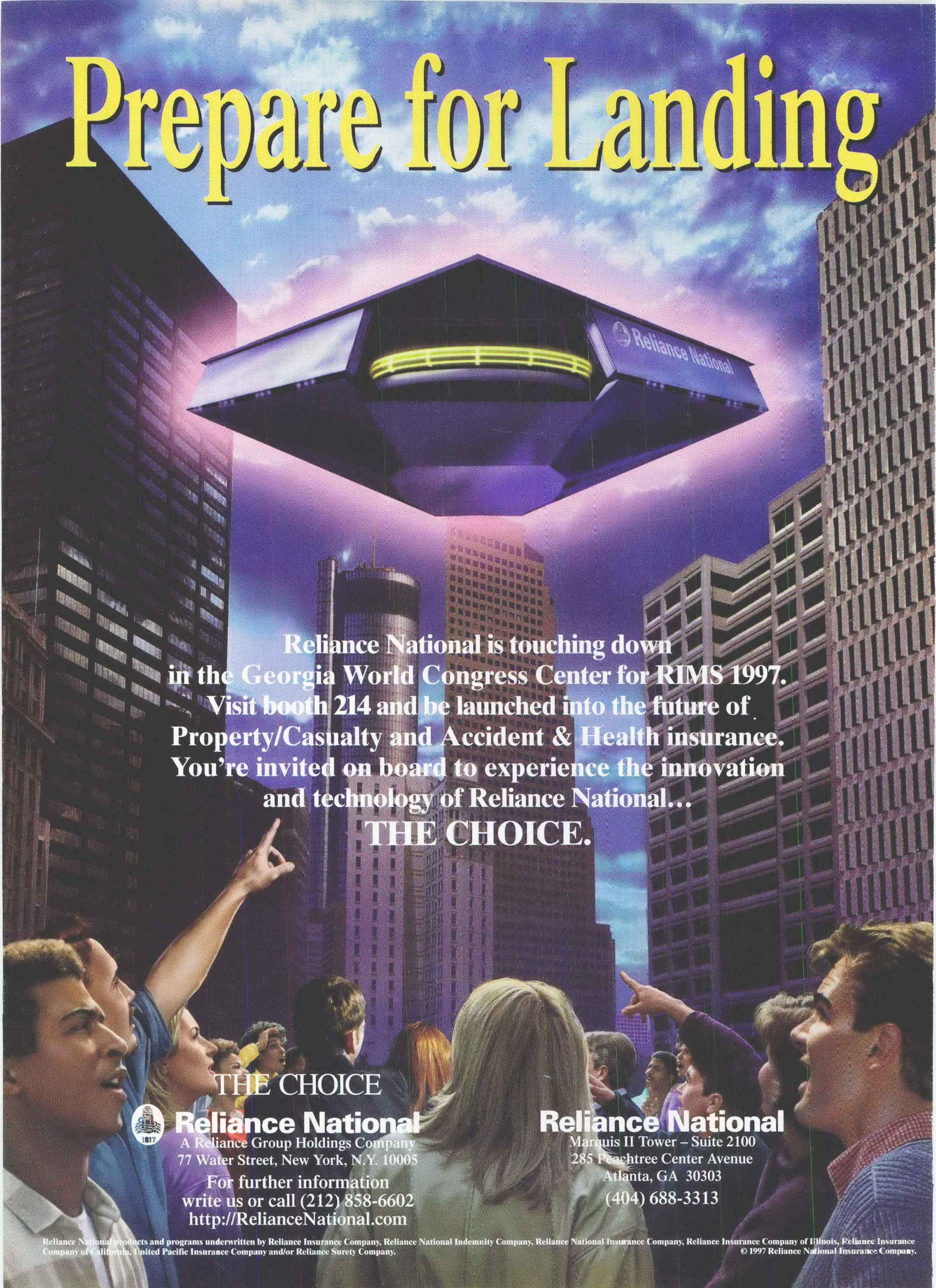
		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
ACE Ltd.	NYS	63.50	-0.20	5.61	66.38	40.50	351
Acceptance Insurance Cos.	NYS	18.88	-0.66	-4.43	23.13	14.63	84
AEGON N.V.	NYS	69.75	-0.89	10.28	73.63	42.25	49
Aetna Life & Casualty	NYS	87.38	-0.99	9.22	93.38	55.38	2395
AFLAC Inc.	NYS	40.50	-1.22	-5.26	44.00	28.25	659
Allied Group Inc.	NYS	34.25	-1.08	4.98	38.63	22.38	91
Allmerica Prop. & Casualty	NYS	31.25	0.00	2.88	32.25	25.00	290
Allstate Corp.	NYS	62.38	-2.73	7.78	68.25	37.38	2949
AMBAC Indemnity Corp.	NYS	65.88	-0.19	-0.75	74.00	47.00	265
American Bankers Ins.	NDQ	49.63	-8.74	-2.93	59.50	32.50	658
American Financial Group	NYS	36.75	-2.00	-2.65	38.88	28.50	467
American General	NYS	41.38	-1.49	1.22	44.63	32.88	1630
American Heritage Life Ins.	NYS	24.88	0.51	-5.24	27.75	19.00	21
American Indemnity/Fin'l	NDQ	13.06	0.48	27.44	14.00	9.38	5
American International	NYS	121.63	-4.23	12.36	129.63	88.13	3786
Aon Corp.	NYS	61.88	-4.62	-0.40	67.25	47.50	607
Argonaut Group	NDQ	28.25	-3.00	-8.13	34.25	27.25	42
AVEMCO Corp.	NYS	24.13	1.05	54.40	27.38	11.75	33
Baldwin & Lyons Inc.	NDQ	17.38	-0.71	-5.44	20.75	14.25	11
Berkley W.R. Corp.	NDQ	49.88	-1.72	-1.72	55.00	40.25	551
Berkshire Hathaway Inc.	NYS	37300.00	-0.27	9.38	37800.00	30000.00	1
Capital RE Corporation	NYS	43.63	-5.16	-6.43	48.00	32.50	109
CapMac Holdings Ltd.	NYS	27.13	2.36	-18.11	36.88	23.50	146
Capsure Holdings Corp.	NYS	12.13	-2.02	5.43	18.88	8.00	35
Chartwell Re	NYS	27.25	0.46	1.87	28.50	19.88	24
Chubb Corp.	NYS	55.50	-3.90	3.26	62.75	40.88	2185
CIGNA Corp.	NYS	151.00	-0.98	10.52	161.63	100.75	1020
CNA Financial Corp.	NYS	109.25	-0.23	2.10	114.75	95.75	158
EMC Insurance Group Inc.	NDQ	11.88	1.06	-1.04	14.50	10.13	3
Enhance Financial Services	NYS	39.13	0.64	7.19	39.38	26.00	45
Everest Reinsurance	NYS	29.50	-2.48	2.61	32.75	21.38	382
