MAY 18, 1992

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $2.00 a copy; $80 a year

© Entire contents copyright 1992 by Crain Communications Inc. All rights reserved

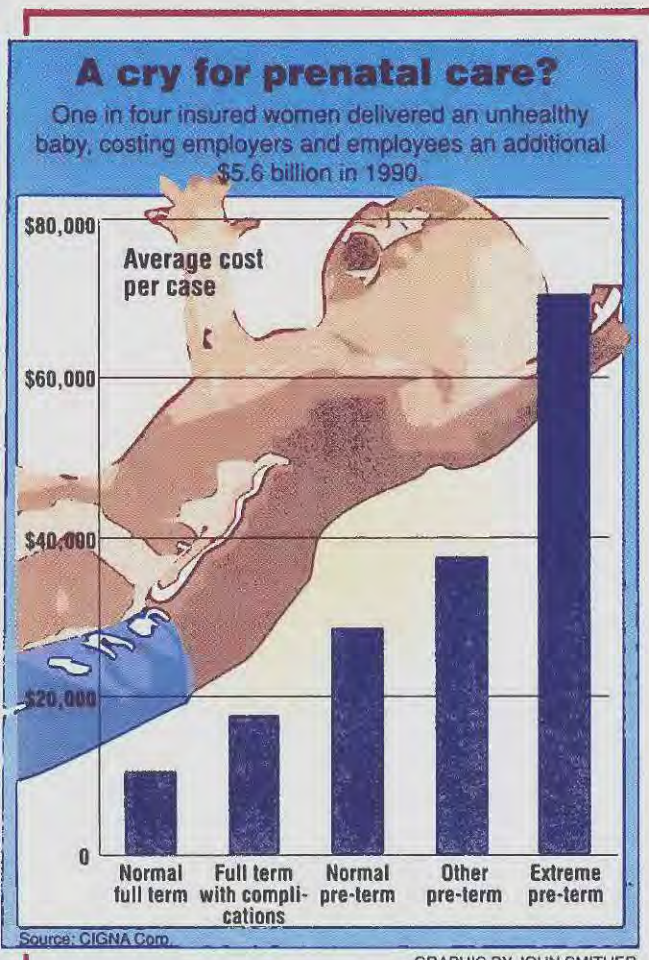
Update

Product liability bill sponsors won't give up despite setback

WASHINGTON—Proponents of a uniform federal product liability law vow to attach their bill as an amendment to every possible piece of legislation in the wake of the Senate's 53 to 45 vote last Thursday to table the measure as an amendment to a voter-registration bill.

Sen. Robert Kasten, R-Wis., offered to withdraw the Product Liability Fairness Act as an amendment to the so-called Motor-Voter Act if Senate Majority Leader George Mitchell, D-Maine, agreed to bring

Continued on next page



GRAPHIC BY JOHN SMITHER

Tale of two states

Texas reforms start to pay off for employers

By MICHAEL BRADFORD

AUSTIN, Texas—Texas employers buying coverage from the state's new competitive workers compensation fund are getting a price break, and the state's assigned risk pool is slashing its deficit as workers comp reforms take hold.

The new Texas Workers Compensation Fund, which wrote its first policy earlier this year, is cutting rates by 5% for businesses with good loss experience, while other employers will see a 2.5% cut.

"The new rate structure is a reflection of the fact that changes in the law made by the Legislature" are beginning to have the "intended effect of stabilizing the workers compensation system in Texas," said Jack Floyd, president of the fund.

Mr. Floyd was referring to S.B. 1, the sweeping reform bill passed by the Texas Legislature in 1989 that, among other things, limited attorney involvement in the workers

Continued on page 69

Insurers challenge new Maine statute that delays request for comp rate hikes

By MEG FLETCHER

AUGUSTA, Maine—The National Council on Compensation Insurance is challenging a new Maine law that postpones action on requests to increase workers comp rates and surcharges paid by employers.

The dispute is the latest in the long series of events that have jeopardized the viability of the Maine workers compensation system. Most insurers have stopped writing workers comp coverage in the state, and about 90% of coverage now is written through the residual market.

The Boca Raton, Fla.-based NCCI says that delaying consideration of its requests is "unconstitutional" and "confiscatory" to insurers.

Continued on page 69

Employers urged to stress prenatal care in group plans

Unrealized cost control potential

By CHRISTINE WOOLSEY

Employers must do more to reduce the enormous costs associated with premature and problem births, a new study contends.

Simply providing coverage for prenatal care and other preventive services to pregnant beneficiaries does not guarantee they will use those services.

Employers also must encourage women covered by their health care plan to take advantage of these benefits, the study's researchers say.

The researchers did not explicitly study whether prenatal care significantly reduces problem births, but they cite several studies that indicate it can increase the chances of delivering a healthy baby.

The CIGNA Corp. study was conducted by the Center for Risk Management & Insurance Research at Georgia State University in Atlanta. It tracked 59,000 maternal and infant health claims submitted to CIGNA's indemnity plans nationwide from September 1989 through August 1991.

A key finding of the study is that the percentage of premature births for insured mothers with coverage of prenatal care closely tracks the percentage of premature births in the population at large.

The average percentage of babies born prematurely to insured women was 6%, just shy of the

Continued on page 67

States move against health plans sponsored by suspect labor union

By DOUGLAS McLEOD

NEW YORK—State insurance regulators are trying to shut down several group health plans operating across the country through the local chapters of an allegedly bogus labor union.

The target of the regulatory action is the National Council of Allied Employees, a Glen Head, N.Y.-based organization headed by William S. Loeb.

Insurance departments in California, Florida, Texas and several other states have secured restraining orders, issued cease and desist orders, or taken other steps against the NCAE, its local affiliates, Mr. Loeb and many others involved in the administration and marketing of NCAE local health benefit plans.

The NCAE claims its plans operate pursuant to collective bargaining agreements and are exempt from state regulation under the Employee Retirement Income Security Act of 1974.

Regulators, however, contend the union exists only as a front for the sale of unauthorized and worthless health insurance.

Continued on page 56

Insurer to challenge Prop. 103 refund order

By LOUISE KERTESZ

LOS ANGELES—20th Century Insurance Co. will file suit challenging an order to refund $101.8 million in premiums and interest to California policyholders under the Proposition 103 rate rollback provision.

20th Century is the first insurer ordered to make refunds following administrative hearings held by California Insurance Commissioner John Garamendi.

All 20th Century policyholders —most of whom have personal auto insurance policies—would receive the same percentage of premiums refunded under the administrative judge's order.

Insurers contend no refunds are owed by any of them. But, they say, giving all policyholders the same percentage of premium refund is unfair. If refunds are to be made, more profitable commercial lines would create higher refunds than personal auto. Equal percentage refunds in effect subsidize personal auto refunds, they say.

Administrative hearings for other insurers start this week.

Last October, Mr. Garamendi ordered 14 insurers to refund $1.57 billion in property/casualty insurance premiums, based on his emergency regulations implementing

Continued on page 68

Photo courtesy Mead LossControl

Spotlight on Property Loss Control

Page 3

Directory of Property Loss Control Consultants . . . Page 33

Update

Product liability measure tabled

Continued from previous page
the measure up for Senate debate before the August recess. Sen. Kasten has introduced uniform product liability legislation in every session since 1981, but none of the bills reached the Senate floor.

S. 640 would create a uniform standard for punitive damage awards in product liability cases and encourage the use of alternative dispute resolution mechanisms in such cases (*BI*, Feb. 3). The bill also puts a 25-year limit on litigation involving workplace capital goods products. It would not cap damage awards.

The bill's chief Democratic sponsor, Sen. John D. Rockefeller IV, D-W.Va., claimed that advocates of the amendment strategy only wanted to kill the voter-registration bill, which is opposed by the Bush administration. Sen. Rockefeller introduced the motion to table the amendment.

Victor Schwartz, counsel to the Arlington, Va.-based Product Liability Coordinating Committee, which supports S. 640, noted that six Democrats joined most Republicans in supporting the bill. "I think it shows that product liability reform has enough votes to pass the Senate if it is considered on its merits," he said.

IRS pension plan test changes

WASHINGTON—Employers generally will only have to run complex Internal Revenue Service non-discrimination tests on their pension plans once every three years, under an IRS proposal announced last week.

The IRS said the non-discrimination tests required under Section 401(a)(4) can be run every three years, unless there has been a significant change in an employer's pension plan provisions, workforce or compensation practices. Previously, non-discrimination testing was required annually.

The IRS also said in Announcement 92-81 that an employer could pick a single day to run the non-discrimination tests, known as "snapshot testing," provided the day is reasonably representative of the employer's workforce and the plan's coverage.

The changes also include a simplified method to determine who is a highly compensated employee. And rather than requiring more precise data in running the test, the proposal would allow employers to use the "best available data at reasonable expense," like valuation data on its Form 5500.

"This represents a very significant liberalization of the IRS rules," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

The IRS also indicated that further easing of the non-discrimination rules—scheduled to go into effect in January—is likely.

MagneTek settles DOL suit

WASHINGTON—MagneTek Inc. intends to purchase a so-called backup annuity from an insurer to ensure that workers and retirees covered by Executive Life Insurance Co. annuities receive promised benefits. The action is to settle suits filed by the U.S. Department of Labor and the International Union Of Electronic, Electrical, Salaried, Machine and Furniture Workers.

The suits charged Los Angeles-based MagneTek with various violations of the Employee Retirement Income Security Act of 1974 in transferring $23 million in pension plan assets for the purchase of annuities from Executive Life (*BI* June 17, 1991).

Executive Life, seized last year by the California Department of Insurance, currently is paying only 72% of promised benefits above $100,000, though that percentage is expected to increase substantially after a rehabilitation plan is completed (see story below).

MagneTek has been making up benefit shortfalls in the interim.

"The settlement provides important benefit protection for participants," said IUE attorney Charles Both, a senior partner with Yablonski, Both & Edelman in Washington.

ELIC enhancement seen

LOS ANGELES—First Executive Corp. has filed a reorganization plan that may provide substantial additional benefits to policyholders of its Executive Life Insurance Co. unit.

The plan, which must be approved by the U.S. Bankruptcy Court, also requires approval by Los Angeles Superior Court Judge Kurt Lewin, who is presiding over the rehabilitation of Executive Life.

First Executive filed for Chapter 11 bankruptcy protection after Executive Life collapsed in April 1991. California regulators seized the insurer and, as part of a rehabilitation plan, sold its assets to a French investor group led by Altus Finance (*BI*, Dec. 23, 1991).

Formal approval of Executive Life's rehabilitation plan is still pending. Under that plan, policyholders will receive 100% of the value of their policies up to $100,000. Policyholders only receive 72 cents on the dollar for amounts greater than $100,000.

A spokeswoman for the California Department of Insurance said the plan would increase benefits to the latter group.

First Executive's proposed reorganization plan would assign litigation claims against former officers and directors, accountants, rating agencies and others to Executive Life's rehabilitator, which would distribute to policyholders any proceeds from those actions.

In addition, the First Executive plan would transfer real estate and other assets valued at over $30 million to the rehabilitator.

Updates continued on page 70

Errors & omissions

• Wayne W. Whalen is managing partner with Skadden Arps Slate Meagher & Flom in Chicago. His law firm was incorrectly identified in an April 27 article.

RIMS chapter opposes call for federal regulation

By SARA MARLEY

MILWAUKEE—The Wisconsin chapter of the Risk & Insurance Management Society Inc. is demanding that RIMS revoke its support of federal regulation of some property/casualty insurers pending consultation with its chapters.

In a letter to RIMS President Suzanne H. Crager, the Wisconsin chapter said it opposes RIMS' decision to take its position "without any contact or consulting with U.S. chapters." The letter continues, "a RIMS policy statement of such proportion should always be reviewed and concurrence obtained at the chapter level prior to any release to the public."

Then-RIMS President Robert W. Esenberg in April endorsed federal regulation of property/casualty insurers writing coverage for "large commercial policyholders," without defining that term.

The announcement, made during the RIMS conference in Anaheim, Calif. (*BI*, April 6), "floored a lot of people," said Harold C. Lang, a board member of the Wisconsin chapter and director of risk management and insurance at the Kohler Co.

The statement "implied to the political and business world that all members of RIMS are behind" federal regulation, said Mr. Lang, who signed the Wisconsin chapter letter. "We did not take a pro or con position,"

Continued on page 66

Analysts see bleak future

Insurers face challenges on many fronts

By LAURA MAZZUCA

PEBBLE BEACH, Calif.—Financial conditions in the insurance industry are far grimmer than they appear on the surface and there is no hope for improvement in sight, several leading analysts warn.

Sluggish cash flow, accelerating paid losses, dwindling loss reserves, high expense ratios as well as increasing competition from direct writers and the alternative market are eating away at profit margins, said Maurice W. Slayton, president and chief executive officer of investment research firm Conning & Co. in Hartford, Conn. "It all points to the eroding of profitability."

Dramatic rises in stock and bond values—investment income now comprises about 30% of insurer statutory profits—have given insurers what appears to be adequate capital. But investment results vary widely among companies and cannot be relied on due to future market fluctuations, Mr. Slayton said.

Added to this mix is the growing possibility of federal solvency regulation, which could include stringent capital guidelines for insurers, he said. This would hit small insurers particularly hard, widening the gap be-

Continued on page 59

$800 million guarantee sought

Life insurers asked to aid Mutual Benefit

By JUDY GREENWALD

NEWARK, N.J.—New Jersey regulators are asking the life/health insurance industry to provide a guarantee of up to $800 million toward the rehabilitation of Mutual Benefit Life Insurance Co.

However, life/health insurers have not yet made any such pledge.

"Nothing's been promised. The discussions have just started," said Victor H. Palmieri, Mutual Benefit's deputy rehabilitator, who plans to submit a rehabilitation plan to New Jersey Superior Court in Trenton by June 15. "It's a long way from a done deal. We've just started" discussions with the industry, he said.

Insurance industry spokesmen add that they have not promised any funds, though they recognize the industry's reputation is at stake.

In formulating the rehabilitation plan, Mr. Palmieri is considering a study of Mutual Benefit's operations conducted by an insurance industry advisory group.

The group's report is sharply critical of Mutual

Continued on page 71

Comptroller's report finds weaknesses in N.Y. department's solvency oversight

By DOUGLAS McLEOD

NEW YORK—The New York Insurance Department, generally regarded as a leader in state regulation, has failed to act decisively in dealing with financially troubled insurers and shows a number of other operating weaknesses, a report by the state comptroller concludes.

The audit by Comptroller Edward V. Regan found weaknesses in the Insurance Department's system for identifying and monitoring troubled insurers and found that New York regulators do not always communicate well with other states and with the National Assn. of Insurance Commissioners.

The audit is the latest in a series of reports in which Mr. Regan has criticized Insurance Department operations. Mr. Regan charged last year that the department's liquidation bureau had inadequate claims payment controls and blasted the liquidation bureau in January 1990 for lax management (*BI*, Sept.

Continued on page 70

Inside

- Federal and state legislators must take employers' views into account before considering health care reform legislation. **PAGE 8**
- Employers should consider several factors when trying to minimize litigated workers comp claims, says Gary Wolfe in Perspectives. **PAGE 39**
- Reinsurers must show they have been prejudiced by a ceding company's late notice of a claim before denying coverage, New York's highest court has ruled. **PAGE 61**
- The families of miners killed in the May 9 explosion of a northern Nova Scotia coal mine will receive the bulk of their long-term survivor benefits from two separate provincial and national benefit funds. **PAGE 63**
- Several insurance policies were placed in connection with the space shuttle's rescue of a disabled communications satellite last week. **PAGE 69**

Departments

Advertiser index 52
Classifieds 66
Comings & goings: buyers 62
Insurance services guide 67
International 63
Opinions 8
Perspectives 39
RMIS commentary 39

Vol.26, No.20—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207-3185; 800-678-9595 or 313-446-1611. Copyright 1992 by Crain Communications Inc.

Property Loss Control

Employer's first line of defense

Fire brigades may douse fire before it grows into total loss

By LOUISE KERTESZ and MICHAEL SCHACHNER

All companies should maintain some type of fire brigade to provide an initial response to workplace fires, though few brigades need be as sophisticated as a full-scale fire department.

Fire brigades can be as simple as a group of employees who are taught how to use fire extinguishers and to notify local fire departments, or as complex as a highly trained band of workers on call 24 hours a day and equipped with pumpers and other heavy-duty firefighting equipment.

Regardless of the level of response, loss control experts say on-site fire brigades can be the difference between a plant burning down or sustaining much less severe damage.

"The majority—if not 98% to 99% of fires—we take care of ourselves because of our quick response time. We've been pretty successful in catching fires at their early stages," said Craig Remsburg, chief of fire services at McDonnell Aircraft Corp. in St. Louis, a unit of McDonnell Douglas Corp. The company has had a brigade since the 1940s, he noted (see story, page 16).

In addition, while most insurance companies do not require policyholders to maintain fire brigades, at least one insurer says research shows brigades significantly cut fire losses.

Only large industrial companies with fire hazards beyond the scope of a municipal fire department maintain so-called industrial or structural fire brigades. Employees in an industrial brigade are trained to use sophisticated firefighting equipment with the help of protective uniforms and self-contained breathing apparatus.

"Something on the order of 1% of industrial and manufacturing firms in the United States," including large petrochemical companies, have a full-scale industrial brigade, estimates David C. Grupp, senior fire protection engineer at Kemper National Insurance Cos. in Long Grove, Ill.

Walter Luker, senior vp and general manager of Mead Loss Control Consultants Inc. in Dayton, Ohio, believes the figure is higher, with full-scale fire brigades at "approximately 5% to 10% of the industrial opera-

Continued on page 12

Mead Paper's fire brigade undergoes live fire training at its Rome, Ga., training facility.

Photo courtesy Mead LossControl

Risk managers must be prepared for the worst when disaster strikes

Anticipate the unexpected, loss control consultants say

By MARK A. HOFMANN

While risk managers cannot predict every catastrophe that could befall their companies, they must be ready to respond when the unexpected indeed occurs.

A comprehensive crisis management plan designed to deal with "predictable" perils like earthquakes and hurricanes can also respond to unforeseen emergencies, like the subterranean "flood" that closed down Chicago's Loop business district last month and the riots that shook Los Angeles (*BI*, May 11; May 4; April 20).

By planning for the worst disasters within the realm of possibility, risk managers will be far better prepared to deal with the totally unexpected.

"The key is to have a comprehensive management plan that considers the before, during and after. If you've got a comprehensive plan, then your people know what to do in any type of emergency," said Ed Pebranti, section manager-customer training programs for Factory Mutual Engineering & Research in Norwood, Mass.

"I think that 99.9% of all losses are not unexpected," said Sam Lee, Bedminster, N.J.-based Eastern zone loss-control manager for Chubb & Son Inc.

"I think the strange along with the common should be handled the same way. The focus should be on what to do when something happens, not spending a lot of time on what can happen," said Richard H. Soper, principal of Soper & Associates, a risk management consultant in Palos Verdes Peninsula, Calif.

"Take a look at the flow of your operation," Mr. Soper advises risk managers. The most vulnerable aspects of the operation need to be identified, and plans must be made to keep them up and running, which could mean arranging to move operations to alternative sites no matter what causes a disruption, he said.

In some cases, the response can be relatively simple. For example, anticipating trouble with communications in a disaster, risk managers may want to invest in a cellular phone or two, Mr. Soper said.

Simply putting together a plan that tries to respond to any type of catastrophe isn't the end of the job, however. "It needs to be something that's continually approached," he said.

"You can't develop a plan to the nth degree," agreed Chubb's Mr. Lee. "Your plan has to be dynamic, not static."

If a risk manager develops a comprehensive plan revolving around the worst-case scenario, chances are that plan will respond capably to unrecognized perils, said John Geelan, corporate risk manager for AutoZone Inc., an automotive parts retailer with stores in more than 20 states.

Mr. Geelan said AutoZone's worst-case scenario involves an earthquake along the New Madrid Fault near the company's Memphis, Tenn., headquarters.

As the company developed a plan to respond to an earthquake, risk analysis became part of the com-

Continued on page 20

Deterring today's sophisticated criminals

Advances in security technology keep pace with demand

By SARA MARLEY

Loss control consultant Owen Kurin knows burglar alarms aren't foolproof. He's proved it himself.

Mr. Kurin, president of Penrim Ltd. in Toronto, broke into a client's art gallery to show police and insurers how thieves got away with $1.9 million in artwork despite the presence of a security system.

Retracing the burglars' steps, he reached a vent near the building's roof, removed an exhaust fan and climbed through an 18-inch shaft. Once inside, Mr. Kurin covered ultrasensitive sound detectors with muffling devices without activating their sensors. In fact, he could even tap directly on the sensors without triggering alarms.

The art gallery's system did not cover all possible points of entry, and the detectors were not set to the proper sensitivity, Mr. Kurin found.

Security equipment has improved since the December 1984 "theft," but so has the need to have a thorough security system installed, monitored and tested by a reliable contractor, Mr. Kurin said.

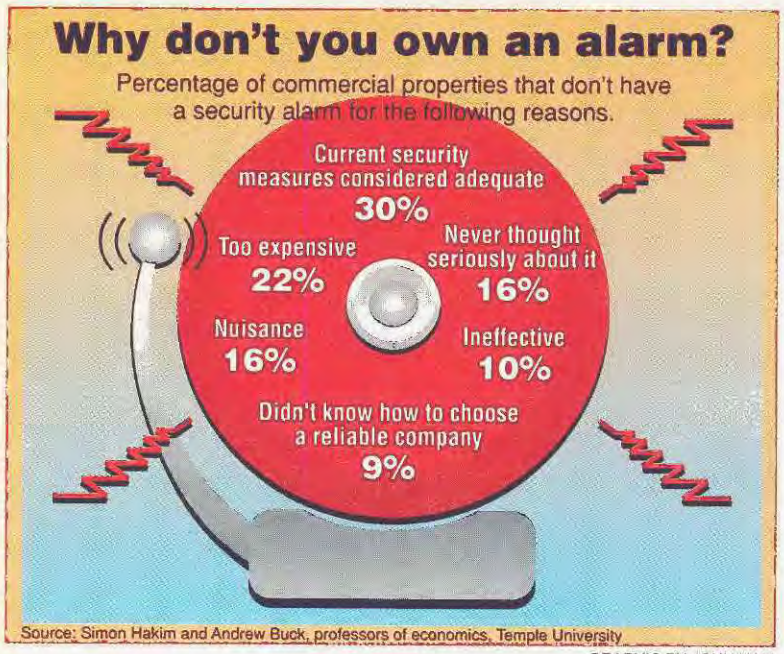
Today's criminals are sophisticated and well-versed in business as well as burglar alarms, said Simon Hakim and Andrew Buck, professors of economics at Temple University in Philadelphia. They recently completed a crime study of 2,640 commercial establishments, following up a 1989 study of residential crime.

The commercial study is the first to prove that burglar alarms are effective, the authors say. More than 12% of the businesses had been crime victims over the 2½-year study. Of these, only 13.6% had had security alarms.

Overall, 41.9% of the companies studied had alarms, compared with just 8% of the residences. Alarm ownership is increasing 8% annually and will continue to rise as prices fall, Mr. Hakim said.

The study also found that alarms are the most important

Continued on next page



GRAPHIC BY JOHN HALL

Crime prevention

Continued from previous page
component of a security system. A company had a 4.08% chance of being burglarized if it had an alarm system and three or more other security measures, such as deadbolt locks, timed lights, perimeter surveillance, guards and window bars. For companies that had only an alarm, the probability rose to 4.17%. By contrast, businesses with no security measures ran a 15.4% chance of becoming crime victims.

Each additional measure criminals have to bypass takes time, increasing the chance they will give up or be caught, said Jack Kastorff, risk control manager for Gregory B. Bragg & Associates, a Sacramento, Calif.-based risk management services firm.

"The fundamental principle is buying time. You want to make it harder and slower to break into your premises," he said. "Given enough time, a rank amateur can break into Fort Knox."

"Burglars act in a very rational manner. They weigh their chances of being apprehended with what they can get, like a businessman entering into a business venture. They are rational decision makers," Mr. Hakim said.

That means convenience stores and gas stations, while they don't promise the haul of jewelry stores, are more likely to be burglarized because the chance of getting caught is so small, he said. The cash from the stores is also impossible to trace.

When stealing merchandise, burglars stick to consumer goods that can be resold easily, like televisions, videocassette recorders and clothes.

Thieves choose where they steal as carefully as what they steal, Mr. Hakim said.

Burglars tend to stick to major thoroughfares and areas they are familiar with when choosing the general area for a crime, although they opt for quiet side streets and wooded areas for the specific target, he said. The optimum street has little pedestrian traffic but is within three blocks of major road or highway access.

In more than half of the cases studied by the Temple economists, burglarized businesses had been in the location for five years or less. Of those, 55% had been there for less than one year. The probability of getting robbed decreases the longer the business is in the same location.

"New businesses probably don't have an alarm yet," Mr. Hakim said. "It's usually the last thing businesses put in their property."

Neighbors of new businesses are also not familiar with their routines and may not be surprised to see vans or trucks parked there at unusual times, he said.

Companies that have been broken into within the last month also run a greater chance of being robbed again, Mr. Kastorff said. Burglars will return to steal replacement items or something else they spotted the first time.

Moving to the suburbs is not a guarantee that companies will escape crime, said Bill Ingram, a loss control manager with Zurich American Insurance Co. "It's not a cure-all. Crime will follow them."

Almost all break-ins occur at night, but the prevalence of daytime holdups proves that alarms are effective, according to Mr. Kurin of Penrim. Jewelry heists now tend to occur during the day, since facing clerks is less risky than facing a high-tech security system, he said.

Businesses that not only have alarms but also advertise them on doors and windows are least likely to be crime victims, Mr. Hakim said. But sophisticated criminals are not fooled by faux stickers that claim a business has an alarm, he added.

Either being a crime victim or knowing one is the most common reason for installing an alarm, the Temple study showed, cited by nearly a third of the companies. Twenty-three percent of the businesses bought alarms because they thought they were a cost-effective means to prevent break-ins.

A quarter of the companies said they had alarms because insurance required them, but not necessarily because they anticipated a premium discount.

"Owners of businesses are not aware of the fact that you get a discount on premiums for having an alarm," Mr. Hakim said. "It's also unclear how much the discount attracts people to put in an alarm."

Insurers should advertise the alarm discount and prorate it to the property's value and risk of being burglarized, Mr. Hakim said.

Only 9% of the respondents said premium discounts had motivated them to buy a burglar alarm.

But not all insurers offer such discounts. Neither Industrial Risk Insurers of Hartford, Conn., nor Zurich American, for example, offer policyholders premium discounts for security measures.

"We look at the big picture, the overall exposure," said Rob Howe, a loss control specialist with Zurich American. Security measures are just one of several considerations when underwriting a risk, he said.

Discounts "may be popular from a marketing standpoint, but not an underwriting standpoint," Mr. Howe said. "We've been successful in selling (policyholders) on the idea that security pays off many times in the long run."

Continued on page 6

Financial strength to hurdle your reinsurance obstacles.

Constitution Reinsurance Corporation
A XEROX Financial Services Company

(212) 602-8500
A.M. Best Rating: A+
Since 1940

New York Atlanta Chicago Los Angeles

A Small, Elite Group.

There are only a few major players in the property Highly Protected Risk (HPR) and Special Risk markets. Wausau is among the few who can engineer, underwrite and service HPR. And we're willing and able to do Special Risk underwriting, including primary and excess layers. We have national capabilities, capacity, and an A+ (Superior) A.M. Best rating. When you add it all up, the group may be even smaller than you thought.

WAUSAU INSURANCE

PROPERTY • HPR • SPECIAL RISK

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (715) 845-5211 A Member of the Nationwide® Group

Crime prevention

Continued from page 4

Insurers that do offer discounts find that security rather than savings is policyholders' main concern.

"Physical protection and security is the primary loss control. Insurance is a backup," said Joseph H. Dinan Jr., assistant vp and manager of fidelity and crime underwriting at Arkwright Mutual Insurance Co. "It's good business sense to have an alarm."

One reason for policyholders' concern is their stake in losses, he said. A supermarket or department store will have a deductible of at least $25,000 and usually $100,000.

Waltham, Mass.-based Arkwright follows Insurance Services Organization rates, which include premium discounts for alarms. But actual rates are lower than ISO's in the soft market, so the discounts play a smaller role, he said.

Along with premium discounts, insurers should offer incentives to upgrade existing systems, Temple's Mr. Hakim said. Heat and motion sensors begin to malfunction after four years but can be replaced for as little as $5 each, he said.

Prices for burglar alarms, like those for other electronic equipment, are falling. The Temple study found business owners were ignorant about the cost of alarms, and 22% said they were too costly.

An average retail store of 2,000 square feet could be adequately protected for $2,500 to $3,000 in hardware, plus about $60 per month for monitoring and a dedicated telephone line, Mr. Kurin said. A fine art gallery could spend about $10,000 on hardware.

Building systems cost about $25,000 to install, plus $5,000 to $10,000 annually for monitoring, Mr. Dinan said. Guard service runs $50,000 to $100,000 per year.

"Inexpensive alarms are starting to catch up" technologically with more expensive systems, Mr. Hakim said. Hardware to protect a 20,000-square-foot warehouse used to cost $20,000, but a comparable system now runs $3,000 to $4,000.

Although national and large regional security firms can charge up to 20% higher than the least expensive systems, the higher cost is justified by the level of service and quality of monitoring, he said.

While security system prices are falling, technological improvements continue to increase as security experts strive to reduce false alarms and still catch criminals.

False alarms are considered the biggest problem of the industry. Police estimate that 99% of all calls are false, although the Temple study found that 7% are legitimate.

One reason for the discrepancy is that police consider the call false if they don't find an intruder or visible signs of one, like broken windows or locks. Business owners, however, may detect subtler signs, Mr. Hakim said.

Detectors have become more sophisticated and can now encompass both ultrasonic sensors to detect motion and infrared sensors to detect heat and temperature changes. Both must be triggered before the alarm sounds, reducing the number of false alarms.

Acoustic monitoring is a new system that reduces false alarms and helps to apprehend criminals, Mr. Kastorff said. Microphones alert the monitoring station when they detect a noise. The attendants can then listen in to determine whether a crime is in progress. The system has a false alarm rate of less than 10%, he said.

Other technological advances include electronic tracking systems, which are the newest development in fleet security, said Mr. Ingram. Some systems are designed specifically to recover stolen vehicles, while others are used to track drivers' progress on their routes.

Advanced technology is also enhancing hotel security, Mr. Howe of Zurich American said. Long gone are brass keys emblazoned with room numbers—and the hotel's address. New options include easily changed locks that are rotated regularly, plastic punchhole cards and electronic keys that operate on magnetic strips or optical eyes, he said.

These advances are costly, however. Electronic key systems cost between $140 and $500 per door, Mr. Howe said.

Experts say more advanced alarm systems aren't the only way to prevent crime.

Examining a company's internal structure can cut down on inside jobs, according to Stogniew & Associates of St. Petersburg, Fla. The loss control consultant is often called in by fidelity bond insurers to evaluate the security systems of financial institutions. Its surveys include looking at management, internal controls, auditing and data processing as well as safes and physical restraints, like silent alarms and bullet-proof windows.

Consultants look for separation of duties at the company, so no one person has the power to originate, process and verify business; an active role of the board of directors; and healthy balance sheets.

"When a company is losing money, the first thing management does is cut staff," said the firm's president, Gerry Stogniew. "People are the best control against crime." ■

Serious crimes rise 3% in 1991

The number of serious crimes in the United States rose 3% in 1991 from 1990, according to preliminary FBI statistics.

That 3% increase represents 14.9 million crimes nationwide in 1991, up from 14.5 million crimes in 1990.

The crime index has shown increases since 1985. From 1989 to 1990, the number of crimes increased 2%. In 1988, the crime index rose 3%; in 1987, 2%; in 1986, 6%; and in 1985, it increased 5%.

The index measures the number of reported murders, forcible rapes, robberies, aggravated assaults, burglaries, larceny-thefts, motor vehicle thefts and arsons. Larceny-theft is the illegal taking of property. Burglary involves entering a building with the intention of committing a crime, and robbery involves the use or threat of violence.

Property crime increased 2% from 1990 to 1991, with burglaries rising 3%, larceny-theft and vehicle theft up 2% and arson unchanged.

That property crime increase comes after the rate remained unchanged from 1989 to 1990. From 1988 to 1989, it increased 2%, and from 1987 to 1988, it rose 3%.

Property crime in 1991 rose 3% in the Midwest, South and West. It was unchanged in the Northeast.

Property crime rates lagged behind violent crime, which in-

Continued on next page

All Day
All Night
Workers'
Comp

Access the Alternatives with

Continued from previous page
creased 5% overall from 1990 to 1991. The increase was greatest in the South, where violent crime was up 8%; followed by the West at 7%; and the Midwest, 6%. Violent crime in the Northeast increased only 0.1%.

In the Midwest, the overall crime rate rose 4% last year. The South and West marked 3% increases, and the crime rate remained steady in the Northeast, according to the preliminary statistics.

More crimes were reported in 1991 than 1990 to both suburban and rural county law enforcement agencies, which saw increases of 4% and 5%, respectively.

The number of crimes overall did not increase last year in cities with a population greater than 500,000, although cities with a population greater than 1 million had a 4% increase in violent crime and a 0.2% increase in property crime.

Cities with a population of between 500,000 and 999,999 had a 2% increase in violent crime and no increase in property crime. By contrast, cities with a population of between 250,000 and 499,999 saw a 4% increase in crime overall, an 8% increase in violent crime and a 3% increase in property crime.

Traditionally, crime rates rise during recessions, experts say.

More thefts are likely to occur, and they are also more likely to be detected because merchandise moves through warehouses and stores more slowly, said Gerry Stogniew, president of consultant Stogniew & Associates in St. Petersburg, Fla.

—By Sara Marley

Simple strategies combat crime

Common sense is best defense

By SARA MARLEY

High-tech alarms can deter burglars, but nothing replaces common sense when it comes to protecting property, loss control experts say.

"One of the most overlooked areas of security is that an alarm detects intrusion, but it doesn't stop it," said Owen Kurin, president of Penrim Ltd. in Toronto, a loss control consulting firm. Physical restraints like bars on windows and metal shutters can prevent criminals from ever reaching an alarm, Mr. Kurin points out.

"Technology is helping further (crime prevention), but the criminal gets more sophisticated, too. That's where the old tried-and-true methods come into play," said Bill Ingram, a loss control manager with Zurich-American Insurance Co. in Schaumburg, Ill.

From protecting company merchandise in delivery trucks to blocking illegal computer access, simple common sense measures can play a big part in preventing theft.

For example, deliveries should arrive when someone can receive them, Mr. Ingram said. And, drivers should lock the back of their trucks even when they are empty, so criminals aren't tipped off about which loads are worth looting, he said.

More companies are using invoice systems when making deliveries, rather than accepting cash from customers, he said. Cash-free systems eliminate the temptation to drivers and discourage third-party crime, Mr. Ingram said.

More companies are using delivery trucks that do not advertise their business so criminals can't guess what type of merchandise is inside, Mr. Ingram noted.

And inside the truck, merchandise can be stored in unmarked locked containers that provide a secondary line of defense, he said.

Simple measures also can protect complex computer systems at modern companies.

Employees should not write their computer passwords down or leave them near a terminal, and everyone should log off the company's system before leaving for the night, said Gerry Stogniew, president of Stogniew & Associates in St. Petersburg, Fla. Computer passwords should be canceled immediately when employees leave the company, he added.

In addition to these common sense tips, security guards can be used to protect property, although they should be carefully screened and trained, experts say.

"The primary ingredient is high visibility," said George W. Cosper, director of corporate security at Rouse Co., a Columbia, Md.-based real estate management firm.

Rouse is responsible only for common areas of the many malls and shopping centers it owns, like Faneuil Hall Marketplace in Boston, Harborplace in Baltimore and South Street Seaport in New York.

Parking lots present a major exposure, but some are now patrolled by security officers on bicycles, said Mr. Cosper, who is a former Secret Service agent.

There is no universal training or certification system for security officers, Mr. Cosper said.

Rouse's training plan includes sending officers back to class every two weeks after they have completed an initial 32-hour security officer training course, he said.

Rouse security officers are trained to use handcuffs and batons to protect themselves.

Security forces must have a plan in place to deal with crime incidents, said Steven M. Sachs, vp-risk management services division at Hobbs Group, the brokerage arm of Arkwright Mutual Insurance Co. Mr. Sachs also acts as risk manager for Rouse.

Penrim's Mr. Kurin said security patrols sometimes are "too regular" and use patterns quickly deciphered by criminals. Between patrols, companies often are left with "virtually no security," he said.

Guards are most effective when used with other security measures, like alarms and controlled access to the building, Mr. Kurin said. While "patrols alone are inadequate," they can be part of an effective security plan at large industrial parks, college campuses, shopping malls and residential complexes, he said.

In addition to guards, another crime prevention step is adequate lighting of facilities.

Lighting is the most important component of the theory of "crime prevention through environmental design," said Rob Howe, a loss control specialist with Zurich American. Other environmental measures—like fences and landscaping such as bushes—establish a territory the criminal may find threatening. ■

It's 3:00 A.M., a time of rest for most, but not for hospitals, where it's business as usual 24 hours a day, every day.

And their workers' compensation exposures can be as tough as their schedule.

When several hospitals desired a responsive, cost-effective program to handle their unique round-the-clock workers' compensation exposures, Commonwealth Risk was there to help.

As a specialist in alternative risk financing, Commonwealth Risk knows how the Alternative Market "operates." With over twelve years of experience in structuring captives, Insurance Profit Center® programs and innovative funding arrangements, Commonwealth Risk can assist brokers in developing responsive workers' compensation programs for all types of sophisticated insureds.

Designing the right alternative risk financing program is just like making the right diagnosis.

When you need a remedy to cure the rising cost of workers' compensation coverage for your large clients, call Commonwealth Risk.

We have the right prescription.

For more information, please call:

Philadelphia, PA (215) 979-3300
Orange, CA (714) 978-0577
London, England 071-247-1066

CommonwealthRisk
Services, Inc.

An **MRM** Company

• • • **Commonwealth**Risk

Opinions

Listen to employers' opinion

BEFORE LEGISLATORS on either the state or federal level consider changes to the health care delivery system, they would be well-advised to review two new studies on employer attitudes toward health care reform.

The two studies—one by the Boston University Health Policy Institute and the other by benefit consultant A. Foster Higgins & Co. Inc.—report very similar findings (*BI*, May 11).

Both reveal that employers strongly oppose both a Canadian-style national health insurance system and a play-or-pay approach, in which employers either would have to offer a health plan to their workers or pay new taxes to finance a public plan for the uninsured.

In addition, the Foster Higgins study found that employers are against government caps on health care spending, while the Boston University study found that employers oppose surcharges on hospital and physician bills paid by their group health care plans to cover care provided to the uninsured.

The message both surveys deliver is clear: Employers, by far the biggest providers of health care benefits for the non-elderly population, will not support a government takeover or greatly expanded government role in the health care system.

The United States isn't Canada, where public support for government programs has long been part of the social fabric. And, public support in the United States for government mandates, which is what the play-or-pay concept essentially is, never has been strong.

The Foster Higgins study, in particular, indicates that employers do not believe that radical changes to the way health care now is delivered are necessary.

Employers do believe, though, that non-government approaches, like expanding their own managed care programs, consolidating health care plans and increasing deductibles and coinsurance levels to make employees more cost-conscious users of health care services, will help to control costs.

With all the hand-wringing about what is wrong with the nation's health care system—the double whammy of runaway cost increases and too many people without coverage—it is sometimes forgotten that employer-provided coverage is working well.

"I THOUGHT I TOLD YOU TO LET ME TRY MY KEYS FIRST!"

We do need to expand access to coverage and to bring health care costs down, but that does not mean that everything in our current health care system—even if it is in need of improvement—has to be torn down.

This isn't to say that we don't believe government should play a role in the revamping of the health care system. Indeed, there are actions that only government can take to help control costs—the major reason why so many people are uninsured.

Government, for example, can force providers to release information on their practice patterns. That will enable states to build health care data bases so employers and insurers are better able to select quality, cost-efficient providers for managed care networks.

And government can take other steps, including controlling the growth of expensive and often unnecessary high-tech medical equipment and reforming medical malpractice statutes.

And ultimately, only government can devise a public program—after a consensus is developed on how best to finance it—so that no American is without health insurance.

Letters

Give employers ability to opt out of comp system

To the editor: Each week I read with interest the numerous articles citing the problems with workers compensation and the latest "magic solution" to these problems.

And, each week, I'm left with the question as to why policyholders, insurers and regulators do not consider the simple option of making workers compensation voluntary.

In Texas, the ability to "non-subscribe" to the workers compensation system has enabled more than 50,000 employers to realize savings of 75% to 90%, while continuing to provide high-quality medical care and disability benefits to injured workers.

This is an option that all states should consider.

Ronald J. Walenta
Corporate Risk Manager
Chief Auto Parts Inc.
Dallas

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611-2590.

Pitiful response to Chicago disaster

To the editor: I cannot believe what I read and hear! Can it really be true that any insurance company is considering the Chicago water disaster a flood (*BI*, May 4; April 27; April 20)?

What a pitiful joke. What a tragic story about this industry. Is it any wonder why consumers hate insurers?

I encourage everyone to demand what is right for the people of Chicago who suffered this loss and not another insurance company dipsy-do to avoid properly paying claims.

Our public relations disasters must cease. Our public conscience and responsibilities must prevail!

Dennis W. Jeff
President
Glenn E. Orndorf Inc.
Lancaster, Pa.

International oversight of insurers next step?

To the editor: I read with interest about the Risk & Insurance Management Society Inc.'s proposal for federal regulation of large commercial insurers (*BI*, April 6). If we apply some vision to this problem, I believe we will see that we need international regulation of the major world insurers.

Other financial institutions will be undergoing the same kind of regulatory environment. If you are going to advocate change, why not meaningful change?

Bryce M. Hunter
President
Hunter, Rowell & Co. Ltd.
Toronto

Business Insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher/Editorial Director:	Kathryn J. McIntyre, A.R.M. *(Chicago)*
Editor:	James M. Burcke *(Chicago)*
Editor-at-Large:	Jerry Geisel *(Washington)*
Managing Editor:	Paul D. Winston *(Chicago)*
News Editor:	Dave Lenckus *(Chicago)*
Assistant Managing Editor/Graphics:	Jeanne M. Bartels *(Chicago)*
International Editor:	Stacy Shapiro *(London)*
Senior Editor:	Douglas McLeod *(New York)*
Bureau Chiefs:	Stacy Adler Gordon *(New York)* Joanne Wojcik *(Los Angeles)*
Copy Editors:	Nancy Johnson *(Chicago)* Kathryn M. Larrabee *(Chicago)* Timothy Stanton *(Chicago)* Roseanne White *(Chicago)*
Associate Editors:	Lori Block *(Chicago)* Michael Bradford *(Dallas)* Meg Fletcher, A.R.M. *(Chicago)* Judy Greenwald *(San Jose)* Mark A. Hofmann *(Washington)* Louise Kertesz *(Los Angeles)* Laura Mazzuca *(Chicago)* Michael Schachner *(New York)* Deborah Shalowitz *(Chicago)* Gavin Souter *(London)* Christine Woolsey *(Chicago)*
Staff Reporters:	Sara J. Harty *(Chicago)* Sara Marley *(Chicago)*
Directory Editor:	Sarah E. Polster *(Chicago)*
Assistant Directory Editor:	Karen Armaganian *(Chicago)*
Editorial Cartoonist:	Roger Schillerstrom *(Chicago)*
Assistant to the Publisher:	Karen Brown *(Chicago)*
Editorial Assistant:	Cynthia L. Bloom *(Chicago)*
Advertising Director:	Martin J. Ross III *(New York)*
Eastern Advertising Manager:	Stephen P. Lincoln *(New York)*
Midwest Advertising Manager:	Robert L. Niesse *(Chicago)*
Western Advertising Manager:	Marta Hill Stevens *(Los Angeles)*
District Managers:	Cynthia Bykowski *(New York)* Margaret Hikido *(Chicago)* Charles A. Horvath *(New York)* Thomas P. Loftus *(New York)* Deborah D. Neale *(Chicago)* Kathryn Premetz *(New York)*
Production Manager:	Elmer Kerstowske *(Chicago)*
Director of Communications:	Ronnie I. Drachman *(New York)*

EDITORIAL:	Chicago:	312-649-5398
	Dallas:	214-363-1066
	London:	71-608-1172
	Los Angeles:	213-651-3710
	New York:	212-210-0100
	San Jose:	408-379-1790
	Washington:	202-662-7200
ADVERTISING:	New York:	212-210-0228
	Chicago:	312-649-5276
	Los Angeles:	213-651-3710
COMMUNICATIONS:	New York:	212-210-0132
CIRCULATION:	Detroit:	800-678-9595

Published by Crain Communications, Inc., Chicago

Founder	G.D. Crain Jr.
Chairman	Mrs. G.D. Crain
Vice chairman	Keith Crain
President	Rance Crain
Chairman-executive committee	S.R. Bernstein
Treasurer	Mary Kay Crain
Secretary	Merrilee P. Crain
Executive vice president-operations	William A. Morrow
Vice president-circulation	William Strong
Vice president-production	Robert C. Adams
Corporate communications manager	Penelope A. Geismar

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231-6415, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 540 Latimer Circle, Campbell, Calif. 95008, Fax 408/379-3257; Cowcross Court, 2nd Floor, 75-77 Cowcross St., London EC1M 6BP, England, Fax 71/608/1173. $2.00 a copy. $80 a year in U.S. Canada and all other foreign add $38 for surface mail. Europe and Middle East only add $116 for air delivery. First-class mail to U. S., add $95; to Canada add $105. Bermuda only, $180 per year expedited delivery; Australia only, $305 per year expedited delivery. SHEILA GORMLEY, 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 313-446-1611, Fax 313/446-1650. 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: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611-2590, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-210-0229, Fax 212/210-0704.