Executive Risk Inc.	NYS	47.63	1.87	28.72	49.00	29.25	62
EXEL Ltd.	NYS	42.88	1.78	13.20	45.13	31.75	690
Fremont General Corp.	NYS	28.38	-6.58	-8.47	32.63	21.50	179
Frontier Insurance Group	NYS	42.50	1.80	11.11	44.63	30.13	151
Gainsco Inc.	NYS	9.13	0.00	-5.19	11.75	8.75	76
GCR Holding Ltd.	NDQ	23.00	0.00	3.37	27.25	21.50	524
General RE Corp.	NYS	161.00	-3.95	2.06	177.75	138.75	888
Gryphon Holdings	NDQ	14.50	-0.85	2.65	19.50	12.00	48
Guaranty National Corp.	NYS	17.50	-2.78	4.48	18.25	13.50	14
Harleysville Group	NDQ	33.00	5.18	8.20	34.00	24.50	105
Hartford Steam Boiler	NYS	45.00	-1.64	-2.96	51.00	42.75	335
HCC Insurance Holdings	NYS	24.63	-1.01	2.60	32.75	19.13	97
IPC Holdings Ltd.	NDQ	24.00	-3.03	7.26	26.38	19.00	237
ITT Hartford Group	NYS	73.00	-2.83	8.15	81.00	44.50	1421
LaSalle Re Ltd.	NDQ	28.75	1.77	-1.71	29.50	19.75	293
Lincoln National	NYS	53.38	-6.97	1.67	61.63	40.75	1523
MAIC Holdings Inc.	NYS	34.38	1.48	1.48	36.00	28.25	20
Markel Corp.	NDQ	108.00	1.41	20.00	113.50	78.00	25
MBIA Insurance Group	NYS	98.13	-0.88	-3.09	104.63	70.13	591
Meadowbrook Insur. Group	NYS	23.00	-3.16	9.52	34.13	15.25	21
Mid Ocean Ltd.	NYS	47.88	-1.03	-8.81	55.38	35.50	103
MMI Cos. Inc.	NYS	24.00	3.23	-25.58	33.38	22.50	95
Mutual Risk Mgmt. Ltd.	NYS	36.00	-2.37	-2.70	40.00	26.88	195
NAC Re Corp.	NYS	37.38	-2.92	10.33	40.63	28.50	338
Navigators Group	NDQ	16.75	-5.63	-8.22	20.25	15.75	23
Nobel Insurance Ltd.	NDQ	13.06	0.97	3.98	13.88	10.88	58
NYMagic Inc.	NYS	19.25	-3.14	6.94	21.13	17.00	6
Ohio Casualty Corp.	NDQ	41.50	3.11	16.90	42.25	30.00	451
Old Republic Int'l	NYS	25.50	0.99	-4.67	27.75	20.13	1104
Orion Capital Corp.	NYS	61.75	-1.20	1.02	67.75	42.63	132
Partner Re Ltd.	NYS	35.50	1.07	4.41	36.50	25.63	253
Penn-America Group Inc.	NDQ	13.00	-1.89	-19.38	14.50	8.63	23
Philadelphia Cons. Holding	NDQ	30.00	2.13	29.03	30.25	16.75	48
PXRE Corp.	NYS	25.63	-0.49	3.54	27.00	22.25	162