VBPA Member of Business Publications Audit of Circulation ABP

Feeling like a fish out of water with your Inland Marine coverage?

Keeping pace with the changing technology of the 90's and knowing that your inland marine needs are specifically understood and professionally underwritten is preferable to being a fish out of water.

Our staff is prepared to aggressively help the producer and risk manager meet the challenge and keep you off the hook. From individual accounts to large programs we are trained to properly tailor coverage to exposure. Call us at Reliance National on Inland Program Business, Manufacturer Output Coverage, Warehousemen's Legal, Fine Arts and other Floater coverages.

For all your inland marine programs, Reliance National is THE CHOICE.

THE CHOICE

Reliance National

A Reliance Group Holdings Company

77 Water Street, New York, N.Y. 10005

For further information write us or call (212) 858-6308

Reliance National underwrites through Reliance National Insurance Company, Reliance Insurance Company, Planet Insurance Company, United Pacific Insurance Company, Reliance Insurance Company of Illinois, and Reliance Insurance Company of New York.

© 1992 Reliance National Insurance Company.

P E R S P E C T I V E :

ATLANTA

BOSTON

CHARLOTTE

CHICAGO

COLUMBUS

DALLAS

DENVER

DETROIT

HARTFORD

IRVINE

KANSAS CITY

LOS ANGELES

NEW YORK

PHILADELPHIA

SAN FRANCISCO

TORONTO

Fire brigades

Continued from page 3
tions in North America."

Many smaller industrial companies usually have what's known as an "incipient stage" fire brigade, in which designated employees are trained to make an initial response to fires, like using portable fire extinguishers and smaller water hoses. Their job is to attack a small fire before it becomes a big one, while at the same time alerting the local fire department and evacuating untrained employees.

These types of brigades are becoming more popular among non-industrial corporations that operate from urban office buildings as well as high-tech firms.

Not just heavy industry is taking the time to set up on-site firefighting units, said Michael Burke, vp and chief engineer with Johnston, R.I.-based Allendale Mutual Insurance Co. High-tech firms on the West Coast and in the Northeast also are implementing their own first-response organizations, he said.

"The equipment at some of these high-tech companies is so delicate that even small amounts of smoke can cause serious damage. Waiting for sprinklers to kick in can even be too late. Five to six minutes of delay can mean millions of dollars of damage," Mr. Burke said, adding that "some of our customers are setting up fire brigades that resemble SWAT teams."

Trained employees are especially important in high-rise structures. At the 100-story Sears Tower in Chicago, for example, "when the fire department arrives at the front door, it may be a quarter of a mile to the fire," Kemper's Mr. Grupp said.

"You can have a fire brigade in your office building, which will fundamentally be different from the brigade in a large petrochemical plant. The key is training the brigade for site-specific hazards," said Dean K. Wilson, director of loss prevention training at Industrial Risk Insurers, a property insurance pool based in Hartford, Conn.

There is "a wide range" of firefighting efforts in place at private corporations, Mr. Wilson observed. "Some organizations rival the finest fire departments" in terms of technology and "aggressiveness," he said.

"But also, unfortunately, each year there are people in this country injured and killed fighting fires in an industrial setting," he said. "IRI's position is that every facility should have a fire brigade, but we're talking about an organization that's appropriate to the level of hazard" and that has "management commitment" to proper training.

"Fire brigades are extremely important when set up properly. We have visited plants after a fire, and there are cases where losses would have been substantially greater had the fire not been contained by employees," said John Mertens, president of Fyrsafe Engineering Inc., a safety and loss control firm based in Rolling Meadows, Ill.

Mr. Mertens also agrees that any company that wants its workers to be the first line of defense against a workplace fire must properly train those people.

"A well-set-up and properly trained fire crew can definitely reduce damage even if a building is also equipped with state-of-the-art sprinklers. A fire brigade that only checks to see that all fire suppressant systems trigger is valuable. But they have to be constantly trained," he said.

Mr. Mertens offered an example of what can happen when fire brigade members don't receive continual training: Recently, a paper production facility suffered $2 million in fire-related damage when fire brigade members failed to activate a manual sprinkler system. After the fire began to grow, another worker who recalled how to activate the system did so and the fire was extinguished, he said.

"This proves how important recurrent training is," he said.

"Based on things I've seen as a fire chief, it's my feeling that a lot of small and medium-size companies don't do enough training" in fire brigade activities, said Mr. Grupp, who is also the chief of the Long Grove, Ill., volunteer fire department.

"What I would advocate at the least is minimum training" for certain employees in the use of fire extinguishers, said Mead Loss Control's Mr. Luker. "I find that the employees who get that training appreciate it because they can also use it at home."

About 80% of Mead Loss Control's clients have incipient-stage brigades that provide fire extinguisher training to certain employees, he said.

But, from a risk management standpoint, a company with high-risk operations, like pulp and paper or chemical operations, "can't totally depend on the local fire department" and must maintain more comprehensively trained and equipped brigades, Mr. Luker cautioned.

"Some plants may have as many as seven small fires per week that trained employees can put out before any major losses occur," said Bob Wise, fire protection and training specialist with ESIS Inc., the risk management services division of Philadelphia-based CIGNA Corp.

However, "there's no hard and fast rule about what you should have. Some choose to evacuate the building immediately and do nothing about the fire. Others train people in just the basic skills," he said.

Mr. Wise said property insurers generally want policyholders to form a fire brigade of some sort, but they don't require it for coverage to be written.

"Insurers can't force a company to train a brigade," he said. "We're finding that at many companies, health care and workers compensation come first, and property protection comes third. So not every company has a brigade."

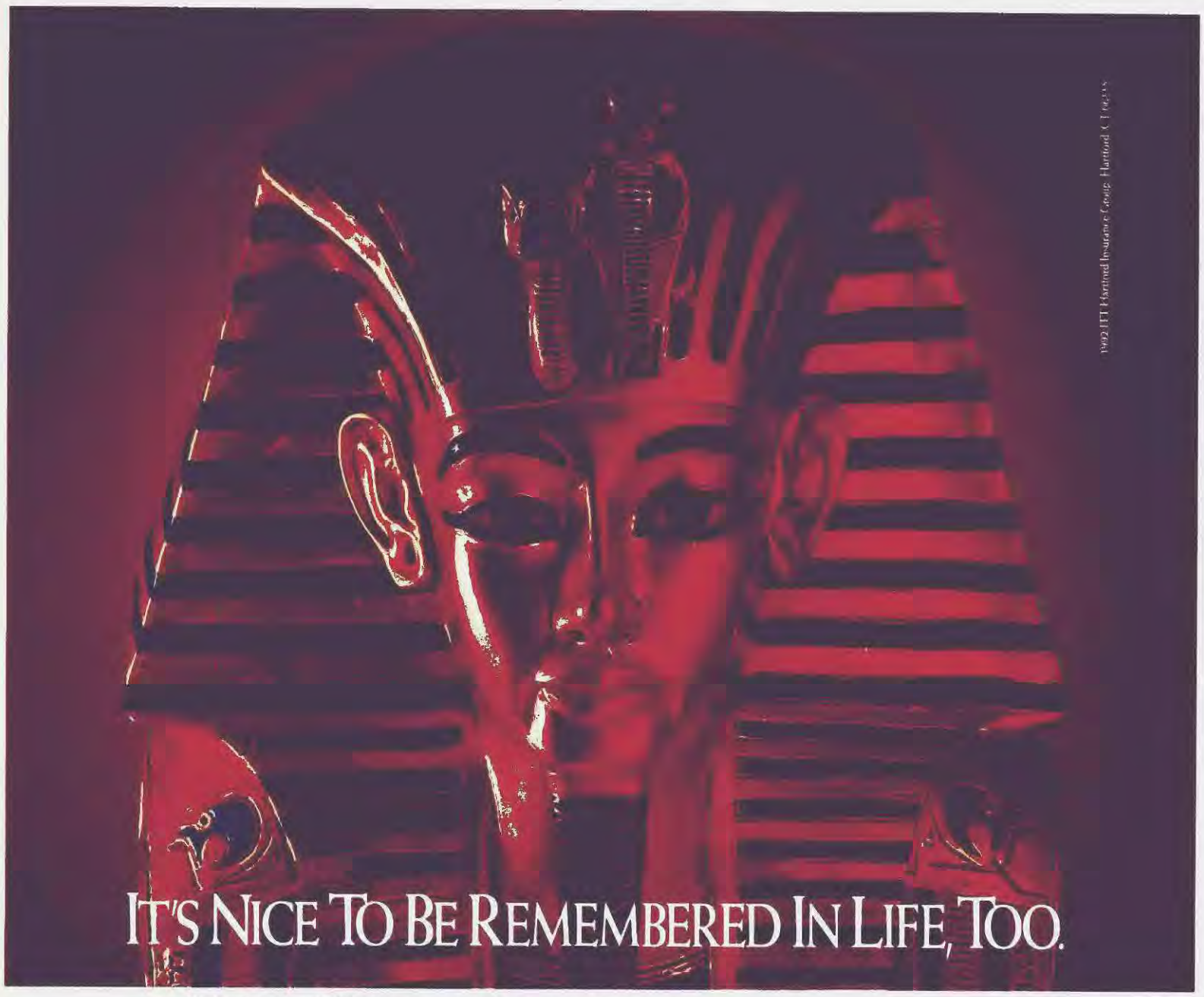
However, Kemper's Mr. Grupp said, "we might insist on an incipient brigade for a company that handles flammable liquid."

"Companies should make a business decision as to whether they have a brigade or not—and that involves a lot of factors," said Theodore C. Lemoff, senior gases engineer at the National Fire Protection Assn. in Quincy, Mass. The NFPA has developed new fire brigade standards for employers (see story, page 18).

"If a single plant makes a product that accounts for half of a company's profits, maybe you want to have a fire brigade there," Mr. Lemoff said.

Another insurer that espouses the value of fire brigades is Allendale, which says brigades can

Continued on page 16



At ITT Hartford, life insurance is living up to its name.

Our new Living Benefits Option provides up to 30% of the face value of a group life policy if a plan participant is stricken by a terminal illness (with a prognosis of a year or less). This money is paid out in one lump sum and there are no restrictions on its use.

The sad fact is, a prolonged illness can quickly wipe out a family's lifetime savings.

Our Living Benefits Option can be used to pay off a mortgage, for nursing or health care, to consolidate household bills or simply as a financial cushion for family members.

ITT Hartford is the seventh largest writer of group life in the nation. We're well recognized as a superior market for basic and supplemental group term policies that protect loved ones from the consequences of a death. But it's nice to be remembered in life, too.

Our Living Benefits Option is available in 38 states. To find out if yours is one of them, contact your ITT Hartford Life Representative.

ITT HARTFORD

For The Best In Life—And Health.

3 REASONS TO GET PROPERTY COVERAGE THROUGH A COMPANY FIRMLY ROOTED IN THE ENVIRONMENT.

ECS UNDERWRITING AND RELIANCE NATIONAL INTRODUCE PROPERTY AND INLAND MARINE INSURANCE.

1. SINGLE-SOURCE CONVENIENCE.

Ever since we began, ECS Underwriting and Reliance National have lead the way in environmental coverage. And we always will.
But now you can also obtain coverage for property and equipment through the same familiar, reliable source.
All it takes is one fast, simple phone call. To people you already know and respect.

2. COMPREHENSIVE COVERAGE.

When both your environmental liability protection and your property protection come from ECS, you can count on comprehensive coverage.
Because policies are carefully tailored to meet your specific company requirements.
No excess paperwork.
No confusion.
And that means ... no worries.

3. ALL-OUT SERVICE.

You already know ECS's track record for prompt filings, quick turnaround of policy quotations, speedy claims processing ... and service committed to keeping your operation up and running.
Now, with Property and Inland Marine insurance, through ECS, you can expect even more of the same.
Call the people at ECS.
And get quality coverage that supports your business environment, too.

OFFERING:
- *Standard Property*
- *Motor Truck Cargo*
- *Contractors Equipment*
- *Electronic Data Processing*
- *Builders Risk*
- *Crime*
- *First Party Pollution*
- *Boiler and Machinery*

PROTECTING:
- *Transporters of Hazardous Waste, Materials and Chemicals*
- *Treatment, Storage and Disposal Facilities*
- *Petroleum Dealers*
- *Contractors*
- *Laboratories*
- *Manufacturing Facilities*
- *Warehousing Facilities*
- *And many other classes of business*

ECS Underwriting, Inc.
An ECS Company

THE CHOICE
Reliance National

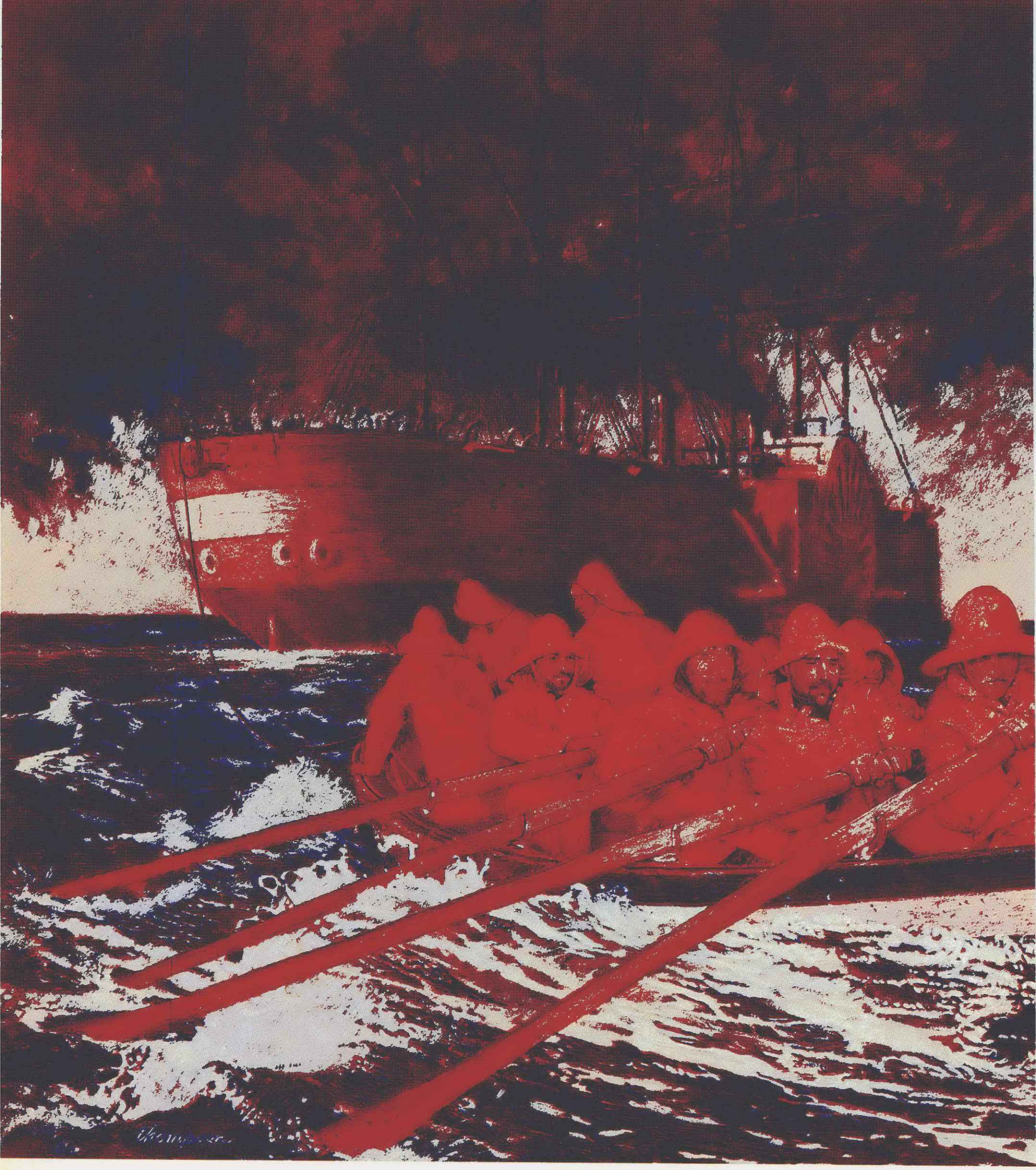
**One East Uwchlan Avenue, Suite 300,
Exton, PA 19341 Or call (800) ECS-1414
(in PA (215)) 269-6731)
FAX (215) 524-5354**

Insurance protection for American industry.
Name
Title
Company
Address
City
State Zip
Telephone

92-11-PROP-5/18

This program is underwritten by Planet Insurance Company, Philadelphia, PA, a member of the Reliance Insurance Group.

© Copyright 1992



In 1866, when the transatlantic cable linked two continents,

The telegraph. In the mid 1800's, engineers dreamed of using it to bridge the gap between Europe and North America—to cut communication time from one month to seconds. But it wasn't until after nearly an eight-year saga of dedication and persistence that an Atlantic telegraph cable was successfully laid. And when the *Great Eastern* anchored at Heart's Content to send the first message, Allendale had been listening and responding to clients for 31 years.

In a changing world where events like this shape history, this is our way of reminding you of one progressive, stable company that's been in business since 1835.

Today, Allendale is an international company bringing engineer-

Allendale had been in touch with its customers for 31 years.

ing expertise to clients around the world. We continue to shape the history of loss control with engineering, training, research and testing, responsiveness and fairness in the way we do business.

Throughout the years we've been more than an ordinary insurance company. Commitment to our insureds goes well beyond the property coverages we provide.

After a century and a half, that part of our philosophy is not about to change. Allendale Insurance, P.O. Box 7500, Johnston, Rhode Island 02919.

Allendale Insurance/Factory Mutual System
World leaders in property risk management since 1835.

Fire brigades

Continued from page 12
reduce the size of fire losses.

At highly protected risk properties where a fire brigade responded to a fire, the average loss was about $320,000, or 72% lower than the $1.1 million average loss at HPR properties where employees were unable to quell a fire, said Mr. Burke.

At non-HPR properties, the average loss when a fire brigade responded was 78% less than the $1.4 million average at facilities without brigades, he said.

"While sprinklers are the best protection, fire brigades are right up there. And they're successful about 70% to 80% of the time in reducing damage," said Mr. Burke. "Regardless of what level the crew works at, fire brigades pay for themselves."

Allendale doesn't require that policyholders train a fire brigade in order to obtain coverage.

"There's very little we actually require. We can write around the absence of a fire brigade, but then we have to look closer at the other protective systems," Mr. Burke said. ■

Company-specific fire brigades

Many are integral part of property loss control effort

By LOUISE KERTESZ and MICHAEL SCHACHNER

Corporate fire brigades can range from a group of employees who use fire extinguishers until professional help arrives to squadrons of specialists that rival the heroes of "Backdraft."

However, several companies that have formed fire brigades have one thing in common: They consider their brigades an important element in the property loss control strategy.

Tacoma, Wash.-based Weyerhaeuser Co. requires all of its 270 locations to have at least an incipient-stage fire brigade, according to John Lambdin, manager-loss control.

These types of brigades provide initial response to a fire using fire extinguishers and small hoses (see story, page 3).

The size and structure of the brigade "depends on the size of the mill, its distance from the closest fire department and the type of wood processing that the mill is doing," Mr. Lambdin said.

"What's most important to us is that we have protection that matches the facility and that our people are trained. You can't be putting workers in danger," Mr. Lambdin said.

Weyerhaeuser has documented the success fire brigades have had in preventing serious fires from breaking out: "We are supposed to get a report on every fire. And we know that at least several times every year a fire brigade succeeds in controlling a fire before it gets serious."

Mr. Lambdin says Weyerhaeuser doesn't receive rate breaks from its property insurer for having a fire brigade at all sites.

"Most of our mills are HPR-rated. Having a brigade is expected. Rates are affected in the other way. If we don't have a brigade, our rates can be higher," he said.

Dayton, Ohio-based Mead Corp. maintains full scale fire brigades at five Mead paper plants in the United States, as well as brigades at other subsidiaries suited to their particular risks.

For example, at its paper plant in Escanaba, Mich., Mead maintains a full-scale 60-member brigade composed of security personnel and maintenance staff. Each shift's maintenance foreman serves as fire chief of the brigade, which is on 24-hour call.

The brigade, which operates three small fire trucks, is "important, because though we have an excellent fire department in Escanaba, we feel that if we get to a fire quickly, it will cause less damage," said Carl Lawson, lead security guard at the plant and a brigade member.

The Escanaba paper plant averages about 40 fires of varying levels of severity each year, he said.

In the 12-year history of the brigade, "we only had to call the Escanaba fire department twice, and both times they just stood by" as the brigade itself finished putting out the fire, Mr. Lawson said.

Mead's fire brigade members receive live-fire training at a company-owned facility in Rome, Ga.

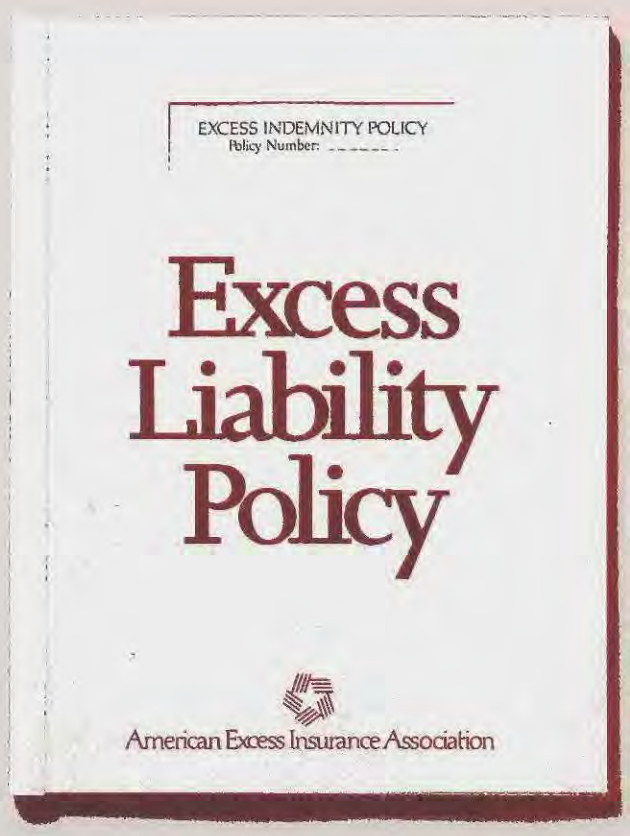
Houston-based Baker Hughes Inc., which manufactures tools for the oil drilling industry, has an 18-man fire brigade over three shifts at its 1 million-square-foot Houston assembly plant, said James Perry, director of risk management and insurance.

"There has never been a major fire at that plant since we put in a fire brigade more than 20 years ago, and it gets hot there," he said.

Mr. Perry said the fire brigade is normally called upon to answer false alarms, but does extinguish two or three potentially damaging fires every year.

Baker Hughes' fire brigade—

Continued on page 18



The Patchwork Quilt Vs. Our $75 Million Blanket.

A single policy of $75 million over $25 million in excess liability coverage is available today from the American Excess Insurance Association,* a facility comprised entirely of domestically admitted insurance companies. Within our policy you can avoid missing layers, inconsistent language, offshore captives or disputes among multiple carriers.

You enjoy the benefits of one claim manager, one underwriting facility, one policy of $75 million beginning at $25 million. You may choose $50 million or $25 million policies (also in excess of $25 million) if they represent your top layer of coverage.*

The members of the American Excess Insurance Association (you may have heard us called the "American Slip") are among the nation's largest and strongest insurance institutions, with the capacity to bring stability, consistency and permanence to excess liability coverage. The association is qualified to do business in almost every state of the union.

Your premiums are tax deductible, and there's no added investment or "reserve premium" to lock you in. Our underwriting standards are designed to satisfy a broad spectrum of North American business.

If you're interested in the advantages of stable and uniform excess liability coverage, ask your broker or company agent to call this number: (203) 528-2155.

American Excess Insurance Association

*Note: A few classes are restricted to $50 million in excess of $50 million.
Each member is severally and not jointly liable for its share, as specified in the policy, of any assumed risk. Terms and conditions of coverage are as stated in the policy.

Ætna Life & Casualty; American International Group; CNA Insurance Companies; Chubb Group of Insurance Companies; The Continental Corp.; Crum and Forster Insurance Organizations; General Star National Insurance Company, Subsidiary of General Re; The Home Insurance Company; Insurance Company of North America, a CIGNA company; Maryland Casualty Company; NAC Re Corp.; Royal Insurance Company of America, a member company of Royal Insurance group; The Travelers; Zurich-American Insurance Group. (Underwriting member companies: The Ætna Casualty and Surety Company; American Home Assurance Company; Continental Casualty Company; Federal Insurance Company; The Continental Insurance Company; United States Fire Insurance Company; General Star National Insurance Company; The Home Insurance Company; Insurance Company of North America; Maryland Casualty Company; NAC Reinsurance Corporation; Royal Insurance Company of America; The Travelers Indemnity Company; Zurich Insurance Company, U.S. Branch.)

Helmsman's corporate posture when it comes to adapting to your business.

At Helmsman, we know that each business has unique self-insurance needs. So we've built a flexible portfolio of products. We can tailor a self-insurance plan to meet your needs for loss control, claims and management information. Not only are we flexible, but as part of the Liberty Mutual Insurance Group we have over 80 years of experience controlling workplace injuries and managing claim costs effectively.

Helmsman offers two approaches to self-insured customers. Our proven full-service program includes coordinated claims administration, loss control and a risk information system. This program attacks the full range of workplace safety issues and injury costs. The end result is a lower final cost for your self-insurance program by reducing lost time, controlling medical payments and improving workplace safety.

In addition to our full-service program, Helmsman offers customized claims, loss control or risk information contracts. The claims component contains effective managed care functions. The loss control contract has state-of-the-art engineering programs to help reduce loss, and the risk information contract provides Risktrac®, a comprehensive risk information system.

So when you're in need of the highest quality self-insurance services, remember, at Helmsman we're always in the best position to help you.

Helmsman
Management
Services, Inc.

© Helmsman Management Services, Inc., is a wholly owned subsidiary of Liberty Mutual Insurance Group

Spotlight report

NFPA drafts fire brigade standard for all to follow

Standard meshes with OSHA rules; can serve as benchmark for efforts

By LOUISE KERTESZ

The National Fire Protection Assn.'s new fire brigade standard is designed to help companies develop brigades and properly train employees for brigade service.

NFPA Standard 600, dubbed "Standard on Fire Brigades," builds on existing Occupational Safety and Health Administration regulations governing workplace brigades, as well as on the practices of companies at the leading edge of property loss control.

The NFPA standard, which became effective in February, describes five types of fire brigades, the scope of their activities and the training and equipment needed to maintain each brigade's effectiveness.

The material in NFPA 600 is not completely new, because the standard is based on the group's own fire brigade organization and training guide that has been revised through the years and used extensively by companies and insurers.

The Quincy, Mass.-based NFPA is an independent nonprofit organization devoted to developing fire safety standards, as well as providing information on fire protection, prevention and suppression.

NFPA 600 was developed by a committee of consultants, employers and insurers who are aware of what is already being done by companies "at the leading edge" of firefighting practices, said Walter Luker, senior vp and general manager of Mead Loss Control Consultants Inc. in Dayton, Ohio.

But now all companies can follow a standard that "meshes with and clarifies OSHA regulations" for fire brigades issued in 1980 and gives companies "practical options" in designing their own fire brigades, Mr. Luker points out.

In fact, NFPA 600 builds on the fire brigade regulations issued by OSHA.

OSHA requirements are law, whereas NFPA standards are legally binding in only certain jurisdictions.

But loss control experts say it is good risk management to comply with the NFPA standards, whether or not they are legally binding.

The 1980 OSHA regulations do not mandate that all companies have a brigade.

For example, OSHA allows companies to instead implement an effective evacuation procedure, with or without training certain employees to use fire extinguishers.

But if employers choose to establish a brigade, OSHA's regulations, which are intended to ensure worker safety, set forth "requirements for the organization, training and personal-protective equipment of fire brigades whenever they are established by an employer."

The OSHA rules require, among other things, that a company draft an organizational statement describing the structure of its brigade and the frequency and type of training that brigade members receive.

But OSHA defines only two types of brigades that employers

Continued on next page

Companies' brigades

Continued from page 16

which is a full structural brigade that uses a fire truck, a jeep, wheeled extinguishers and hoses —conducts monthly training exercises in the use of firefighting equipment similar to that used by fire departments.

The brigade at McDonnell Douglas Corp. in suburban St. Louis is considered an industrial fire department, said Craig Remsburg, chief of fire services for subsidiary McDonnell Aircraft Co. The sprawling facility has had a brigade since the 1940s.

The brigade, consisting of 52 dedicated members, operates fire engines and pumpers and is on call 24 hours a day, seven days a week. It protects a 15 million-square-foot combat and technical aircraft manufacturing complex as well as the corporate headquarters.

The facility stretches into four municipal jurisdictions in St. Louis County, and the brigade has mutual-assistance agreements with all four of their fire departments, Mr. Remsburg said.

This means the brigade will respond to fires in the community, and in return area fire departments will assist the brigade, he explained. McDonnell Douglas' own brigade contains most fires that break out on company property unassisted.

Fire brigades of all types are maintained at other McDonnell Douglas facilities nationwide, depending on the site-specific risk, from fire departments to the most basic of incipient brigades, Mr. Remsburg said.

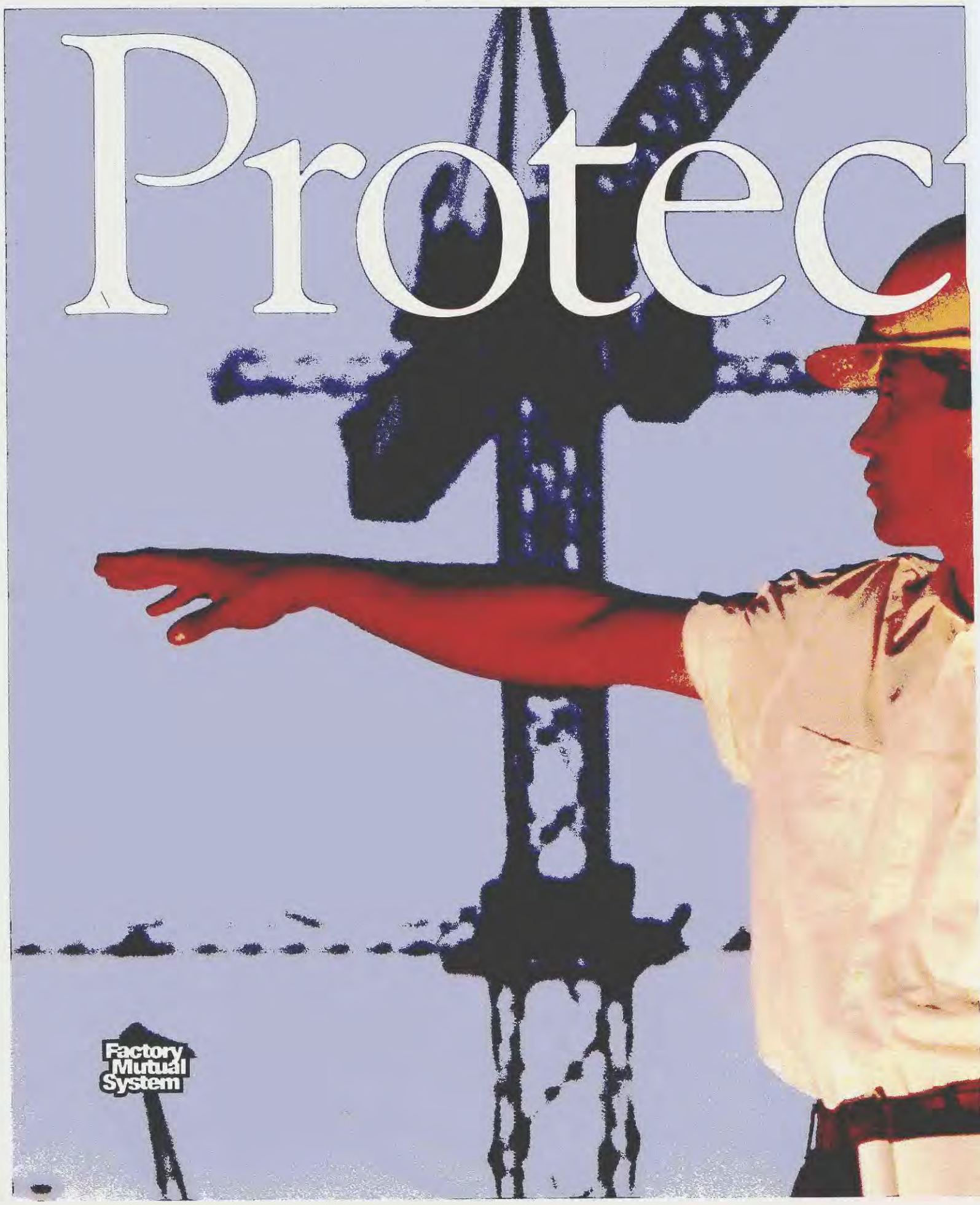
Despite these testimonials, some companies—like retailer Fedco Inc.—have decided not to form fire brigades of any type.

"We considered the exposure our people would have" in fighting fires and the fact that "we're very blessed in that we have top-drawer firefighters" in the metropolitan areas served by Fedco stores, said Nathaniel Lord, risk manager of the Santa Fe Springs, Calif.-based company.

"We believe that fire is something that should be handled by professional firefighters," he said.

But many Fedco workers are trained to use fire extinguishers, he said.

Fedco also "provides extensive training for evacuation," said Mr. Lord, noting that training served the company well in the recent riots in Los Angeles. A Fedco store in West Los Angeles was looted and damaged in the rioting (*BI*, May 11). ■



Continued from previous page
might choose to establish:

- An "incipient" brigade, which would fight fires in their early stages in enclosed structures, using portable fire extinguishers and other basic equipment.
- A "structural" brigade, which would combat larger fires in enclosed structures, using full thermal protective clothing and more advanced firefighting equipment.

The 1980 OSHA regulations governing the training and equipping of structural brigades proved a disincentive to many employers, because of the cost involved in compliance.

"Many of our clients downscaled" their brigades following the OSHA regulation, Mead's Mr. Luker said. "But they were better off not to (maintain a brigade) at all rather than doing it halfway.

"At this point you'll find very few companies that have a full-fledged structural brigade, but the vast majority that have them are doing them appropriately," he said.

"Companies that straddled the fence" in their commitment to firefighting "decided to turn more over to the local fire department and thus reduce the expense" of maintaining a structural brigade that met the OSHA guidelines, said David C. Grupp, senior fire protection engineer at Kemper National Insurance Cos. in Long Grove, Ill. He is also chief of Long Grove's volunteer fire department.

"I suspect a substantial number that had some activities on the (structural) brigade side backed away and classified their brigade more as incipient," he said.

'It was OSHA's belief that we should not kill firefighters,' says Mr. Lemoff of OSHA's strict standards.

However, some companies made that decision too hastily, without considering whether local fire departments could provide the special firefighting protection the companies needed, Mr. Grupp said.

On the other hand, "there may have been some (structural) brigades that should not have been in there" before the OSHA regulation, said Theodore C. Lemoff, senior gases engineer at the NFPA in Quincy. Those brigades "might have had some very nice uniforms, but might not have had the training or equipment" needed to fight fires safely, he said.

"It was OSHA's belief that we should not kill firefighters," said Mr. Lemoff, explaining OSHA's rigid safety standards for fire brigades.

To enhance protection for firefighters, the NFPA in 1987 issued Standard 1500, "Standard on Fire Department Occupational Safety and Health Program," which it said applied to industrial fire brigades, as well as municipal fire departments.

But companies found NFPA 1500 even more costly and difficult to comply with than the OSHA regulations for structural brigades.

Eventually the NFPA said that Standard 1500 applied only to municipal fire departments.

Companies with full-scale fire departments that fight fires outside plant limits as well as at company-owned facilities are currently considering whether NFPA 1500 applies to them, said Craig Remsburg, chief of fire services at McDonnell Aircraft Co. in St. Louis, a unit of McDonnell Douglas Corp.

Mr. Remsburg was a member of the technical committee that developed NFPA 600.

Those companies with full-scale fire departments—including McDonnell Douglas—may decide instead to classify their fire departments as the most advanced of the five brigade types defined by NFPA 600, said Mr. Remsburg.

The five categories of fire brigades, and how they are defined by the NFPA, are:

- Incipient brigades that fight interior fires.

These brigades are able to safely fight interior fires in normal work clothing and without self-contained breathing apparatus, are not required to take evasive action to avoid smoke and heat and are able to fight the fire with portable extinguishers or low-volume water hoses.

- Incipient brigades that are also trained for defensive exterior firefighting.

These brigades, who work in regular clothing, can use more powerful equipment.

Members of incipient brigades must receive training and education and participate in a drill at least annually.

- Brigades that fight only advanced exterior fires.

Members of these brigades, who must not enter enclosed structures, must wear full thermal protective clothing and use self-contained breathing apparatus. These brigades, which can perform both offensive and defensive operations, are found at chemical or other facilities where the major threat of fire is to a structure's exterior.

- Brigades assigned advanced interior firefighting.

These brigades, which perform offensive or defensive operations, fight interior fires that have progressed beyond the incipient stage. They must wear full thermal protective clothing and self-contained breathing apparatus, and they use high- and low-volume water hoses.

They must not fight advanced exterior fires.

- Brigades that fight both advanced interior and exterior fires.

These brigades, which are combinations of categories three and four, are the highest skilled and equipped brigades.

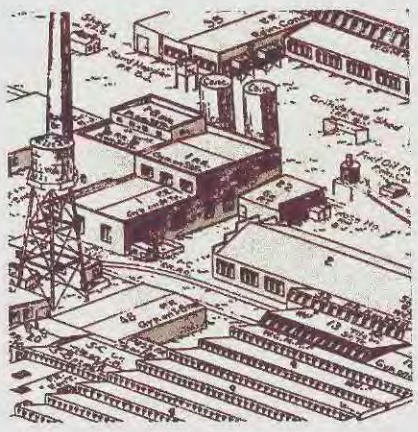
Category three, four and five brigades must receive education and training, including live-fire training at least quarterly, and participate in a drill at least semi-annually.

The protective clothing and equipment worn by these advanced brigade members must be in accord with several NFPA fire protection standards. A maintenance and inspection program must be established for the brigade's clothing and equipment.

Each advanced brigade member must be examined and certified annually by a qualified physician as being medically and physically fit.

In addition to creating the brigade categories, NFPA 600 re-

Continued on next page



Many years ago, our engineers provided meticulously detailed isometric drawings of our insureds' property. Protecting an organization requires commitment and a "hands-on" approach to loss prevention engineering. Protection Mutual's focus on service provides insureds with a value not found in an ordinary insurance contract.

Although facility plans are now generated by computers, Protection Mutual continues to provide a personal approach to loss prevention engineering. Our loss prevention engineers inspect facilities, offer practical advice and help many of the world's leading organizations protect their assets.

It comes down to one word . . . Protection.

With physical and financial protection, we will secure the future of your business.

It's Our Word.

Protection Mutual

Part of the Factory Mutual System

300 South Northwest Highway
Park Ridge, Illinois 60068 708.825.4474

NFPA standard

Continued from previous page

quires that companies with brigades formulate an organizational statement.

"The purpose of the fire brigade organizational statement is to demonstrate management's commitment to the establishment of a fire brigade. This statement identifies all of the information pertinent to the fire brigade, and is intended to provide the fire brigade member with a clear picture of the organization of the brigade and the duties that he or she is expected to perform as they relate to the fire brigade," NFPA 600 states.

The NFPA provides a sample organizational statement for companies to follow.

The standard also provides guidance in how to train and equip the type of brigade a company chooses to establish.

"For years we have urged various insureds to have a fire brigade, and there has been a great lack of information" on just how to go about it, said Dean K. Wilson, director of loss prevention training at Industrial Risk Insurers in Hartford, Conn. "For the first time, standards are given for the development and training of a brigade."

NFPA 600 is "a user-friendly document that can be adapted to any workplace, dealing with any hazard," said McDonnell's Mr. Remsburg.

Insurers and consultants stand prepared to help companies interpret NFPA 600.

Jardine Insurance Brokers Inc. will "take a basic boilerplate program" covering firefighting regulations and standards and "customize it for (clients in) the entire gamut of industry," said Fred Everhart, manager of loss control services in Los Angeles.

"All of these things are fairly overwhelming for most businesses that are trying to make it through the recession and make money. I don't think the government does a good job in educating companies in how to comply" with the myriad regulations and standards relating to fire protection, Mr. Everhart said.

'For the first time, standards are given' for developing and training a brigade, says Mr. Wilson.

Consultants like Mead Loss Control offer fire brigade training based on NFPA standards.

Mead also performs fire brigade audits in which it evaluates a company's fire brigade against standards and against the nation's best-performing brigades.

IRI is co-hosting a series of seminars around the country to familiarize people with NFPA 600 and its impact on industry. The seminars are jointly sponsored by IRI; the Industrial Fire & Emergency Management Training Assn., a division of the Ashland, Mass.-based International Society of Fire Service Instructors; the Factory Mutual System; and CIGNA Corp.

"The one-day seminar walks them through NFPA 600 to eliminate misconceptions. The two-day seminar picks up where the other left off, to determine how in-depth a brigade needs to be and how to structure it," said Larry Wenzel, senior loss prevention training consultant at IRI.

"We're hoping that through education and common sense people now have a tool by which they can choose what fire brigade level they really need," Mr. Wenzel said. He described the seminar material as "brand new stuff that hasn't been made available to the public before. It's the first national program that has ever tackled this area as far as we know."

Prior to NFPA 600, there was no way to measure the effectiveness of fire-brigade training, noted Mr. Wenzel.

"Until NFPA 600 was developed, there was no way of getting a third party to look at what you're doing and measure it against a national standard," agreed IRI's Mr. Wilson.

With the NFPA 600 standard in place, the International Society of Fire Service Instructors has created a group to develop training standards and certify fire brigade instructors who meet them. IRI's Mr. Wenzel is chairman of the certification board.

Independent consultants as well as employers that want to certify employees to train brigades may apply for certification.

"In the past, someone could hang a shingle out and say, 'I'm going to handle fire brigade training.' Certification is a peer review of their training capability by a board of experts in the field," said Mr. Wilson.

The certification board is also working on a document that will be of great help to employers: a needs assessment form that will quickly outline for an employer what type of brigade it should establish.

The assessment form will be available in about a month from IFEMTA, Mr. Wenzel said. ■

Unexpected losses

Continued from page 3

pany's site selection process nationwide as it opened new retail outlets, he said. The firm also moved certain corporate functions away from the Memphis headquarters to help ensure the company could keep functioning if an earthquake occurred.

AutoZone's plan also anticipates the need during a disaster to transfer certain physical resources, like portable electricity generators, to stores in affected areas. Personnel are trained not only to respond to a disaster, but to assist customers in distress.

Although the plan was designed to respond to an earthquake risk, it was tested when Hurricane Hugo struck South Carolina in 1989. By drawing on its comprehensive plan, AutoZone was quickly able to dispatch generators to South Carolina retail outlets and keep the stores open, Mr. Geelan said. This ability to meet customers' needs at a tremendously difficult time built up considerable good will, he pointed out.

A worst-case scenario involving earthquakes is also the basis for Fireman's Fund Insurance Co.'s own comprehensive response plan. "Earthquake was the most extreme—if we could respond to that, we could respond to something less," said Scott Morton, director of corporate risk management for the Novato, Calif.-based insurer.

Mr. Morton said the plan, which has been in place for about a year, involves making sure Fireman's Fund employees all over the country know their assigned tasks if a disaster or other emergency should cripple the home office. For example, even the headquarters' public information specialist has a backup co-worker at Interstate National Corp., a Fireman's Fund unit in Chicago, to field questions and issue statements if a disaster strikes in California.

"You have to have a strong concept. It's pretty hard to plan for every detail. But if they (employees) understand the concept, they will cope," said Mr. Morton.

When determining what can happen, the risk manager needs to look beyond the walls of the company's facilities to the exposures in the surrounding area and even the region, said Melvyn Musson, vp in Johnson & Higgins' St. Louis office.

Risk managers "should stand back and take a look at the facility and try to visualize what could happen, irrespective of the probability initially," he said.

For example, John Davenport, assistant vp and director of research for Industrial Risk Insurers in Hartford, Conn., said that IRI inspectors take note of whether a customer's facility is in the approach path of an airport.

Although the existence of a nearby airport doesn't mean that coverage is going to be denied, its presence does require contingency planning, he said. "It would require the same type of planning as if the plant were on fire."

Factory Mutual's Mr. Pebranti agreed that even though the odds of a jet crashing into a manufacturing facility are very slim, precautions need to be taken for such unexpected disasters. These precautions include holding evacuation drills and knowing where to obtain medical treatment should disaster strike.

Developing a disaster response plan should involve more than the risk manager.

Dennis Cockerham, Fireman's Fund's vp-loss control, said that risk managers ought to sit down with individual plant managers, safety directors and others to identify a company's exposures and responses. Each participant will have a different perspective.

J&H's Mr. Musson also recommended brainstorming, or "hazard screening" with brokers, loss control officers—as many people as possible—to determine the answers to three key questions:

- What can happen?
- What will be affected?
- What impact will it have?

One potential disaster planning resource that's often over-

Continued on next page

DAVID gives you the Power to Slay the Paperwork Giant.

Get the power of innovation and slay the "Giant" of claims administration paperwork with the DAVID system. For seven years, Risk Managers across the country have teamed up with DAVID's three products: Comp*Plus*™ for managing workers compensation claims, P&C*Plus*™ for managing liability claims, and Incident*Plus*™ for tracking healthcare incidents. Features include:

- 12 hr/day, toll-free phone support
- comprehensive on-site training
- simplified preinstallation and conversion
- appropriate hardware selection
- convenient software enhancements by phone

Control your costs and manage data effectively. **Call today** and let DAVID help you slay your Giant. Phone: 1-800-55-DAVID, or fill out and return the coupon below for a **FREE** demo diskette.

DAVID

DAVID Corporation
One Sansome St., Ste. 950
San Francisco, CA 94104
1-800-55-DAVID
FAX (415) 362-5010

DAVID Corporation is a Subsidiary of Wyatt Software
© copyright 1992, DAVID Corporation

❑ YES! I'm interested in more information and a free demo diskette.

NAME
TITLE PHONE
COMPANY
STREET
CITY STATE ZIP

See us at PRIMA booth #711

RELIABLE SERVICE.

From the Gulf of Mexico to the Indian Ocean, your marine insurance company should offer consistent, reliable service.

At Continental Underwriters, we built our strong service reputation by fully meeting the insurance needs of our clients, by anticipating complex and unusual risks, and by responding immediately to our clients' exacting needs.

Continental Underwriters provides insurance coverage for any marine related risk, large or small, conventional or complex, foreign or domestic, for multi-national corporations or small fishing fleets.

Today invest 15 minutes. Call the marine insurance specialists at Continental Under-Underwriters, Ltd.

Continental Underwriters, Ltd.

Correspondent, Lloyd's of London
(504) 898-5300 Fax: (504) 898-5324

Continued from previous page
looked by risk managers is local government emergency preparedness offices, said Chubb's Mr. Lee. He cited the experience of a client with about 20 sites across the nation.

A Chubb loss control representative called the local emergency preparedness office in each location to get a list of potentially disastrous exposures and then met with the various plant risk managers to discuss his findings.

None of them had ever contacted the local agencies, Mr. Lee said. If they had, they would have learned of such things as the presence of an earthen dam only a few miles from one plant and a rail line that regularly carried hazardous cargoes only a few miles from another plant, he said.

Millie Workman, director of corporate risk management for Belz Enterprises in Memphis and president of the Business Emergency Preparedness Council of Memphis & Shelby County, also stressed the need to work with local government preparedness agencies when putting together a disaster response plan. Government officials know how resources will be allocated and what will be permitted in the wake of disaster, like access to facilities or use of private aircraft, she said.

While a risk manager can draw up a corporate emergency response plan, it can be transformed into a "fairy tale" if it violates the emergency regulations laid down by local authorities in the wake of a catastrophe, Ms. Workman explained. By checking with the authorities, risk managers can reduce the chance of having their emergency response plan grind to a halt.

Risk managers also should initiate contact with another key group—construction contractors—well in advance of any emergency, said Steven W. Sachs, vp-risk management services division of Hobbs Group in Columbia, Md., a brokerage unit of Arkwright Mutual Insurance Co. Mr. Sachs provides risk management services to the Rouse Co., the real estate development firm.

Mr. Sachs said that Rouse has a "mall emergency/catastrophe plan" that provides a customized plan to cover the particular exposures of each facility it manages. These site-specific plans, which cover perils like bomb threats and fires as well as natural disasters, include information on local contractors that should be contacted for repairs, he said.

"You want to know that you're going to have the person you're comfortable with responding quickly" to calls for repairs, said Mr. Sachs, adding that Rouse's aim is to have someone on site within 24 hours of the catastrophe.

To accomplish this, arrangements need to be made far in advance of a disaster, he stressed. A risk manager who hasn't planned in advance is simply going to be one more person in line clamoring for resources, he said.

No matter what type of disaster befalls a company, the risk manager has a responsibility to consider its possibility and plan for it, said George Head, vp of the Insurance Institutes of America in Malvern, Pa.

In addition to brainstorming and working with consultants, the risk manager needs to comb historical records, he noted.

Had Pharaoh's risk manager done his research before Egypt was hit by the plagues recorded in the Book of Exodus, he probably could have responded to them because similar calamities previously had befallen the country, Mr. Head observed.

Only if an event has never happened in history should a risk manager be excused from considering it, he said.

If a risk manager thinks of a peril, dismisses its likelihood and then convinces senior managers to dismiss it as well, the risk manager's duties have been fulfilled, he said. But if the risk manager dismisses a peril without getting senior managers to follow, that risk manager hasn't done his or her job, he said. ■

Explosions, though few, account for huge losses

Fires constitute largest share of property claims

By LORI BLOCK

While fires are the most common cause of claims filed with property insurers, explosions can rip through an insurance program, creating huge losses.

From 1988 to 1990, fire losses accounted for 36.6% of the claims filed with and 37.1% of the dollars paid out by Industrial Risk Insurers, the Hartford, Conn.-based insurer reports. Meanwhile, over those years, explosions accounted for only 4.5% of all claims filed with IRI, but comprised 25.4% of the losses paid.

Data from another insurer tell a similar story. In 1991, fires accounted for 12.3% of the claims filed with and 33.8% of the dollars paid out by Arkwright Mutual Insurance Co. of Waltham, Mass. Explosions, while representing just 1.6% of the claims filed, accounted for 23.9% of Arkwright's claims payments last year.

"The cause of loss to be most concerned about, and it's reflected by the statistics," is explosion, insists Barron S. Wall, a managing associate with Insurance Consulting Associates in South Hackensack, N.J. "In addition to the high dollar amount involved per loss, this is a cause that may pose high moral hazards, as arson may be cloaked as (an) explosion, particularly when a business is not doing well."

A few explosions can often account for a huge share of payouts.

For instance, in 1989, the year of the $1.1 billion Phillips Petroleum Co. plant explosion in Texas, explosions accounted for just 3.1% of the claims filed with IRI, but 41.6% of claims payments. Explosions were the most costly cause of loss to IRI that year, superceding fires (*BI*, Nov.

Continued on next page

call for entries
20th annual
excellence beyond EBC compare
EMPLOYEE BENEFITS COMMUNICATION AWARDS

The 20th Annual **EMPLOYEE BENEFITS COMMUNICATION AWARDS** will be presented on October 13th during a luncheon sponsered by *Business Insurance*, honoring excellence in communicating employee benefits.

The Competition is open to all companies in the U.S. and Canada, and has no restrictions as to the size of the company.

A panel of benefit managers and communication specialists will select winners from a variety of categories.

JUNE 1 DEADLINE FOR ENTRIES

Entries will be accepted beginning May 11th. No entry will be accepted after June 1st.

For Competition rules and entry forms, or for awards luncheon details, fill out the coupon and mail or fax to:

Barbara Dalton, EBC Registrar
BUSINESS INSURANCE
220 E. 42nd Street, Suite 930 • New York, NY 10017
Fax: 212/210-0704

Please send me information on the 1992 EBC Awards:
☐ Competition ☐ Awards Luncheon

name
title
company
address
city state zip
phone number
fax number

Business Insurance®
a publication of Crain Communications Inc

What's new in country club coverages?
Ask Bruce.

Or Brendan. Or Bryan.
It's no accident that knowledgeable agents and brokers turn to the Brownyards when clients turn to *them* for country club coverages.

The Brownyard Group surveyed thousands of country clubs and created insurance programs providing the tailored, comprehensive protection those buyers wanted.

Bruce Brownyard

Private golf and country clubs across the nation are benefiting from Brownyard "full-featured" coverages. Be sure *your* clients get the latest and best in country club protection. **Talk to the Brownyards.**

21 Maple Avenue, CN9175
Bay Shore, New York 11706-9175
(800) 645-5820 • In NY: (516) 666-5050 • FAX: (516) 666-5723

Halon substitutes

Continued from previous page
approval for the two products from the EPA and Underwriters Laboratories Inc., an independent laboratory testing and approval firm, Ms. Leedy noted.

Great Lakes Chemical Corp. in West Lafayette, Ind., has developed two halon replacements, FM 100 and FM 200, according to Mark Sweval, business manager of performance chemicals.

However, FM 100 has an ODP between 1.0 and 1.4, which exceeds that required by the Clean Air Act. Thus, FM 100 is only an "interim alternative" to halon, Mr. Sweval said.

FM 200 is designed to replace Halon 1301 in total flooding systems, Mr. Sweval said. However, twice the quantity of FM 200 is required compared to Halon 1301, and an FM 200 delivery system would require twice the storage capacity and pipes with twice the diameter of those employed in a Halon 1301 system, Mr. Sweval noted.

He estimated that the cost of using FM 200 would be two to three times greater than the current cost of using Halon 1301.

North American Fire Guardian Technology Inc., a firm based in Vancouver, British Columbia, has developed NASF III as a substitute for Halon 1301, according to Jack Taylor, vp and technical adviser.

NASF III has an ODP of 0.04 and can be substituted directly into a Halon 1301 system that has been slightly modified, Mr. Taylor said. Approximately 7% more NASF III is required per cylinder than Halon 1301, he said. And, the cost of NASF III is very close to the cost of Halon 1301, Mr. Taylor added.

North American Fire Guardian has submitted NASF III for approval from the EPA, he said.

Elf Atochem North America Inc. of Philadelphia is working on an as yet-unnamed substitute for Halon 1301, said Bertrand Nusbaumer, business manager.

The substance has an ODP of zero, but twice as much of the substitute is required to be effective, Mr. Nusbaumer said.

Several firms are investigating manufacturing new delivery systems for the halon substitutes that are being developed.

"In general, you cannot just put the new agents in the old equipment," said William A. Eckholm, senior vp of Fike Protection Systems, a division of Fike Corp. in Blue Springs, Mo.

Retrofitting a halon system to accommodate a new fire suppression product may require as little as a few minutes per valve or more than an hour per valve, he explained.

And, a greater volume of most of the new products must be used, so a company may not have enough capacity to store the product, Mr. Eckholm noted.

Furthermore, "in a majority of the cases, the piping distribution system will have to be recalculated," perhaps requiring new pipes of a different diameter than those already in place, Mr. Eckholm added.

However, "it probably sounds far more complicated than it may be in real life," he quipped.

Fike is testing and seeking approval from Underwriters Laboratories and Factory Mutual for delivery systems for Du Pont's FE 25, 3M's PFC 410 and Great Lakes' FM 100 and FM 200, Mr. Eckholm noted.

Kidde-Fenwal Inc. is studying the feasibility of developing a delivery system for five new products: Du Pont's FE 13 and FE 25; 3M's PFC 410 and PFC 614; and Great Lakes' FM 200, said Stan Slonski, product manager-fire suppression systems for the Ashland, Mass.-based firm.

Kidde-Fenwal is assessing what kind of delivery hardware would be best for the new products, Mr. Slonski said. For example, although Halon 1301 protects an enclosed room, perhaps some of these new products would be good candidates for local applications as a stream, mist, fog or spray.

"There are many things you can do as long as you're willing to be creative and logical in your approach," he commented.

Mr. Slonski predicted the firm will have delivery systems available for sale before 1994. ■

Is her life worth $214,000 to you? Not any more.

Now you're sheltered from insurance's most catastrophic claims—for transplants.

With transplant reinsurance from BCS, you can offer transplant coverage and handle virtually any claim at an incredibly reasonable cost. After nine years of making transplant reinsurance available to a limited market, BCS is now offering it to other carriers, HMOs and self-insured groups over 1,000.

The transplant coverage provided by BCS pays for organ transplants—heart, heart/lung, lung, liver, pancreas—and for bone marrow procedures, including those for breast cancer. It pays for follow-ups for one year. It pays for five days of pre-op services, from organ removal to shipment to family travel. And it pays from dollar one up to a lifetime maximum of $1 million per type of transplant. There are no deductibles or attachment points.

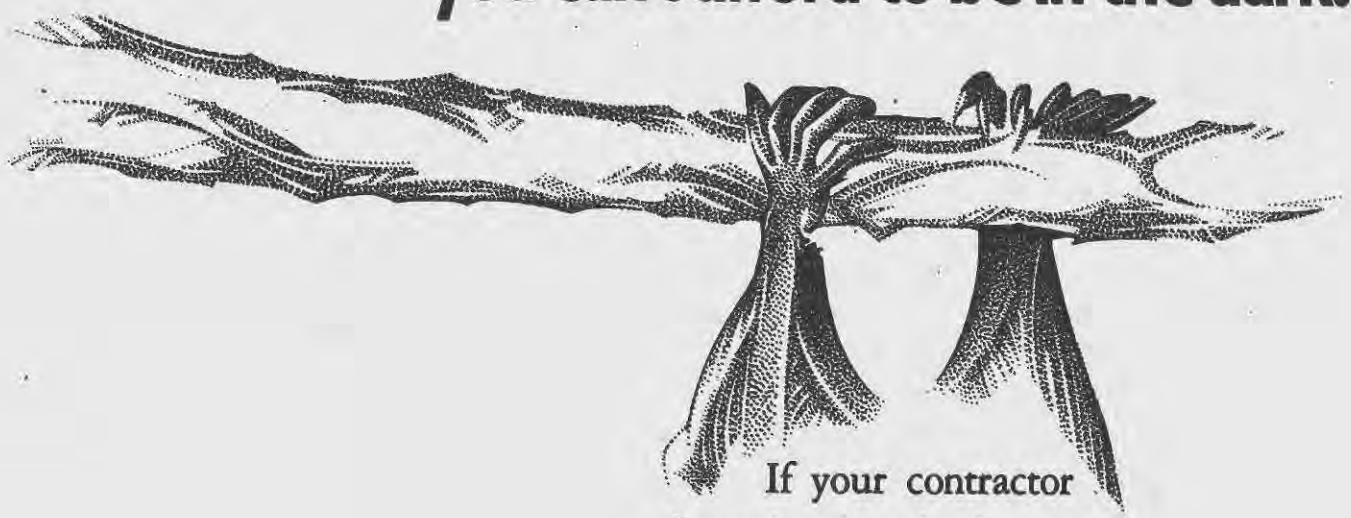
Because we already cover over 10,000,000 lives and have a 9-year track record, BCS reinsurance is eminently affordable. You probably have questions about this extraordinary medical coverage, and we would like to answer them in depth. **Please call Bob McSweeney at 312-951-1556.**

BCS®

BCS Financial Corporation • 676 North St. Clair • Chicago, Illinois 60611 • (312) 951-7700

of the "Great Chicago Flood," he

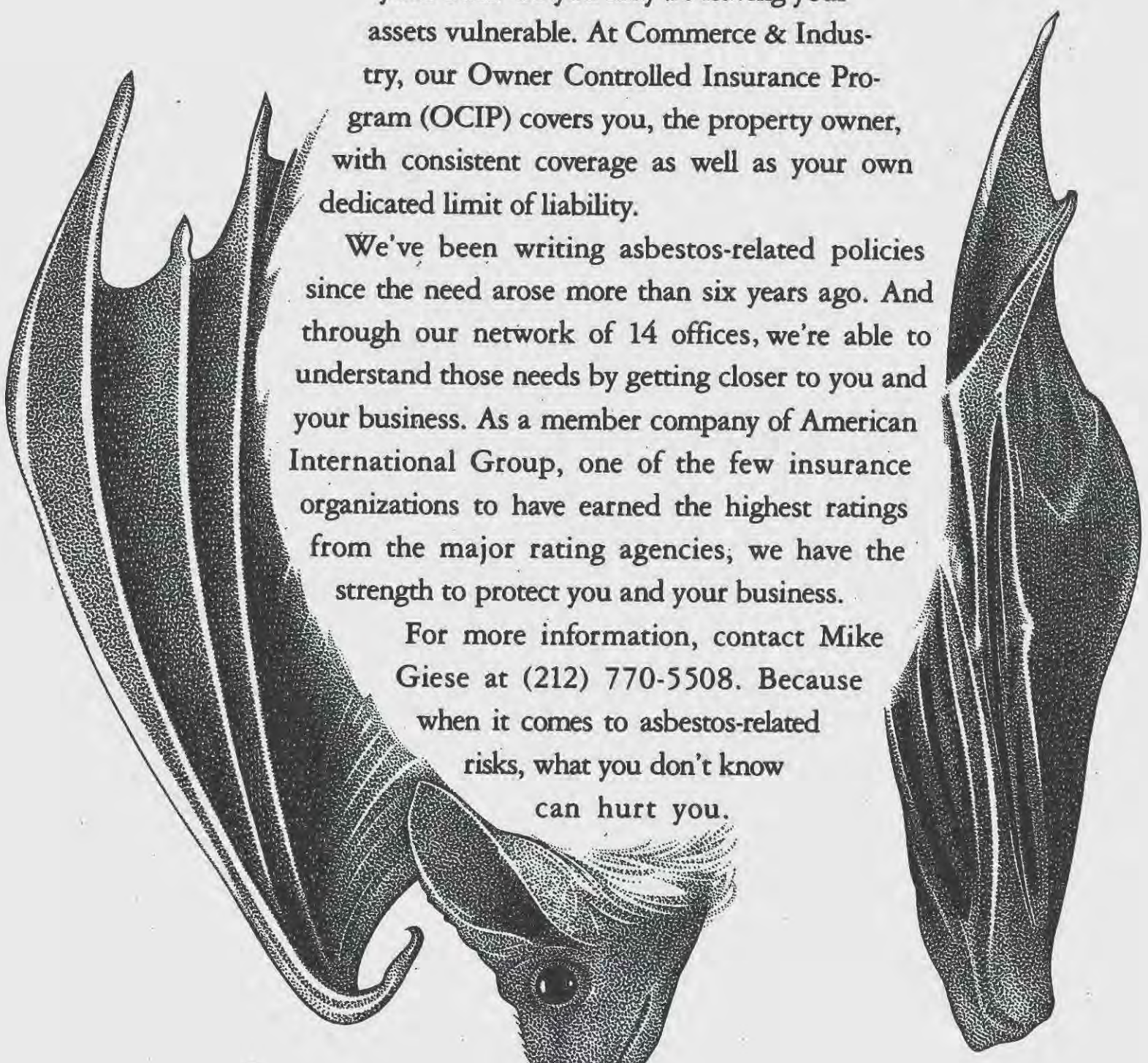
With asbestos risk exposures today, you can't afford to be in the dark.



If your contractor doesn't already have an asbestos abatement policy like ours, you should consider buying your own. Or you may be leaving your assets vulnerable. At Commerce & Industry, our Owner Controlled Insurance Program (OCIP) covers you, the property owner, with consistent coverage as well as your own dedicated limit of liability.

We've been writing asbestos-related policies since the need arose more than six years ago. And through our network of 14 offices, we're able to understand those needs by getting closer to you and your business. As a member company of American International Group, one of the few insurance organizations to have earned the highest ratings from the major rating agencies, we have the strength to protect you and your business.

For more information, contact Mike Giese at (212) 770-5508. Because when it comes to asbestos-related risks, what you don't know can hurt you.



AIG World leaders in insurance and financial services.

Commerce & Industry Insurance Company

A member company of American International Group, Inc.

Coverages and/or services may not be available in all states. Please check the actual policy for full details of coverage. Coverage subject to underwriting.

Alternatives to halon protect computers

But safety begins with room design

By DEBORAH SHALOWITZ

Sprinklers and a good fire detection system may be the best way for companies eschewing halon to protect computer rooms.

Another alternative in some circumstances is carbon dioxide, several experts said.

But, the first line of defense against fires is to design computer rooms to minimize the outbreak of fires and prevent them from spreading.

"Get your engineering consultants. . .involved in the beginning as you set out the purpose of the facility," advised Michael Burke, vp and chief engineer at Allendale Mutual Insurance Co. in Johnston, R.I. "(Decide) what's an acceptable amount of damage and then design the facility to accomplish that."

Planning should involve managers, computer operators, building engineers, maintenance personnel and the computer manufacturer's technicians, said Mike Berardi, property manager-loss control technical services at Zurich American Insurance Group in Schaumburg, Ill.

Combustibles like papers, cartons, reference manuals, tapes and printers should not be in the same room as computer equipment, Mr. Berardi said.

Separating critical equipment from non-critical and then protecting only critical equipment with halon is a good alternative, said Robert Merritt, project engineer at Factory Mutual Engineering & Research Corp. in Norwood, Mass.

Companies can also reduce the risk of fire spreading by limiting the density of cables per square foot, said Vince Scuoteguazza, senior account engineer at Arkwright Mutual Insurance Co., in Waltham, Mass.

And enclosing the cables in a metal tray or housing them in a conduit will reduce the need for flammable insulation, he added.

Packing cables tightly and bundling them leaves fewer exposed surfaces to burn, said Mr. Berardi of Zurich American.

New cables are being developed that do not spread fires, according to Allendale's Mr. Burke.

"The exposure the electronics industry has is the cables and insulation," he noted. These new cables cut down both the number of fires and their strength, he said. "That is the thing that used to generate the need for halon systems."

Companies designing a new computer room also should consider using newly developed building materials that are virtually non-combustible and generate very little smoke, Mr. Burke advised.

And a good, early-warning fire detection system enables workers to put out fires with hand-held extinguishers before they grow out of control, several experts said.

The alarm system also should shut off the power immediately, thereby reducing the risk of a full-blown fire, Mr. Scuoteguazza said.

And, there is renewed respect for the old fire protection standby—sprinklers.

"Sprinklers appear to be the best way to protect computer rooms," said Dean LaPierre, staff senior fire protection consultant at Kemper National Insurance Co. of Long Grove, Ill.

"There's a strong misconception that water destroys computers," Mr. LaPierre said.

In fact, in the manufacturing process, many computer parts—including circuit boards—are washed with water, he noted.

"Typically, a sprinkler discharge on non-charged equipment is OK," Mr. Merritt said.

But sprinkler water, which typically is dirty after sitting in pipes for years, could hurt computer equipment if it's not cleaned up

Continued on page 28

AVIATION PRODUCTS LIABILITY.

SAILCLOTH SUBSIDIARY WEAVES EXPENSIVE COVERAGE TANGLE.

ONLY AFTER SEVERE CRASHES INVOLVING INJURIES DID A COMPANY LEARN THAT ITS SUBSIDIARY WAS SELLING SAILCLOTH TO A MAKER OF ULTRALIGHT AIRCRAFT FOR USE AS WING COVERING. THERE WERE NO DEFECTS IN THE PRODUCT, BUT THE FABRIC FAILED BECAUSE IT WAS NEVER INTENDED FOR SUCH USE AND THE SPECIFICATIONS MADE THAT ABSOLUTELY CLEAR. BUT THE DAMAGE WAS DONE, AND THE MANUFACTURER FACED SEVERAL SUBSTANTIAL CLAIMS. IT'S AN EXPENSIVE FALLACY TO THINK THAT BY BEING CONSCIENTIOUS, OR BY HAVING LITTLE-TO-NO INVOLVEMENT WITH AVIATION, OR BY HAVING NOTHING TO DO AT ALL WITH MANUFACTURING AIRCRAFT YOU WILL HAVE NO EXPOSURE TO AVIATION PRODUCTS LIABILITY CLAIMS. AAU KNOWS THE RISKS YOU FACE AND HOW TO PROTECT YOU BY EXPERT UNDERWRITING, LOSS PREVENTION PLANS, RESOURCEFUL LEGAL AND CLAIMS SUPPORT. IN SHORT, THE RIGHT INSURANCE WITH THE RIGHT PEOPLE. ASSOCIATED AVIATION UNDERWRITERS. YOU DON'T HAVE TO BUILD AIRPLANES TO NEED AVIATION PRODUCTS LIABILITY PROTECTION.

AAU *Raising Your Expectations*

Manufacturer cuts halon use by 75%

MAYNARD, Mass.—Digital Equipment Corp. expects to cut its halon use by 75% after a year-long review indicated that many areas protected by halon could manage without it.

Although halon systems were used universally under the raised floors of computer rooms, the company found that there had never been a below-floor fire, according to Don Crowley, corporate loss prevention manager for the computer manufacturer.

And each above-floor fire had been controlled by human intervention, Mr. Crowley said.

So, a multidepartmental committee assessed where the company could manage without halon.

In determining where to continue halon use, the committee differentiated among:

- Facilities in which carbon dioxide could be substituted for halon.
- Facilities in which only below-floor detection—not protection—was needed in conjunction with the use of low-combustible cables.
- Facilities valued at less than $2 million or $3 million that the company could retain as an unprotected risk.
- And facilities in which the company absolutely had to keep halon.

—By Deborah Shalowitz

Travelling light with a little help from your friendly Reinsurer.

HANNOVER RE · EISEN UND STAHL RE

Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · Germany
Telephone 00 49-5 11/56 04-0 · Telex 9 22 599 hres
Fax 00 49-5 11/56 04-188

Criteria for highly protected risks

HPR insurers seek management commitment to loss control

By MICHAEL BRADFORD

A highly protected risk is as vulnerable as any other type of property without a strong management commitment to loss control, property insurers stress.

That's why commitment to loss control by a policyholder's top management is the No. 1 priority for insurers writing HPR coverage.

HPR insurers specialize in covering property risks that conform to certain fire protection criteria. In return, the insurers offer HPR policyholders as part of the coverage package a higher level of loss control consulting and engineering services than is offered to standard property insurance policyholders.

While in the past, owners of HPR properties have been charged significantly lower rates than owners of standard properties, the soft market has narrowed the gap.

However, the standards for covering highly protected risks haven't changed over the years, HPR insurers point out, adding that they are steadfast in writing coverage only for those policyholders whose management is loss control-conscious.

"The single most important criterion is whether management is interested in risk control," said Robert W. Hill, vp of American Protection Insurance Co. in Long Grove Ill., a unit of Kemper National Insurance Cos.

"Without the management philosophy of loss prevention and safety, it won't permeate throughout the organization," agreed Michael C. McIntyre, senior vp of marketing at Allendale Mutual Insurance Co. in Johnston, R.I.

"As important as the physical protection is management's interest in loss prevention," said Richard Gibbons, second vp at The Hartford Steam Boiler Inspection & Insurance Co. in Hartford, Conn.

Management, he said, must have an "overall philosophy of loss prevention" that translates into actions like regular "self-inspections and maintenance" of facilities.

"We're probably pushing harder on the management aspects than we were 10 or 15 years ago," said Kenneth W. Linder, assistant director of research at Industrial Risk Insurers in Hartford.

While the burden has always rested mainly on the property owner, "there has been a much stronger emphasis on plants managing their own hazards," he said. "They are the ones that are there 24 hours a day."

Mr. Hill said corporate management is proving it is hungry for loss control data through its interest in property conservation courses offered by the insurer. "There's certainly been an increase in the demand for these kinds of educational opportunities. We've introduced a business interruption seminar and there's been a tremendous response in the marketplace."

Risk managers and insurers increasingly are looking not just to control losses, but to prevent them, said Dennis Anderson, vp and director of engineering at Protection Mutual Insurance Co. in Park Ridge, Ill. "There is a difference between loss prevention and control," he added. "That distinction is being made more by us in the industry."

And firms with a strong commitment to loss prevention are less likely to have losses that need controlling, he said, as the commitment trickles down through an organization and employees become more conscientious about protecting against fires and other perils.

For example, he said, a loss prevention policy can teach workers that the most likely causes of fire are arson, smoking and "hot work" like welding. Fires also can be attributed to other controllable factors like "poor housekeeping."

"By addressing these issues, you can get into a position where you will not have a fire in the first place," he said, because workers will be on the lookout for situations that could lead to a blaze or fuel a blaze.

The "physical criteria" a property must meet before it can be classified as a highly protected risk include:

- Adequate sprinkler systems and a water supply to support them.

"For non-HPR-thinking people, a sprinkler system may be all they think is needed," said Mr. Gibbons. "But you have to have an adequate water supply to go along."

Allendale's Mr. McIntyre pointed out that sprinkler valves at HPR properties must be inspected regu-

Continued on next page

Halon alternatives

Continued from page 26

quickly, Mr. LaPierre said.

"Sprinklers are very, very reliable," although "it's a pain in the neck" that sprinkler water usually is dirty and rusty, agreed Don Crowley, corporate loss prevention manager for Digital Equipment Corp. in Maynard, Mass.

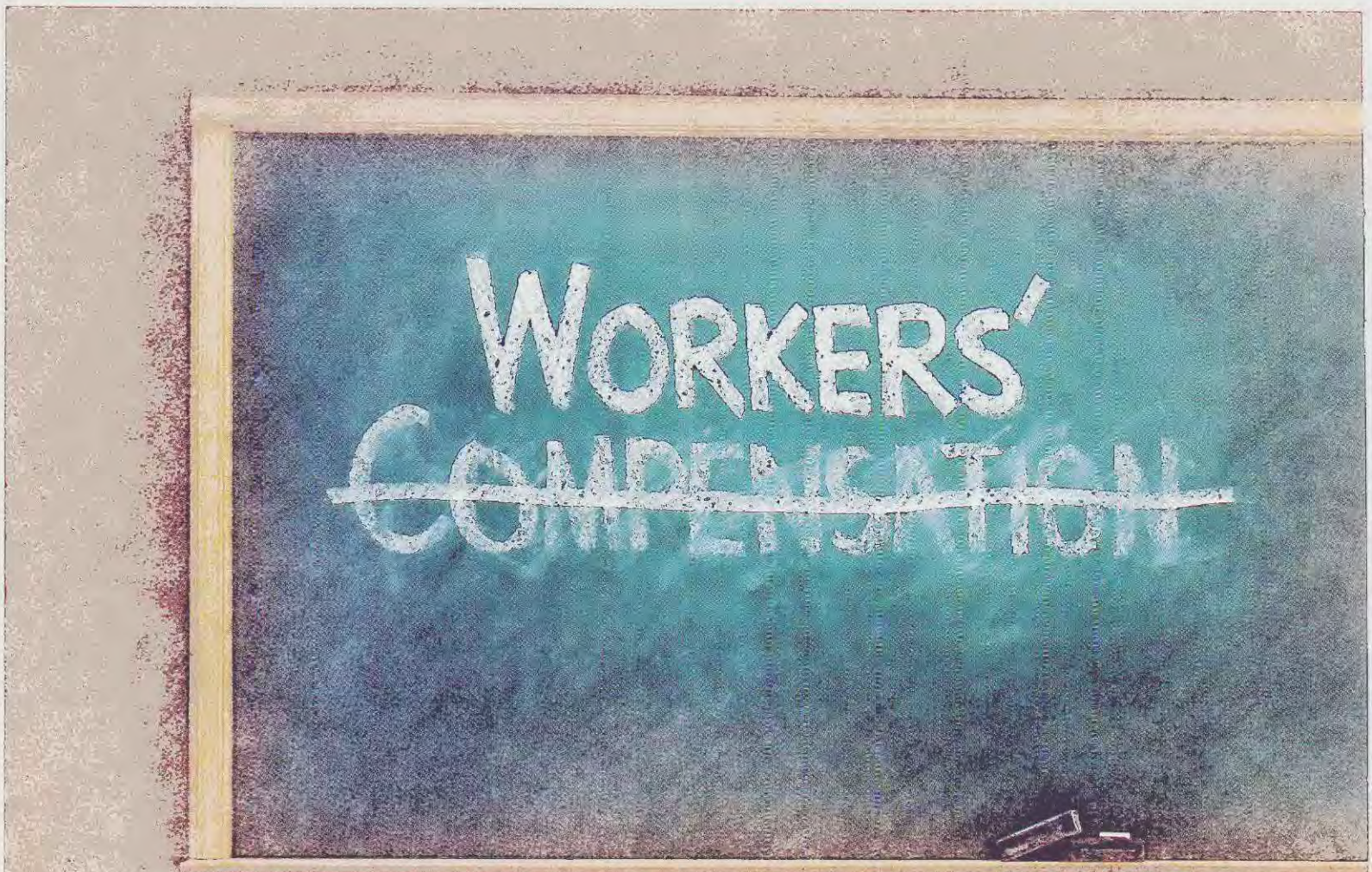
If a company is concerned that water may leak out of a sprinkler system onto computers, it could invest in a double interlock or preaction sprinkler system, Mr. LaPierre suggested. The pipes in such a system are filled with air instead of water and either one or two smoke detectors would have to be activated before the water would flood the pipes.

Several experts suggested using carbon dioxide as a total flooding agent below the raised floor in a computer room. Carbon dioxide is heavier than air so it would not seep upwards, Mr. Merritt noted.

But Mr. Scuoteguazza warned against using carbon dioxide unless absolutely necessary, because with its toxic nature, "the magnitude of a mistake is too high."

Other procedures companies should follow include making backup copies of all records and having a detailed disaster contingency plan in place, Mr. Scuoteguazza said.

They also should make sure that all electrical equipment is properly maintained, advised Mr. Burke. ■



FINALLY, A CASE FOR MAN

SOME WORKING SOLUTIONS FROM CONSERVCO.

Paging through this magazine, you'll see dozens of advertisements rattling off the same dismal statistics on rising medical costs. Many projecting the horrors yet to come. Still others pointing the finger at you for not waking up to the problem earlier.

At Conservco, we'd rather talk about solutions. And we found the best way to come up with them is to look at both sides of the issue. Workers' Compensation and Employee Benefits.

WORKING TOGETHER, EVERYONE BENEFITS.

Since 1981, Conservco has been a leader in both medical and disability cost management for both Employee Benefits and Workers' Compensation. And what we see are two groups whose needs and goals are moving closer and closer together. Both are struggling to control costs. Both want high quality care. Both are seeing the benefits of early intervention and bringing the employee back to work as quickly as possible.

What all this means to you, at long last, is an opportunity to look

Continued from previous page
larly to make sure they are open and will allow water to flow.

- A firefighting plan agreed upon with local fire officials.
- Interior and exterior construction that will endure or reduce the effects of a fire or explosion.
- Good housekeeping practices, such as the proper storage of flammable and hazardous materials.

"If you only need five gallons of a solvent, there's no need to store 50 gallons inside," said Mr. McIntyre.

- Regular building and equipment maintenance.

While there's never been a real "definition" of a highly protected risk or a standard description of an HPR policyholder, Mr. McIntyre said HPR properties usually are owned by policyholders paying $100,000 or more in annual property insurance premiums. Policyholders with exposures that large generally are those that take additional steps to protect their assets, he explained.

Insurers agree that more companies are interested in taking the extra steps to qualify as highly protected risks, even though the rates charged to HPR policyholders in a soft market may not be that much lower than the rates charged to owners of non-HPR properties.

"It just makes sense," said Mr. Anderson of Protection Mutual.

The amount of the discount received by HPR policyholders varies widely according to factors like the type of risk, where it is located and the extent of protection at the property, insurers point out.

However, Mr. Gibbons noted that in the soft market, "the differential is probably less and less" now in comparison to non-HPR risks.

"Without question, the cost of standard property and HPR-qualified property (coverage) has migrated to a closer level than it was years ago," agreed Jim Abraham, senior underwriting officer at St. Paul Fire & Marine Insurance Co. in St. Paul, Minn.

Still, in some cases, there can be a "significant difference" between rates for HPR and those for non-HPR properties, said Ron Tucker, supervisor of risk management services at Hobbs Group Inc. in Columbia, Md., the brokerage arm of Arkwright Mutual Insurance Co.

It's impossible to generalize about the size of the price gap between the two types of risks because of the many factors that go into setting HPR rates, said Mr. Tucker. A single policyholder may be charged different rates even for various HPR properties, he noted.

Even in cases in which an HPR rate is not much lower than the non-HPR rate, many risk managers "recognize the importance of adequate protection of their facilities" and consider that value ahead of lower premiums, Mr. Abraham said.

He pointed out that many businesses recognize that a big loss could put them out of the marketplace for so long that they would never be able to regain their place alongside the competition.

John G. Pinner, assistant treasurer at Mattel Inc. in El Segundo, Calif., said market share is too important for companies like Mattel not to maintain HPR properties.

Even though the price of HPR coverage is no longer six or seven times cheaper than standard property insurance, like it was 10 years ago, Mr. Pinner said Mattel still saves a lot of money by buying HPR coverage.

In the future, qualifying as a highly protected risk will be "standard operating procedure for any successful company," Protection Mutual's Mr. Anderson observed, because companies can't afford the down time or loss of assets that can result from a fire.

Mr. Gibbons also noted that risk managers with HPR properties are looking not only for price breaks but, more importantly, for the engineering services and technical expertise afforded by insurers.

For example, Mr. Anderson said, the early suppression, fast-response sprinkler allows risk managers to protect a larger space with fewer sprinklers, which is "substantially less expensive and (offers) better protection."

New technology allows a 40-foot-high warehouse to be adequately protected only with ceiling sprinklers—and without sprinklers installed in storage racks—an impossibility of a few years ago, said Mr. Anderson. "It's not unreasonable that there could be a 50% cost savings over five years ago."

"Automatic sprinkler protection has become more economical than it was," agreed Mr. Linder of IRI. Still, he noted, "that doesn't mean that in today's economic and business climate, it's not more difficult to allocate funds for property and loss prevention. Everybody's got tighter reins on their funds and budgeting."

HPR insurers are counting on computers to lead to further advances in property protection, Mr. Anderson acknowledged.

While engineers currently rely on "large-scale testing" like staged fires to develop new loss control techniques, computer modeling is being harnessed to make such analysis easier, he said.

"With the combination of all the things we've learned over the past years, with the power of computers we will be able to break down various scenarios and make some pretty good profiles of risk," he said.

"We're building the path to replace much of the large-scale fire testing," Mr. Anderson said. "Computers will become a bigger chunk of what we're doing by the turn of the century."

While the criteria for covering highly protected risks have remained stable over the years, so for the most part has the number of insurers that write the coverage.

Among the insurers that write HPR coverage, brokers and insurers agree, are Allendale, Arkwright, Protection Mutual, Kemper, Hartford Steam Boiler, St. Paul, IRI, CIGNA Corp., Wausau Insurance Cos., Fireman's Fund Insurance Co., Chubb Corp. and Commerce & Industry Insurance Co., a unit of American International Group Inc.

Hartford Steam Boiler is one of the newest players in the market, and it has written the HPR coverage for more than eight years.

Mr. Gibbons noted that entry into the HPR market is not cheap. "There is the expense of the loss control engineering," he said, along with the costs of maintaining a staff solely for HPR coverage and the research and development that is necessary to remain at the forefront of the field. ■

AGING THEM TOGETHER.

it your total medical cost picture and manage with a more unified, flexible, cost-effective system than ever before.

A NEW SYSTEM BASED ON AN OLD CONCEPT: COMMON SENSE.

Take the case of the 24-hour RN. Upon closer examination, the injured employee had progressed to such a point that all he really needed—and wanted—was a weekly visit from a local LPN. Just that little bit of common sense saved the company more than $6,000 that year. At Conservco, we have hundreds of little solutions like this that add up to big savings. Solutions that work no matter where the injury occurred, who's paying, or how simple or complex the claim.

WHAT WE PUT TOGETHER, YOU CAN TAKE APART.

Everything we offer at Conservco—from Utilization Review and Hospital Bill Auditing to Medical/Disability Management and our growing provider network — is the best available. So whether you select one or any combination of our services, you'll go a long way to help contain costs. The point is, with cost management systems in effect at every stage in the cycle of every case, from the onset of illness through recovery and billing, regardless of whether the claim is covered by Workers' Comp or Employee Benefits, you are in control. And only by being in control can you truly manage.

Call us at 800-525-5590 (in Tampa, Florida 813-969-0701), and we'll work something out.

Together.

CONSERVCO

WORKING TOGETHER, EVERYONE BENEFITS.
Integrated Medical/Disability Management

Old loss control methods appear in new guises

Insurers, consultants use innovation to reduce clients' loss control costs

By KAREN ARMAGANIAN

Property loss control experts are improving their predictive and preventive abilities by developing new loss control applications that use existing technology.

Property insurers and consultants are uncovering fresh ways to use procedures or devices originally intended for a more limited or completely different purposes, said Ken Linder, assistant director of research at Industrial Risk Insurers in Hartford, Conn.

In addition, they are pioneering advancements in both plant inspection systems and software to help policyholders reduce loss control costs.

One recent property loss control advancement is the application of infrared thermographic screening to find gas leaks in tanks, pipes or valves, said Jim S. Armstrong, engineering manager for American Risk Management Corp. in Cleveland. These leaks are normally invisible to the human eye.

This detection procedure, which now is typically used to uncover "hot" spots in electrical and other equipment, could be used to prevent fires and explosions caused by gas leaks, like those that recently occurred in Guadalajara, Mexico, Mr. Armstrong said (*BI*, May 4).

The leak detection device, which was developed by Laser Imaging Systems Inc. in Punta Gorda, Fla., scans a surface with a laser beam that "absorbs" any leaking gas. Next, the laser is injected into a detector that allows the gas to become visible. The information is then displayed on a monitor similar to a television screen, he said.

Leaking gas shows up as a dark spot on the image. If there is no dark area on the image, no gas is leaking, he explained.

The image, which is called a thermogram, pinpoints the origin, size and direction of movement of any leaking gas, he said.

Thermographic screening became a popular loss control tool for detecting electrical "hot spots" in the 1970s when its cost dropped and portable systems were designed.

Thermographic scanners used to detect gas leaks were displayed for the first time at a trade show just two weeks ago, a spokesman for Laser Imaging Systems said.

"We are looking forward to using this type of detection procedure in the field," said Mr. Armstrong.

Fire protection efforts are being bolstered through the development of new applications using existing sprinkler systems.

"Probably the biggest thing today in sprinkler systems is the early-suppression, fast-response sprinkler system," IRI's Mr. Linder said.

The ESFR was designed in 1988 to suppress fires caused by ordinary combustibles and high-density and expanded plastics packed in cardboard, explained Joseph Hankins, manager in the protection section of Norwood, Mass.-based Factory Mutual Engineering Corp.'s research standards division.

Until recently, warehouse storage height could be no more than 25 feet in a 30-foot-high building for ESFR optimum effectiveness, he noted. However, after completing full-scale fire testing this year, Factory Mutual has determined the system can be effective for storage up to 35 feet in a 40-foot-high building, Mr. Hankins said.

This revision assumes that increased water pressure is available, and it applies only to cartoned, unexpanded plastics, he said.

Factory Mutual has future research projects on the drawing board that involve ESFR protection for a 35-foot storage area containing exposed, unexpanded plastic, and cartoned or uncartoned expanded plastics, like Styrofoam or packing material, Mr. Hankins said.

"We're also looking at applying ESFR protection to the most challenging kind of roll paper storage: lightweight paper," he said.

ESFR protection was extended to cover middle- and heavyweight roll paper within a year of its introduction, he said. However, light-weight paper, which is stored by pulp and paper manufacturers before sale to manufacturers of facial and bathroom tissues, creates a more severe fire hazard and will require more study, Mr. Hankins explained.

Another recent revision in fire protection equipment is the development of extended coverage sprinkler systems for industrial areas, said IRI's Mr. Linder.

Typical sprinkler heads protect approximately a 100-square-foot area, he said. Extended coverage models can cover up to 400 square feet.

This helps keep fire equipment costs down since there are fewer sprinkler heads to install and maintain, Mr. Linder said.

Extended coverage sprinklers previously have been used in light-hazard areas like restaurants, offices and hotels, he pointed out.

However, it is a greater challenge to protect more space in an industrial setting with fewer sprinklers, according to Mr. Linder. "Will we recommend using these sprinklers for industrial settings? The jury is still out."

In addition to finding new applications for existing technology, loss control experts are also making headway in the development of new automated loss control systems and software.

Experts at The Hartford Steam Boiler Inspection & Insurance Co. in Hartford, Conn., recently developed FireScan, a computer system to help maintain critical fire detection and protection equipment, said Don A. Smith, director of research and development in the engineering/claim

Continued on page 32

Our New Software Takes The Byte Out Of Analyzing Claims

For over three years, we have researched the needs of our national and regional clients. Based on their input, our programmers were able to develop a specialized software package, SILAS,™ that generates reports tailored specifically for Auto and General Liability, Property and Workers Compensation.

Through SILAS,™ we can now offer our risk services clients a way to track variables, develop case histories and uncover exactly where and how losses are occurring. For even greater flexibility, the system is designed so that the data captured on each program can be customized to reflect the fields of information you need, including your own internal codes.

So if you've been looking for a claims administrator offering a full range of reports that are easy to understand and use, call or write our Marketing and Sales Department today. We're ready to put functional, flexible information at your fingertips.