Reliance Group Holdings	NYS	11.13	-4.30	21.92	12.25	6.50	1231
Reliastar Financial Corp.	NYS	60.13	-2.24	4.11	65.38	40.00	531
RenaissanceRe Holdings Ltd.	NYS	37.13	-2.94	12.50	41.25	26.75	65
Risk Capital Holdings	NDQ	16.75	-2.90	-13.55	20.75	15.88	16
RLI Corp.	NYS	32.50	-2.26	-2.62	36.63	22.38	26
St. Paul Companies	NYS	67.00	-3.42	14.29	72.63	50.13	629
SAFECO Corp.	NDQ	40.00	2.24	1.43	44.00	30.88	1883
Seibels Bruce Group	NDQ	1.81	-4.92	-12.12	3.13	1.81	65
Selective Ins. Group	NDQ	41.25	0.00	8.55	43.50	31.00	100
Sphere Drake Holdings	NYS	9.63	-1.28	8.45	11.75	8.13	32
TIG Holdings	NYS	32.88	-3.31	-2.95	38.00	27.00	888
Titan Holdings, Inc.	NYS	16.88	0.00	2.27	17.88	13.13	29
Tokio Marine & Fire	NDQ	52.25	0.72	12.06	69.00	42.00	152
Torchmark Corp.	NYS	56.63	-3.21	12.13	61.88	40.25	506
Transatlantic Holdings	NYS	84.50	-1.60	4.97	88.25	62.38	62
Travelers Aetna Property	NYS	33.63	-2.18	-4.95	39.63	23.13	283
Travelers Corp.	NYS	50.88	0.25	12.12	58.38	28.38	5725
Trenwick Group Inc.	NDQ	50.00	0.50	8.11	54.25	46.00	62
Unico American Corp.	NDQ	10.00	-2.44	-8.05	11.00	6.63	47
Unionamerica Holdings	NYS	16.75	3.08	-5.63	20.75	14.75	45
United Fire & Casualty	NDQ	30.00	-5.51	-14.89	40.00	29.25	12
Unitrin	NDQ	50.25	-1.95	-9.87	56.38	44.25	176
UNUM Corp.	NYS	75.75	0.50	4.84	79.63	55.50	881
US Facilities Corp.	NYS	20.25	0.00	3.18	20.50	14.88	38
USF&G Corp.	NYS	21.63	-4.42	3.59	23.13	15.00	2142
USLIFE Corp.	NYS	46.88	-1.32	40.98	48.63	26.88	538
Vesta Insurance Co.	NYS	36.25	-0.34	15.54	41.50	24.50	109
Washington National	NYS	28.00	-1.32	1.82	30.75	25.13	123
Zenith National Ins.	NYS	26.88	-0.46	-1.83	28.88	23.75	59
Zurich Reinsurance Centr.	NYS	38.25	0.66	22.40	38.75	28.38	59
INSURERS/REINSURERS	AVERAGE		-1.21	3.54			

HEALTH MAINTENANCE ORGANIZATIONS

		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
Healthsource Inc.	NYS	20.63	0.61	57.14	40.38	9.75	710