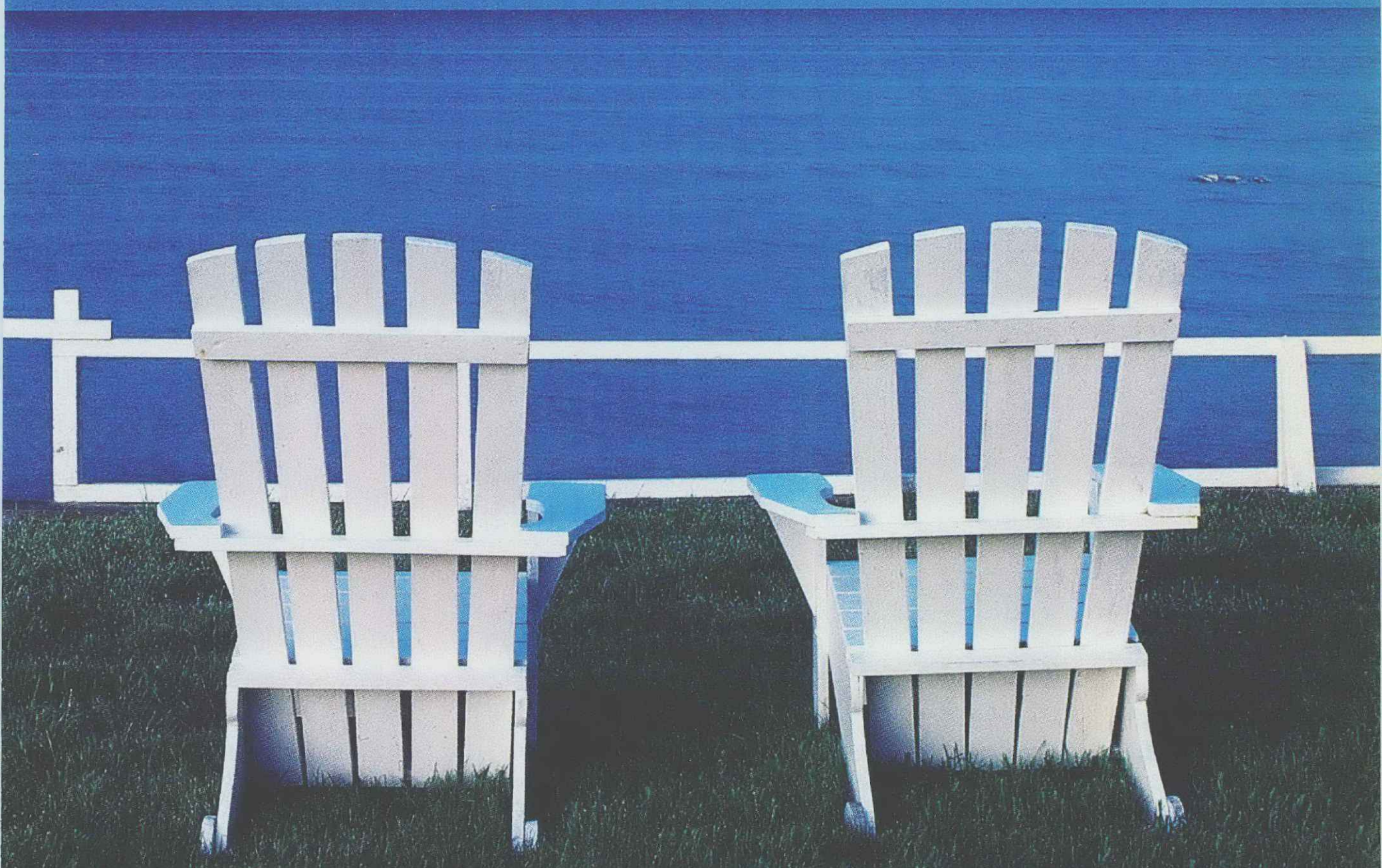
Doing It The Right Way. Your Way.

GAY & TAYLOR
INSURANCE ADJUSTERS & RISK SERVICES

P.O. Box 25626 ■ Winston-Salem, NC 27114-5626
(919) 760-3300 ■ FAX (919) 760-4446

MEMBER OF THOMAS HOWELL GROUP

A GOOD PARTNER SEES THINGS FROM YOUR PERSPECTIVE.



Although two people may be looking at the same thing, they may not see it the same way. That's why we sit down with you from the very start. To be sure we understand your objectives. And your perspective.

We believe a quality reinsurance partnership should meet *your* needs—as *you* define them. In fact, when you work with our reinsurance professionals, you'll find they share a common goal: to consistently provide superior, individualized service.

As we see it, understanding what's important to you is essential to sustaining a successful, long-term reinsurance partnership. If you'd like a strong, dependable reinsurance partner, who'll see things from your perspective, talk to us. We'll be there when you need us.

- Treaty Through Intermediaries
- Facultative Direct

We'll be there when you need us.

NAC Reinsurance Corporation

GREENWICH HARTFORD CHICAGO SAN FRANCISCO

© 1992 NAC Reinsurance Corporation

Technology

Continued from page 30
department.

The program still is in the pilot stage; it has been tested by only about a half-dozen clients, he said, though it will be available soon to all policyholders.

With FireScan, Hartford Steam Boiler experts can identify fire protection equipment—like automatic sprinklers, valves, fire doors and smoke detectors—that require regular inspections, said Benjamin Klimczak, knowledge engineer in research and development for the insurer.

After all the equipment is located, it is tagged with scanning labels—which are similar to bar codes in supermarkets—to identify the specific model and characteristics of each item, he said.

A maintenance operator then scans the equipment with an interactive hand-held data collector that asks questions about the equipment, he said. The questions help FireScan detect deficiencies in fire equipment, like a shutoff of a sprinkler system's water supply or fire extinguishers that are inadequately charged, Mr. Klimczak said.

The data is transferred via modem to Hartford Steam Boiler's computer, where it is analyzed. Electronic or hard-copy management reports are then prepared, he said.

It's important to evaluate and maintain fire protection equipment, said Henry Tessier, IRI's manager and chief engineer for boiler and machinery loss prevention. "In today's economy, many are just trying to keep their head above water, so they're not replacing and monitoring equipment."

When companies do not regularly inspect their equipment, they often resort to using "breakdown maintenance," Mr. Tessier said. Waiting for larger, more serious breakdowns to occur often results in a more expensive problem, he said.

With FireScan, clients can conduct their own inspections. Hartford Steam Boiler's computer identifies problem areas, so clients need not have the technical knowledge of a property loss control inspector to do a thorough and complete job, Mr. Smith said. "We are interested in using a host of condition-based monitoring systems to locate problems so they can be corrected in a timely way," he said. "This helps reduce the number of losses below the client's deductible, as well as major losses."

FireScan's cost will be bundled as part of policyholders' premiums.

In addition to new inspection technology, strides have been made in the design of decision-making loss prevention software.

The FPE Group, a division of Atlanta-based Crawford & Co., recently released a software program that determines whether improvements in a firm's fire safety, security or other risk control measures are cost-effective, said Garry W. Hundley, assistant vp in risk control services.

The program, called Property Asset Manager, allows risk managers to model the financial impact of various loss control measures, considering variables like interest rates, property values and loss exposures by location.

"Risk managers are not engineers, they're financial people," he said. "If inspectors find a need for improved sprinklers, we will find out how much this will cost and then compare it to how much they will lose if there is a fire," Mr. Hundley said.

Illustrating comparative situations with actual dollar amounts helps risk managers determine whether a loss control step is cost-effective, he said. "We're taking a broader perspective to property loss control."

By developing new tools and applying existing technology to different and expanded uses, IRI will prevent losses which will inevitably save its clients money, Mr. Linder said. "With new measures and expanding applications, we're changing the focus from just loss control to loss prevention." ■

From The Reprint Department Of:
Business Insurance
Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission
If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:
REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies
If you missed an article in BI and would like a photocopy — send your request along with $3.50 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales
For a copy(s) of any back issue of *Business Insurance,* contact Single Copy Sales. Call (313)446-1609.

THE HOM

OLD PROS ON

Property loss control consultant listings

A

AIG Consultants Inc.

72 Wall St., Ninth Floor, New York, N.Y. 10270; 212-770-3653; fax: 212-785-8287

Founded: 1970.
Parent company: American International Group Inc.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, real estate purchase, sale property surveys.
Occasional services: Loss prevention publications, client training.
Staff: 170; 40 professionals who hold seven ARM, four ALCM, 30 ASCE, 28 ASSE, 21 CSP, 12 PE, 30 SFPE and one CIHT designations.
Clients: 10% with gross revenues $200 million to $499 million, 85% exceeding $3.5 billion.
Specialties: Insurance companies.
Region served: Nationwide.
Branch offices: 24 locations in the United States and Canada.
1991 gross revenues: $24 million, 15% from unbundled property loss control consulting/engineering.
Principal officers: Arnold Goldberg, president; Jack Leonard and Robert Blaunstein, vps; Jan Andrew Young, assistant vp.
Contact: Jan Andrew Young.

Accredited Risk Management Specialists Inc.

P.O. Box 870971, Dallas, Texas 75287; 800-348-4866; fax: 214-306-6789

Founded: 1990.
Frequent services: Hazard identification, building plan reviews, client training.
Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, loss prevention publications, loss prevention research.
Staff: 15; five professionals who hold two ASSE, one CSP, two NSC, two Ph.D., three CFEI, one CHCM, one NFPA, two ASTM, three ANSI designations.
Clients: 33; 50% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $1 billion to $3.5 billion, 25% exceeding $3.5 billion.
Specialties: Construction, petroleum, service, manufacturing.
Region served: Nationwide.
Principal officers: A.J. Scardino Jr. chairman/chief executive officer; Donna E. Ledgerwood, president; Donald J. Godlewski, executive assistant.
Contact: A.J. Scardino Jr.

Alexander & Alexander Inc.

1185 Ave. of the Americas, New York, N.Y. 10036; 212-575-8000

Founded: 1899.
Parent company: Alexander & Alexander Services Inc.
Frequent services: General on-site plant loss prevention inspections, fire prevention surveys, hazard identification, building plan reviews, loss prevention research, client training.
Occasional services: Plant security inspections, loss prevention publications, analysis of sprinkler and other fire protection systems, water supply testing and analysis, estimation of loss potential, business interruption studies.
Staff: 185; 134 professionals who hold 19 ARM, two ALCM, 56 ASCE, 30 ASSE, 30 CSP, 27 PE, 40 SFPE, five CHCM, three CPSM, 55 NFPA, and 11 NSMS designations.
Branch offices: Located in the United States, Canada and worldwide.
Principal officers: Tinsley H. Irvin chairman/chief executive officer, Alexander & Alexander Services Inc.; Michael K. White, executive vp, Alexander & Alexander Services Inc.; Ron W. Forrest, chairman/chief executive officer Alexander & Alexander Inc.
Contact: Tom Ascherman, director-loss control, 713-974-6161.

American Risk Management Corp.

6480 Rockside Woods Blvd., Suite 110, Cleveland, Ohio 44131; 216-447-1600; fax: 216-642-4381

Founded: 1958.
Parent company: International Risk Management Group.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, chemical process safety reviews, hazardous chemicals safety reviews, infrared thermographic scanning, halon integrity testing, non-destructive testing of tanks, pressure vessels and piping.
Occasional services: Loss prevention publications, loss prevention research, client training.
Staff: 250; 50 professionals who hold 10 PE, 40 SFPE, five CPCU designations.
Clients: More than 100; 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 50% with $1 billion to $3.5 billion, 20% exceeding $3.5 billion.
Specialties: Chemical, food and grain, pulp and paper, banking, wood products, nuclear power, mining and metals, pharmaceuticals.
Region served: Worldwide.
Branch offices: Arlington, Texas; Atlanta; Bellevue, Wash.; Brentwood, Tenn.; Bridgewater, N.J.; Louisville, Ky.; Minneapolis; Pelham, N.C.; Plymouth, Mich.; Prairie Village, Kan.; Roselle, Ill.; Walnut Creek, Calif.; West Brookfield, Mass.
1991 gross revenues: 12% from unbundled property loss control consulting/engineering, 88% from other services, including risk management consulting and captive management.
Officers: John J. Ryan, president; William F. Nehls, executive vp; Michael Lusk, vp-risk management; C.D. Wharton, vp-engineering; Donald Mosier, vp-client services.
Contact: J.S. Armstrong, 800-788-7475.

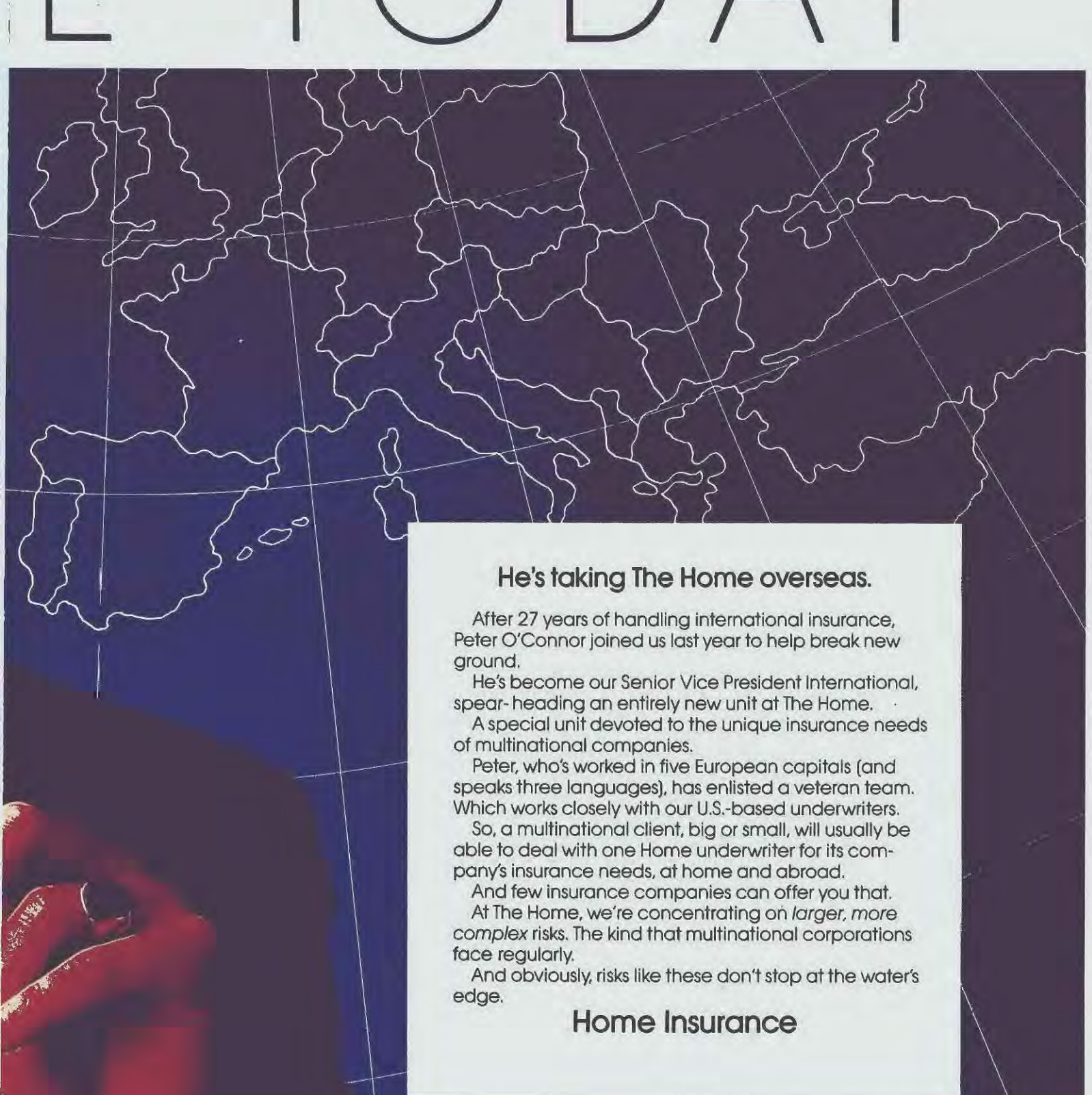
American Risk Managers Inc.

P.O. Box 789, Hamilton, Ala. 35570; 205-921-7979; fax: 205-921-3146

Founded: 1979.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research.
Occasional services: Plant security inspections, building plan reviews, loss

Continued on page 36

E TODAY



A NEW TEAM

KODIAK • NEW YORK • BOSTON • PHILADELPHIA • CHEVY CHASE • WASHINGTON D C
BANGOR • ATLANTA • TAMPA • SAN DIEGO • DALLAS
BAKERSFIELD • DALLAS • TERRE HAUTE • COLUMBUS
FROM KODIAK TO KEY WEST, FROM BANGOR TO BAKERSFIELD, EXPRESS SCRIPTS PREFERRED PROVIDER PHARMACIES CRISSCROSS THE UNITED STATES.
EXPRESS SCRIPTS
ON-LINE • MAIL SERVICE • DUR
1-800-332-5455
HOUSTON • ST. LOUIS • CHICAGO • INDIANAPOLIS • SAN FRANCISCO • KEY WEST

Guide to loss control directory

The sixth annual directory of property loss control consultants and engineers lists companies that provide loss control services on an unbundled basis directly to employers; companies that provide these services only in conjunction with other services, such as brokering insurance, are not listed.

Following the name, address, telephone and fax number of each company are the year **founded** and **parent company** (if any).

Next, details on loss control **services** are noted. Information on **staff** members at year-end 1991 and professionals assigned to property loss control consulting and engineering are provided. Professional designations and memberships held by staff follows.

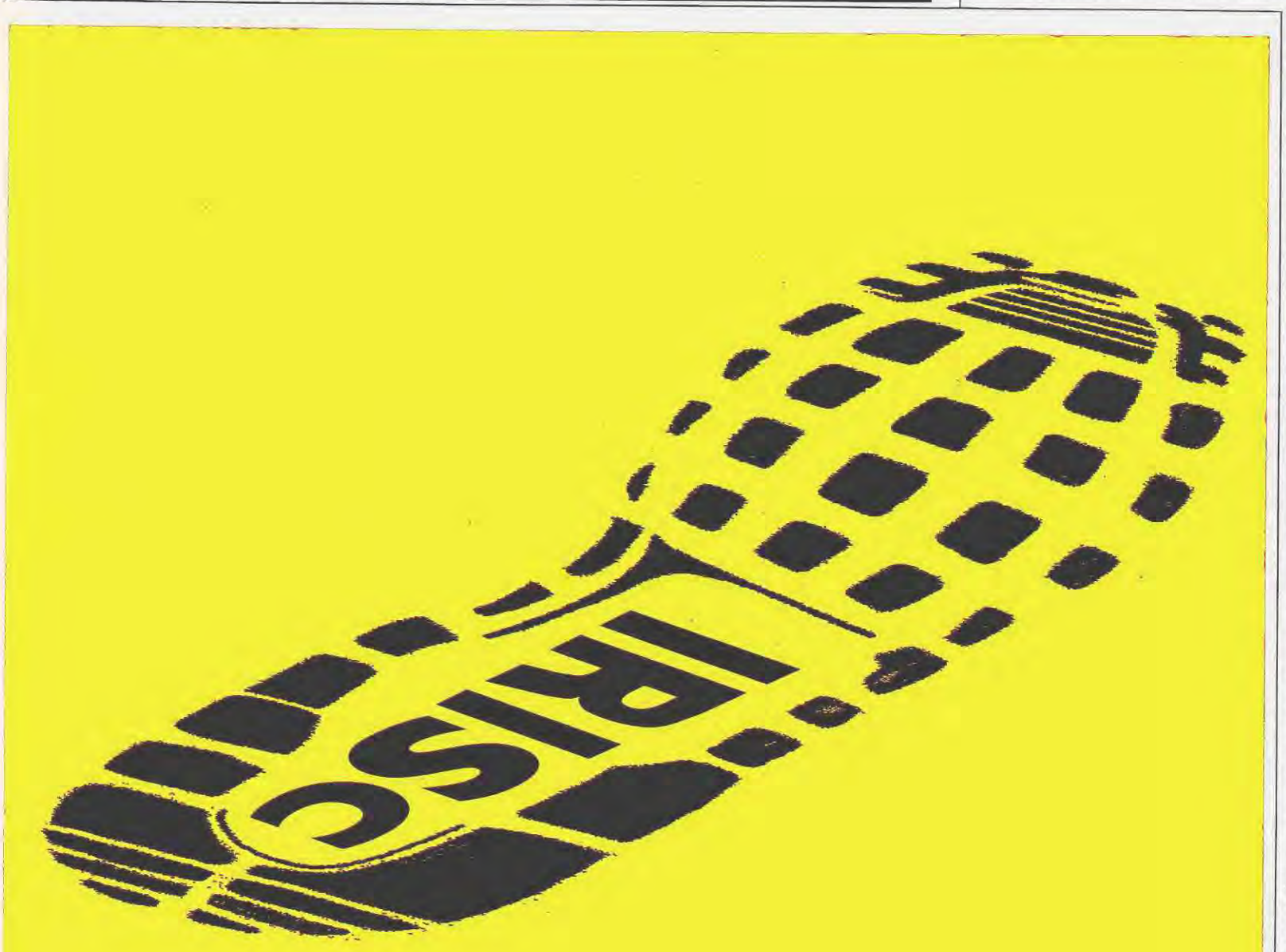
If a company specializes in consulting to a particular type of business or industry, it is noted under the **specialty** heading. The geographic **region served** and cities and states of **branch offices** providing property loss control services are then noted.

When reported by the company, **1991 gross revenues** are provided; names and titles of **principal officers** follow. For readers wanting more information on the company, a **contact** person is provided.

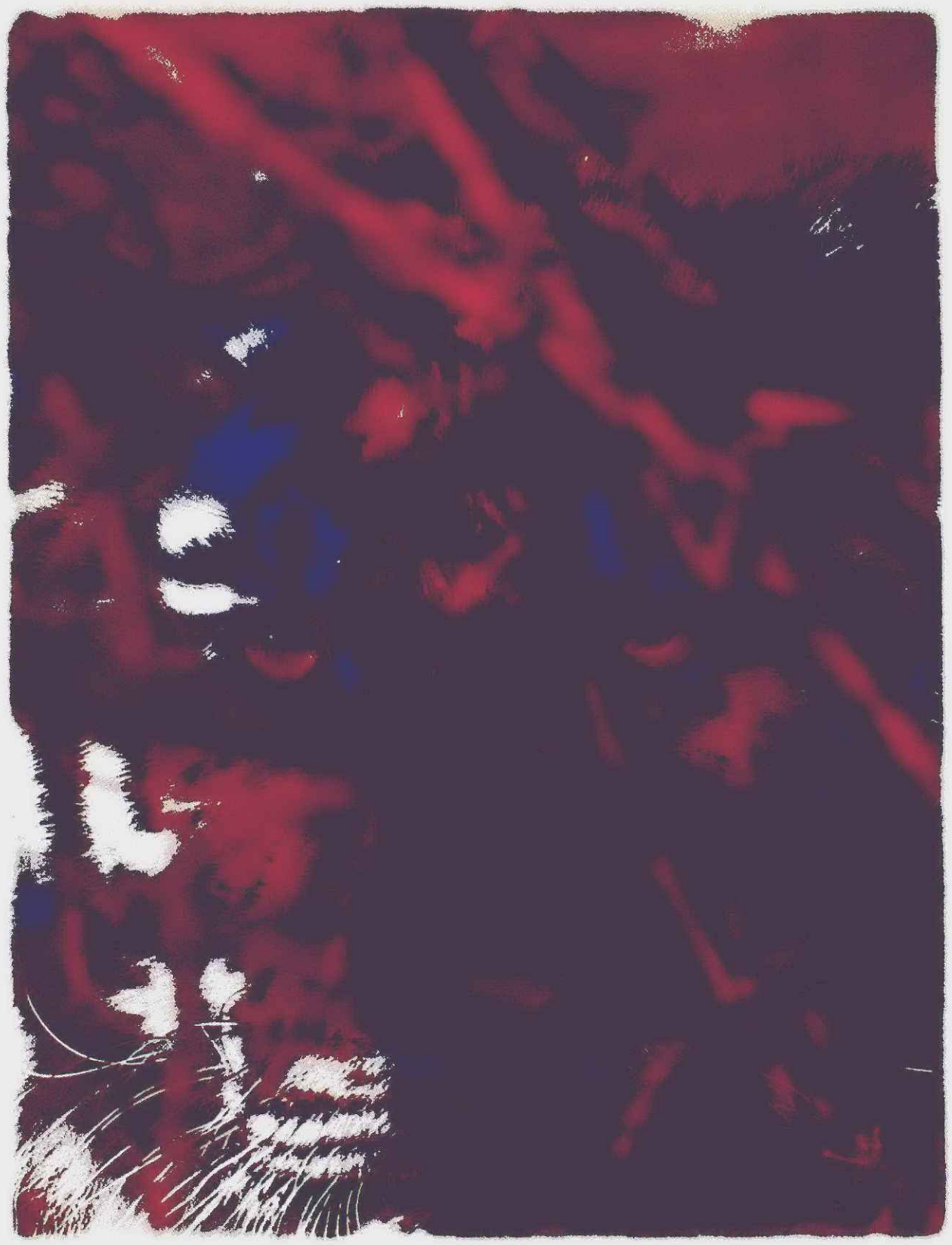
Business Insurance publishes the directory as an editorial service; there is no charge to be included. Listings are based on each company's response to a *Business Insurance* questionnaire. Although every effort is made to provide complete and accurate information, *Business Insurance* is unable to verify all information received.

Following are full designations and organizations for those abbreviated under the staff heading:

ACS is member, American Chemical Society; **AIA** is member, American Institute of Architects; **AIC** is Associate in Claims; **AICE** is member, American Institute of Chemical Engineers; **AIHA** is member, American Industrial Hygiene Assn.; **AISE** is member, Assn. of Iron and Steel Engineers; **ALCM** is Associate in Loss Control Management; **ANSI** is member, American National Standards Institute; **ARM** is Associate in Risk Management; **ARP** is Associate in Research and Planning; **ASA** is member, American Society of Appraisers; **ASCE** is member, American Society of Civil Engineers; **ASIE** is member, American Society for Industrial Engineers; **ASIS** is member, American Society of Industrial Security; **ASME** is member, American Society of Mechanical Engineers; **ASP** is Associate Safety Professional; **ASQC** is member, American Society of Quality Control; **ASSE** is member, American Society of Safety Engineers; **CAI** is Certified Arson Investigator; **CAS** is Certified Appraisor, Senior; **CCM** is Certified Consulting Meteorologist; **CE** is Certified Engineer; **CET** is Certified Environmental Trainer; **CFEI** is Certified Fire and Explosion Investigator; **CFI** is Certified Fire Investigator; **CFPS** is Certified Fire Protection Specialist; **CHCM** is Certified Hazard Control Manager; **CHMM** is Certified Hazardous Materials Manager; **CHSP** is Certified Healthcare Safety Professional; **CIC** is Certified Insurance Counselor; **CIH** is Certified Industrial Hygienist; **CIPA** is Certified Insurance Premium Auditor; **CIPE** is Certified Industrial Plumbing Engineer; **CME** is Certified Manufacturing Engineer; **COHST** is Certified Occupational Health and Safety Technician; **CPCU** is Chartered Property/Casualty Underwriter; **CPG** is Certified Professional Geologist; **CPP** is Certified Protection Professional; **CPSM** is Certified Product Safety Manager; **CRSP** is Certified Registered Safety Professional (Canada); **CSE** is Certified Safety Executive; **CSM** is Certified Safety Manager; **CSP** is Certified Safety Professional; **CSS** is Certified Safety Specialist; **CSSD** is Certified Safety and Security Director; **CSSP** is Certified Safety and Security Professional; **CST** is Certified Safety Technician; **Ed.D.** Doctorate in Education; **EiT** is Engineer in Training; **EMT** is Emergency Medical Technician; **FCAS** is Fellow, Casualty Actuarial Society; **FIIC** is Fellow, Insurance Institute of Canada; **HFS** is member, Human Factors Society; **HSP** is Healthcare Safety Professional; **IEEE** is member, Institute of Electrical and Electronic Engineers; **IHT** is Industrial Hygiene Technician; **LIA** is Licensed Insurance Adjuster; **MBA** is Master of Business Administration; **ME** is Marine Engineer; **NAFE** is member, National Academy of Forensic Engineers; **NBBP** is member, National Board of Boiler and Pressure Vehicles/Vessels; **NFPA** is member, National Fire Protection Assn.; **NFSA** is member, National Fire Sprinkler Assn.; **NSC** is member, National Safety Council; **NSMS** is member, National Safety Management Society; **NSPE** is member, National Society of Professional Engineers; **OHST** is Occupational Health Safety Technician; **PE** is Professional Engineer; **PG** is Professional Geologist; **Ph.D.** is Doctor of Philosophy; **RA** is Registered Architect; **RE** is Registered Ergonomist; **REP** is Registered Environmental Professional; **RME** is Registered Mechanical Engineer; **RN** is Registered Nurse; **RS** is Registered Sanitarian; **RSA** is Registered Safety Engineer; **SE** is Structural Engineer; **SFPE** is member, Society of Fire Protection Engineers; **SSA** is member, Semiconductor Safety Assn.; **SSS** is member, System Safety Society; **VS** is Veterans of Safety; **WSO** is member, World Safety Organization.



IRISC
RUNOFF MANAGEMENT FOR THE LONG RUN
Run with the leader. IRISC is the nation's premier management company specializing in insurance, reinsurance, intermediary and extended warranty runoffs. For a brochure and complete run-down of our services, call or write to Peter Johnson in confidence. IRISC • Eight Centre Drive • Jamesburg, New Jersey 08831 • 609-395-7287



If buying the right reinsurance were just a walk in the park, you wouldn't need us.

General Re®

Now more than ever,
the right choice.

©1992 General Reinsurance Corporation, Stamford, CT 1-800-7-GENRE-

CLAIMS
OVERLOAD
SYSTEMS

SETTING THE STANDARDS FOR TEMPORARY CLAIMS PERSONNEL

Providing Experienced
General Liability, Auto & Workers Comp. Adjusters
Medical Claim Examiners, Utilization Review/Auditors
& Data Entry/Clerical Support Personnel
That are...

Screened & Tested
■
Professional & Reliable
■
Hireable As Permanent Employees
■
Covered By Fidelity, GL, W/C and E&O Insurnce

Immediate Service—30 Offices Nationwide
We Make It Easy!

CALL FOR THE LOCATION NEAREST YOU ■ 800-822-2422

Continued from page 33

prevention publications, client training.

Staff: 12; two professionals who hold one ARM designation.

Clients: 25; 90% with gross revenues less than $200 million, 5% with $200 million to $499 million, 5% with $500 million to $999 million.

Region served: Alabama, Louisiana, Mississippi, Tennessee, Texas.

1991 gross revenues: $567,000; 10% from unbundled property loss control consulting/engineering, 90% from other services, including OSHA compliance, ADA compliance, safety programs, risk management consulting, risk management audits.

Principal officers: Walter D. Haney, chairman; Walter D. Haney Jr., president; Ginny Hughette, vp.

Contact: Walter D. Haney Jr.

Anti Fire, P.E. Phillips & Associates

1963 Sycamore Trail, Las Vegas, Nev. 89108; 702-648-6757

Founded: 1974.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, fire detection, fire suppression, fire code compliance, fire loss investigations.

Staff: One professional who holds ASSE, CSP, PE, SFPE, NFPA, SSS and FDI designations.

Principal officers: Patrick E. Phillips, president.

Applied Risk Control Corp.

100 Dutch Hill Road, Suite 214, Orangeburg, N.Y. 10962; 914-365-2444; fax: 914-365-2494

Founded: 1985.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: 19; three professionals who hold one ARM, three CSP, two PE, one SFPE designations.

Clients: 14; 40% with gross revenues less than $200 million, 50% with $200 million to $499 million, 10% with $500 million to $999 million.

Region served: Worldwide.

Branch offices: Atlanta, Chicago, Los Angeles, Milwaukee, St. Louis.

Principal officers: Harry P. Mirijanian, president.

Atlantic Inspection Co. Inc.

12300 Twinbrook Parkway, Suite 530, Rockville, Md. 20852; 301-468-3658; fax: 301-770-5639

Founded: 1990.

Parent company: The Hudson Group.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, insurance replacement cost appraisals, loss experience analysis.

Occasional services: Building plan reviews, client training.

Staff: Eight; four professionals who hold one WSO/CST designation.

Clients: 40; 90% with gross revenues less than $200 million, 10% with $200 million to $499 million.

Specialties: Insurance companies, construction firms, real estate development, high-technology companies, wholesalers.

Region served: Delaware, Maryland, Pennsylvania, Virginia, Washington, D.C., West Virginia.

1991 gross revenues: $75,000, 90% from unbundled property loss control consulting/engineering, 10% from other services, including risk management consulting.

Principal officers: Peter M. Hudson, chairman; Tony A. Bennett, president; Michael H. Robey, Raymond Robinson Jr. and David S. Smith, loss control advisors.

Contact: Tony A. Bennett.

Axia Services Inc.

45 Glastonbury Blvd., Glastonbury, Conn. 06033; 203-659-6700 or 800-332-2942; fax: 203-657-4461

Founded: 1972.

Parent company: Aetna Life and Casualty.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, client training, sprinkler system testing and evaluation, water supply evaluation, property audit/program consultation, building appraisals (non-market price).

Staff: 450; 65 professionals who hold eight ARM, 15 ALCM, 18 ASSE, one CPCU, 10 CSP, five PE, and eight SFPE designations.

Clients: 53; 70% with gross revenues less than $200 million, 20% with $200 million to $499 million, 10% with $500 million to $999 million.

Region served: Nationwide.

Branch offices: 45 locations nationwide.

1991 gross revenues: $6.3 million, 5% from unbundled property loss control consulting/engineering, 95% from other services.

Principal officers: Susan Boyers, president; Vernon White, vp-sales; John Strohecker, vp-customer services; Donna Giuffrida, vp-finance; Kevin Nicholson, vp-mechanization strategies.

Contact: Robert F. Warner, director-engineering; Vernon White, vp-sales; William Whitehead, director-sales.

Continued on page 41

Introducing
Western Atlantic.
A reinsurance company
exclusively serving intermediaries.

As a member of the Swiss Re Group, Western Atlantic Reinsurance was formed exclusively to serve U.S. intermediaries. We provide intermediaries with quality, financially secure reinsurance.

Western Atlantic Re offers:

- Policyholders' surplus in excess of $100 million
- Swiss Re Group's A.M. Best's rating of A+
- Seasoned reinsurance professionals
- Significant capacity
- Full service reinsurance including underwriting, claims, actuarial and financial services

We'd like the opportunity to talk to you about your reinsurance needs.

WESTERN ATLANTIC REINSURANCE CORPORATION

WESTERN ATLANTIC REINSURANCE CORPORATION 380 MADISON AVENUE, NEW YORK, NEW YORK 10017 TELEPHONE (212) 973-5800

InsurerTopics

A special editorial section
sent exclusively
to insurers and reinsurers

Soft market drives spirit of teamwork

Intermediaries, reinsurers improve relations

By JUDY GREENWALD

There's a new spirit of cooperation between intermediaries and reinsurers.

Reinsurers and intermediaries are working more closely together with both one another and with their ceding company clients, say officials of both reinsurance companies and intermediaries.

Gone with no regret are the days when reinsurance intermediaries jealously guarded their clients from any contact with the reinsurers with which they dealt.

"I think there's definitely a much closer relationship between the brokers and the reinsurers, which rebounds to the clients' benefit," said Michael Rothpletz, executive vp of G.L. Hodson & Son Inc. in New York.

Two trends, one short-term and one long-term, are credited with accelerating the drive toward better relationships between reinsurers and intermediaries.

Short-term, reinsurers and intermediaries are united by their mutual need for premium growth in a soft market and by their competition with direct-writing reinsurers.

From a longer-term perspective, reinsurers are becoming larger through consolidation, partly in response to insolvency concerns, while intermediaries are consolidating as well (*BI*, Nov. 4, 1991). The diminishing numbers of reinsurers and intermediaries has encouraged both sides of the relationship to work more closely together.

From the primary insurers' perspective, the benefits of these developments include more efficient claims payments, better contract documentation and overall higher levels of service, with more reinsurers hiring actuarial and claims specialists, said Charles E. Erickson, president of Signet Reinsurance Co., based in Basking Ridge, N.J.

This is "all very positive because we're showing the client a more informed approach to meeting their needs," said Mr. Erickson. "In the long run, the client is benefiting from this."

The market is a lot different today than it was several years ago, when reinsurance intermediaries had numerous reinsurers on their slips, and ceding insurers considered reinsurers fairly interchangeable, say observers.

"In the old days, the brokers would have access to a large list of reinsurers, and the strategy would be to divide and conquer," said John Smithson, chairman, president and chief executive officer of PMA Reinsurance Corp. in Philadelphia.

Today, however, ceding companies prefer no more than four well-capitalized reinsurers which are among the biggest and the best. "It really is a much different psychological way of doing business," said Mr. Smithson.

The trend really started when the reinsurance market contracted in 1984 and 1985, noted Robert L. Osborne Jr., president of Arthur J. Gallagher Intermediaries Inc. in New York. "We just had too many reinsurers that were not solvent."

Pointing to the increase in capacity over the past few years among the 10 to 15 largest reinsurers, Mr. Smithson said "the dynamics of the business and players involved are really changing quite a bit." Reinsurance is "absolutely less of a commodity."

"Our experience is the more we have had a chance to spend time with our existing and prospective clients, the better the process has worked," Mr. Smithson said.

With the market soft, this is a particularly advantageous time for reinsurers and intermediaries to work together, said Robert T. Tremelling II, president of the San Francisco-based Tretis Group Inc., a reinsurance intermediary. "Right now, it's a fairly good part of the cycle for the relationship. No one can afford to start backing away."

Furthermore, the relationship "between the client and the market through the intermediary is generally much more direct," said Mr. Tremelling.

Some intermediaries in the past "kept their clients away from the reinsurers," he said, adding that now a much closer relationship between the client and the reinsurer has evolved.

And intermediaries have easier access to reinsurers now than during the hard market, said Albert P. Amato, senior vp of C.L. Frates Reinsurance Intermediary Inc. in New York.

"The only hard part for a broker is obviously you have competition from other brokers who also are searching around," said Mr. Amato.

Meanwhile, however, competition from direct writers remains a concern, said Philip W. Mitchell,

Continued on next page

Insurer Topics

RAA heightens its governmental presence

An increased professional staff is the cornerstone of the group's long-range plan

By MARK A. HOFMANN

WASHINGTON—A year into his second stint as president of the Reinsurance Assn. of America, Franklin W. Nutter says the group as poised to take a more visible role in the legislative and regulatory arena.

Mr. Nutter took over the reins of the trade group, which currently claims 26 reinsurer members, last May after serving as president of the Alliance of American Insurers since 1984. Mr. Nutter previously held the RAA presidency from 1981 to 1984 and had served as the group's counsel before that.

Since last fall, the association has been working to meet the goals of a long-range plan adopted by its directors before Mr. Nutter reassumed the presidency. The goals include doubling the group's professional staff.

"The most important thing is to really staff up the association," he said. "We've been very fortunate in hiring people who've had an immediate impact" on legislative matters.

A year ago, the RAA employed only five professionals; now, most of its 17 employees would fall into that category, he said. Having outgrown its offices, the group is moving this week into larger quarters a few blocks from the White House.

The larger staff has allowed the RAA to pursue its goal of increasing its clout in many states it considers important, he said. A new director of state relations position was filled by Brad Kading, a former colleague of Mr. Nutter's from the Alliance. Also, "We now have online computer capability to monitor legislation in all the states, both for tax and insurance legislation," said Mr. Nutter.

The RAA has retained counsel in 10 states, including Illinois, New Jersey and New York, "where we wanted to have someone there in the capital who thought of us every day, monitored issues, lobbied for us."

In other states, including California, the RAA has affiliated with state insurance trade groups to pursue its legislative goals, Mr. Nutter said.

One of its primary goals is tougher state solvency regulation. The RAA has been lobbying for the National Assn. of Insurance Commissioners' solvency

'We're not promoting federal regulation, but we felt that it was inappropriate to have that defined . . .on the Hill without our input,' says Frank Nutter.

policing agenda (*BI*, Dec. 9, 1991).

"As long as the NAIC is promoting its model laws and regulations, we're going to be active in supporting" those models, while seeking amendments "where appropriate with the view of helping the NAIC improve the overall quality of state regulation," said Mr. Nutter.

The RAA has not taken a stand on a federal role in solvency regulation, though that does not mean it has not done anything in the area.

The RAA participated in discussion and debate about the regulation of reinsurers during the drafting of H.R. 4900, the bill introduced by Rep. John Dingell, D-Mich. (*BI*, April 20), though "we did not engage in the discussion about the primary industry," said Mr. Nutter.

"We responded to drafts, we participated in meetings where there was debate about various policy issues, we drafted where we thought we had input to contribute," he said.

But he stressed that this participation does not signal an RAA endorsement of a particular federal solvency bill or even the concept of a federal role.

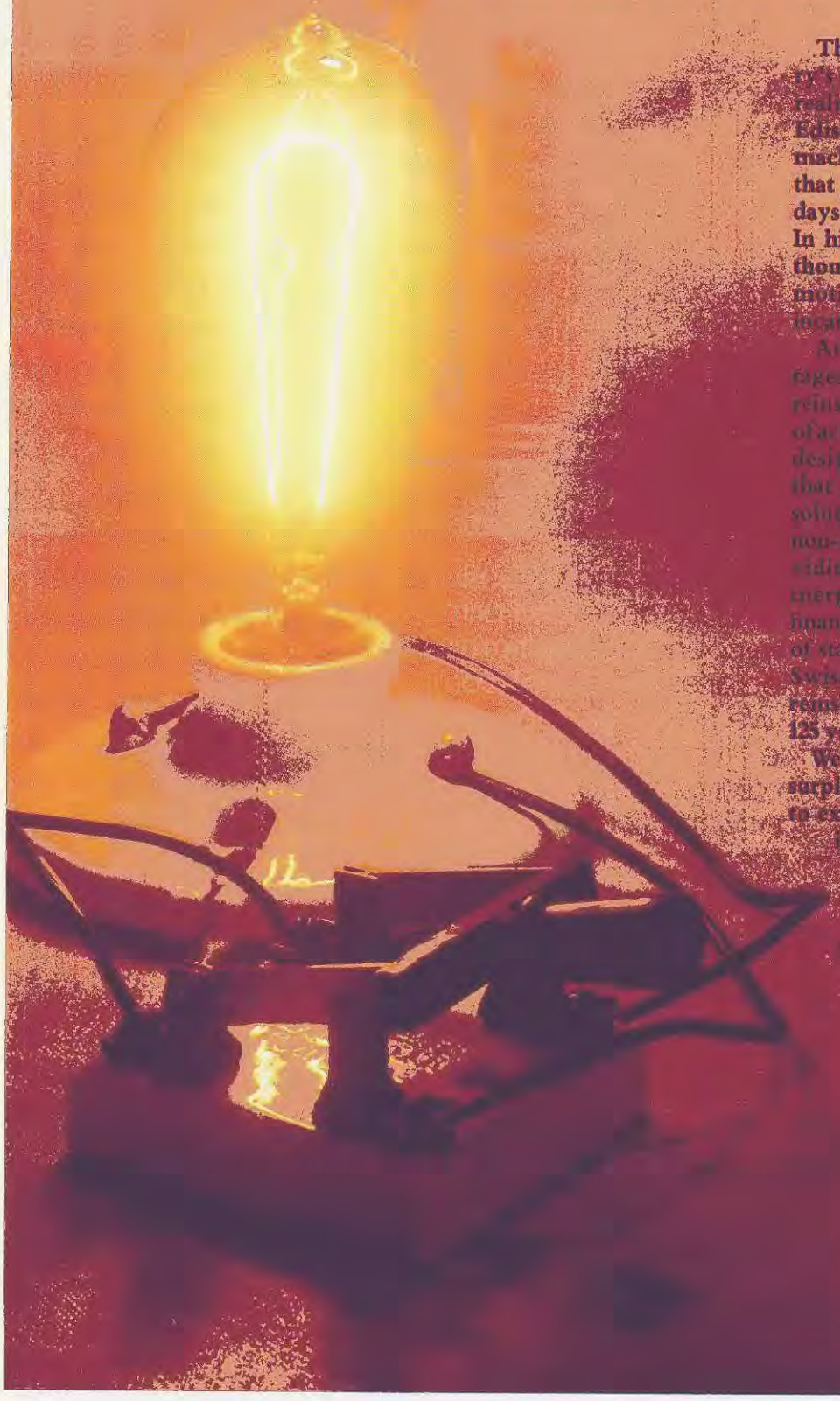
"We're not promoting federal regulation, but we felt that it was inappropriate to have that defined by legislative staff on the Hill without our input," he said.

Although Mr. Nutter called the Dingell bill, which would create a dual system of federal and state insurance solvency regulation, "an interesting start," he said that the RAA cannot endorse the measure now. "It doesn't do enough to improve

Continued on page 36F

FINANCIALLY-ORIENTED REINSURANCE

AN INVENTIVE APPROACH TO REINSURANCE



Thomas Alva Edison is renowned as history's greatest inventor, but most people don't realize that he hardly ever worked alone. Edison recruited scientists, technicians and machinists to create an "invention factory" that promised "a minor invention every ten days and a big thing every six months or so." In his lifetime, Edison was granted over a thousand patents, including the phonograph, motion-picture projector and, of course, the incandescent light.

At Atrium, we also recognize the advantages of specialized expertise. As a licensed reinsurance intermediary, we've built a staff of actuarial, tax, legal and financial experts to design innovative, customized programs that present the broadest range of possible solutions. Our team of professionals finds non-traditional ways to use reinsurance to provide catastrophe protection, facilitate mergers and acquisitions and assist in financial planning. We also offer a foundation of stability and strength as a member of the Swiss Re Group, a $27 billion international reinsurance organization in business for over 125 years.

We pioneered the use of reinsurance as a surplus management technique and continue to expand our reputation for creativity and ingenuity. By solving problems through inventive applications of established reinsurance structures, Atrium can create a brighter future for your business.

ATRIUM

Progressive Solutions to Traditional Problems

FOR OVER 80 YEARS, WE'VE BEEN KEEPING INSURERS ON A SAFE COURSE

Navigating the channels of reinsurance is harder than ever. There was a time when reinsurance was a gentlemanly pursuit. But today, the stakes are vastly higher, risks have multiplied and the alternatives have expanded dramatically. Only a highly experienced reinsurer can guide you safely through the changing tides of reinsurance—North American Re.

NORTH AMERICAN RE

A TRADITION OF EXCELLENCE

NORTH AMERICAN REINSURANCE CORPORATION 237 PARK AVENUE, NEW YORK, N.Y. 10017 (212) 907-8000 ATLANTA BOSTON CHICAGO DALLAS LOS ANGELES NEW YORK PHILADELPHIA SAN FRANCISCO

RAA agenda

Continued from page 36D

solvency regulation to suggest that it's a better system," he said, adding that the RAA will "continue to work with Dingell's staff if we're invited to do so."

Another key area of concern for the RAA is Superfund, formally known as the Comprehensive Environmental Response, Compensation and Liability Act. The group is developing a strategic plan to address pollution cleanup liability and other environmental issues. Research and lobbying are on its agenda, as are "some grassroots activities," he said.

Mr. Nutter said that the "critical mass" required to spur congressional action on Superfund reform doesn't exist right now. "At this point, it's just making certain we're participating in the process to encourage Congress to change Superfund and making certain we have a seat at the table when those negotiations take place," he said.

The RAA also remains "keenly interested" in a federal earthquake reinsurance program like that advocated by the insurance industry's Earthquake Project, which Mr. Nutter chairs. He said that the key now is developing a coalition "both inside and outside the Beltway" to press for a federal role in earthquake insurance. Because this year's legislative session will be shortened by recesses and campaigning, pushing for a bill will wait until the new Congress convenes next January.

'A lot of high-profile discussions about reinsurance and its effect on solvency' have brought reinsurance 'right up onto the front burner' as a legislative issue on both the state and federal levels, according to the RAA's Mr. Nutter.

Promoting education about reinsurance is a key tactic in the group's new activist strategy. Mr. Nutter said that during the past year, the RAA has held two seminars, co-sponsored by the NAIC, that drew nearly 400 people. These two-day programs were aimed at regulators, and the RAA has conducted seminars at individual state insurance departments.

"A lot of high-profile discussions about reinsurance and its effect on solvency" have brought reinsurance "right up onto the front burner" as a legislative issue on both the state and federal levels, Mr. Nutter said. This is in marked contrast to his earlier tenure at the RAA, when reinsurance was of little interest to lawmakers and the public.

Although regulators and legislators have learned more about reinsurance and its impact on other market areas, their level of knowledge is still "de minimis," he said. That's why the RAA will continue to push its educational and political activities, he said.

"Ignorance about reinsurance is a political liability, not an asset," he said. "These are people who change jobs often. You have to keep at it all the time." ■

Coverage litigation strategy

Mock trials allow insurers to test the water prior to facing a real jury

By Neal R. Novak

IT perspective

INSURANCE COVERAGE disputes can present difficult questions for counsel and clients alike. If those difficult questions cannot be resolved before trial, however, they must be made easy for the jury or the insurer most likely will lose the case.

In addition, insurer litigants have to overcome the stigma that insurers are cold, impersonal and out to take advantage of their policyholders.

A "mock trial" serves two purposes for an insurer facing these challenges: It helps find the best trial strategy and method of presentation and it helps personalize the insurer.

There is a vast difference between the way a case looks on paper and the way "the show" plays in court. Over the last few years, the mock trial has become increasingly popular because it enables a litigant to determine before trial whether the presentation is on target.

A mock trial allows attorneys to test a factual or legal theory, an argument, a witness or certain evidence. It aids in ascertaining the risk factors associated with the trial. It affords the opportunity to get into the hearts and minds of representative jurors, something that otherwise cannot be accomplished until after a trial is over, which is, of course, too late.

Mock trials need not be costly. A single issue can be presented, or a single witness can be tested, at a fraction of the cost of putting on the entire case. And if it becomes clear that a case should be settled, a mock trial more than pays for itself in the savings of the actual trial costs. If the case is tried, an additional benefit is realized in the improvement or refinement of how the issue is presented to the jury or how the witness performs.

In coverage disputes, there are two ways a mock trial can be beneficial: to test one or more strategies supporting the theory of the case or to test a witness for credibility with an eye toward "humanizing" the insurer as a party.

Both considerations actually involve the testing of perceptions—perceptions of the case and perceptions of the witness. The soundest theory in the world will be rejected if it is not properly presented to the jury.

Personalizing the company

When testing theories using a mock trial format, an actual jury is convened to hear arguments and testimony, determine the facts and assess credibility. While such testing is helpful in litigation between companies, it is critical in an action brought by a policyholder against an insurance company, where there is a built-in bias against the "deep pocket."

As mentioned above, insurance companies are often perceived as cold, impersonal entities, in contrast to—for example—the neighborhood grocery store. At John's Groceries, a customer often shops three times a week for goods that are needed and consumed. That customer knows "Sarah the Cashier," "Joe the Produce Man" and other store employees. A slip-and-fall accident at John's Groceries will most likely be resolved on a friendly basis. But even if a lawsuit results from the slip and fall at John's Groceries, it likely will not be encumbered by negative perceptions about the store. The jury is likely to see and think "people" in deciding whether John's Groceries was negligent. A personal relationship is involved, one that should prove beneficial to the store in telling its side of the case.

Not so with Your Money Or Your Life Insurance Co. The policyholder doesn't know the people at the company. The policyholder has contact only with an agent, who takes money and provides pieces of paper in return. Worse, there is a perception that when a problem arises, the company will make it difficult to recover and then cancel the policy or raise the premiums.

A mock trial helps test ways to personalize the company, making it a warmer, friendlier entity. A solid yet dangerous strategy may be modified to make it more palatable—an approach a jury will receive favorably.

For example, take the hypothetical case in which the policyholder, a 70-year-old widow, fraudulently misrepresented on her homeowner's insurance application the value of art and jewelry given to her by her late husband. After the property is destroyed by fire and the claim is denied, a lawsuit is filed.

The insurer probably should not attempt to portray "Grandma" as a conniving schemer who set out to defraud the insurer. Better to soften the defense by showing, for example, that the property could not possibly have the value assigned to it by the policyholder. This takes the focus off personalities, where the insurer is severely disadvantaged, and puts it on property, where "Grandma's" expert can square off against the company's expert and the parties are now on a more even playing field. A mock trial can help identify and hone the manner of presenting such a defense.

Personalizing the witness

A witness can be tested using a mock trial not only for credibility, but also for appearance and manner. Is the witness harsh? Uncaring? Hostile? Likely to support the stereotype of insurance companies? To combat bias, the witness must counter the stereotype and reflect a concern for the policyholder—not just for the company or the letter of the law.

For example, an insurer's claims manager testified in a dispute that he found that the insured savings and loan had breached the terms of the policy by failing to give notice of a change in ownership. In a report to his supervisor, the claims manager called the defense an "ace in the hole" and took the position that the insurer should not disclose to the policyholder that it knew about the change. The arrogance and hostility generated by this type of document is difficult for an insurer to overcome. Indeed, the trial court found it to be the basis for creating a fact question about whether the insurer waived the right to assert the "change in ownership" defense, which would have been a complete bar to the action.

This is precisely the type of situation that should be "mock tried." The harshness of the position could have been softened by working with the witness to have him explain that the policyholder obviously knew of the change in control of its ownership and that "advising" the policyholder of that fact is not only meaningless but also without benefit to the policyholder.

In any event, under the policy, the policyholder had the obligation to advise the insurer, and it was the policyholder that failed to make the disclosure.

Finally, a little work on the witness stand would have softened the impact of the "ace in the hole" language by having the witness note that it was shorthand—and, in hindsight, an unfortunate choice of words—selected in part because he was an ardent bridge player and had at the time been playing in a tournament.

Case in point

In a recent commercial insurance dispute, my law firm represented certain international insurers and individual underwriters. One issue in the case was whether the insurers had waived or were precluded from asserting a two-year limitation on filing a lawsuit contained in a provision of the insurance contract. The policyholder admitted it failed to file suit within two years of discovering the problem but denied its suit was untimely.

In a mock trial, the law firm wanted to test the validity of the defense position that there had been no waiver and that the plaintiff's claim was time-barred.

The firm also wanted to test the performance of one of the defendants' principal witnesses, who was an older, well-established New York lawyer. Although historically lawyers make bad witnesses, the firm believed the witness could be impressive. Nevertheless, it did not want to take a chance with more than $27 million at stake.

The "trial" lasted one day. First the judge related a set of facts, after which the witness was examined and cross-examined. The jury heard short "closing arguments." Then, after lunch was served, the jury deliberated. The deliberations were videotaped with the jury's knowledge and consent. The jurors were then asked to fill out questionnaires, followed by direct questions from our lawyers. Although direct questioning is not always useful—jurors' answers in a mock trial are often what they think lawyers want to hear—it nonetheless gave us sample perceptions about the case, the companies and the witness.

The law firm came away from the mock trial proceeding convinced that the waiver/estoppel issue was not too complex to present to a jury. On the second issue, the law firm learned that an elderly New York lawyer performed well before a Midwestern jury. He could tell his story and soften the biases associated with insurance companies. Indeed, at trial, the defense prevailed on five of six counts, and the jury returned a verdict on one count, based on stipulated evidence, for just more than $77,000.

An 'insurance policy'

Mock trials clearly are not warranted for all cases. In the right circumstances, it will be time and money well-spent: an "insurance policy" to identify the minefields. This is especially true if a key witness is too "company-oriented." Insurers in general should strive to personalize the industry and the people who work in it. A mock trial also can determine how a strategy supports a theory under the facts and in light of the perceptions.

Everyone likes to win on the merits, whether in or out of the courtroom. While skill and effort are important components of a winning team, the realities of perception and appearance are just as important, particularly for the insurer litigant.

A mock trial may splash a bucket of cold reality on the case, but it can allow companies to understand how best to present their arguments and themselves. ■

Neal R. Novak is of counsel at the Chicago law firm Pope & John Ltd. Mr. Novak specializes in fidelity and surety issues.

NAMIC video decries Brooks, Dingell bills

Group calls on agents for support in defeating proposals

By MARK A. HOFMANN

INDIANAPOLIS—Larry Forrester is no Madonna, but the National Assn. of Mutual Insurance Cos. hopes that he can help put its new non-music video on the top 10 video countdown among independent insurance agents.

NAMIC, an Indianapolis-based trade group representing more than 1,240 mostly small to medium-sized property/casualty insurers, released "Perception '92—Impact on the Agent" last month. The 20-minute video, narrated by Mr. Forrester, NAMIC's president, discusses two pieces of federal legislation that would affect the insurance industry. Those proposals pose a threat to independent agents' ability to make a living, the association believes.

One of the bills in question is H.R. 9, drafted by House Judiciary Chairman Jack Brooks, D-Texas. The measure would strip insurance companies of much of the limited immunity from federal antitrust actions they now enjoy under the McCarran-Ferguson Act (*BI*, Feb. 3; Nov. 25, 1991).

The other bill is H.R. 4900, drafted by Rep. John Dingell, D-Mich., which would create a dual system of federal and state solvency regulation (*BI*, April 13).

Larry Forrester, president of NAMIC, stars in its video, which cost under $10,000 to produce.

Although NAMIC joins with the insurance industry's unanimous opposition to restrictions on the limited antitrust immunity under McCarran-Ferguson, NAMIC differs from several trade associations —most notably the Washington-based American Insurance Assn.— that support a federal role in solvency regulation. NAMIC's video was produced before Rep. Dingell introduced his bill April 10, so the bill is not referred to by name in the video.

The video, which is aimed at agents, makes clear that NAMIC's members see nothing good in either piece of legislation and seeks to enlist agents' help in blocking the two bills.

The Brooks bill "could be devastating to the agents," says Mr. Forrester in the opening minutes of the video. Under H.R. 9, the Federal Trade Commission could "potentially regulate" matters like sales practices, advertising, claims procedures, underwriting and rating classifications, policyholder services and consumer complaints, he says.

And because agents engage in these activities, it would appear that agents could be regulated by the federal government, he says.

Turning to the Dingell bill, Mr. Forrester notes that "initial drafts" of the measure had the support of large national insurers and brokers. He asks Al Cooper, NAMIC's director of legislative services and a former deputy insurance commissioner of Indiana, what can be done to promote insurer solvency.

Mr. Cooper responds by praising the National Assn. of Insurance Commissioners' accreditation program, whereby state insurance departments are rated on the basis of having sufficient qualified personnel, carrying out timely financial examinations of insurers and several other criteria before receiving accreditation.

Mr. Forrester then asks Mr. Cooper about federal regulation in general, to which the former state regulator replies that he doesn't think the federal government has "shown any strength" in the regulation of industry. But dual regulation is "the worst thing" that could happen, says Mr. Cooper.

A trio of insurer executives of NAMIC member companies then offer their assessment of the impact of federal regulation as exemplified by the two bills.

James L. Ketcherside, chairman, president and chief executive officer of Farmers Alliance Mutual Insurance Co. of McPherson, Kan. expresses doubt that large nationa insurers could adequately serve rural America. Rural residents and agents "need the regional insurance company," according to Mr Ketcherside.

Like Mr. Forrester, Mr. Ketcherside believes that the bills could

Continued on next page

Regardless of your size, we'll treat you with equal weight.

At Prudential Re, we are interested in doing business with you. And unlike some companies, if you team up with us, we won't throw our weight around.

Instead, we'll work side by side. We'll share our experience with you. To help you fine tune your reinsurance program and make it even more profitable — just as we've refined our operations to make them more responsive to your needs.

Whatever your needs, we won't give you one-size-fits-all solutions.

We'll tailor solutions to fit you. We do this because we know we will both benefit from it in the long run.

And we're looking for relationships that will be long running.

So before you get into another fine mess, call Prudential Re.

Prudential Re®
The Reinsurer of Choice

Available directly or through an intermediary.

© 1991 Prudential Reinsurance Company, a subsidiary of The Prudential Insurance Company of America, Newark, New Jersey. LAUREL & HARDY CHARACTERS TM & © 1991 Larry Harmon Pictures Corporation, Hollywood, California 90028.

One man's war on poverty

Insurance exec's tutoring program gives city kids fighting chance

By MARK A. HOFMANN

PHILADELPHIA—Students at Charles Y. Audenried High School, located in one of this city's poorest areas, often have plenty working against them.

What a group of 15 of them are discovering is that they also have a positive force working for them: insurance executive James J. Maguire.

Mr. Maguire, chairman of Maguire Holding Corp. in suburban Wynnewood, Pa., first came in contact with the school in 1989. He owned a farm on Maryland's Chesapeake Bay and allowed a group of Audenried students—sponsored by the CIGNA Foundation—to hold a picnic there. The picnic was a reward for finishing a summer enrichment program.

For some of the students in a tutoring program Mr. Maguire was inspired to set up the following year, the reward could be infinitely more valuable: four years of college tuition.

Beginning in late 1990, the students were invited to the Maguire offices monthly. Volunteers tutored them and took them out for bowling or skating and dinner. At least once a week, volunteers spoke on the phone with the students, often spending weekend time with them as well.

Mr. Maguire said that the No. 1 objective of the program is for students to graduate from high school. To this end, the Maguire volunteers try to enhance the students' communication and academic skills.

"Very definitely, we've seen improvement in their communication skills," said Mr. Maguire. And, he said that he's trying to get the students' families more involved in promoting their academic skills.

To bolster those skills, he recruited five college students to begin tutoring in December. Four, including Mr. Maguire's daughter, attend St. Joseph's University in Philadelphia, Mr. Maguire's alma mater; the fifth attends the University of Pennsylvania. They meet the children at Audenried once a week.

And just because the school year ends soon doesn't mean the company's involvement will. Three students will be working at the Maguire offices this summer, and Mr. Maguire hopes to start another group in the program next fall while continuing to work with the initial students.

In addition, any student who participates in the program and who qualifies for college could have four years of college tuition paid by Maguire Holding Corp.

Maguire Holding Corp. owns Philadelphia Indemnity Insurance Co. and Philadelphia Insurance Co. Another four or five companies, which Mr. Maguire declined to identify, will probably become involved with Audenreid students soon.

It's not just the students who are enriched. Employee response has been "very positive," he said. "I think our company and employees get as much out of this as the children."

The Maguire program builds on CIGNA's Neighborhood School Partnerships program, which involves five schools in South Philadelphia, including Audenried. The other schools stretch from preschool to middle school and feed into Audenried, said Woodie Wright, vp and executive director of the CIGNA Foundation.

CIGNA Corp. employee Carl Aiyeola and student Qadir Muhammed play a game at the kickoff of the Learning, Friends and Fun program.

The CIGNA Foundation has already spent about $500,000 on assets like teacher training and computers. And the foundation has committed at least $1.5 million to the long-term project, which seeks "to intervene early and often into these kids' lives," he said.

As part of the CIGNA program, 45 second-, third- and fourth-graders visit CIGNA headquarters one hour a week for tutoring with company volunteers. "The key behind it is to get people involved."

The program offers more than academic skills. For example, the children are introduced to role models like a CIGNA vp who grew up in a public housing project in New York, he said.

CIGNA says its participation is not purely an exercise in altruism.

As a personnel matter, "we have not been telling our suppliers—the public school system—what we need" to guarantee a sufficiently skilled workforce for the future, said Mr. Wright. The CIGNA program helps address this, he said.

"We'd certainly like some of these kids to come work for us some day," he said. ■

NAMIC video

Continued from previous page

subject agents to federal regulation. That opens "another Pandora's box," from which will fly more litigation, he says.

And, if common forms were banned under the Brooks bill, small insurers could only compete in one or two lines of coverage rather than a dozen or so, added David E. Hosler, president and chief executive officer of Old Guard Mutual Insurance Co. of Lancaster, Pa.

H.R. 9, which would restrict the limited antitrust immunity insurers now enjoy under McCarran-Ferguson, is a "very ambiguous" piece of legislation, comments James I. Taylor, president and chief operating officer of Pennsylvania National Mutual Casualty Insurance Co. of Harrisburg, Pa.

Mr. Ketcherside then takes this concern a step further.

"H.R. 9 is probably the most serious threat" facing regional companies, Mr. Ketcherside says. A "federal solution to problems in Kansas" may not be best for the Kansas consumer, he says.

"I think it will clearly be difficult" for consumers to identify the company that best meets their needs if state regulation ends, contends Mr. Hosler. The McCarran-Ferguson Act "is a good deal" for consumers, he adds.

Mr. Forrester ends the video by reinforcing to viewers the message that "it's essential" to maintain the current regulatory system, and he urges them to communicate their views to members of Congress.

"We'll see you on Capitol Hill," he says.

NAMIC shot the video at its headquarters and at its February "CEO Roundtable" meeting in Mesa, Ariz., according to Jim Badger, NAMIC's director of communications. He said the video, which is sponsored in part by PEMCO Mutual Insurance Co. of Seattle, cost less than $10,000 to produce.

•

Copies of "Perception '92—Impact on the Agent" can be ordered from NAMIC. The charge is $40 for member firms and $60 for nonmembers. Bulk discounts are available. For more information, contact Jim Badger at 317-875-5250.

QicClaim QicClaim/2

With our new integrated technologies you get more than software, you get cost saving solutions.

QicClaim/2 is the most flexible and widely used health claims management system available. With our new integrated technologies, it's the most productive and cost effective, too.

QicClaim/2 gives you software to handle claims administration, billing, flexible spending, PPO management, utilization reporting and more. You'll also get hardware flexibility because RIMS' software takes advantage of open systems architecture, and gives you choices like IBM, Data General, PC Networks and more. And you'll be able to join the industry's most dynamic client association for business network resourcing.

Our new integrated technologies — document image management, electronic claims submission and batch adjudication, medical claims auditing, cost management services, and MICR laser check printing — give you the ability to offer even more services, and let you perform them faster and more profitably.

To stay ahead in benefits administration you need to be able to do more than just process claims. That's why you need QicClaim/2 from RIMS. For more information call **1-800-950-0099**.

RIMS Resource Information Management Systems, Inc.
500 Technology Drive ♦ P.O. Box 3094 ♦ Naperville, IL 60566-7094
708/369-5300 ♦ FAX: 708/369-5168

©1992 Resource Information Management Systems, Inc.

HANSA REINSURANCE COMPANY OF AMERICA

A MEMBER OF THE TRYGG-HANSA SPP GROUP

A.M. BEST RATING: A-CLASS VII

AN ON-GOING COMMITMENT TO SECURITY AND STABILITY

Property and Casualty Treaty Reinsurance

Property Facultative Reinsurance

220 White Plains Road, Tarrytown, NY 10591
Telephone (914) 631-6011 Telex 131674 Telefax (914) 631-7402

Advertiser Index

Insurer Topics

Issue of May 18

ADVERTISER	PAGE #
Atrium	36D
CIGNA	36C
Hansa Re — Management Corp.	36H
Munich Reinsurance Co.	36B
North American Reinsurance	36E
Prudential Reinsurance	36G
Resource Inform. Mgmt. Systems	36H

Business Insurance

From modest beginnings, certainly a very humble first year, we now find ourselves being ranked as one of the ten largest insurance agencies in the country, according to Business Insurance magazine.

We mention this merely to illustrate the fact that there is no substitute for a well-planned corporate strategy. From the outset

A little strategic planning at the outset, we've found, can speed things up further down the road.

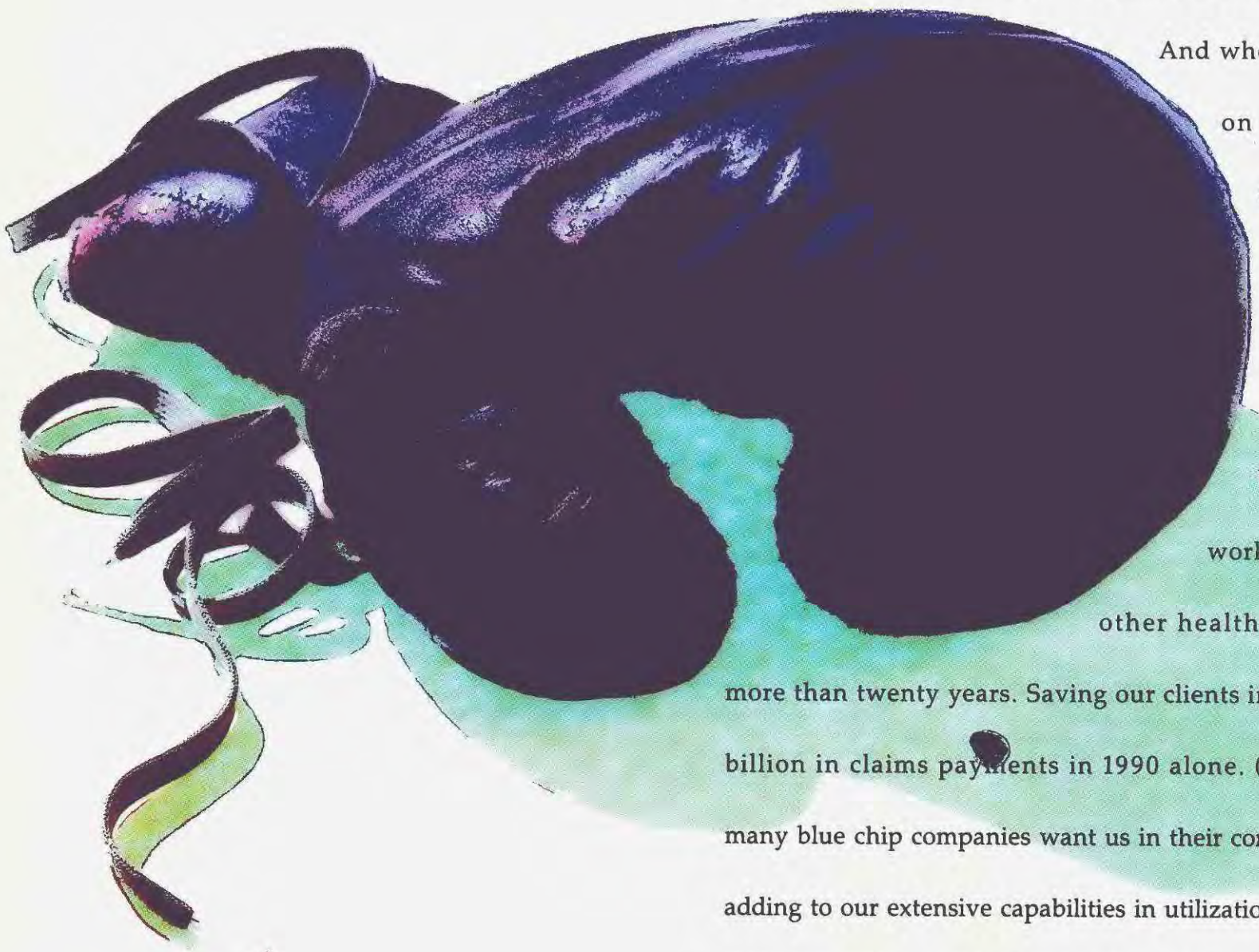
our policy has always been to invite strong, independent insurance agencies to join us as affiliates. Once on board, we leave them alone. Free to continue their winning ways, with just a helping hand now and then in those areas that can be more efficiently handled by a central office.

The policy seems to be working. We now have over 40 offices across the country, and with each new affiliate, our national presence is strengthened. At the same time, the well of expertise from which our offices are able to draw is deepened. The resources which we, as a large company, can offer, make them more attractive to existing and prospective clients. Which, in turn, makes our foothold in each region even firmer. So it keeps going. Further and further down the road to success.

HRH INSURANCE

Hilb, Rogal and Hamilton Company
Our strengths are yours.

Ranking from Business Insurance, "Agent/Broker Profiles," June 18, 1990.



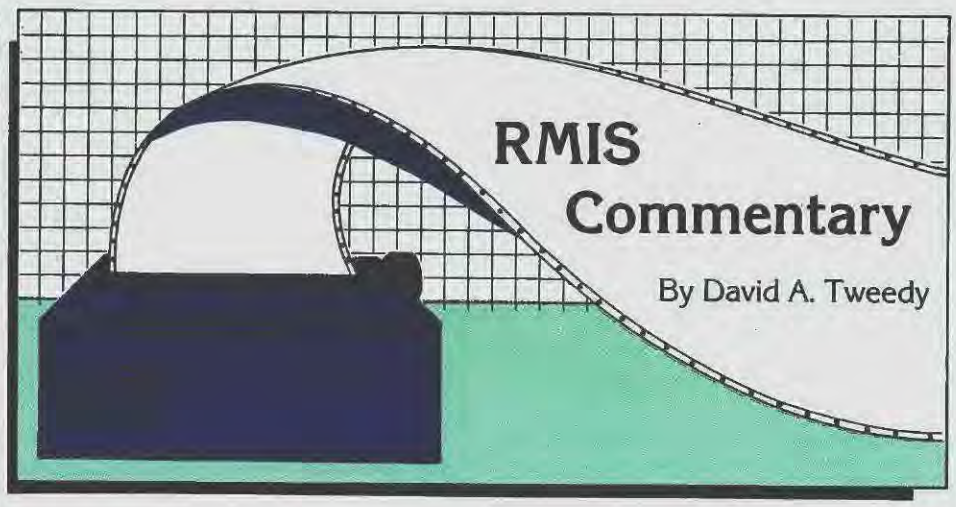
BRING ON WORKERS' COMP.

We'll admit we're up against a very formidable opponent. One look at the figures will bear us out. Since 1985, workers' comp spending has leaped a staggering 83%. Last year alone it topped $53 billion. But now it's time to cut it down to size. And who better to take on the fight than the undisputed cost containment leader-Intracorp. We've been battling rising workers' comp and other health care costs for more than twenty years. Saving our clients in excess of $1.5 billion in claims payments in 1990 alone. (No wonder so many blue chip companies want us in their corner.) And now, adding to our extensive capabilities in utilization and disability management is a vast PPO network, reaching into 28 states and available to more than 72% of the U.S. population. Which means we are a single point of access for workers' comp case management, from date of injury to closing the file. For more information write Fran Atkinson, V.P., Marketing Services, Intracorp, 1205 Westlakes Drive, Suite 300, Berwyn, PA 19312. Or call 1-800-345-1075. Because it's going to take more than one punch for this adversary to go down.

INTRACORP

Survival after disasters

An RMIS is instrumental when a company faces 'shock' losses



IT'S FUNNY HOW THE "real world" hardly thinks about insurance unless a disaster strikes.

We received a frenzied phone call from a National Public Radio reporter seeking information on business interruption and contingent business interruption claims relating to the Chicago "flood." That catastrophe, along with the recent California earthquakes and the Los Angeles riots, prompted me to wonder whether the risk management community effectively deals with these unexpected and undesired "shock" losses. Furthermore, how would an information system help the risk manager in this situation?

In the last year, we have witnessed our share of disasters, both natural and man-made.

Recent natural catastrophes included earthquakes in California, flooding in Texas and Chicago, last year's major fire in the Oakland, Calif., area and recent hailstorms. And, from the man-made perspective, the highly publicized Michelangelo computer virus and the rioting in Los Angeles and elsewhere were among recent disasters.

Obviously, from an economic standpoint, each of these events has an impact on a company's property, business continuity, personnel and other tangible assets. Each event has generated and will generate many claims, some of which will be insured, while others are self-funded. But, the issue really goes beyond the risk financing question.

The real issue behind these events, the substance of risk management itself, is how does an organization or entity properly plan for unexpected catastrophes in order to minimize the impact on its bottom line? And, how does one quickly assess the potential impact on an organization of these catastrophic events?

Dealing with these difficult questions can be more easily accomplished through a risk management information system that is comprehensive in scope, has flexible functions and is able to draw upon accurate exposure information. (Of course, if the risk management information system is installed in only one or two locations that are destroyed, all bets are off.)

Let's take a look at how such a system could be instrumental in dealing with various unexpected catastrophes:

• Claims.

Of course, there will be claims from a disaster—many of them. Over the past few months, I have emphasized the importance of good claims information systems in terms of management reporting, detailed and accurate data on reserves, settlements and so forth. Obviously, management is going to want to know how claims from a catastrophic event are developing, what their ultimate cost will be and when insurance is likely to pick up some of the claim.

Important qualities in an RMIS include speed and accuracy of claims processing and quick but reasonable settlements based on good, solid information, thoroughly documented by a good information system reporting package.

On a more sophisticated level, projecting ultimate loss costs can be done using case technology (computer-assisted simulation engineering). A few years ago, I wrote a column on Hartford Steam Boiler Inspection & Insurance Co.'s CASE product and how it is used to project losses at a large refinery or other giant plant when a fire occurs (*BI*, Dec. 19, 1988). Through the use of CASE graphics tools and quantitative

Continued on next page

Reducing litigated claims

Focusing attention on injured worker may avert litigation

By Gary Wolfe

ACROSS THE UNITED STATES, employers and state governments are scrutinizing the causes of and possible remedies for spiraling workers compensation costs.

However, employers don't need to feel helpless in the face of rising workers comp litigation costs. There are specific actions they can take to reduce their workers comp expenses and specifically to reduce the risk of experiencing the added expenses of a litigated claim.

The main reason employees feel the need to retain a lawyer after they have been injured at work is because of the perception of an adversarial relationship between the employee and employer. Many times it is the perception of the relationship and not actually what is occurring that is the problem. The relationship between the employee and employer prior to the injury also bears a direct relationship on whether the employee retains an attorney. To avoid the higher costs associated with litigated claims, the employer should make every effort to avoid an adversarial situation or circumstance that employees might interpret as uncaring or unsympathetic.

Employers should consider the following factors in their efforts to avoid litigated claims:

• Develop a "safety first" culture throughout the company.

If employees understand that the company cares about preventing accidents as well as managing care and costs when an injury occurs, they will be less likely to view employer cost containment programs as self-serving. Effective safety programs don't consist of a safety manual on a shelf. Managers must first be thoroughly trained and convinced that safety is an important priority and part of their job. Identifying and correcting safety hazards must be built into the incentive and evaluation process for all employees. Employees at all levels should be involved in designing safety training programs and creating safety policies.

Recognizing that safety training and accountability is a major component in workers comp cost control, the bellwether state of California enacted the first state law requiring safety training for all companies in the state—even those with only one employee—and established civil and criminal penalties for companies and individual managers who ignore safety hazards or fail to properly train employees in safety procedures. Position-specific safety training is required for all new, transferred or promoted employees.

This trend-setting legislation brings home the reality of both employer accountability for office and workplace safety and the opportunities for employers to avoid costly injuries and litigation by building this "safety first" culture into their companies.

• Look at the players on your workers comp team and ask whether they are working together as effectively as they should be.

These players include the risk manger, human resource staff, benefits administrators, employee counselors and all levels of management, including front line supervisors who are often closest to safety hazards and the first line of management to deal with an injury. Forming a special task force to address safety and workers comp issues can be the first step in accomplishing two goals: developing a meaningful cost containment program and creating support for safety consciousness throughout the company.

The membership composition, agenda and actions undertaken by this task force are critical to its ultimate success. The task force should be sure to include strong representation from non-management employees; ideally, there should be equal representation of non-management and management personnel. This mix is important to gain companywide support for the task force's recommendations and to avoid the perception that management is forcing ideas upon the workers. The leadership of the task force should be shared by a management person and a non-management person in a co-chairmanship arrangement, or officers can be rotated so that there is a balance in representation.

The success of the task force also is dependent upon the strong expression of support by top management. This support can be communicated by the attendance and participation of senior executives at safety meetings; providing time for all committee representatives—especially non-management personnel—to attend the meetings; and making sure that the activities and findings of the task force are communicated and acted upon at all levels within the company.

The agenda of the task force should encompass the following areas and activities: conducting safety

Continued on next page

Catastrophe recovery

Continued from previous page
analysis, depending on where the fire took place, one can use the computer to estimate the total loss, including real property and work in progress.

However, the true value of an RMIS lies in the non-claims areas, which range from management of certificates of insurance, tracking and asset management to quantitative mathematical analyses measuring the impact of expected losses on a company's cost of risk.

• **Insurance management.**

At this moment, businesses in Chicago and Los Angeles are trying to figure out the extent of loss to their property and equipment, as well as business interruption and contingent business interruption losses. Managers are feverishly reviewing certificates of insurance and hold-harmless clauses as part of this post-catastrophe ritual.

The RMIS can reduce the time spent quantifying the nature and scope of loss if it contains a data base module containing certificates of insurance issued or received, locations of products stored in warehouses and lists of hold-harmless agreements and vendors with whom those agreements have been signed. And, depending on how sophisticated the tracking modules are, one can get details, right down to the type of products stored at a burned warehouse.

• **Loss control analysis.**

Another key module within the comprehensive RMIS is loss control analysis. The facts gathered from the claims investigation form a good base of data to be analyzed by this module. For example, the effectiveness of any sprinkler systems (or lack thereof) can be quantified by the system, as can the logic (or illogic) of having a fleet of company vehicles dispersed at certain locations through the metro Los Angeles region at the time of the riots.

• **Advanced risk management analysis.**

Comprehensive systems also will go beyond the basic claims, insurance and loss prevention capabilities to assist the risk manager in quantifying losses. The most common is financial analysis/modeling. This uses existing data within the claims data base and combines it with other industry-related data bases for claims, whether using more apparent property-related claims (including business interruption claims) and casualty-type claims that result from disasters allegedly caused by human negligence.

The analytical portions of this comprehensive system not only contain the various risk financing methods used by the organization, but also the methodology to measure the impact of catastrophe shock losses on the risk financing method.

Borrowing from other modules, the system can identify potentially liable third parties, whose insurance could be brought in to lessen the potential impact of the disaster. All this data can be analyzed within the financial analysis model.

Depending on the volume of expected claims, actuarial analysis also can be brought to bear, developing existing and expected claims valued to ultimate.

Getting slammed with an unexpected catastrophic loss is a harsh reality facing risk management professionals. Having a comprehensive risk management program in place is paramount to any organization's ability to deal effectively with these shock losses when they occur.

Having a well-designed information system that assists risk management when these things occur is even better. It reduces the anxiety level by providing solid information quickly. It gives the information necessary for the risk manager to give troubled senior management (who right now are suddenly very interested in the risk management department). When the risk manager has some answers, it is great—not only for the organization, but also for the risk management professional and the risk management profession. ■

David A. Tweedy is a senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass. He is the editor of Betterley Risk Management Commentary and the author of RMIS Update, a yearly publication analyzing

major risk management information systems and vendors. Mr. Tweedy's column on risk management information systems appears the third Monday of the month.

Avoiding work comp litigation

Continued from previous page
inspections; reviewing and developing a system for reporting safety problems; reviewing loss experience and claims; reviewing first reports of injuries to help decrease problems; auditing the effectiveness of the existing safety program; identifying safety problems; and providing feedback to each department and the company about safety experience and awareness. Across-the-board participation in these activities provides opportunities for all to support "safety first" consciousness.

• Review your workers comp treatment program and identify how employee/employer communication is handled and how the entire treatment plan is coordinated.

Utilizing case management in workers comp cases can be an excellent way to save money, give the employee better care and avoid the adversarial situation that often develops when the employee feels isolated and forgotten. Case management, which has a win/win track record in cost containment for health benefits, can help in workers comp cases by focusing the treatment program toward getting the employee back on the job, identifying alternatives to hospitalization that actually provide better care at less cost and even in negotiating lower fees from providers. Although there are fee schedules for workers comp services in 26 states, all fees may not be regulated.

The case manager's role in getting employees back to work in light or modified work situations has two advantages: getting the employee back on the team instead of isolated at home and reducing costs due to the number of days lost to illness or injury. The employee also feels productive and often makes faster progress in returning to full employment.

• Don't be tempted to make safety programs a casualty of cost reduction efforts.

In this era of downsizing and reduced resources, many companies may be tempted to eliminate or reduce safety training programs and procedures. This penny-wise, pound-foolish attitude can lead to disastrous results. The emotional, physical and financial costs of one litigated workers comp claim will far exceed any cost savings that these reductions have achieved, and the liability for negligence will compound the costs in every area. Downsizing frequently means more work for fewer people; in this situation, safety awareness should be increased—not ignored.

• Re-examine company and management attitudes toward injured employees.

If employees perceive that the company is insensitive and unconcerned, or if they feel they are somehow blamed for the injury or viewed as malingerers, the temptation to bring in a third party to protect their rights becomes strong. If an employee is injured in an off-site accident or becomes ill, companies frequently respond by sending flowers; concerned co-workers call and the employer benefit plan may provide a case manager to assist in managing the case for a speedy recovery. However, if the injury occurs at work, the employee is frequently funneled immediately into a fragmented system that includes minimal or no contact with the employer, no plan for returning to work in modified duties and no overall team approach for pulling the treatment plan together. If this occurs, the stage is already set for the development of an adversarial situation.

Training of all levels of management and staff about the rights and responsibilities under the workers comp program is good preventive medicine and an excellent start in refining culture and attitudes. All levels of management should be supportive and knowledgeable in ensuring that the injured employee receives the necessary care.

• During the first days following an on-the-job illness or injury, employers should consider providing the injured employee with full pay instead of the partial disability pay allowed by law.

An employee who experiences financial deprivation in addition to the pain and suffering of a job-related injury at this stage may begin to feel that the employer is penalizing him for the injury and may be more inclined to seek out an advocate who can protect him from an employer that is perceived as uncaring and exploitative.

Controlling litigation costs in workers comp takes a multifaceted approach; there is no single answer. But employers can make a difference. ■

Gary Wolfe is director of case management for Pacific Review Services, a national health care cost management firm in Cypress, Calif.

Court tips scales toward weighty comp claimant

Is an employer required to pay for an employee's weight-loss program where the employee had gained weight due to a sedentary lifestyle imposed after sustaining a compensable injury? The Supreme Court of South Dakota ruled that it was.

When Steven D. Krier began working for John Morrell & Co. in 1979, he weighed about 195 pounds. After six months on the job, Mr. Krier sustained a left knee injury that was compensable under workers compensation. A lighter work assignment did not help his condition, and Mr. Krier began to gain weight from his sedentary lifestyle. His knee condition continued to deteriorate despite four corrective knee surgeries. The employer eventually terminated Mr. Krier for alleged misconduct. He continued to gain weight and eventually reached 260 pounds.

His physician prescribed a weight-loss program in order to assist recovery for the knee injury. By June 1989, Mr. Krier was down to about 195 pounds. The Department of Labor ordered Morrell to pay about $1,900 for the weight-loss program. Morrell appealed, but the trial court affirmed the department's order.

The appellate court emphasized that this case involved a condition that arose after and because of the compensable injury. According to the court, treatment that becomes necessary because the workers compensation injury is aggravated by medical or surgical treatment may become compensable.

Krier v. John Morrell & Co., Supreme Court of South Dakota, Aug. 17, 1991 (*BI*/03/A.-$10)

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

Continued from page 36

B

W.A. Bateman, P.E., C.S.P.

P.O. Box 10196, Midland, Texas 79702; 915-697-1243

Founded: 1979.
Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training.
Staff: One professional who holds ARM, ASSE, CSP, PE and NAFE designations.
Specialties: Petroleum and related industries.
Region served: Nationwide.
Principal officers: W.A. Bateman.

Biehl Engineering Inc.

N66W12659 Ravine Drive, Menomonee Falls, Wis. 53051; 414-251-8251

Founded: 1960.
Frequent services: General on-site plant loss prevention inspections, hazard identification, building plan reviews, highly technical investigations, analysis, reports, code applications, court testimony.
Occasional services: Fire prevention inspections, plant security inspections, loss prevention research, client training.
Staff: Five; two professionals who hold one ASCE, one ASSE, one CSP, two PE, one RA, one SE, one RS designations.
Clients: 20.
Specialties: Insurance loss control.
Region served: Nationwide.
Principal officers: Francis W. Biehl, Steven F. Biehl, Clara A. Biehl, Sharon Biehl, Marna J. Biehl.
Contact: Steven F. Biehl, 414-781-6843.

B. Gawain Bonner

Route 3, Box 458, Huntsville, Texas 77340; 409-594-3804

Founded: 1986.
Frequent services: Hazard identification, litigation (expert witness).
Occasional services: General on-site plant loss prevention inspections.
Staff: One professional who holds an ASSE, CSP and a PE designation.
Clients: 100% with gross revenues less than $200 million.
Specialties: Manufacturing.
Region served: Worldwide.
Principal officers: B. Gawain Bonner, principal.

Gregory B. Bragg & Associates Inc.

1 Sierra Gate Plaza, Suite 230 A, Roseville, Calif. 95678; 916-783-0100 or 800-422-7244; fax: 916-783-0338

Founded: 1986.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training.
Occasional services: Plant security inspections, building plan reviews.
Staff: 45; two professionals who hold four ARM, one ALCM, one ASSE and two CSP designations.
Clients: 72; 80% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million.
Specialties: Public agencies, construction, manufacturing.
Region served: Western United States.
Branch offices: Chico, Fairfield, Redding, Sacramento, Stockton and Walnut Creek, Calif.
1991 gross revenues: $2.4 million, 5% from unbundled property loss control consulting/engineering, 95% from other services, including risk management, risk control, claims management.
Principal officers: Gregory B. Bragg, president; Lee Collins, vp; Robert Crogan, treasurer; D.M. Grassinger, secretary; Jeff Kimball, director-finance/administration.
Contact: Jack Kastorff, 4811 Chippendale Drive, Suite 705, Sacramento, Calif. 95841; 916-344-7995 or 800-222-7995; fax: 916-783-0338.

Frank J. Breitsameter P.E. & Associates

1005 E. Cardinal Lane, Mount Prospect, Ill. 60056; 708-259-8304

Founded: 1982.
Occasional services: General on-site plant loss prevention inspections, plant security inspections, hazard identification, client training.
Staff: One professional who holds ASSE and SFPE designations.
Specialties: Railroad, rail transit, forensic engineering with attorneys.
Region served: Nationwide.
Principal officers: Frank J. Breitsameter, consulting engineer-forensic safety.

Morley Brickman & Associates Ltd.

9221 Drake Ave., Suite 410, Skokie, Ill. 60203-1626; 708-674-2664; fax: 708-674-0096

Founded: 1986.
Frequent services: General on-site plant loss prevention inspections, hazard identification, client training, forensic engineering.
Staff: Two; one professional who holds ASSE, PE, NAFE and CSE designations.
Specialties: Construction, general industry.
Principal officers: Morley Brickman, president; Betty Brickman, secretary/treasurer.

British Safety Council

62-64 Chancellors Road, Hammersmith, London, England W6 9RS; 081-741-2131; fax: 081-741-4555

Founded: 1957.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, safety performance audits.
Staff: 120; 12 professionals who hold two ASSE and eight Diplomas in Safety Management designations.
Region served: 27 countries.
1991 gross revenues: $9 million, 30% from unbundled property loss control consulting/engineering, 60% from other services.
Principal officers: James Tye, director general; J. Brett, A. Matthews, G. Crockford, J. Simms, G. Trainer and C. Hedge.
Contact: James Tye.

Ken Buhler Associates Inc.

11 Erita Lane, Smithtown, N.Y. 11787; 516-360-3770

Founded: 1976.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, sprinkler system and water supply design/review analysis.
Occasional services: Loss prevention publications, loss prevention research.
Staff: Four; two professionals who hold ASSE, PE and SFPE designations.
Clients: 25% with gross revenues less than $200 million, 25% with $200 million to $499 million, 25% with $500 million to $999 million, 25% with $1 billion to $3.5 billion, 25% exceeding $3.5 billion.
Specialties: Warehouse and storage facilities including plastics, roll paper, flammables, rubber tires.
Region served: Nationwide.
Principal officers: Kenneth Buhler, president; Randy Buhler and Sandy Relkin, vps.