Humana Inc.	NYS	21.88	-0.57	15.13	27.00	15.00	2006
Oxford Health Plans	NDQ	61.13	-0.61	4.38	67.13	27.69	4889
Pacificare Health Sys.	NDQ	82.50	1.23	1.54	86.25	59.63	510
Safeguard Health Enter.	NDQ	12.50	12.36	-28.57	22.50	11.00	25
Sierra Health Services	NYS	26.50	0.47	7.61	35.88	22.38	344
United Healthcare Corp.	NYS	50.50	-1.22	12.22	64.25	30.00	3805
Wellpoint Health Networks	NYS	42.63	0.89	24.00	45.88	23.38	498
HMOs	AVERAGE		1.64	11.68			
ALL COMPANIES	AVERAGE		-0.23	6.49			

Top advancing issues: Safeguard Health Enter., Harleysville Group, MMI Cos. Inc. Leading decliners: American Bankers Ins., Lincoln National, Fremont General Corp. Most active issue: Travelers Corp. The BI Index fell 1.2%; the Dow Jones 30 Industrials decreased 0.9%; the S&P 500 decreased 1.3% and the NYSE Composite decreased 1.3%. Average P/E: Brokers, 16.9; Insurers/reinsurers, 17.4; HMOs, 29.5.

System design: Nordby International Inc.


Prepare for Landing
Reliance National
Reliance National is touching down in the Georgia World Congress Center for RIMS 1997. Visit booth 214 and be launched into the future of Property/Casualty and Accident & Health insurance. You're invited on board to experience the innovation and technology of Reliance National...
THE CHOICE.
THE CHOICE
Reliance National
1817
A Reliance Group Holdings Company
77 Water Street, New York, N.Y. 10005
For further information
write us or call (212) 858-6602
http://RelianceNational.com
Reliance National
Marquis II Tower – Suite 2100
285 Peachtree Center Avenue
Atlanta, GA 30303
(404) 688-3313
Reliance National products and programs underwritten by Reliance Insurance Company, Reliance National Indemnity Company, Reliance National Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of California, United Pacific Insurance Company and/or Reliance Surety Company.
© 1997 Reliance National Insurance Company.