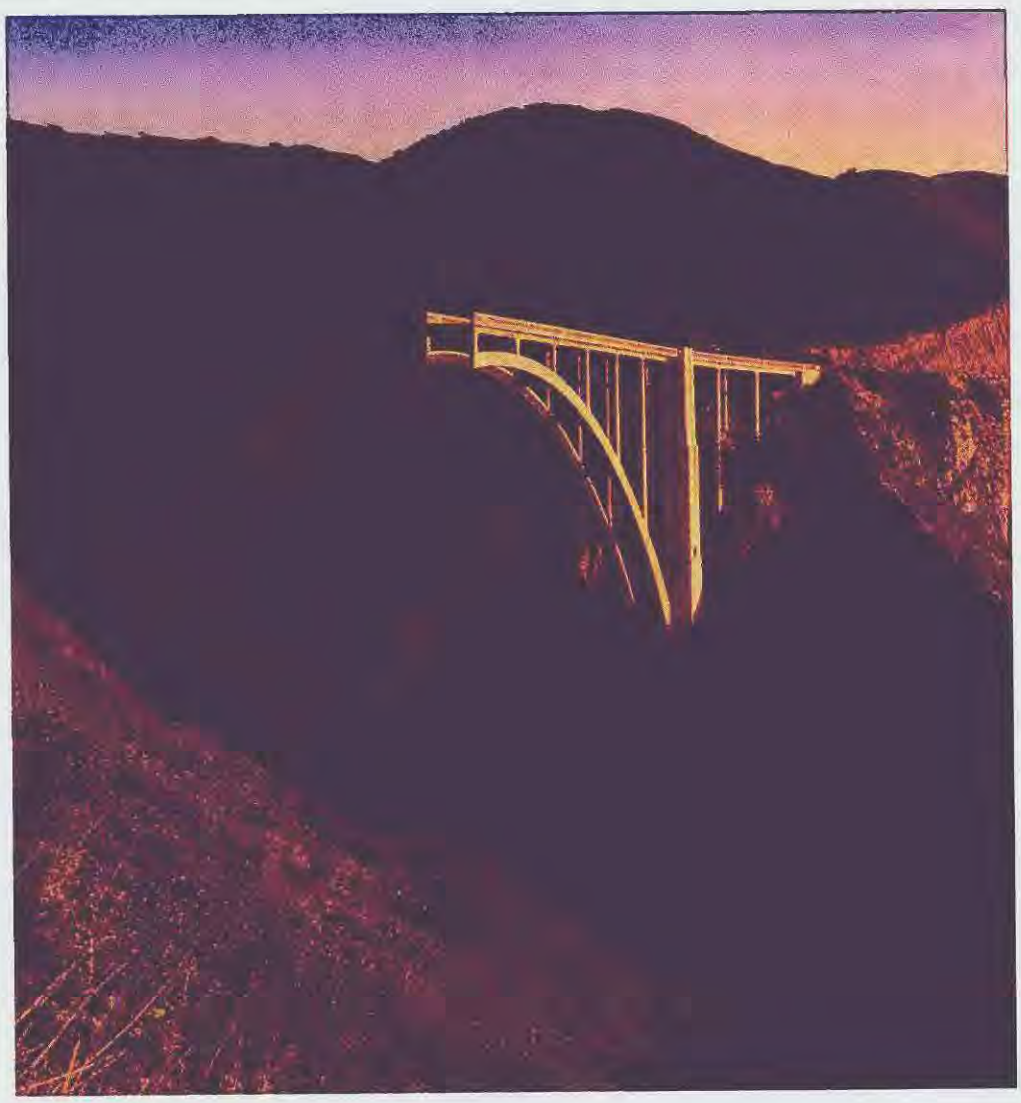
C

Chubb Services Corp.

25 Independence Blvd., Warren, N.J. 07059; 908-580-7170; fax: 908-580-7187

Founded: 1991.
Parent company: Chubb & Son Inc.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training, property conservation programs.
Occasional services: Plant security inspections, loss prevention publications.
Staff: 30; eight professionals who hold seven ASSE, seven CSP, two PE

Continued on next page



When dental insurers have too many objectives to meet, this is how they meet them.

Delta Dental—the country's leading dental specialist—offers programs designed to meet your financial goals more than just halfway. ☐ Through safeguards which include fee reviews, dental office audits, dentist-consultant reviews, and post-treatment reviews, the Delta Dental Cost Management Program ensures that you and your employees receive the most thorough and cost-effective coverage obtainable. ☐ But cost management is only one facet of Delta Dental's unique three-point system. A system that also offers plan design flexibility and 106,000 dental offices in the nation's largest participating network. ☐ It's a program only Delta Dental offers. That's why we now cover more than 22 million people in 28,000 groups and pay more than $2 billion a year for dental care. To learn more about how your group can benefit from Delta Dental, call 1-800-441-3434 today.

Delta Dental
America's Leader in Dental Health Plans

Continued from previous page
and one SFPE designations.

Specialties: All types of property conservation programs.

Region served: East Coast.

Branch offices: Westborough, Mass.

1991 gross revenues: 50% from unbundled property loss control consulting/engineering, 50% from other services, including claims administration.

Principal officers: William Frey, president; Rick Fiala and Bob Santoro, vps; Art Billington, assistant vp.

Contact: Bob Santoro.

Cohen & Associates

4790 Mount Helix Drive, La Mesa, Calif. 91941; 619-464-4427; fax: 619-464-4992

Founded: 1988.

Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention research, client training, equipment and product defects, warnings and instructions, office ergonomics and computer safety.

Occasional services: Building plan reviews, loss prevention publications.

Staff: Seven; five professionals who hold five ASSE, five CSP, four HFS, one Re, one NSC, one ANSI and one ASTM designations.

Clients: 100.

Region served: Worldwide.

1991 gross revenues: $500,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: H. Harvey Cohen, principal.

Contact: Tracy Johnson, office manager.

Comprehensive Risk Management Inc.

12 Alfred St., Suite 300, Woburn, Mass. 01801; 617-937-6980; fax: 617-937-6979

Founded: 1991.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training.

Occasional services: Loss prevention publications.

Staff: Two; one professional who holds ARM and CSP designations.

Clients: Six; 67% with gross revenues less than $200 million, 16.5% with $200 million to $499 million, 16.5% exceeding $3.5 billion.

Region served: Nationwide.

Principal officers: Philip E. Goldsmith, president.

CONFIRM Inc.

P.O. Box 265, Albany, N.Y. 12201; 518-426-9301; fax: 518-426-9298

Founded: 1989.

Frequent services: General on-site plant loss prevention inspections, hazard identification, client training.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, loss prevention publications.

Staff: Three; one professional who holds ARM, ALCM, CSP and CPCU designations.

Clients: Six; 75% with gross revenues less than $200 million, 25% with $500 million to $999 million.

Specialties: Construction, manufacturing and health care facilities.

Region served: Northeastern United States.

1991 gross revenues: 20% from unbundled property loss control consulting/engineering, 80% from other services, including risk management services.

Principal officers: James P. Faughnan Jr., president; Charles H. Cornish, vp; Paul Czesak, director-engineering services.

Contact: James P. Faughnan Jr.

Conniffe & Co.

P.O. Box 61020, Columbia, S.C. 24260-1020; 803-790-0030

Founded: 1991.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification.

Occasional services: Plant security inspections, client training.

Staff: Seven; five professionals who hold ASSE designations.

Clients: 85% with gross revenues from $200 million to $499 million, 15% with $500 million to $999 million.

Specialties: Commercial insurance companies.

Region served: South Carolina, North Carolina.

1991 gross revenues: $80,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: George Conniffe and Randi Conniffe, owners.

Constitution State Service Co.

1 Tower Square, Hartford, Conn. 06183; 203-277-4020; fax: 203-277-9277

Founded: 1980.

Parent company: The Travelers Insurance Co.

Founded: 1980.

Parent company: The Travelers Insurance Co.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, preearthquake damage assessments, fire protection equipment testing.

Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training.

Staff: 400; 15 professionals who hold one ARM, eight CSP, three PE and eight SFPE designations.

Clients: 750; 40% with gross revenues less than $200 million, 30% with $200 million to $499 million, 20% with $500 million to $999 million, 5% with $1 billion to $3.5 billion, 5% exceeding $3.5 billion.

Region served: Worldwide.

Branch offices: 82 offices nationwide.

1991 gross revenues: $51.5 million.

Principal officers: Dennis Replogle and Andrew Myer, vps; Everett Waite, Hal Dufault and Si Bookout, second vps.

Contact: Al Niederfringer.

Construction Technology Laboratories Inc.

5420 Old Orchard Road, Skokie, Ill. 60077-1030; 708-965-7500 or 800-522-2258; fax: 708-965-6541

Founded: 1987.

Parent company: Portland Cement Assn.

Frequent services: Building plan reviews.

Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: 123; 60 professionals who hold 12 ASCE, 36 PE two RME designations.

Clients: 600; 50% with gross revenues less than $200 million, 15% with $200 million to $499 million, 15% with $500 million to $999 million, 10% with $1 billion to $3.5 billion, 10% exceeding $3.5 billion.

Region served: Nationwide.

Branch offices: Seattle.

1991 gross revenues: $11.5 million, 26% from unbundled property loss control consulting/engineering, 74% from other services, including failure analysis, materials testing, structural analysis.

Principal officers: John Fraczek, president; W. Gene Corley, Henry G. Russell and Marion J. Szczech, vps.

Contact: W. Gene Corley.

Consultant Services Institute Inc.

651 W. Mount Pleasant Ave., Livingston, N.J. 07039; 201-992-3811

Founded: 1969.

Frequent services: General on-site plant loss prevention inspections, hazard identification, building plan reviews, loss prevention research, client training, product safety evaluation, reviews, analyses including intellectual property, warning and instruction evaluation.

Staff: 73; 70 professionals who hold five ASCE, seven ASSE, six CSP, 16 ASQC and 24 PE designations.

Clients: Six; 100% with $200 million to $499 million in gross revenues.

Region served: Worldwide.

1991 gross revenues: 100% from unbundled property loss control consulting/engineering.

Principal officers: Richard M. Jacobs, president; James Korczak, director-engineering.

Consulting Services

12 Jerrys Drive, Burlington, N.J. 08016; 609-386-3788; fax: 609-386-5639

Founded: 1981.

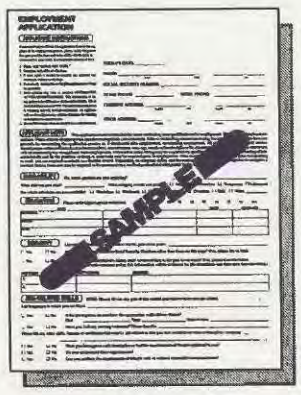
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, oil and hazard-

Continued on next page

Hassle-free employment forms

As an ADA regulated employer, you know creating employment application forms is tedious work. Order Avert's Employment Form, customized with your business name and logo, and end the hassle.

Avert's Employment Forms comply with ADA regulations, and come complete in a seven-page, snap-apart set, with an affirmative action questionnaire, W-4, I-9, appropriate releases and a conditional job offer medical review form. Available in English or Spanish.



End the hassle. Call today. We'll send you a free sample.

800/367-5933

AVERT®

Avert, Inc. • 117 East Mountain, Fort Collins, CO 80524
800/367-5933 • FAX 303/221-1526

Continued from previous page
ous materials spill clean-up supervision, OSHA training.

Occasional services: Plant security inspections.

Staff: Two; one professional who holds ASSE, REP, COHST and CHMM designations.

Clients: 80% with gross revenues less than $200 million, 13% with $200 million to $499 million, 5% with $500 million to $999 million, 2% with $1 billion to $3.5 billion.

Specialties: Hazardous waste contractors, transporters, chemical and petrochemical industry.

Region served: Worldwide.

1991 gross revenues: $150,000, 40% from unbundled property loss control consulting/engineering, 60% from other services, including OSHA training, field supervision of hazardous materials activity, expert witness, OSHA training.

Principal officers: Thomas F. Dalton, chairman; Sally M. Dalton, administrative assistant.

Contact: Thomas F. Dalton.

Crawford & Co./ The FPE Group

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-256-0830; fax: 404-847-4028

Founded: 1941.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, client training, fire protection consulting and design, boiler and machinery, business interruption, fire loss potential estimates, fire growth profile, fire spread profile, property risk control management studies.

Occasional services: Plant security inspections, loss prevention research.

Staff: 124; 94 professionals who hold 11 CIH, one CAI designations.

Clients: 350; 61% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 10% with $1 billion to $3.5 billion, 4% exceeding $3.5 billion.

Region served: Nationwide.

Branch offices: 20 locations nationwide.

Principal officers: F.L. Minix, chairman/chief executive officer; J.G. Sybert, senior vp; G.W. Hundley, assistant vp; Floyd Parson, product manager.

Contact: Garry W. Hundley.

Creative Solutions

7865 Plains Road, Suite 2, Mentor, Ohio 44060; 216-257-3411; fax: 216-257-9666

Founded: 1989.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, client training, OSHA required emergency response training and laboratory safety.

Occasional services: Plant security inspections, building plan reviews, loss prevention research.

Staff: Three; two professionals who hold one ALCM, one ASSE and one CIPA designations.

Clients: 30; 100% with gross revenues less than $200 million.

Region served: Nationwide.

1991 gross revenues: 100% from unbundled property loss control consulting/engineering.

Principal officers: Nancy M. Dell, president; Peter M. Dell, vp.

Contact: Peter M. Dell.

Cygan & Cygan Inc.

13423 DeMott Court, Warren, Mich. 48093; 313-757-2126

Founded: 1991.

Frequent services: General on-site plant loss prevention inspections, loss prevention publications, client training, development of seminars and workshops on wrongful termination.

Occasional services: Fire prevention inspections, loss prevention publications.

Staff: One professional who holds CSP, PE, HSP and CSSP designations.

Specialties: Industry, municipalities, hospitals and nursing associations.

Region served: California, Indiana, Michigan, Ohio.

Principal officers: Walter Cygan, president; Beverly Cygan, vp; Julie Papagni, secretary/treasurer.

E

EQE International

44 Montgomery St., Suite 3200, San Francisco, Calif. 94104; 415-989-2000; fax: 415-397-5209

Frequent services: Hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, earthquake engineering HAZOP studies crisis management.

Staff: 250; professionals hold 150 PE and 20 SE designations.

Clients: 50; 20% with gross revenues less than $200 million, 5% with $200 million to $499 million, 10% with $500 million to $999 million, 5% with $1 billion to $3.5 billion, 10% exceeding $3.5 billion.

Continued on next page

Total Healthcare THIS! Integrated System

THIS! Automated **Benefit Administration, Claims Processing and Management System** installed nationwide and in Puerto Rico since 1979.

THIS! For self-insured companies, third-party administrators and managed care organizations. Annual users meetings in Santa Barbara.

THIS! Real-time claims adjudication, COBRA, EAP, Cost Containment, Managed Care and extensive reporting capabilities with clear, concise processing screens.

Call Telos and ask for THIS!
(805) 968-2551 • Fax (805) 968-2589

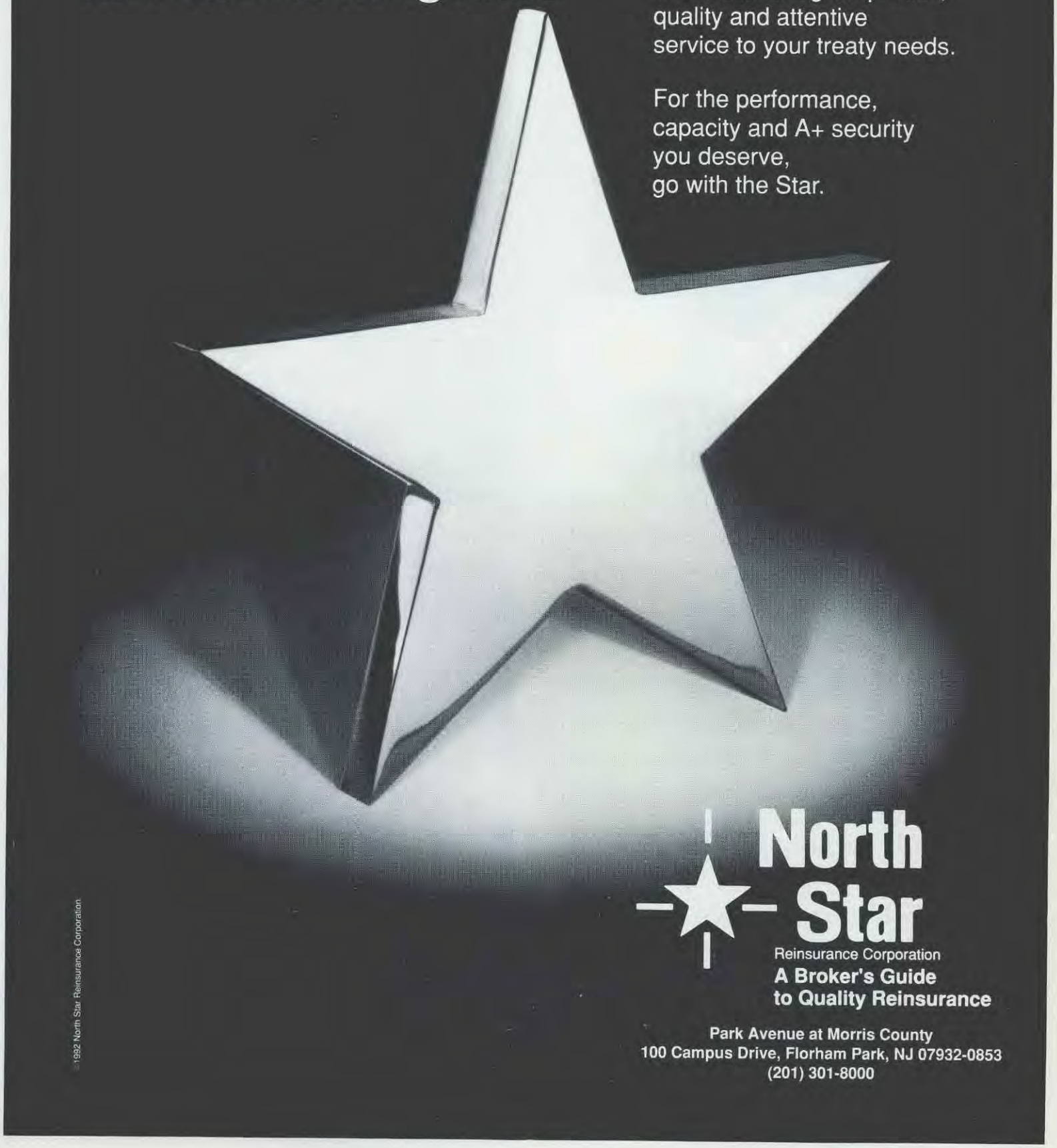
TELOS COMPUTING INC.

42 Aero Camino, Suite 102 • Goleta, CA 93117

Put a Star In Your Leading Role

With responsive, experienced professionals, North Star brings expertise, quality and attentive service to your treaty needs.

For the performance, capacity and A+ security you deserve, go with the Star.



©1992 North Star Reinsurance Corporation

North Star
Reinsurance Corporation
A Broker's Guide to Quality Reinsurance

Park Avenue at Morris County
100 Campus Drive, Florham Park, NJ 07932-0853
(201) 301-8000

Continued from previous page

Region served: Worldwide.

Branch offices: Costa Mesa, Los Angeles and Sacramento, Calif.; Stratham, N.H.; Cambridge and Warrington, United Kingdom.

1991 gross revenues: $26 million, 50% from unbundled property loss control consulting/engineering, 50% from other services, including risk assessments and safety engineering.

Principal officers: Peter I. Yanev, chairman; Douglas O. Frazier, president; Stephen Hom and James J. Johnson, senior vps.

Contact: Raymond H. Kincaid, 3150 Bristol St., Suite 350, Costa Mesa, Calif. 92626; 714-850-9299.

EnviroMed Services Inc.

25 Sciences Park, New Haven, Conn. 06511; 203-786-5580; fax: 203-789-5579

Founded: 1985.

Frequent services: General on-site plant loss prevention inspections, hazard identification, building plan reviews, client training.

Occasional services: Fire prevention inspections, loss prevention publications, loss prevention research, safety and hazardous waste audits.

Staff: 52; 15 professionals who hold one ASCE, one CSP, two PE, one CIH and one registered sanitarian designations.

Clients: 60% with gross revenues less than $200 million, 30% with $200 million to $499 million, 10% with $500 million to $999 million.

Region served: Northeastern United States.

1991 gross revenues: $2.7 million, 50% from unbundled property loss control consulting/engineering, 50% from other services, including hazardous material abatement plans, occupational health services and real property assessments and inspections.

Principal officers: Lawrence J. Cannon and Ronald T. Suski.

Contact: Donna Warrington, marketing coordinator.

Environmental Risk Ltd.

120 Mountain Ave., Bloomfield, Conn. 06002; 203-242-9933; fax: 203-243-9055

Founded: 1985.

Frequent services: General on-site plant loss prevention inspections, hazard identification, client training, pollution liability insurance assessments, environmental audits and risk assessment surveys, property site assessments, hazardous waste management.

Occasional services: Loss prevention publications, loss prevention research.

Staff: 51; 39 professionals who hold six PE, two CCM, one attorney and one PG designations.

Clients: 30% with gross revenues less than $200 million, 25% with $200 million to $499 million, 25% with $500 million to $999 million, 10% with $1 billion to $3.5 billion, 10% exceeding $3.5 billion.

Specialties: Environmental impairment liability insurance carriers, financial institutions, real estate developers, general manufacturing, chemical, petroleum, waste management companies.

Region served: Worldwide.

Branch offices: Clifton, N.J.; Lexington, Mass.; Brussels, Belgium.

1991 gross revenues: 50% from unbundled property loss control consulting/engineering, 50% from other services, including environmental permitting, air pollution control, wastewater treatment, energy facility licensing.

Principal officers: Richard S. Atkins, David I. Brandwein, Gordon T. Brookman and Mitchell M. Wurmbrand, principals.

Contact: David I. Brandwein.

ESIS Inc.

1601 Chestnut St., 2 Liberty Place, Philadelphia, Penn. 19192-2105; 215-761-6786; fax: 215-761-5434

Founded: 1953.

Parent company: CIGNA Corp.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, HPR, emergency planning, hydraulics analysis, sprinkler plan review.

Occasional services: Plant security inspections, loss prevention publications, loss prevention research.

Staff: 510; 140 professionals who hold 26 ARM, five ALCM, nine ASCE, 130 ASSE, 74 CSP, 28 PE, 49 SFPE, one CPCU, one NSPE, 39 CFPS, 54 HPR designations.

Specialties: Petrochemical, utility, heavy construction, communications, high-rise residential, real estate holding, hotels, electronic volume retailers.

Region served: Worldwide.

Branch offices: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, New York, San Francisco.

Principal officers: Edward P. Holleran, president; Brian P. O'Hara, director-product lines; W. Bruce Hemphill, manager-product lines; Robert F. Bruce, manager-loss control.

Contact: W. Bruce Hemphill, 215-761-6784 or Robert F. Bruce, 215-761-6766.

Essential Services & Programs Inc.

159 Great Neck Road, P.O. Box 910, Great Neck, N.Y. 11022; 516-487-0832; fax: 516-487-0498

Founded: 1986.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, replacement cost valuations, property and casualty rate reductions, implementation of safety and loss control programs.

Occasional services: Plant security inspections, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: 16; eight professionals who hold three ASSE designations.

Clients: 24; 100% with gross revenues less than $200 million.

Specialties: Manufacturing and medical industries.

Region served: Nationwide.

Branch offices: Philadelphia.

1991 gross revenues: 60% from unbundled property loss control consulting/engineering, 40% from other services, including claims management.

Principal officers: Gary Ricker, president; Michael J. Bednar, director-engineering services.

European Risk Management Ltd.

31/33 Monument Hill, Weybridge, Surrey KT13 8RS, England; 0932-854711; fax: 0932-857368

Parent company: International Risk Management Group.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, chemical process safety reviews, hazardous chemicals safety reviews, infrared thermographic scanning, halon integrity testing, nondestructive testing of tanks, pressure vessels and piping.

Occasional services: Loss prevention publications, loss prevention research, client training.

Staff: 25; 10 professionals who hold eight SFPR, four ACII designations.

Clients: More than 50; 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 50% with $1 billion to $3.5 billion, 20% exceeding $3.5 billion.

Specialties: Chemical, mining and metals, food and grain, banking.

Region served: Worldwide.

Branch offices: Paris; Bad Homburg, Germany.

1991 gross revenues: 10% from unbundled property loss control consulting/engineering, 90% from other services, including risk management consulting and captive management.

Principal officers: D. Lawson, manager-client services; A.A. Griffin, manager-special projects; J. Eglitis-manager engineering; J. Cowlard, secretary/chief accountant.

Contact: J.S. Armstrong, 6480 Rockside Woods Blvd., Suite 110, Cleveland, Ohio 44131; 216-447-1600 or 800-788-7475 or Ian Frost (England).

F

Michael J. Fagel

68 Canterbury Road, Aurora, Ill. 60506-0661; 708-897-9068; fax: 708-897-9098

Founded: 1980.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training.

Occasional services: Building plan reviews, loss prevention publications, loss prevention research.

Staff: Two; both professionals who hold CSP, CHCM, RN, EMT and CF designations.

Clients: 25% with gross revenues less than $200 million, 50% with $200 million to $499 million, 15% with $500 million to $999 million, 10% with $1 billion to $3.5 billion.

Specialties: Food processing, fire reserve and ambulance operations.

Region served: Worldwide.

1991 gross revenues: $260,000, 20% from unbundled property loss control consulting/engineering, 80% from other services, including training and disaster services.

Principal officers: Michael J. Fagel, owner; Deborah E. Fagel.

Failsafe Inc.

P.O. Box 165, Portland, Ore. 97207; 503-243-3549; fax: 503-243-3549, ext. 4

Founded: 1986.

Frequent services: Loss prevention publications, client training.

Occasional services: General on-site plant loss prevention inspections, hazard identification, loss prevention research.

Staff: Three.

Clients: 20% with $500 million to $999 million in gross revenues, 30% with $1 billion to $3.5 billion, 50% ex-

Continued on next page

INSURANCE THAT FITS.

There's nothing puzzling about why our business has grown so dramatically over the last twelve years. Instead of selling "off-the-shelf" coverage with a few options thrown in, PENCO looks at your needs and preferences, then develops a coverage program custom tailored for the way you do business.

To find out how we can design a program to fit your business philosophy in these challenging times call Bill Laird at 615-872-3500.

At PENCO, we're making it easier for you.

PENCO
Risk Management & Insurance Programs
26 Century Boulevard Nashville,TN 37214

AON BROKER SERVICES INC
Wholesale Brokers
We make a difference
AON®

CHICAGO
Suite 610
300 West Washington St.
Chicago, IL 60606
Phone: 312-201-3050
FAX: 312-201-3016

NEW JERSEY
Suite 218
5 Marineview Plaza
Hoboken, NJ 07030
Phone: 201-656-4600
FAX: 201-656-1526

Continued from previous page
ceeding $3.5 billion.
Region served: Worldwide.
Principal officers: Robert Pater, director-training; Robert Button, director-program development.
Contact: 503-245-4296.

Farinacci & Associates
180 N. Riverview Drive, Suite 260, Anaheim, Calif. 92808; 714-283-8025; fax: 714-283-8029

Founded: 1981.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training, audits of client programs, environmental safety.
Occasional services: Plant security inspections, building plan reviews, loss prevention publications.
Staff: Seven; five professionals who hold one ARM, three ASSE, one CSP, one Ph.D. and one CHMM designations.
Specialties: Educational institutions, hospitals.
Region served: Arizona, California, Nevada.
1991 gross revenues: 30% from unbundled property loss control consulting/engineering, 70% from other services, including occupational safety and health, hazardous materials management.
Principal officers: John J. Farinacci, president; Marie J. Farinacci, vp/secretary.
Contact: John J. Farinacci.

FIRECON
P.O. Box 231, East Earl, Pa. 17519; 717-354-2411; fax: 717-354-7233

Founded: 1980.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, OSHA compliance assistance.
Occasional services: Building plan reviews, loss prevention publications, loss prevention research.
Staff: One professional who holds CSP and CET designations.
Clients: 10% with gross revenues less than $200 million, 15% with $200 million to $499 million, 15% with $500 million to $999 million, 40% with $1 billion to $3.5 billion, 20% exceeding $3.5 billion.
Region served: Worldwide.
Principal officers: R. Craig Schroll, president.

Flex Fire Protection Design
201 Naperville Road, First Floor East, Wheaton, Ill. 60187; 708-668-8998; fax: 708-653-5260

Founded: 1986.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, system design, permit drawings, hydraulics, technical training, construction management.
Occasional services: Building plan reviews, loss prevention publications, loss prevention research.
Staff: Five; three professionals.
Region served: Illinois, Iowa, Indiana, Kentucky, Michigan, Minnesota, Missouri, Ohio, South Dakota, Wisconsin.
Principal officers: Mark Bromann, president; Tim Ringness, vp-design.

Fulton Fire Engineering Inc.
1005 Basetdale, Whittier, Calif. 90601; 818-369-4343; fax: 818-330-2023

Founded: 1989.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention research, fire and building code analysis, fire and explosion investigation, expert witness, earthquake and fire hazard analyses.
Occasional services: Plant security inspections, loss prevention publications, client training.
Staff: Two; one professional who holds ARM, PE, NFPA, EERI and SFPE designations.
Clients: 40; 70% with gross revenues less than $200 million, 20% with $200 million to $499 million, 10% with $500 million to $999 million.
Region served: Nationwide.
1991 gross revenues: $175,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: John C. Fulton, president; N.J. Fulton, vp.
Contact: John C. Fulton.

Fyrsafe Engineering Inc.
1225 Camegie St., Suite 108, Rolling Meadows, Ill. 60008; 708-397-7233; fax: 708-392-1175

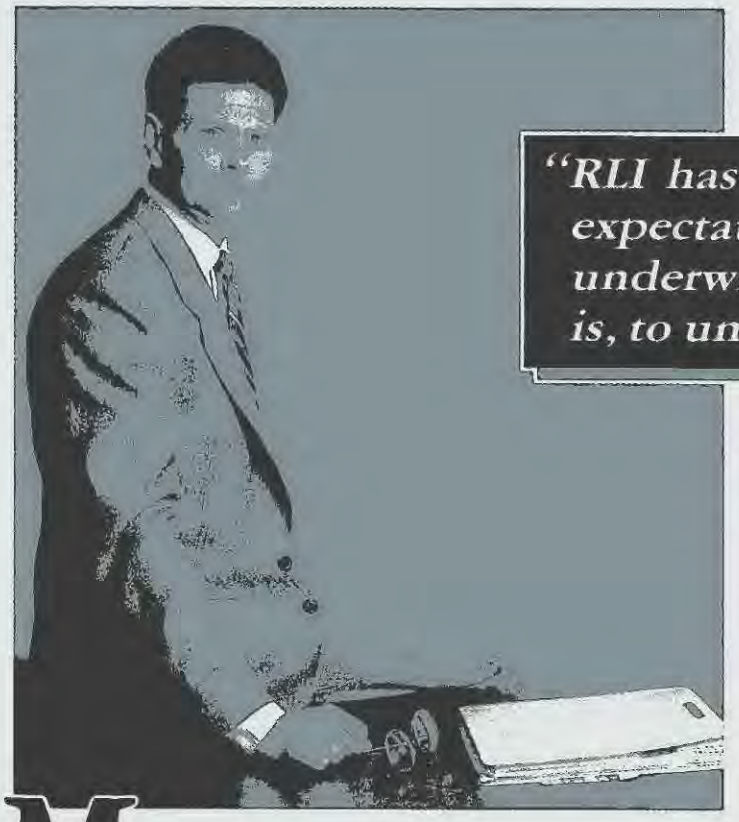
Founded: 1986.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, forensic investigation, codes and standards.
Occasional services: Building plan reviews, loss prevention publications, loss prevention research.
Staff: Five; three professionals who hold three ASSE, two CSP, two PE, three SFPE, one NSC and three NFPA designations.
Clients: 100.
Region served: Worldwide.
1991 gross revenues: 100% from unbundled property loss control consulting/engineering.
Principal officers: John M. Mertens, president.

Continued on next page

Excellence In Full Service Management for Captives/Risk Retention Groups
TOLL FREE 800-USA-RISK
State's Largest Independent

Get the advantages of Vermont's largest and most experienced independent captive manager. Full service from formation to operation, regulatory reporting, accounting, reinsurance, investment. Exclusive providers of the most comprehensive and timely financial reporting available. Plus the choices and cost savings available only through an independent.

H. Lincoln Miller, CEO Michael T. Rogers, COO
Experts in alternative market mechanisms. Prime Movers of Law.
Vermont Insurance Management
P.O. Box 306, Montpelier, Vermont 05601



"RLI has a unique expectation of its underwriters. That is, to underwrite."

James D. Steeves, CPCU
Vice President
RLI Midwest Regional Office
St. Paul, MN

Most of us who manage RLI regional offices came from highly structured insurance environments. Rising through the ranks, we became increasingly insulated from the real action. Like going one-on-one with the risk, and bringing our talents and instincts to bear as sleeves-up underwriters.

It's different at RLI. Our office managers oversee processing, collection, technical staff and clerical duties, so the underwriters are *available* when brokers call. And that's the whole idea behind responsive underwriting.

This entrepreneurial arrangement works well for RLI. And for our brokers. Consider the comments of Derek J. Repath, of Repath Associates in Nashville, TN:

"RLI is there when needed, always exhibiting firm professionalism. The Company's underwriters understand exposure, asking the right questions at the right time and yielding logical decisions. With a barometric grasp of the marketplace, they know when to be competitive. This efficiency translates into binding business. Above all, RLI's underwriters are real people who add that personal touch to doing business."

Our agility lets us provide essential service at the front of of the transaction. Typically, a broker can get right through to us. We aren't tied up in meetings or administrative detail. The decks are cleared for underwriting.

And the ability of our underwriting staff is extensive. Hiring underwriters with 10-15 years of experience is really RLI's strong suit. We can evaluate unique risks by drawing on our diverse experience.

Exceptional underwriting experience and the availability of underwriting resources are two of the most important ingredients in customer service. Anyone using a recipe without them will find very few diners at the table.

RLI 9025 N. Lindbergh Drive Peoria, IL 61615
800/445-5468

Continued from previous page

G

Gallagher Bassett Services Inc.

2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

Founded: 1962.
Parent company: Arthur J. Gallagher & Co.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, ergonomics, seminars, industrial hygiene, comprehensive evaluations, OSHA compliance audits, program development, fleet safety programs, casualty consulting services, liability control and prevention.
Occasional services: Plant security inspections, building plan reviews, loss prevention publications, loss prevention research.
Staff: 825; 45 professionals who hold nine ARM, 20 ASSE, 13 CSP, three PE, one SFPE and four CHCM designations.
Clients: 380.
Specialties: Manufacturing, commercial services, distribution, wholesale/retail, construction, government (municipal), educational, religious.
Region served: Worldwide.
Branch offices: Dallas; Denver; Miami; St. Louis; Schaumburg, Ill.
1991 gross revenues: $6.6 million, 50% from unbundled property loss control consulting/engineering, 50% from other services, including package programs.
Principal officers: Jack Campbell, chairman; Peter Durkalski, president; Rich McKenna, Fred Potenza and Rick Rothman, executive vps.
Contact: Fred Potenza.

The Gardner Group Inc.

P.O. Box 208, 55 Perry Ave., Warsaw, N.Y. 14569; 800-333-0625; fax: 716-786-2141

Founded: 1983.
Frequent services: Fire prevention inspections, full range of property and casualty loss control inspections.
Staff: 42.
Specialties: Property/casualty insurance companies and managing general agencies.
Region served: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.
Principal officers: Richard L. Gardner, president.

Gow Management Services Inc.

344 Delaware Ave., Buffalo, N.Y. 14202; 716-856-6148; fax: 716-856-6179

Founded: 1982.
Parent company: S.H. Gow & Co. Inc.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention research, client training, regulatory compliance consulting.
Occasional services: Loss prevention publications.
Staff: 19; four professionals who hold two ARM, one ALCM, one CIC, three AIC, three LIA, one IHT designations.
Clients: 110; 80% with gross revenues less than $200 million, 10% with $200 million to $499 million, 5% with $500 million to $999 million, 5% exceeding $3.5 billion.
Specialties: Heavy industry, general bridge and highway construction, municipal, high-technology and aerospace industry.
Region served: Nationwide.
Branch offices: Albany, Rochester and Syracuse, N.Y.
1991 gross revenues: $750,000, 40% from unbundled property loss control consulting/engineering, 60% from other services, including safety consulting, third-party claims administration, claims investigations.
Principal officers: Jeffrey Gow, president; Michael Gow, executive vp; Richard Mason, senior vp; Steven McCullough, assistant vp/manager.

Great Lakes Educational Consultants Inc.

3324 Olney St., Kalamazoo, Mich. 49006; 616-382-3214; fax: 616-382-6495

Founded: 1978.
Frequent services: Plant security inspections, hazard identification, building plan reviews, client training, emergency plan development.
Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, loss prevention research.
Staff: Three professionals including, who hold one CSE designation.
Clients: 16; 95% with gross revenues less than $200 million, 5% exceeding $3.5 billion.
Region served: Worldwide.
1991 gross revenues: $160,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: Robert F. Jonaitis, president.

H

Harrington Group Inc.

3732 Highway 78, Suite 104, Snellville, Ga. 30278; 404-985-1272; fax: 404-985-1282

Founded: 1986.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, halon 1301, sprinkler, fire alarm, special systems design, water supply testing and analysis, evaluation of insurance carrier recommendations and development of cost effective alternatives, supervision of system design, installation and testing, development of written property conservation programs, door fan room integrity testing of halon 1302 protected spaces.
Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training, property replacement cost valuations.
Staff: Eight; five professionals who hold four PE, five SFPE designations.
Clients: 39; 65% with gross revenues less than $200 million, 10% with $200 million to $499 million, 25% with $1 billion to $3.5 billion.
Region served: Worldwide.
1991 gross revenues: 100% from unbundled property loss control consulting/engineering.
Principal officers: Jeff L. Harrington, president; James M. Rucci, executive vp; Michael W. Banham and William A. Cooper Jr., vps.
Contact: Jeff L. Harrington.

Daniel J. Hartwig Associates Inc.

P.O. 80, Oregon, Wis. 53575; 608-835-5781; fax: 608-835-3222

Founded: 1978.
Frequent services: General on-site plant loss prevention inspections, hazard identification, client training, expert witness testimony.
Occasional services: Fire prevention inspections, loss prevention research.
Staff: Seven; two professionals who hold one CSP, one PE, one CIH designations.
Clients: 19% with gross revenues less than $200 million, 60% with $200 million to $499 million, 20% with $500 million to $999 million, 1% exceeding $3.5 billion.
Region served: Nationwide.
Principal officers: Daniel J. Hartwig, president; Diane E. Hartwig, vp.
Contact: Naomi Gray or Daniel Hartwig.

Hastings-Tapley Services Inc.

60 Gore St., Cambridge, Mass. 02141; 617-876-7510; fax: 617-494-1608

Founded: 1987.
Parent company: Hastings-Tapley Insurance Agency Inc.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, building cost evaluations.
Occasional services: Plant security inspections, hazard identification, building plan reviews, loss prevention research, client training.
Staff: 23; two professionals who hold three ARM, one ALCM, two ASSE and two SFPE designations.
Clients: 100% with gross revenues less than $200 million.
Specialties: Governmental entities.
Region served: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont.
1991 gross revenues: $2 million, 10% from unbundled property loss control consulting/engineering, 90% from other services, including third-party claims administration operations.
Principal officers: David J. Lane, chairman; Frederick J. England Jr., president; Marsha K. Burridge and E. Donald Lewis, executive vps; Ralph J. Gemelli, vp.
Contact: Ralph Gemelli.

Healthcare Risk Management Services

1809 Seventh Ave., Suite 1400, Seattle, Wash. 98101; 206-624-7917; fax: 206-467-1928

Founded: 1928.
Parent company: Rahn & Co. Inc.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, industrial hygiene.
Occasional services: Plant security inspections, building plan reviews.
Staff: Nine; five professionals who hold one CSP, two CIH and two RN designations.
Clients: 46; 10% with gross revenues less than $200 million, 20% with $200 million to $499 million, 70% with $1 billion to $3.5 billion.
Specialties: Health care industry.
Region served: Nationwide, primarily Alaska, California, Hawaii, Oregon, Washington.
Principal officers: Frederick J. Rahn, president; Mellanie E. Pierce, vp.
Contact: John K. Walpole.

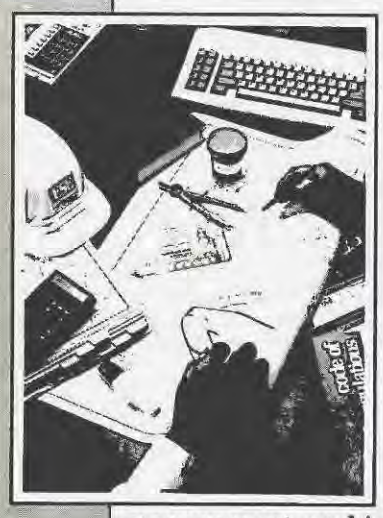
Helmsman Management Services Inc.

175 Berkeley St., Boston, Mass. 02117; 617-574-5557; fax: 617-426-1067

Founded: 1983.
Parent company: Liberty Mutual Insurance Group.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, technical support during examinations and testing of sprinkler systems, water supplies, fire

Continued on next page

Complete Environmental Solutions



With a unique understanding of the needs of the insurance community, ESE's scientific and engineering experts combine to provide service that goes beyond technical expertise.

ESE offers a comprehensive range of services to support underwriting, claims management, and investment and property management including:

- Expert Witness Testimony
- Third Party Review
- CERCLA/PRP Representation
- Technical Support to Agency Negotiations
- Transactional Environmental Assessments
- Analytical Laboratory Services
- Risk Assessment, Air Resources, Industrial Hygiene, Geosciences
- Remedial Engineering

Call **800-ESE-1999** for a brochure outlining ESE's services for the insurance community.

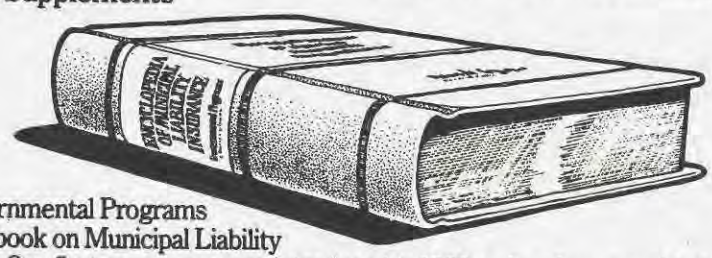
ESE Environmental Science & Engineering, Inc.
A CILCORP Company

Nationwide Network of Offices

MUNICIPAL LIABILITY INSURANCE

Public Officials
School Boards
Law Enforcement Agencies
9-1-1 Errors & Omissions
Pool Supplements

Public Housing Authorities
(General and Public Officials Liability)
Umbrella and Excess Liability
(for all Municipal Risks)
Municipal General Liability



Governmental Programs wrote the book on Municipal Liability Insurance. Our first programs were introduced in 1980 and we have provided consistent service to our clients ever since.

Today, we continue to set the standards for the industry with refined and expanded programs, backed by knowledgeable, experienced liability experts dedicated to customer service.

In addition to our individual municipal programs, we can also provide Excess Liability coverage for Risk Pools or any of our primary coverages in association with the Pool.

For more information, contact your insurance representative or call us direct.

Governmental Programs
A Division of Aon Direct Group, Inc.
1-800-368-3583
FAX (804) 527-3850
4551 Cox Road, Glen Allen, VA 23060 P.O. Box 3059 Glen Allen, VA 23058-3059

Continued from previous page
pumps, detection and alarm systems, design of preventive maintenance schedules and procedures for electrical, mechanical and fire protection equipment, fire life safety evaluations, boiler and machinery service, ergonomics, machine safeguarding, material handling, industrial hygiene, safety training, occupational health, retail safety, highway safety and driver training, construction operations.

Occasional services: Plant security inspections.

Staff: 755; 63 professionals who hold 54 ARM, 16 ALCM, 164 ASSE, 45 CSP, seven PE, four SFPE.

Specialties: Retail industry.

Region served: Worldwide.

Branch offices: More than 125 locations throughout the United States, Canada and England.

1991 gross revenues: $21.8 million.

Principal officers: Gary L. Countryman, chairman/chief executive officer; Robert L. Barrese and Therese A. Maloney, senior vps; Barry Gilvar, vp/secretary; Amy J. Leddy, vp/manager.

Contact: James M. Rogers, director-sales/marketing.

High-Point Schaer

12520 High Bluff Drive, Suite 340, San Diego, Calif. 92130; 619-793-9050; fax: 619-793-9054

Founded: 1980.

Parent company: High-Point P.L.C.

Frequent services: Fire prevention inspections, hazard identification, building plan reviews, client training, risk management constructability reviews, value engineering, risk assessments, audits, engineering inspections, claims avoidance.

Occasional services: General on-site plant loss prevention inspections, plant security inspections, loss prevention publications, loss prevention research.

Staff: 1,700; 250 professionals who hold 20 ALCM, 25 ASCE, 300 PE, 25 AIA designations.

Specialties: Construction, transit, power industry.

Region served: Worldwide.

Branch offices: Alexandria, Va.; Boston; Clearwater, Fla.; Hartford, Conn.; Irvine, Los Angeles and San Francisco, Calif.; Laconia, N.H.; Phoenix; Roseland, N.J.; Seattle; Williamsburg, Va.

1991 gross revenues: $15 million, 95% from unbundled property loss control consulting/engineering, 5% from other services, including financial services.

Principal officers: M. Gene Bennett, president/chief executive officer; Renwick Day, senior vp; Darrell Hall, chief financial officer.

Contact: L. Adam Winegard.

Hischar Technical Services Ltd.

10 Harbor Terrace, Perth Amboy, N.J. 08861-4804; 908-442-7221

Founded:1986.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research, client training, pre-OSHA surveys, computer security/disaster recovery, proprietary guard service.

Staff: Eight professionals who hold one ARM, two CSP and one PE designations.

Clients: 100% with gross revenues less than $200 million.

Specialties: Environmental companies, petroleum industry, shipping companies, municipalities.

Region served: Nationwide.

Branch offices: Philadelphia; Tampa, Fla.

1991 gross revenues: 100% from unbundled property loss control consulting/engineering.

Principal officers: J.J. Hischar and Donald Sheppard, general partners; Deborah Higgins, partner.

Contact: John Hischar.

I

Information Security International Inc.

1700 Elton Road, Suite 100, Silver Spring, Md. 20903; 301-431-1200; fax: 301-431-0007

Founded: 1986.

Frequent services: General on-site plant loss prevention inspections, plant security inspections, loss prevention publications, loss prevention research, client training, prevention of unauthorized or prejudicial access to information, and of deliberate or accidental loss, distortion or manipulation of information.

Occasional services: Hazard identification, building plan reviews.

Staff: 19; 17 professionals.

Clients: Six.

Specialties: Financial institutions, law firms, telecommunications, insurance, accounting, computer, U.S. government and international (NATO) security and intelligence programs.

Region served: Worldwide.

Branch offices: Annapolis Junction, Md.; New York.

Principal officers: Gerard P. Burke, chairman/chief executive officer; William H. Jenkins, president; Eugene P. McAllister, vp-technical services; Michael J. Burke, chief financial officer; Robert A. Fisher, vp.

Inservco Insurance Services

3461 Market St., Suite 201, Camp Hill, Pa., 17011; 717-761-8018; fax: 717-763-5732

Founded: 1980.

Parent company: Pennsylvania National Insurance Co.

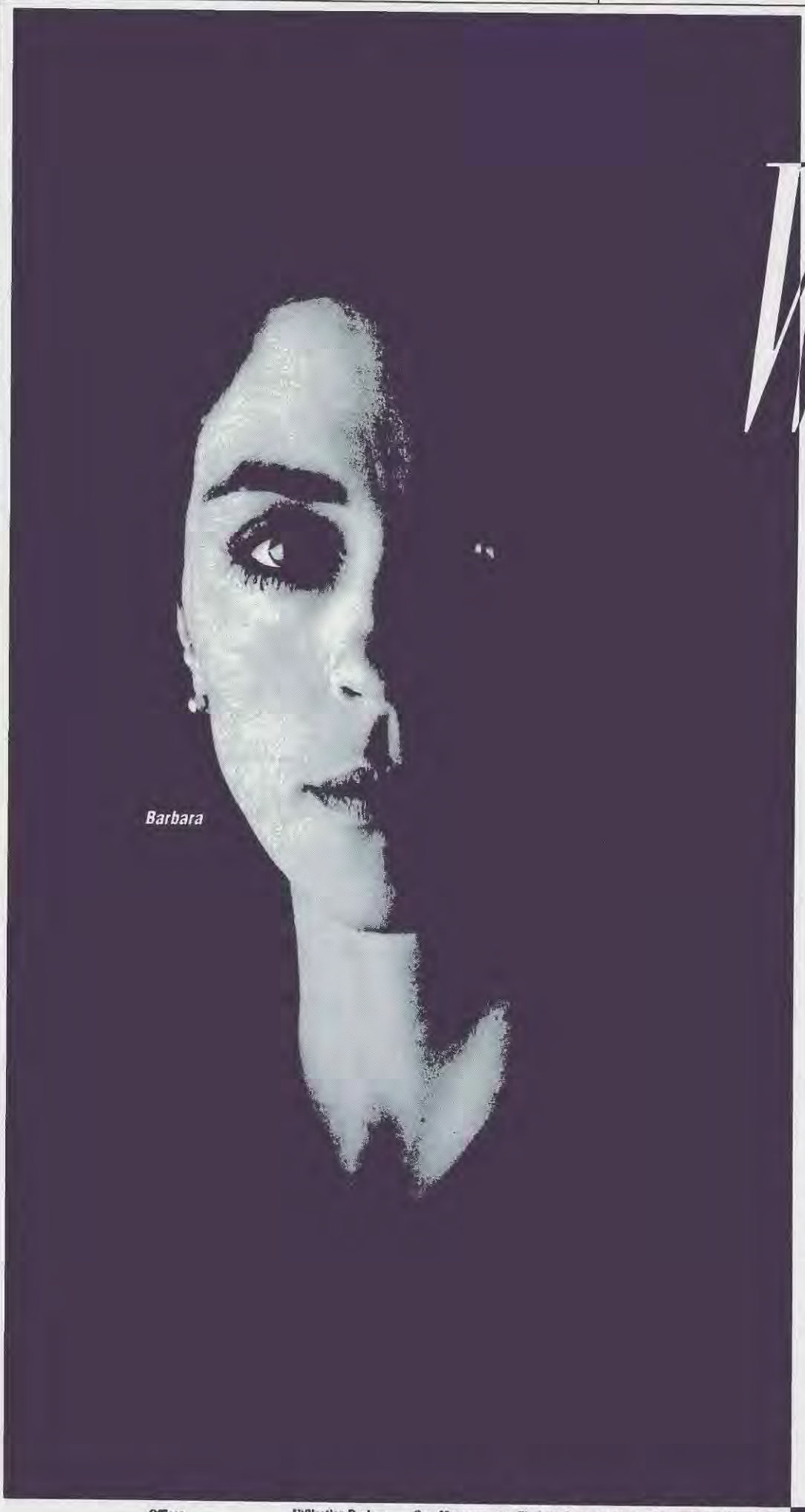
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training, safety management consulting, fire protection systems evaluation.

Continued on next page

The wise ne'er sit & wail their
Loss
but cheerily seek how to
Control
their risks.

var. Shakespeare

Mead Loss Control
Dayton, Ohio 45463
513-495-7204



Would you know what to do for her...

What creates a suicide attempt? An alcoholic father. A string of foster homes. Physical and sexual abuse. Chronic depression. And finally, a devastating divorce from the only man who seemed to care.

Barbara had already been hospitalized four consecutive times for psychological problems when Cost Care's case manager began working with her. Immediately realizing that hospitalization could not provide the care and rehab that Barbara needed, the case manager placed her in a transitional living facility that provided 24 hour supervision, in-house group therapy, peer support, and medical care. She also received paid on-the-job training to gain the marketable skills she needed to make her an independent person for the first time.

...when you can't see what hurts?

Hospitalization for mental health and substance abuse is often the first thing done and the last thing needed. How do you know you are paying for the most appropriate treatment? How do you know that the treatment you are paying for has the best chance of avoiding the high readmission rates currently running over 65% in this field?

Cost Care's psychiatrists, psychologists, case managers, and proprietary screening software give you the information you need, and the ability to realize an average $10 return for each dollar invested, while giving someone like Barbara a future free of sleeping pills.

Call us and find out more about Cost Care's Psychiatric/Substance Abuse Management, because it's much too expensive to wait.

Offices Nationwide
800-537-3970

Utilization Review
All Hospital Admissions
Second Surgical Opinions
Alternate Medical Care
Outpatient Services

Case Management
Medical—Psychiatric
Substance Abuse
High Risk Pregnancy
Long Term Disability
Disability Assessment

Workers' Compensation
Comprehensive Assessment
Inpatient—Outpatient UR
Case Management
Medical Bill Review

Managed Care Networks
Customized Networks
Negotiated Fees:
MD/Hospital

COST CARE
Managed Care for the 90's

Continued from previous page

Occasional services: Building plan reviews, loss prevention publications, loss prevention research.

Staff: 125; seven professionals who hold three ARM, four ALCM, three ASSE, one CSP, one PE, two SFPE, two CPCU designations.

Specialties: Government, trade associations, franchised automobile dealers, institutes, education.

Region served: Delaware, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Virginia.

Branch offices: Greenboro, N.C.

Principal officers: Daniel Walters, president; Robert Conrad, executive vp; Kenneth Shaffer, treasurer; Kenneth Shutts, secretary/general counsel; Michael Scheib, vp-operations.

Contact: Joseph M. Boslet, Pennsylvania National Insurance Co., 1900 Derry St., P.O Box 2361, Harrisburg, Pa. 17105-2361.

Insurance Control Systems Inc.

1118 N. LaBrea Ave., Inglewood, Calif. 90302; 213-678-7115; fax: 310-673-3350

Founded: 1989.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, worker safety training/education, claims management, crisis response program development, workers compensation risk protection.

Occasional services: Plant security inspections, building plan reviews.

Staff: 14; four professionals who hold one ARM, two ALCM, three ASSE and two CSP designations.

Clients: 49; 100% with gross revenues less than $200 million.

Region served: Nationwide.

Branch offices: Atlanta; Dallas. Reno, Nev.

1991 gross revenues: $1.05 million. 95% from unbundled property loss control consulting/engineering, 5% from other services, including occasional legal witness fees.

Principal officers: Alfred Kirkpatrick, president; Valeta Paganelli, vp; Laure Patten, vp-operations; L. Amarino, service manager; V. Heitkamp, controller; K.D. King, director-marketing.

Contact: Laura Patten, P.O. Box 4372, Inglewood, Calif. 90302.

Insurers Risk Services Inc.

3 Converse Place, P.O. Box 30, Winchester, Mass. 01890; 617-729-2777; fax: 617-729-6670

Founded: 1985.

Frequent services: Fire prevention inspections, hazard identification.

Occasional services: General on-site plant loss prevention inspections.

Staff: 26 professionals who hold NFPA designations.

Clients: 100% with gross revenues less than $200 million.

Specialties: General practice, insurance companies, managing general agents, agents and brokers, consultants.

Region served: New England.

1991 gross revenues: $1 million. 100% from unbundled property loss control consulting/engineering.

Principal officers: Lynn D. Scotti, president/treasurer.

Insurers Technical Services Inc.

8600 N.W. 36th St., Miami, Fla. 33166; 305-599-7410; fax: 305-599-7422

Founded: 1983.

Parent company: Skandia Group.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, insurance underwriting surveys and service.

Occasional services: Building plan reviews, loss prevention research, client training.

Staff: 14; 10 professionals who hold two CSP, one OHST and one CST designations.

Clients: 15; 20% with gross revenues less than $200 million, 50% with $200 million to $499 million, 30% with $500 million to $999 million.

Specialties: Property and casualty insurance companies.

Region served: Florida.

Branch offices: Maitland, Fla.

1991 gross revenues: $550,000, 60% from unbundled property loss control consulting/engineering, 40% from other services, including appraisal services.

Principal officers: R.C. Chaffin, president; John Marshall, vp; Martin R. Lerner, director.

Contact: Martin R. Lerner.

International Loss Control Institute

4546 Atlanta Highway, Box 1898, Loganville, Ga. 30249; 404-466-2208; fax: 404-466-4318

Founded: 1973.

Parent company: Det Norske Veritas.

Frequent services: Loss prevention publications, loss prevention research, client training, loss control management systems training, auditing and product sales.

Occasional services: General on-site plant loss prevention inspections.

Staff: 140; 120 professionals who hold two ARM, three ALCM, 40 ASSE, four CSP, three PE and three CRSP designations.

Clients: 10% with gross revenues less than $200 million, 20% with $200 million to $499 million, 20% with $500 million to $999 million, 30% with $1 billion to $3.5 billion, 20% exceeding $3.5 billion.

Specialties: Process industry, multinational businesses, pharmaceutical, mining.

Region served: Worldwide.

Branch offices: Houston; Sacramento. Calif; London; Oslo, Norway; Paris; Rotterdam, Netherlands; Singapore

1991 gross revenues: 100% from unbundled property loss control consulting/engineering.

Principal officers: Per Olaf Brett, president.

Contact: Robert M. Arnold, technical director/vp.

International Loss Control Services Ltd.

FBD House, Bluebell, Dublin 12, Ireland; 353-1-504800; fax: 353-1-783108

Founded: 1983.

Parent company: FBD Holdings P.L.C.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, total loss control audits.

Occasional services: Hazard identification, building plan reviews, loss prevention research, client training.

Staff: Seven; two professionals including one ACII designation.

Clients: 20% with gross revenues less than $200 million, 20% with $200 million to $499 million, 60% with $500 million to $999 million.

Region served: Europe.

1991 gross revenues: $450,000, 33% from unbundled property loss control consulting/engineering, 67% from other services, including contingency loss control programs and insurance related fees.

Principal officers: Patrick J. O'Reilly, executive director; Eamonn Bergin; Martin Carr.

Contact: Patrick J. O'Reilly.

International Risk Management Corp.

P.O. Box 660, Belvedere Building, Hamilton 5, Bermuda; 809-295-0713; fax: 809-295-1712

Founded: 1958.

Parent company: Swiss Reinsurance Co.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification,

Continued on next page

ONE-CALL 215-254-9890

FOR LONG-TERM AUTO LEASING INSURANCE

- Lessors Excess Liability
- Primary Physical Damage
- Lessors Contingent Liability
- Primary Liability Coverages
- Residual Value Insurance
- Contingent Physical Damage
- Interim Car Coverages • **$5 MILLION CSL LIMIT AVAILABLE**

Be sure. Take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves you time, cuts your costs, satisfies your customers. We do the work, you get the credit!

We invite your inquiry and your business. Write or call Ron Ruane.

PAIGE-RUANE, INC.
Suite 616 - The Woods
P.O. Box 6745 • Wayne, PA 19087
(215) 254-9890 • FAX # (215) 254-9893

Reliance Specialty Programs, Inc.

After Answering 679 Actuarial Questions, Our Fee Came To A Total Of $0.00.

It's a busy morning on the Actuarial Assistance HotLine.

First, it's a senior life actuary. He asks about accelerated benefit product design. Later, a valuation actuary wants to discuss reserving for AIDS. Then there's a question about last-survivor pricing.

An actuarial resource for our clients.

With the toll-free Actuarial Assistance HotLine, preferred life reinsurance clients of Lincoln National can save time and money getting help with actuarial questions. There's no fees, no statements, and no strings attached.

The HotLine staff taps a resource pool of some of the most experienced actuaries in the field. They can share Lincoln National's research, experience or just a well-reasoned opinion. Even on the newest products. The latest legislation.

Why would a reinsurer offer a service like this?

You may think it's unusual for a reinsurer to offer a service like the HotLine, and you're right. It all comes down to this—we focus on serving as a broader resource to your company. That's what underlies our range of unique products and services, all designed to contribute to your success in new ways.

To learn how this approach can make a bottom-line difference to your company, contact your Lincoln National account executive.

LINCOLN NATIONAL REINSURANCE
A part of LINCOLN NATIONAL CORPORATION
The Reinsurance Resource.
1300 S. Clinton St. • Fort Wayne, Indiana 46801

Continued from previous page

building plan reviews, chemical safety reviews, infrared thermographic scanning, halon integrity testing, nondestructive testing of tanks, pressure vessels and piping.

Occasional services: Loss prevention publications, loss prevention research, client training.

Staff: 350; 80 professionals who hold eight ARM, 10 PE, 50 SFPE, 10 CPCU designations.

Clients: 150; 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 50% with $1 billion to $3.5 billion, 20% exceeding $3.5 billion.

Specialties: Chemical, food and grain, pulp and paper, mining and metals, pharmaceuticals, banking.

Region served: Worldwide.

Branch offices: Waterloo, Ontario.

1991 gross revenues: 12% from unbundled property loss control consulting/engineering, 88% from other services, including risk management consulting and captive management.

Principal officers: A.H. Deters, chief executive officer/president; B.D. Murphy, executive vp; T.G. Grilli, executive vp/chief financial officer; D. Westmoreland, group vp/secretary.

Contact: J.S. Armstrong, 6480 Rockside Woods Blvd., Suite 110, Cleveland, Ohio 44131; 216-447-1600 or 800-788-7475.

Investigative & Loss Control Services Inc.

6028 150th St. S.E., Prior Lake, Minn. 55372; 612-447-1234

Founded: 1987.

Frequent services: Loss prevention research, client training, fire cause and origin investigations, expert witness testimony, disaster response preplanning and training.

Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, loss prevention publications.

Staff: Two professionals including one CFI designation.

Clients: 100% with gross revenues from $500 million to $999 million.

Specialties: Property and liability insurers, hotel and motel industry.

Region served: Nationwide.

1991 gross revenues: $230,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: G. Crawford Wiestling, president; Jeffrey J. Washinger Sr., vp.

J

William L. Jacobs Enterprises Inc.

P.O. Box 7333, Fort Lauderdale, Fla. 33338; 305-766-9910

Founded: 1987.

Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention research, client training, litigation support, expert witness service, evaluation of state safety code compliance, casualty loss control.

Occasional services: Fire prevention inspections, plant security inspections, loss prevention publications.

Staff: Four with ASSE, CSP, PE and CHCM designations.

Clients: 100% with gross revenues less than $200 million.

Specialties: Retailer, supermarkets, malls, municipalities, construction, insurance, hotels.

Region served: Alabama, Florida, Georgia, Louisiana, Mississippi.

Branch offices: Osteen, Fla.

Principal officers: William L. Jacobs, president.

Jarry Associates

2706 Carriage Place, Birmingham, Ala. 35223; 205-879-1595

Founded: 1980.

Frequent services: General on-site plant loss prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training.

Occasional services: Plant security inspections.

Staff: Three; two professionals who hold two CSP, two PE, one SFPE designations.

Clients: 70% with gross revenues less than $200 million, 20% with $200 million to $499 million, 5% with $500 million to $999 million.

Specialties: Manufacturing, distribution warehouses.

Region served: Nationwide.

Branch offices: Catham, N.J.; Center Conway, N.J.

1991 gross revenues: $60,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: Harry J. Eiermann, principal consultant.

Phil Jaynes & Associates

7414 Sunpoint Lane, Sacramento, Calif. 95828-2619; 916-682-5209; fax: 916-689-8617

Founded: 1972.

Frequent services: General on-site plant loss prevention inspections, hazard identification, client training, accident reconstruction, expert witness, accident investigation, burn accidents including their prevention and protection.

Staff: One professional who holds a CSP designation.

Clients: 19; 100% with gross revenues less than $200 million.

Specialties: Attorneys, heavy industry.

Region served: Worldwide.

Principal officers: Phil Jaynes.

Rolf Jensen & Associates Inc.

1751 Lake Cook Road, Suite 400, Deerfield, Ill. 60015-5294; 708-948-0700; fax: 708-948-0866

Founded: 1969.

Frequent services: Fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training, fire investigations, accessibility consulting, fire protection systems design, hazard identification.

Occasional services: General on-site plant loss prevention inspections, loss prevention publications.

Staff: 132; 60 professionals who hold four CSP, 40 PE, 40 SFPE, two CIPE and four AIA designations.

Clients: 1,000.

Region served: Worldwide.

Branch offices: Atlanta; Brea and Concord, Calif.; Fairfax, Va.; Houston; Springfield, N.J.; Vancouver, British Columbia; Willowdale, Ontario.

1991 gross revenues: $12.4 million, 10% from unbundled property loss control consulting/engineering, 90% from other services, including code consulting, fire protection systems design, accessibility consulting.

Principal officers: Rolf Jensen, president; Ralph E. Transue, senior vp-administration; William A. Webb, senior vp/chief engineer; Randolph W. Tucker and James R. Quiter, senior vps.

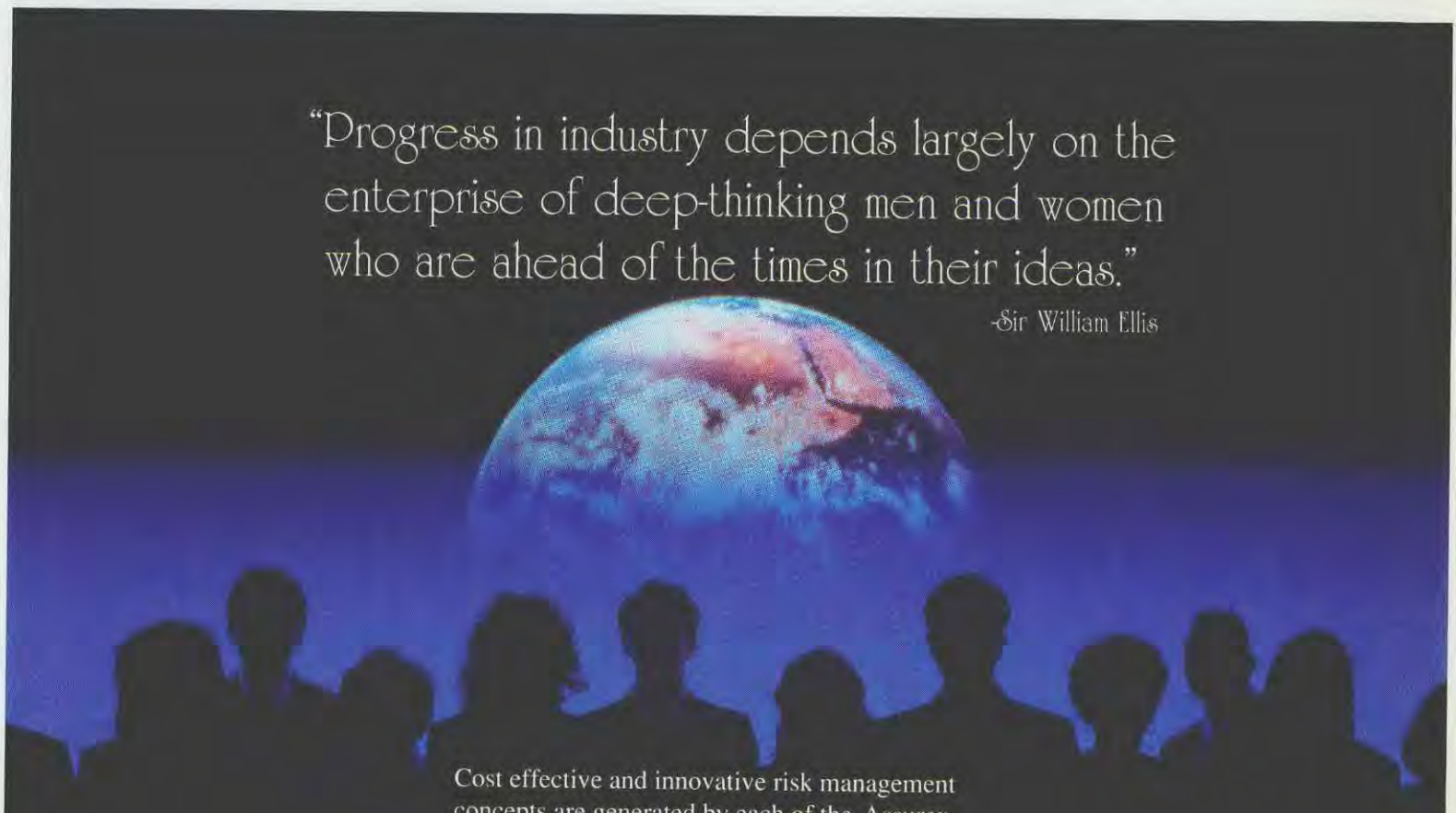
Contact: George E. Toth, vp-marketing.

Jerico International Ltd.

203 Gibbons Building, 10 Queen St., Hamilton HM11, Bermuda; 809-295-0850; fax: 809-292-3704

Founded: 1986.

Continued on next page



Cost effective and innovative risk management concepts are generated by each of the Assurex Partners. Our commitment to sharing of expertise makes these solutions available to all Partner clients.

UNITED STATES

ALABAMA
McGriff, Seibels & Williams, Inc.
Thames Batre' Mattei Beville & Ison

ARIZONA
The Mahoney Group

CALIFORNIA
Barney & Barney
Bolton and Company
Woodruff-Sawyer & Co.

CONNECTICUT
Arthur A. Watson & Co., Inc.

FLORIDA
J. Rolfe Davis Insurance Agency, Inc.
Seitlin & Company

GEORGIA
Hamilton Dorsey Alston Company
Palmer & Cay/Carswell, Inc.

HAWAII
American Mutual Underwriters, Ltd.

ILLINOIS
Mack and Parker, Inc.

INDIANA
Insurance & Risk Management

IOWA
Cottingham & Butler, Inc.
LaMair-Mulock-Condon Co.

KANSAS
Insurance Management Assoc. Inc.

KENTUCKY
Powell-Walton-Milward, Inc.

LOUISIANA
Gillis, Ellis & Baker, Inc.

MAINE
Morse, Payson & Noyes Insurance

MARYLAND
Early, Cassidy & Schilling, Inc.
Riggs, Counselman, Michaels & Downes, Inc.

MASSACHUSETTS
Fred C. Church, Inc.

MICHIGAN
General Underwriters, Inc.

MINNESOTA
Brandow Howard Kohler & Rosenbloom, Inc.

MISSISSIPPI
Fox-Everett, Inc.

MISSOURI
The Daniel and Henry Co.
Gilbert-Magill Company

NEBRASKA
The Harry A. Koch Co.

NEW JERSEY
National Insurance Associates

NEW MEXICO
Bundy, Seligman & Thomas

NEW YORK
Adams & Porter Inc.
Hatch-Leonard/Markin-Shaw, Inc.

NORTH CAROLINA
Cameron M. Harris & Company

OHIO
The McElroy-Minister Company
The James B. Oswald Company
Picton-Cavanaugh, Inc.
Schiff, Kreidler-Shell, Inc.

OREGON
Jewett, Barton, Leavy & Kern, Inc.

PENNSYLVANIA
Clair Odell Group
Engle, Hambright, Davies, Inc.
The HDH Group, Inc.

RHODE ISLAND
Starkweather & Shepley, Inc.

SOUTH CAROLINA
Boyle-Vaughan Associates, Inc.

TENNESSEE
Treadwell & Harry Insurance Agency

TEXAS
Roach Howard Smith & Hunter
John L. Wortham & Son

UTAH
Fred A. Moreton & Company

VERMONT
Kinney, Pike, Bell & Conner, Inc.

VIRGINIA
DeJarnette & Paul, Inc.
Henderson & Phillips, Inc.

WASHINGTON
Parker, Smith & Feek, Inc.

WISCONSIN
Laub Group Inc.

CANADA

ALBERTA
Harding Hall & Graburne Insurance Inc.

MANITOBA
Ryan Gateway Insurance Brokers, Inc.

NEW BRUNSWICK
Wilson Insurance Ltd.

NEWFOUNDLAND
Anthony Insurance Inc.

NOVA SCOTIA
Fraser & Hoyt Insurance Ltd.

ONTARIO
Tower-Chisholm Ferguson Ltd.

QUEBEC
P. Brunet Assurance Inc

SASKATCHEWAN
Cherry Insurance Ltd.

INTERNATIONAL

BRUSSELS, BELGIUM
Menage & Jowa S.A.

SAO PAULO, BRAZIL
Adams & Porter Ltda.

ENGLAND
Robert Fleming Insurance Brokers Limited

DUESSELDORF, GERMANY
C. Wuppesahl

DUBLIN, IRELAND
Coyle Hamilton Limited

AMERSFOORT, NETHERLANDS
Kamerbeek Assurantiemakelaars B.V.

HASTINGS, NEW ZEALAND
International Insurance Brokers Limited

Assurex INTERNATIONAL
Independent Partners United for Growth

Community Corporate Center • 445 Hutchinson Ave.• Columbus, Ohio 43235-1408

Continued from previous page

Frequent services: Environmental protection and pollution liability.

Occasional services: General on-site plant loss prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: Five; three professionals.

Clients: 12.

Specialties: Insurance, law, accounting, financial services.

Region served: Worldwide.

Branch offices: Cambridge, Mass.

Principal officers: Gerard P. Burke, president; Andrew M. Sinclair, director/operations manager.

Contact: Gerard P. Burke.

Johnson & Higgins

125 Broad St., New York, N.Y. 10004; 212-574-7000; fax: 212-574-7676

Founded: 1884.

Frequent services: Building plan reviews, loss prevention publications, client training, program coordination, customized database systems, program insurance impact studies, business interruption studies, earthquake loss control and disaster planning, boiler and machinery loss control management consulting.

Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification.

Staff: 78 (United States); 60 professionals who hold two ASCE, 10 ASSE, nine CSP, 25 PE, 42 SFPE, one ABBA, one ACS, nine AICE, one AISE, one ASA, one ASIE, two ASIS, three ASME, one CPCU, one CPP, one CSSP, two IEEE, one NBBI, 45 NFPA, five NFSA and four SSA designations.

Clients: 1,750.

Region served: Nationwide.

Branch offices: 26 locations nationwide.

Principal officers: Norman Barham, director/senior vp; William F. Ramonas, national manager-property loss control; Glenn H. Giles, James C. Deaton, Ralph P. Dellinger, Michael E. Gerdts, Paul F. Helweg Jr. and Stephen M. Stuart, regional managers-property loss control.

Contact: William F. Ramonas, 201-292-5230; Glenn H. Giles, 201-292-5231; James C. Deaton, 404-586-8326; Ralph P. Dellinger, 213-552-8875; Michael E. Gerdts, 415-296-3470; Paul F. Helweg Jr., 203-241-8555; Stephen M. Stuart, 313-393-6974.

K

Kemper National Insurance Cos.

1 Kemper Drive, Long Grove, Ill. 60049-0001; 708-540-2000; fax: 708-540-2494

Founded: 1912.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, general liability and life safety surveys.

Occasional services: Plant security inspections, building plan reviews.

Staff: 643; 200 professionals who hold 16 ARM, 12 ALCM, 103 ASSE, 23 CSP, five PE, 10 SFPE designations.

Region served: Worldwide.

Branch offices: 18 offices nationwide; Toronto.

1991 gross revenues: $5.6 million.

Principal officers: G.L. Maatman, chairman/chief executive officer; A.K. Kenyon, R.K. Like and P.T. Stanbridge, executive vps; W.L. White, senior vp/chief financial officer.

Contact: Robert M. Hiltz, loss control engineering officer and manager.

Kleckner Associates

P.O. Box 357, Hibernia, N.J. 07842-0357; 201-625-8626; fax: 201-586-2620

Founded: 1961.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, air quality, environmental, product liability.

Occasional services: Plant security inspections, client training.

Staff: Five; one professional who holds ASSE, REP and RSE designations.

Clients: 35% with gross revenues less than $200 million, 25% with $200 million to $499 million, 30% with $500 million to $999 million, 8% with $1 billion to $3.5 billion, 2% exceeding $3.5 billion.

Region served: Worldwide.

Branch offices: Whitehall, Pa.

1991 gross revenues: 75% from unbundled property loss control consulting/engineering, 25% from other services.

Principal officers: Dr. Willard R. Kleckner.

L

Las Vegas Audit & Inspection Service

1621 E. Flamingo, Suite 15-B, Las Vegas, Nev. 89119; 702-369-7475; fax: 702-796-7475

Founded: 1986.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, premium audits.

Occasional services: Plant security inspections, hazard identification, loss prevention research, client training.

Staff: Three; two professionals including one MBA.

Region served: Arizona, Nevada, Utah.

Principal officers: Brenda Kawa.

Contact: K. Steven Kawa.

Collin A. Lewis-Fire Protection & Code Consultant

P.O. Box 11792, Santa Rosa, Calif. 95406; 707-528-9617; fax: 707-528-1363

Founded: 1987.

Frequent services: Building plan reviews, building code consultation.

Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training.

Staff: One professional who holds ARM and SFPE designations.

Region served: Nationwide.

Principal officers: Collin A. Lewis.

Loss Control Associates Inc.

172 Middletown Blvd., Suite 204(B), Langhorne, Pa. 19047; 215-750-6841; fax: 215-750-6845

Founded: 1986.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, hazards analysis, HAZOPS, what-if studies, preliminary hazards analysis, occasional expert witness testimony.

Occasional services: Loss prevention publications, loss prevention research.

Staff: Six; five professionals who hold two PE, four SFPE, four NFPA and two American Institute of Chemical Engineers designations.

Clients: 60; 5% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million, 15% with $1 billion to $3.5 billion, 60% exceeding $3.5 billion.

Specialties: Petroleum, petrochemical, chemical industries, hazardous materials industry.

Region served: Worldwide.

1991 gross revenues: $920,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: Orville M. Slye Jr., president.

Contact: Orville M. Slye Jr.; Dave Owen, consulting engineer; Roger Meuer, consulting engineer.

Loss Control Services Inc.

2116 Main St., Suite 1H, Julian, Calif. 92036-0147; 619-765-0363; fax: 619-765-1838

Founded: 1988.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training.

Occasional services: Loss prevention publications.

Staff: Three; two professionals who

Continued on next page

CHUBB

D&O Protection for Non-Profit Community Association Boards

We are specialists in directors and officers liability insurance for community associations, condominiums, co-ops, homeowners' associations, etc.

Today we're a leader in placing this type of insurance, and with good reason: we offer professional service and fast turn-around on quotes and policies.

Because the program is underwritten by members of Chubb Group of Insurance Companies, our clients receive broad coverage and competitive premiums, as well as the prompt, fair and equitable claim service that Chubb is famous for.

Call IHG today for more information.

IHG
Ian H. Graham, Inc.
INSURANCE
ADMINISTRATOR

Directors and Officers Liability Insurance and
Fidelity Bond Coverage For Non-Profit Community Associations.

13245 Riverside Drive, Suite 310, P.O. Box 6058,
Sherman Oaks, CA 91413
818-985-2324/1-800-621-2324

Continued from previous page
hold one ARM, one ASSE designations.

Clients: 20% with gross revenues less than $200 million, 70% with $200 million to $499 million, 10% with $500 million to $999 million.

Specialties: Construction, hospitals, laboratories, clinics, small business.

Region served: Nationwide.

1991 gross revenues: $160,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: Patricia Ash, president; Carlton Lewis, senior vp-safety; Steven Matlin, sales and marketing.

Loss Prevention Consultants Inc.

P.O. Box 54012, Jackson, Miss. 39288-4012; 601-878-2138; fax: 601-878-2394

Founded: 1982.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, expert witness.

Occasional services: Plant security inspections, building plan reviews.

Staff: Two; one professional who holds an ASSE designation.

Clients: More than 30; 80% with gross revenues less than $200 million, 20% with $200 million to $499 million.

Region served: Worldwide.

Principal officers: John R. Eubanks, president.

M

Management Services Inc.

2 E. Main, Suite 208, Danville, Ill. 61832; 217-446-1089; fax: 217-443-0927

Founded: 1978.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, program development and implementation, loss analysis, performance auditing, building valuation.

Staff: 15; nine professionals who hold three CHCM, four ASSE, four CSP designations.

Specialties: Government entities, industrial.

Region served: Nationwide.

Branch offices: Oak Brook, Ill.; Indianapolis; St. Louis; Des Moines, Iowa.

Principal officers: Sam Cannon, chief executive officer; Bob Cowgill, president; Jacque Cannon, vp; Gary Schirmner, director.

Contact: Gregory Clapper, Bonnie Gotham or Mary Norenberg.

Maritime Risk Management Consultants

3703 Peachtree Road N.E., Suite L-3, Atlanta, Ga. 30319; P.O. Box 190553, Atlanta, Ga. 31119-0553; 404-233-0398; fax: 404-237-5249

Founded: 1989.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, designing loss control and safety programs.

Occasional services: Plant security inspections, building plan reviews, client training.

Staff: Three; one professional.

Clients: Nine; 100% with gross revenues less than $200 million.

Specialties: Maritime industry.

Region served: Nationwide.

Branch offices: Jupiter, Fla.

1991 gross revenues: 50% from unbundled property loss control consulting/engineering, 50% from other services, including risk management consulting and claims handling.

Principal officers: Robert W. Smithers.

Maxson Young Risk Management Services

9930 Evergreen Way, P.O. Box 5651, Everett, Wash. 98206-5651; 206-347-2220; fax: 206-355-0719

Founded: 1980.

Parent company: Maxson Young Associates Inc.

Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training.

Occasional services: Fire prevention inspections.

Staff: 35; two professionals who hold one ASSE designation.

Clients: 183; 100% with gross revenues less than $200 million.

Specialties: Health care, metal trades, municipalities, school districts.

Region served: Pacific Northwest states.

Branch offices: Spokane, Wash.

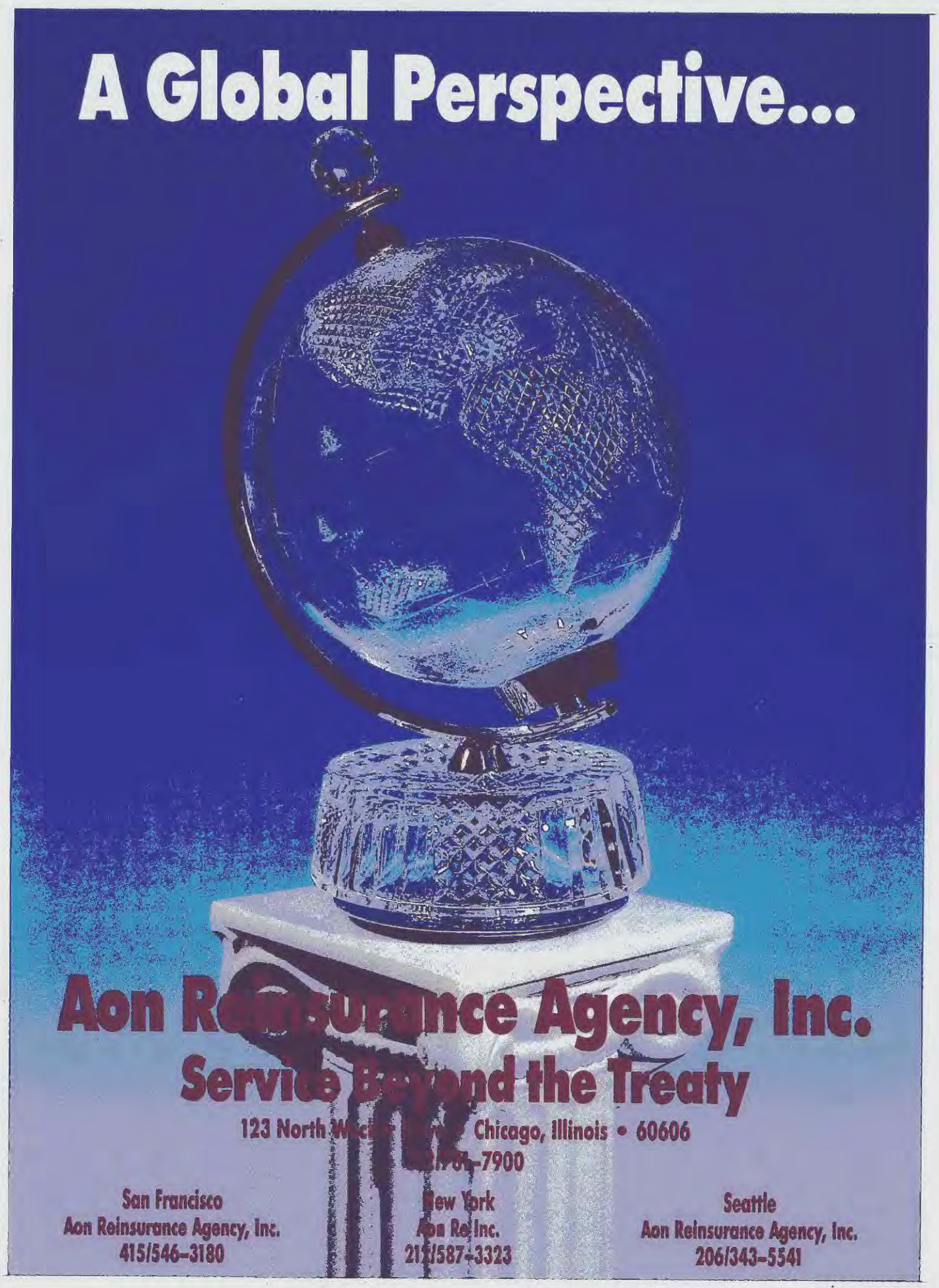
1991 gross revenues: $1.6 million, 10% from unbundled property loss control consulting/engineering, 90% from other services, including third party workers compensation claims administration.

Principal officers: R.J. Young, chairman/chief executive officer/president; V.F. Chalfant, chief financial officer; A.P. Olding, Terry Peterson, C. Cederburg, vps.

Contact: Fred M. Gordon.

Continued on next page

HOLDER / HALL
PERSONNEL
For Today... and Tomorrow
RISK MANAGEMENT / INSURANCE PROFESSIONALS
CLAIMS, BROKERAGE, UNDERWRITING,
REINSURANCE AUDITORS & COMPUTER PROFESSIONALS
TEMPORARY & FULL-TIME STAFF
NATIONWIDE (800) 475-TEMP



Continued from previous page

Donald Mayo-Fire Protection Consultant

2300 Contra Costa Blvd., Suite 430, Pleasant Hill, Calif. 94523; 510-685-3733; fax: 510-676-8780

Founded: 1987.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, fire protection systems, building construction specifications and field installation supervision.
Occasional services: Loss prevention research, client training.
Staff: Four; three professionals who hold one ARM, three SFPE, one CPCU designations.
Clients: Three; 1% with gross revenues less than $200 million, 10% with $1 billion to $3.5 billion, 89% exceeding $3.5 billion.
Region served: Worldwide.
1991 gross revenues: $400,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: Donald Mayo, president/treasurer; Linda Mayo, vp/secretary.
Contact: Donald Mayo.

Mead Loss Control Consultants

Court House Plaza N.E., Dayton, Ohio 45463; 513-495-7200; fax: 513-495-6299

Founded: 1972.
Parent company: Mead Corp.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, diagrams.
Staff: 14; 10 professionals who hold five PE designations.
Clients: 25% with gross revenues less than $200 million, 15% with $200 million to $499 million, 30% with $500 million to $999 million, 5% with $1 billion to $3.5 billion, 25% exceeding $3.5 billion.
Region served: Worldwide.
1991 gross revenues: $1.3 million, 100% from unbundled property loss control consulting/engineering.
Principal officers: Walter P. Luker, vp/general manager; Larry Jones, vp-engineering.
Contact: Walter P. Luker, Larry Jones, Alan Rodeck.

Michigan Hospital Assn. Service Corp.-Loss Prevention Services

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

Founded: 1980.
Parent company: Michigan Hospital Assn.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training.
Occasional services: Building plan reviews.
Staff: Nine; two professionals who hold PE designations.
Clients: 100; 80% with gross revenues less than $200 million, 20% with $200 million to $499 million.
Specialties: Health care field.
Region served: Illinois, Indiana, Michigan, Ohio, Wisconsin.
Branch offices: Southfield, Mich.
1991 gross revenues: $500,000, 50% from unbundled property loss control consulting/engineering, 50% from other services, including industrial hygiene manufacturing, workers compensation.
Principal officers: Fritz Kellerman, Kathy Dickenson, vps.

N

National Safety Council

1121 Spring Lake Drive, Itasca, Ill. 708-285-1121; fax: 708-285-1315

Founded: 1913.
Frequent services: Hazard identification, loss prevention publications, loss prevention research, client training, safety and industrial hygiene services.
Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections.
Staff: 360; 15 professionals who hold one ARM, seven CSP, two Ph.D., one CIH designations.
Clients: 75; 20% with gross revenues less than $200 million, 50% with $200 million to $499 million, 10% with $500 million to $999 million, 10% with $1 billion to $3.5 billion, 10% exceeding $3.5 billion.
Specialties: Manufacturing, public entities, commercial auto safety.
Region served: Nationwide.
Branch offices: Atlanta; Foster City, Calif.; Syracuse, N.Y.; Washington, D.C.
Principal officers: Irvin Etter, senior vp; James P. Kalatta, director-safety and health management services; Don Ostrander, manager.
Contact: Robert C. Bucci, 708-775-2338.

O

Occupational Safety and Health Advisors Inc.

16167 Elmwood Station, Minneapolis, Minn. 55416; 612-444-4775

Founded: 1989.
Frequent services: General on-site plant loss prevention inspections, hazard identification, safety manuals.
Occasional services: Client training.
Staff: One professional who holds ASSE and CSP designations.
Clients: 80% with gross revenues less than $200 million, 20% with $200 million to $499 million.
Region served: Nationwide.
1991 gross revenues: $50,000, 60% from unbundled property loss control consulting/engineering, 40% from other services, including expert advice.
Principal officers: Ivan W. Russell, president.

Omni Tech International Ltd.

2715 Ashman St., Suite 100, Midland, Mich. 48640; 517-631-3377; fax: 517-631-7360

Founded: 1986.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, process safety inspections, hazard identification, building plan reviews, loss prevention research, client training, regulatory activities.
Staff: 150; 45 professionals who hold six ASCE and 28 PE designations.
Clients: 12; 24% with gross revenues less than $200 million, 16% with $200 million to $499 million, 24% with $500 million to $999 million, 10% with $1 billion to $3.5 billion, 26% exceeding $3.5 billion.
Specialties: Chemical companies.
Region served: Nationwide.
Branch offices: Houston and Lake Jackson, Texas.
Principal officers: Robert W. Belfit Jr., president; Richard L. Heiny, Winfred C. Zacharias, Richard K. Avtabile and James Hanes, executive vps.
Contact: Winfred C. Zacharias.

Organizational Safety Services Inc.

159 Iroquois Trail, Ona, W. Va. 25545; 304-736-4920

Founded: 1987.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, trained program development, safety program development.
Occasional services: Plant security inspections, loss prevention publications, loss prevention research.
Staff: Four; two professionals who hold CSP and PE designations.
Clients: 24; 10% with gross revenues less than $200 million, 20% with $200 million to $499 million, 30% with $500 million to $999 million, 35% with $1 billion to $3.5 billion, 5% exceeding $3.5 billion.
Specialties: Pulp and paper, chemical, general industry.
Region served: Nationwide.
1991 gross revenues: 45% from unbundled property loss control consulting/engineering, 55% from other services, including safety management training, forensics.
Principal officers: Keith E. Barenklau, president; L.V. Abbott and L.C. Abbott, vps; Eric E. Barenklau, secretary.
Contact: Keith E. Barenklau.

P

Palmer & Cay/Carswell Inc.

P.O. Box 847, 25 Bull St., Savannah, Ga. 31402-0847; 912-234-6621; fax: 912-234-5427

Founded: 1868.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification.
Occasional services: Plant security inspections, building plan reviews, loss prevention publications, client training.
Staff: Two; both professionals who hold one ARM, two ASSE, one CSP, one WSO, one CSE/CSM designations.
Region served: Southeast.
Branch offices: Atlanta, Augusta, Brunswick and Vidalia, Ga.; Charlotte, N.C,; Jacksonville, Fla.
Principal officers: John E. Cay III, chairman/chief executive officer; Lewis H. Oden III, executive vp/chief operating officer; F. Michael Crowley, president; G. David Reid, senior vp.
Contact: Robert E. Simmons, assistant vp.

The Parvus Co.

1700 Elton Road, Suite 100, Silver Spring, Md. 20903; 301-431-1200; fax: 301-431-0007

Founded: 1984.
Occasional services: General on-site plant loss prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, providing information on specific dangers.
Staff: Five; four professionals including two ASIS designations and one member, American Society for Non-Destructive Testing.
Specialties: Security consulting.
Region served: Worldwide.
Branch offices: New York.
Principal officers: Gerard P. Burke, chairman/chief executive officer; Michael J. Burke, chief financial officer.
Contact: Gerard P. Burke.

Penco

400 W. Wilson Bridge, Worthington, Ohio 43085; 614-436-2424; fax: 614-436-7672

Parent company: Willis Corroon.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections.
Occasional services: Plant security inspections, loss prevention publications, client training.
Staff: Two professionals who hold two ASSE designations.
Clients: 100; all with gross revenues less than $200 million.
Specialties: Public and government entities.
Region served: Nationwide.
Branch offices: Columbus, Ohio.
1991 gross revenues: $250,000, 50% from unbundled property loss control consulting/engineering, 50% from other services, including general liability, workers compensation, police professional and fleet safety.
Principal officers: Ken Pinkston, president; Dan Lee, chief operating officer; Dave Rich, senior vp; Gene Roche and Anita Bourke, regional vps.
Contact: Tony Patire, assistant vp.

Penn General Service Corp.

400 Galleria Officenter, Suite 500, Southfield, Mich. 48086; 313-353-5800; fax: 313-353-1875

Founded: 1972.
Parent company: Hogg Group P.L.C.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training.
Staff: 245; eight professionals who hold one ASSE, three CSP and one NFPA designations.
Clients: 12; 50% with gross revenues less than $200 million, 33% with $200 million to $499 million, 17% with $500 million to $999 million.
Region served: Worldwide.
Branch offices: Albuquerque, N.M.; Atlanta; Boca Raton, Fla.; Boston; Bullington, N.C.; Dallas and Lubbock, Texas; Los Angeles; Manchester, N.H.; New York; Philadelphia.
Principal officers: Donald Benyas, president; Larry Wheeler, Cindy Howard and Tom Wilkins, senior vps; Jack Welsh, vp/treasurer.

Penrim Ltd.

16 Oaken Gateway, North York, Ontario M2P 2A1; 416-733-3100; fax: 416-733-3519

Founded: 1984.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, water supply testing.
Occasional services: Loss prevention publications, client training.
Staff: Two; one professional who holds ARM, PE, SFPE and FIIC designations.
Clients: 10; 100% with gross revenues less than $200 million.
Specialties: Oil and petrochemical, chemical, high hazard, textile, manufacturing, art galleries and museums, jewelry.
Region served: United States and Canada.
Principal officers: Owen Kurin, president.

Professional Loss Control Inc.

P.O. Box 585, Kingston, Tenn. 37763-0585; 615-376-1131; fax: 615-376-5078

Founded: 1976.
Parent company: Hartford Steam Boiler Inspection & Insurance Co.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, client training, fire protection code compliance.
Occasional services: General on-site plant loss prevention inspections, loss prevention publications, loss prevention research, risk assessments.
Staff: 60; 48 professionals who hold two ASSE, two CSP, 29 PE and 41 SFPE designations.
Clients: 290; 10% with gross revenues less than $200 million, 10% with $200 million to $499 million, 15% with $500 million to $999 million, 30% with $1 billion to $3.5 billion, 35% exceeding $3.5 billion.
Region served: Worldwide.
Branch offices: Chicago; Houston; Los Angeles; Philadelphia; Fredericton, Canada; Toronto; Hong Kong.
1991 gross revenues: $4.7 million, 100% from unbundled property loss

Continued on next page

Advertiser Index

Issue of May 18

Advertiser	Page #
Allendale Insurance	14-15
American Excess	16
American Risk Pooling Consul	60
AM-Re Managers	22-23
AON Broker Services Inc.	44
AON Reinsurance Agency Inc.	51
Assoc. Aviation Underwriters	26
Assurex International	49
Avert	42
AXIA	59
BCS Financial Corp.	24
Brownyard Group	24
Business Insurance	21,53,61,65
Chubb	50
Claims Overload Systems	36
Commerce & Industry/AIG	25
Commonwealth Risk Service	6-7
Conservco	28-29
Constitution Reinsurance	4
Construction Ins. Spec.	65
Continental Underwriters	20
Copenhagen Re	62
Cost Care Inc.	47
David Corporation	20
Delta Dental Plan Assoc.	41
Employers Reinsurance	10-11
Environmental Compliance	13
Environmental Science & Eng.	46
Equipment Insurance Mgrs.	58
Evans American Corp.	55
Express Scripts	34
Gay & Taylor	30
General Reinsurance	35
Governmental Programs	46
Hannover Reinsurance	27
Hilb Rogal & Hamilton	37
Holder & Hall	51
Home Insurance Company	32-33
Industrial Risk Insurers	68
Inphoto Inc.	54
Intere Intermediaries Inc.	56
Intracorp	38
I.R.I.S.C.	34
ITT/Hartford	12
Liberty Mutual	17
Lincoln National Reinsurance	48
Mead Loss Control	47
NAC Reinsurance Corp.	31
NILS Publishing Company	55
Northland Insurance	57
North Star	43
Paige-Ruane, Inc.	48
PENCO	44
Protection Mutual Ins. Co.	18-19
Reliance National	9
RLI Corp.	45
Royal Insurance	72
Schirmer Engineering	56
Star Insurance Company	60
Telos	43
U.S. Risk Underwriters, Inc.	42
Vermont Insurance	45
Wausau Insurance Company	5
Werbel Publishing Company	58
Western Atlantic	36
Yasuda	64

Business Insurance

Continued from previous page
control consulting/engineering.

Principal officers: K.W. Dungan, president; M.E. Mowrer, J.M. Dewey and W. Wolfe, vps.

Professional Safety Consultant Service Inc.

424 S.E. 30th Ave., Ocala, Fla. 32671; 904-694-4601 or 800-329-7233; fax: 904-694-3232

Founded: 1975.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training, product safety management consultation, ADA handicapped accommodations consultation, industrial/construction/agricultural safety consultation.

Occasional services: Plant security inspections, building plan reviews, loss prevention publications.

Staff: One professional who holds ASSE, CSP, PE, SFPE, CPSM, CHCM, CHSP, CHMM, CSE, CSM, CSS and CSSD designations.

Clients: More than 100; 100% with gross revenues less than $200 million.

Region served: Worldwide.

1991 gross revenues: 100% from unbundled property loss control consulting/engineering.

Principal officers: Herbert T. Bogert, president/treasurer; Nancy A. Bogert, vp/secretary.

Contact: Herbert T. Bogert.

R

R.P.F. Associates

20 LeRoy St., Dix Hills, N.Y. 11746; 516-586-0778; fax: 516-586-5164

Founded: 1985.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training, evacuation programs and training, hazardous material handling training.

Occasional services: Plant security inspections, loss prevention publications.

Staff: Five; three professionals who hold one ARM, two CSP designations.

Clients: 30; 60% with gross revenues less than $200 million, 20% with $200 million to $499 million, 20% with $500 million to $999 million.

Specialties: Oil and gas.

Region served: Nationwide.

1991 gross revenues: $160,000, 60% from unbundled property loss control consulting/engineering, 40% from other services, including OSHA consulting, department of transportation and fleet safety, product liability, expert witness.

Principal officers: Robert P. Firmbach, president.

Frederick Rauh & Co.

3300 Central Parkway, Cincinnati, Ohio 45225-2384; 513-559-0500; fax: 513-559-7093

Founded: 1870.

Parent company: American Business Insurance.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, preparation of design specifications for fire products, detection and supervisory systems, construction site surveys, fire insurance rate reduction analysis, fee inspections.

Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training.

Staff: 82; three professionals who hold two ASSE, one CSP, one SFPE, two WSO-CSS, one WSO-CSE, one CAS designations.

Clients: 23; 47% with gross revenues less than $200 million, 26% with $200 million to $499 million, 9% with $500 million to $999 million, 9% with $1 billion to $3.5 billion, 9% exceeding $3.5 billion.

Specialties: Theme and water parks, apparel manufacturing and retailing, uniform/garment rental/cleaning, contractors and developers.

Region served: Worldwide.

Branch offices: Atlanta; Albuquerque, N.M.; Charleston and Morgantown, W.V.; Chicago; Grass Valley, Los Angeles and San Francisco, Calif.; Lexington, Ky.; Minneapolis; Morristown, N.J.; Overland Park, Kan.; Tampa, Fla.

1991 gross revenues: 3% from unbundled property loss control consulting/engineering, 97% from other services, including property and casualty insurance, financial services.

Principal officers: Steve Wolter, president/chief executive officer; Al Brown, chairman; Mark Erion, executive vp/chief financial officer; Tom Schaefer, executive vp; Robert J. Stone, vp/technical services manager.

Contact: Robert J. Stone, 513-559-7055.

Related Insurance Services of Kentucky Inc.

501 S. Second St., Louisville, Ky. 40201; 502-584-2193; fax: 502-581-0648

Founded: 1990.

Parent company: Harris & Harris of Kentucky Inc.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training.

Staff: One professional who holds ARM and CSP designations.

Clients: 100% with gross revenues less than $200 million.

Region served: Indiana, Kentucky, Tennessee.

Principal officers: Eugene C. Ensor, president; Ken Duke, vp-claims.

Contact: Eugene C. Ensor.

Risk Analysts Inc.

4828 Loop Central Drive, Ninth Floor, Houston, Texas 77081; 713-661-9933; fax: 713-669-4724

Founded: 1984.

Parent company: Wisenberg Insurance & Risk Management.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training, loss prevention and property protection, self-inspection audit program development, construction, fire protection and life safety procedure advise, pre-construction blueprints analysis.

Occasional services: Building plan reviews, loss prevention publications.

Staff: Three; all professionals who hold one ARM, two CSP, one CST designations.

Clients: 79% with gross revenues less than $200 million, 11% with $200 million to $499 million, 7.3% with $500 million to $999 million, 1.7% with $1 billion to $3.5 billion, 1% exceeding $3.5 billion.

Specialties: Retail, wholesale, manufacturing, hotel/motel, hospitals, nursing homes, restaurants, real estate firms, auto racing.

Region served: Southwest.

1991 gross revenues: 5% from unbundled property loss control consulting/engineering, 95% from other services, including consulting and engineering services for workers compensation, non-subscriber, general liability, commercial fleet and customized safety training programs.

Principal officers: Irving Pozmantier, chairman; Joe L. Williams, president; Thomas C. Francis, vp.

Contact: Thomas C. Francis.

Risk Consultants Inc./ Risk Consultants of North America

6611 Watson St., Union City, Ga. 30291; P.O. Box 490850, Atlanta, Ga. 30349; 404-964-1226; fax: 404-969-7301

Founded: 1979.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification.

Occasional services: Plant security inspections, loss prevention research, client training.

Staff: 72; 57 professionals who hold ARM, ASSE, CSP, PE, JD designations.

Clients: 225; 30% with gross revenues less than $200 million, 70% with $500 million to $999 million.

Specialties: Insurance, private industry, self-insurance trust funds.

Region served: Worldwide.

Branch offices: Jackson, Miss.; Orlando, Fla., Richmond, Va.

1991 gross revenues: $1.8 million, 50% from unbundled property loss control consulting/engineering, 50% from other services.

Principal officers: R. Michael Malone, president; Hugh P. Bagwell, executive vp.

Risk Engineering Inc.

10370 Richmond Ave., Suite 755, Houston, Texas 77042-4137; 713-952-3334; fax: 713-952-3337

Founded: 1985.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, underwriting risk analysis, evaluation of HPR loss control programs, business interruption assessments, review of automatic extinguishing systems, water supply testing and analysis.

Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training.

Staff: Eight; four professionals who hold one ASSE, one CSP, one PE, three SFPE, three NFPA, one ASME, one SSS, one NSPE, one NSMS, one VS designations.

Clients: 20.

Specialties: Chemical, coatings, pharmaceutical, manufacturing, warehousing, mining, hazardous waste processing, computer assembly, electronic equipment manufacturing, printing and tire industries.

Region served: Worldwide.

1991 gross revenues: 85% from unbundled property loss control consulting/engineering, 15% from other services, including casualty loss control services.

Principal officers: Peter Rollinger, president.

Risk Engineering Ltd.

Surrey Lodge, Hop Gardens, Henley-on-Thames, Oxon, U.K., RG92EH; 0491-573101; fax: 0491-410526

Founded: 1980.

Frequent services: General on-site plant loss prevention inspections; fire prevention inspections; hazard identification; building plan reviews; design, bid specification and project management for fire protection projects.

Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training.

Staff: Seven; four professionals including three PE, three SFPE, one FRCS designations and one member-Institute of Engineers, one member-Institute of Mining and Metalurgy.

Clients: 31; 25% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million, 45% with $1 billion to $3.5 billion, 10% exceeding $3.5 billion.

Specialties: Industrial manufacturing, warehousing and distribution, agricultural equipment and paper products.

Region served: Worldwide.

Branch offices: Dallas; Malmo, Sweden; Melbourne, Australia.

1991 gross revenues: $525,000, 100% from unbundled property loss control consulting/engineering.

Principal officers: Ralph Kendrick, chairman; John Rayner, managing director; James Rayner, director-Australia; Colin Schofield, senior design engineer; Per Nilsson, resident engineer-Sweden.

Contact: John Rayner.

Roth Asbestos & Environmental Consultants

1900 W. 47th Place, Suite 100, Westwood, Kan. 66205; 913-831-4795; fax: 913-831-0138

Founded: 1985.

Frequent services: Hazard identification, building plan reviews, client training, environmental assessments, hazardous materials inspection and training.

Staff: 45; eight professionals who hold one PE and one CIH designations.

Clients: 75% with gross revenues less than $200 million, 10% with $200 million to $499 million, 5% with $500 million to $999 million, 5% with $1 billion to $3.5 billion, 5% exceeding $3.5 billion.

Specialties: Commercial, industry, power plants, pulp and paper mills.

Region served: Nationwide.

Branch offices: Dallas, Denver, St. Louis.

1991 gross revenues: $2.8 million, 80% from unbundled property loss control consulting/engineering, 20% from other services.

Principal officers: E. Allen Roth, president; Tim Maupin, vp.

Contact: Allen Roth.

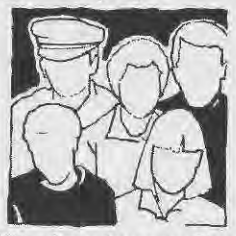
Continued on next page

Business Insurance Delivers Maximum Benefits.

100%. That's what *Business Insurance* brings you. We take it to the max every week.

That's why your ad should be in *BI's* June 8 Mid-Year Market Report spotlighting Employee Benefits.

We give you something no other publication can — renowned industry coverage. Employee benefits is an explosive subject. And with benefit costs spiraling out of sight, *BI* will bring this critical problem into sharper focus by ... examining health care cost trends for the first half of 1992 and what's in store for the rest of the year ... evaluating the effect managed care has had on health care cost increases ... and surveying insurers, consultants and employers about the long-range health care cost outlook.



61%*— Group Insurance Plans

42%*— Alternative Health Care Delivery Systems

Your ad will be positioned in a unique editorial environment. This issue will also feature *BI's* annual report on employee assistance programs and managed mental health care ... reporting on the latest techniques employers can use to control mental health care costs. Included in this issue is *BI's* annual Directory of EAPs & Mental Health Networks ... listing details on types of services; staff qualifications and size; facilities; reporting/billing; clients; regions served; revenues; officers; contacts and more. This comprehensive resource gives readers important data on almost 150 EAPs and managed mental health care organizations that provide stand-alone services that could make the difference in creating healthy employee benefits programs.

26%*— Employee Assistance Counseling

40%*— Health Plan Utilization Review

And we attract the most distinguished group of industry decision-makers — *Business Insurance* subscribers. These are corporate decision-makers who are well informed ... and control millions of dollars each year in employee benefit expenditures.

88%**— Corporate Insurance Buyers Take Action

When they're looking for what it takes to get things done, they turn to *BI* ... because your advertising in *Business Insurance* helps them reach their benefit goals.

*Percentage of Corporate Insurance Buyers involved in purchasing decisions, as detailed in Audience Profile of the *Business Insurance* Subscriber, 1990.
**Audience Profile of the *Business Insurance* Subscriber, 1990.

Publishing: June 8
Ad Closing: May 26

New York: 212/210-0228
Chicago: 312/649-5276
Los Angeles: 213/651-3710

Business Insurance®
a publication of Crain Communications Inc

Continued from previous page

S

Safety Consulting Inc.

1271 S.W. Harrison St., Topeka, Kan. 66612 or P.O. Box 2789, Topeka, Kan. 66601-2789; 913-232-3887

Founded: 1971.
Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention publications, client training, accident investigations and expert witness testimony.
Occasional services: Building plan reviews, loss prevention research.
Staff: Five; two professionals who hold two ASSE designations.
Clients: 72; 96% with gross revenues less than $200 million, 4% with $200 million to $499 million.
Specialties: Construction, manufacturing, petroleum.
Region served: Nationwide.
Branch offices: Wichita, Kan.
1991 gross revenues: $ 295,000.
Principal officers: Denzell B. Ekey, president/treasurer; Philip W. Blake, vp/secretary.

Safety and Loss Control Associates

P.O. Box 440, Prospect Heights, Ill. 60070-0440; 708-296-5989; 708-635-0361

Founded: 1985.
Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention research, client training, expert witness testimony, training including OSHA 1926 and 1910.
Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, loss prevention publications.
Staff: Two; one professional who holds ASSE and WSO-CSE designations.
Clients: 65% with gross revenues less than $200 million, 20% with $200 million to $499 million, 15% exceeding $3.5 billion.
Specialties: Architects/engineers, employer trade associations, general contractors, pharmaceutical manufacturing, refining, department of energy facilities.
Region served: Nationwide.
Principal officers: Donald A. Neslund, owner.

Safety Management Associates

P.O. Box 693, Springfield, Va. 22150-0693; 703-978-3000

Founded: 1981.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training.
Staff: Three; two professionals who hold two CSP and one CHCM designations.
Clients: 10; all with gross revenues less than $200 million.
1991 gross revenues: 30% from unbundled property loss control consulting/engineering, 70% from other services, including accident reconstruction.
Principal officers: Neil R. Temple, president.

Safety Management Services of Texas

13647 Purple Sage Road, Dallas, Texas 75240; 214-661-1941

Founded: 1985.
Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention publications, client training.
Occasional services: Plant security inspections, loss prevention publications.
Staff: Five; four professionals who hold three ASSE, three CSP and two PE designations.
Clients: 30; 90% with gross revenues less than $200 million, 10% with $200 million to $499 million.
Specialties: Semiconductor manufacturing and similar high-tech companies, food product manufacturing, cosmetic manufacturing, convenience stores.
Region served: Nationwide.
1991 gross revenues: $225,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: Dr. Roy H. Kinslow, president.

Safety & Risk Control Services Inc.

395 Main St., Suite 4, Metuchen, N.J. 08840; 908-906-2244; fax: 908-906-2045

Founded: 1989.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, coordination of insurance carrier loss prevention services, negotiation of carrier services, development of service specifications.
Occasional services: Building plan reviews, loss prevention research, client training.
Staff: 15; seven professionals who hold one ARM, seven ASSE, four CSP, one PE, two CPCU designations.
Specialties: Commercial and industrial.
Region served: Nationwide.
1991 gross revenues: 15% from unbundled property loss control consulting/engineering, 85% from other services, including risk assessments, safety training, program development, safety audits.
Principal officers: Harvey S. Staple, president.

Schaible Associates

900 Center St., Mount Joy, Pa. 17552-9371; 717-684-6045; fax: 717-898-9302

Founded: 1982.
Frequent services: General on-site plant loss prevention inspections, hazard identification, client training.
Occasional services: Building plan reviews.
Staff: 10; professionals who hold one CSP, one CIH, one CHMM, one CHCM, one CPSM, one WSO-CSE and one REP.
Clients: 200; 80% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million.
Region served: Worldwide.
1991 gross revenues: 100% from unbundled property loss control consulting/engineering.
Principal officers: Ronald D. Schaible, president.

Schirmer Engineering Corp.

707 Lake Cook Road, Deerfield, Ill. 60015-4997; 708-272-8340; fax: 708-272-2639

Founded: 1939.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention research, boiler and machinery, loss investigations, design of fire protection and security systems.
Occasional services: Plant security inspections, loss prevention publications, client training.
Staff: 97; professionals hold one ARM, six ASSE, six CSP, 29 PE and two ASChE designations.
Clients: 250; 10% with gross revenues less than $200 million, 30% with $200 million to $499 million, 20% with $500 million to $999 million, 20% with $1 billion to $3.5 billion, 20% exceeding $3.5 billion.
Specialties: Industrial, chemical, retail, hotel.
Region served: Worldwide.
Branch offices: Dallas; Los Angeles; San Francisco; Washington, D.C.
1991 gross revenues: $9.5 million, 45% from unbundled property loss control consulting/engineering, 55% from other services, including fire protection engineering/architectural consultation; building and fire code consultation; design services.
Principal officers: Richard R. Osman, president, Chester W. Schirmer, chairman; Carl F. Baldassarra, vp.
Contact: Carl F. Baldassarra.

Scott Wetzel Services Inc.

500 Pacific Ave., Suite 700, Bremerton, Wash. 98310; 800-426-5990; fax: 206-479-8297

Founded: 1941.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, loss prevention research, client training, safety program development, fleet loss control, underwriting risk evaluations, accident investigations, disaster recovery, statistical analyses, ergonomic evaluations.
Occasional services: Building plan reviews, loss prevention publications.
Staff: 350; six professionals who hold one ARM, three CSP, two PE designations.
Clients: 70; 86% with gross revenues less than $200 million, 5% with $200 million to $499 million, 6% with $500 million to $999 million, 3% with $1 billion to $3.5 billion.
Region served: Nationwide.
Branch offices: Albany, N.Y.; Atlanta; Chicago; Concord and Orange, Calif.; Dallas; Houston; Knoxville, Tenn.; Little Rock, Ark.; Manchester, N.H.; Mountainside, N.J.; Portland, Ore.; Rockville, Md.; Salt Lake City; Seattle and Spokane, Wash.; Tampa, Fla.
Principal officers: John Harrold, president/chief executive officer; Terry Neal, executive vp-finance; Ed Kocott, vp-operations; Doug Alsop, vp-marketing; Warren Zimmerman, vp-corporate services.
Contact: Valerie Williams, loss control administrator, or Doug Alsop.

Sedgwick James Inc.- Property Risk Control Services

211 House Ave., Camp Hill, Pa. 17011; 717-730-6561; fax: 717-763-8575 or 1285 Ave. of the Americas, New York, N.Y. 10019; 212-333-8900; fax: 212-977-9153

Founded: 1858.
Parent company: Sedgwick Group P.L.C.
Frequent services: General on-site

Continued on next page

Why is this Claims Detective Going to West Africa?

The Nigerian Insurance Institute is sponsoring a trip by InPhoto's Bill Kizorek to lecture on the topic of bodily injury insurance fraud. As Bill leaves for Africa, other InPhoto investigators are leaving for surveillances in London, Frankfurt, Hong Kong, Bangkok and San Juan.

InPhoto now has surveillance vans located within 3 hour's drive of 80% of the U.S. population and a president (Bill) who has written four books on surveillance.

For a free audio tape on the subject of surveillance, FAX InPhoto at 800-752-0720 (Intl. FAX 708-955-0801) or call 800-822-8220. (If your claim department has claimants living abroad, give us the country and we will tell you when an InPhoto Investigator will be in that region.)

InPhoto Surveillance

Continued from previous page
plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, disaster recovery/contingency planning, loss estimates, rate analysis, code review and analysis, protection system design and specification.

Occasional services: Loss prevention research.

Staff: 113; 95 professionals who hold 22 ARM, four ALCM, 40 ASSE, 34 CSP, two EIT, five PE, 25 SFPE, one ARP, one ASP, four CHCM, one CSE, five CPCU, one ME, one RN, five AIHA, one NBBP, five NSMS and two NSPE designations.

Clients: 300.

Specialties: Public entities, health care, retail, warehouse/distribution, utilities, construction wrap-ups.

Region served: Worldwide.

Branch offices: Atlanta; Boston; Chicago; Columbia, S.C.; Dallas; Darien, Conn.; Detroit; Fort Lauderdale, Orlando and West Palm Beach, Fla.; Harrisburg, Philadelphia, Pittsburgh, Pa.; Irvine, Los Angeles, San Francisco, Calif.; Kansas City, Mo.; Little Rock, Ark.; Memphis and Nashville, Tenn.; Minneapolis, New York and Rochester, N.Y.; Omaha, Neb.; Phoenix; Portland, Ore.; St. Louis; Seattle; Short Hills, N.J.

1991 gross revenues: 40% from unbundled property loss control consulting/engineering, 60% from other services, including casualty consultation, protection system design, loss investigation and analysis, specialty consultation.

Principal officers: Richard E. Botts, national director-property; J. Steven Hunt, national director-casualty.

Contact: Richard E. Botts, P.O. Box 1675, Harrisburg, Pa. 17105; 717-730-6561.

Sigma Associates Ltd.

105 Timber Ridge Blvd., Pass Christian, Miss. 39571; 601-452-4866; fax: 601-452-7202

Founded: 1978.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, risk assessments, validations, risk analyses.

Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training.

Staff: Five; three professionals who hold one ASSE, one PE, three CFEI, one CHCM and one CSSD designations.

Clients: 15% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million, 65% with $1 billion to $3.5 billion.

Region served: Nationwide.

1991 gross revenues: 100% from unbundled property loss control consulting/engineering.

Principal officers: A.J. Scardino Jr., president; Donald J. Godlewski, executive assistant.

Contact: A.J. Scardino Jr.

Star Services Inc.

7791 Capital Blvd., Suite 5, Macedonia, Ohio 44056; 216-468-3400; fax: 216-468-3405

Founded: 1990.

Parent company: Assurance Alliance Holdings Inc.

Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training.

Staff: Five; three professionals.

Clients: 60; 95% with gross revenues less than $200 million, 5% with $1 billion to $3.5 billion.

Region served: Worldwide.

Branch offices: Bridgeton, N.J.

1991 gross revenues: $1.2 million, 100% from unbundled property loss control consulting/engineering.

Principal officers: Frank M. Sedlacek Jr., chairman; Mark G. Gardner, president; Gregory V. Moore and Leslie Heinrich, vps.

Contact: Leslie Heinrich.

Stogniew & Associates

12225 28th St. N., St. Petersburg, Fla. 33716; 813-572-7400; 813-572-7457

Founded: 1980.

Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification.

Occasional services: Building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: 15; seven professionals.

Clients: 20; 20% with gross revenues less than $200 million, 10% with $200 million to $499 million, 10% with $500 million to $999 million, 30% with $1 billion to $3.5 billion, 30% exceeding $3.5 billion.

Specialties: Financial institutions, safe deposit companies, armored car services, manufacturing, distributors, hospitals and nursing homes, universities.

Region served: Worldwide.

Branch offices: Atlanta; Charlotte, N.C.; Dallas; Los Angeles; Miami.

1991 gross revenues: More than $1 million, 30% from unbundled property loss control consulting/engineering, 70% from other services, including risk surveys for insurance underwriters.

Principal officers: Gerald F. Stogniew, president; Joe C. Minor, Richard L. Junkermann, Robert L. Niemann and Cheresse Smoot, directors.

Continued on next page

Catastrophe Reconstruction Specialists

THE EVANS AMERICAN CORPORATION

Call for a Free Brochure
1-800-683-8485

°Construction Management **°Fire/Water Restoration**
°Insurance Estimates **°Insurance Damage Experts**
°High Speed Reconstruction

The Largest Disaster Reconstruction Contractor in the United States

ALABAMA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions • Insurance Related Regulations ALASKA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins, Orders and Selected Attorney General Opinions • Insurance Related Regulations ARIZONA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations • Insurance Related Regulations • Circular Letters, Orders and Selected Attorney General Opinions ARKANSAS: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Rules of Practice and Procedure and Selected Attorney General Opinions • Bulletins, Directives and Orders CALIFORNIA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Insurance Related Regulations • Bulletins and NS (New Series) Bulletins COLORADO: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Notices and Bulletins Insurance Related Regulations CONNECTICUT: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Bulletins DELAWARE: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins, Circular Letters and Selected Attorney General Opinions DISTRICT OF COLUMBIA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations FLORIDA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations • Insurance Related Regulations • Bulletins and Selected Attorney General Opinions GEORGIA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Insurance Related Regulations • Bulletins and Directives HAWAII: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions IDAHO: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations • Bulletins and Selected Attorney General Opinions ILLINOIS: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins, Directives and Selected Attorney General Opinions • Insurance Related Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations • Insurance Related Regulations KANSAS: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations • Bulletins and Miscellaneous References LOUISIANA: Insurance Laws and Advance Laws • Regulations, Directives, Rules of Practice and Procedure, and Dept. Rating Commission and Selected Attorney General Opinions MAINE: Laws • Regulations, Bulletins and Selected Attorney General Opinions MARYLAND: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Notices, Orders, Guidelines MASSACHUSETTS: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions • Insurance Related Regulations MICHIGAN: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions MINNESOTA: Insurance Laws and Advance Laws • Regulations • Insurance Related Laws and Advance Laws • Insurance Related Regulations • Bulletins MISSISSIPPI: Insurance Laws and Advance Laws • Regulations • Insurance Related Regulations • Circular Letters, Bulletins and Selected Attorney General Opinions MISSOURI: Insurance Laws and Advance Laws • Insurance Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions MONTANA: Insurance Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions NEBRASKA: Insurance Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions NEVADA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions • Insurance Related Regulations NEW HAMPSHIRE: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Securities Laws and Regulations NEW JERSEY: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Insurance Related Regulations • Bulletins and Circular Letters NEW MEXICO: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Advice of the General Counsel and Selected Attorney General Opinions NEW YORK: Insurance Laws and Advance Laws • Insurance Related Laws Regulations and Selected Attorney General Opinions • Insurance Related Regulations • Circular Letters • Opinions of General Counsel NORTH CAROLINA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Directives, Bulletins and Selected Attorney General Opinions NORTH DAKOTA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions OHIO: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins, New Series Bulletins and Selected Attorney General Opinions • Insurance Related Regulations OKLAHOMA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, State Board for Property and Casualty Rate Regulations and Selected Attorney General Opinions OREGON: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions • Insurance Related Regulations PENNSYLVANIA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations • Insurance Related Regulations • Bulletins, Notices, Orders and Selected Attorney General Opinions RHODE ISLAND: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations SOUTH CAROLINA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Insurance Related Regulations • Bulletins and Orders SOUTH DAKOTA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions TENNESSEE: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Insurance Related Regulations TEXAS: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Insurance Related Regulations UTAH: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions VERMONT: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions VIRGINIA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions • Administrative Letters WASHINGTON: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins, Fire Marshal Regulations, Department of Revenue Bulletins and Selected Attorney General Opinions • Insurance Related Regulations WEST VIRGINIA: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Informational Letters and Selected Attorney General Opinions WISCONSIN: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Bulletins and Selected Attorney General Opinions • Insurance Related Regulations WYOMING: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations and Selected Attorney General Opinions COMMONWEALTH OF PUERTO RICO: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws • Regulations, Circular Letters and Rulings VIRGIN ISLANDS: Insurance Laws and Advance Laws • Insurance Related Laws and Advance Laws

45 YEARS

NATIONAL INSURANCE LAW SERVICE

Since 1947, the National Insurance Law Service has delivered the state laws, regulations, and other regulatory materials that determine what an American insurance business can and cannot do. The kind of information that isn't just important: IT'S CRITICAL!

Today, that library is 212 volumes strong... and growing.

With on-time updates, these unique, looseleaf references are kept current and accurate. That's important. And that's probably why nearly every U.S. insurer relies on the Red Books to keep them up-to-date, legal and competitive. After all, for them, ignorance of the law is no excuse.

For more information about the National Insurance Law Service... and what it can do for your business... call TOLL FREE 1-800-423-5910.

NILS PUBLISHING COMPANY • P.O. BOX 2507 • CHATSWORTH, CALIFORNIA 91313-2507

0102310292

Continued from previous page

System Engineering and Laboratories Corp.

Route 7, Box 917, Highway 64E and Timbercreek, Tyler, Texas 75707; 903-566-1980; fax: 903-566-4504

Founded: 1984.
Frequent services: Hazard identification, products liability, personal injury and accident reconstruction, building inspections, ergonomics, system safety, fire cause analysis, oilfield, structural failure evaluations, electrical failure evaluations, storm damage evaluations.
Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, building plan reviews, loss prevention publications, loss prevention research, client training.
Staff: 19; seven professionals who hold three ASSE, two CSP, seven PE and three NAFE designations.
Specialties: Plaintiff/defense attorneys, insurance industry, railroad, oil industry, engineers.
Region served: Worldwide.
Branch offices: Amarillo, Texas; New Orleans.
Principal officers: Frank Johnson, president/chief executive officer; Dixie R. Johnson, executive vp.
Contact: Tracie Bolton, manager-business development.

F.J. Szymanski-Safety Services

5258 Forest Circle S., Stevens Point, Wis. 54481; 715-344-4127

Founded: 1984.
Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention research, client training, safety audits, written safety manuals and programs, insurance surveys.
Occasional services: Fire prevention inspections, loss prevention publications.
Staff: Three; two professionals who hold one ASSE designations.
Clients: More than 40; 100% with gross revenues less than $200 million.
Specialties: Block plant, nursing homes, heavy manufacturing.
Region served: Nationwide.
1991 gross revenues: $75,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: Frank J. Szymanski.

T

Texas Insurance Agency

5368 Fredericksburg Road, Suite 300, San Antonio, Texas 78239; 512-366-0671; fax: 512-524-2087

Founded: 1971.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, life safety review, special-hazard problem solving.
Occasional services: Plant security inspections, loss prevention research, client training.
Staff: 80; one professional who holds ASSE and CSP designations.
Clients: Four; 100% with gross revenues less than $200 million.
Region served: Texas.
Branch offices: Austin and Houston, Texas.
1991 gross revenues: $3 million, 5% from unbundled property loss control consulting/engineering, 95% from other services.
Principal officers: Joseph Minihan, president; Greg Stevens, vp.
Contact: Stanley E. Gregory.

Tiller Consulting Group Inc.

2833 N. Geyer Road, St. Louis, Mo. 63131; 314-567-7480

Founded: 1985.
Frequent services: Financial forecasting of environmental losses.
Occasional services: General on-site plant loss prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research, client training.
Staff: Two professionals who hold two ARM, one ASCE and one FCAS designations.
Region served: Worldwide.
Principal officers: Margaret W. Tiller, president; Michael H. Tiller, principal.
Contact: Michael H. Tiller.

The Traverse Group Inc.

3772 Plaza Drive, Suite S, Ann Arbor, Mich. 48108; 313-227-3237; fax: 313-227-9229

Founded: 1975.
Frequent services: General on-site plant loss prevention inspections, hazard identification, loss prevention research, client training, Environmental Risk Management Advisory Service.
Occasional services: Loss prevention publications.
Staff: 58; 10 professionals who hold five PE and two CPG designations and three attorneys.
Clients: 300; 100% with gross revenues less than $200 million.
Region served: Worldwide.
Branch offices: Traverse City, Mich.
1991 gross revenues: $5 million, 50% from unbundled property loss control consulting/engineering, 50% from other services, including remediation activities and consulting for insurance companies and government agencies.
Principal officers: John M. Armstrong, president/chief executive officer; William M. Korreck, vp-Western operations; Steven J. Koster, vp-Eastern operations; Laura A. Armstrong, vp-marketing/finance.
Contact: Laura A. Armstrong, 313-747-9300.

V

Vernon Associates

1003 Hereford St., College Station, Texas 77840; 409-696-3871

Founded: 1990.
Frequent services: Hazard identification, loss prevention research, client training, quantitative assessment of risks, product safety.
Occasional services: General on-site plant loss prevention inspections, fire prevention inspections, building plan reviews, loss prevention publications.
Staff: Two; one professional who holds ASSE, CSP, PE, CIH and CME designations.
Specialties: Manufacturers of wood and metal products, petroleum refining, petrochemicals, lumbering.
Region served: Nationwide.
Principal officers: Ralph J. Vernon, president.

W

Waite Hill Services

1063 Technology Park Drive, Glen Allen, Va. 23060; 804-261-7041; fax: 804-266-4458

Parent company: Figgie International-Waite Hill Insurance Group.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, industrial hygiene monitoring, OSHA and EPA regulatory compliance.
Occasional services: Plant security inspections, building plan reviews, loss prevention publications, loss prevention research.
Staff: Five; four professionals who hold four ASSE, two CSP and one CHCM designations.
Clients: 20% with gross revenues less than $200 million, 5% with $500 million to $999 million, 75% with $1 billion to $3.5 billion.
Specialties: Manufacturing, health care and research and development.
Region served: Nationwide.
Branch offices: Cleveland; Richmond, Va.
1991 gross revenues: $360,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: John Latham, president; Geoff Cahill, vp-marketing; Paul Campbell, vp-legal; Grace Cashman, vp-data processing; Doug Wall, vp-claims, John Potts, vp-underwriting.
Contact: Joseph S. Black Jr., director-safety, health and environmental services.

Walker & Associates

Route 6, Box 591A, Springfield, Mo. 65803; 417-742-3303; fax: 417-742-3959

Founded: 1991.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, boiler and machinery risk control surveys, building and fire prevention code compliance, development and management of internal property premium allocation programs.
Occasional services: Plant security inspections, loss prevention publications, loss prevention research, client training.
Staff: Nine; six professionals who hold two ARM, two ASSE, five PE, five SFPE, one CPCU designations.
Clients: Seven; 57% with gross revenues from $500 million to $999 million, 43% exceeding $3.5 billion.
Specialties: Insurance and manufacturing.
Region served: Worldwide.
Branch offices: Asheville, N.C.; Concord and Mill Valley, Calif.; Cranbury, N.J.; Wichita, Kan.
1991 gross revenues: $400,000, 100% from unbundled property loss control consulting/engineering.
Principal officers: B.J. Walker, president.

Webb, Murray & Associates Inc.

1730 NASA Road One, Suite 202, Houston, Texas 77586; 713-335-1658; fax: 713-335-1682

Founded: 1975.
Frequent services: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, client training, process hazard analysis.
Occasional services: Plant security inspections; loss prevention research; water flow testing; hydraulic calculations; design, installation, testing and maintenance of fire detection and suppression systems; development and auditing of contingency and emergency service adequacy plans.
Staff: 130; 32 professionals who hold one ARM, nine ASSE, five CSP, eight PE, 12 SFPE, one CIH and four SSS designations.
Clients: 10% with gross revenues less than $200 million, 15% with $200 million to $499 million, 15% with $500 million to $999 million, 35% with $1 billion to $3.5 billion, 25% exceeding $3.5 billion.
Specialties: Aerospace, chemical, educational, medical, offshore structures and marine vessels, petrochemical industry, public utilities, research and development operations.
Region served: Worldwide.
Branch offices: Nassau Bay, La Porte, Freeport and Corpus Christi, Texas.
1991 gross revenues: $7.2 million, 35% from unbundled property loss control consulting/engineering, 65% from other services.
Principal officers: Robert M. Webb, president/treasurer; Robert W. Murray, senior vp/secretary; Billy C. Magee, vp.
Contact: Kevin J. O'Neill or Bill Crillenden. ■

Schirmer
SCHIRMER ENGINEERING CORPORATION
Full Service Fire Protection/Life Safety Engineering
- Underwriting & Loss Control Reports
- Safety & Health Engineering
- Building & Fire Code Consultation
- Fire Suppression System Design
- Fire & Security Alarm System Design
- Litigation Support Services

707 LAKE COOK ROAD
DEERFIELD, IL 60015-4997
PHONE 708/272-8340
Dallas, TX - Los Angeles, CA - San Francisco, CA - Washington, DC

Intere Intermediaries, Inc.
Reinsurance Intermediaries with offices in Atlanta, Bermuda, Chicago, Dallas, Minneapolis, New York, Philadelphia and San Francisco.
New York Office
199 Water Street, New York, New York 10038
(212) 809-3900
The St Paul Minet RFC INTERMEDIARIES, INC.

Health plan investigation

Continued from page 1

One NCAE local health plan—Physicians Benefit Plan of Simi Valley, Calif.—has falsely claimed to be insured by Lloyd's of London, regulators allege. A federal judge in Arizona last year ordered another NCAE local plan to stop claiming it was insured by Commonwealth Life Insurance Co. of Louisville, Ky.

These and other union health plans have since reported being insured or reinsured by a variety of offshore insurance companies, at least two of which have themselves been the subjects of regulatory investigations in unrelated matters.

NCAE officials have also claimed that the group is affiliated with the American Federation of Labor-Congress of Industrial Organizations. The AFL-CIO denies this link, however, and has written to Mr. Loeb demanding that he stop claiming any affiliation.

The allegedly bogus union has also attracted federal attention.

The Los Angeles office of the U.S. Department of Labor's Pension and Welfare Benefits Administration is investigating one NCAE local and a former local that is no longer affiliated with the NCAE, court documents show.

The Labor Department's Office of Labor Racketeering also is investigating the NCAE, a Labor Department official confirmed.

Meanwhile, Mr. Loeb and the NCAE are firing back at state regulators: they have filed a suit in U.S. District Court in Uniondale, N.Y., seeking to block several states from interfering in the union's activities. The action argues, among other things, that the states are infringing upon the group's constitutional rights and seeks a ruling on whether it is exempt from state regulation under ERISA.

The troubles surrounding the NCAE are not Mr. Loeb's first union-related problems: Until December 1990, he was president of Consolidated Local Union 867 of Jericho, N.Y., and a trustee of Consolidated Local 867 Welfare Fund, a health benefit fund that collapsed last year.

The Local 867 Welfare Fund has left several thousand claimants with roughly $6 million in unpaid health claims, said Anthony Bergamo, a lawyer appointed by a federal judge to oversee the plan's termination.

Mr. Loeb was arrested in January on a charge that he beat his girlfriend and threatened to kill her if she testified before a federal grand

Continued on next page

Continued from previous page

jury investigating possible fraud at the Local 867 fund.

In papers seeking to dismiss the charge of tampering with a grand jury witness, Mr. Loeb's lawyer described the incident as a "family argument."

Mr. Loeb was acquitted on the charge last month after a bench trial.

He has not been indicted to date on any other charges related to the Local 867 collapse.

Mr. Loeb referred questions on this story to Peter M. Redmond, a Queens, N.Y., lawyer for the NCAE, who declined to comment.

The Local 867 collapse has also created a morass of civil litigation.

The Department of Labor is currently suing several companies and individuals involved in the union benefit fund, including Mr. Loeb, in U.S. District Court in Manhattan.

Mr. Loeb, the complaint charges, looted the fund to pay for an office condominium, to buy a limousine and to lease a Jaguar.

Another complaint was filed in 1990 by the parent company of the Sands Hotel and Casino in Puerto Rico. The suit was originally filed in federal court in Puerto Rico but was later transferred to the New York federal court.

The Sands Hotel complaint alleges that Mr. Loeb used a check drawn on a Local 867 Welfare Fund account to pay a $50,000 gambling debt. Mr. Loeb later stopped payment on the check and it was returned unpaid to the casino in September 1989, the suit charges.

Mr. Loeb has denied wrongdoing in the Department of Labor action; he has not answered the Sands Hotel action.

The NCAE began operating in early 1991 with Mr. Loeb as its president. Gary Rickard is its vp and national organizer.

In a Feb. 7, 1992, memo to NCAE locals, Mr. Rickard described the NCAE as a union affiliated with the AFL-CIO whose purpose is to "unite in one organization, regardless of religion, race, color, creed, sex or national origin, workers eligible to become members." Anyone who works is eligible for membership in NCAE, the memo says. The principal benefits offered members are participation in the union's welfare fund and pension plan, with additional benefits "available from the AFL-CIO," the memo says.

Mr. Rickard, who is based in Phoenix, could not be reached for comment.

The NCAE has no AFL-CIO connection, and AFL-CIO General Counsel Laurence Gold demanded in a March 20 letter to Mr. Loeb that the NCAE and its affiliates and agents stop claiming any ties to the labor organization.

Mr. Gold's letter notes that Mr. Loeb had earlier denied any knowledge of the claims of an AFL-CIO link.

The NCAE has granted charters to several local affiliates in California and Arizona since last year. Health benefit plans marketed nationally through these affiliates have triggered a barrage of state regulatory action.

NCAE Local 444

The California Insurance Department filed suit May 4 in Los Angeles County Superior Court against the NCAE and Mr. Loeb; NCAE Local 444, based in Simi Valley; Physicians Benefit Plan, a health plan purportedly sponsored by the union local; Insurance Design Associates Inc. of Los Angeles, described as the plan's administrator; and several others.

Among the individuals named was Leo Patrick Goebel, who operates Physicians Benefit Plan, controls Local 444 and bought the local's charter from Mr. Loeb for $100, according to the complaint.

Mr. Goebel previously ran Physicians Choice, also known as Golden State Preferred Trust, a multiple employer welfare arrangement that marketed health insurance from February 1991 through December 1991, the complaint notes.

The California department hit Mr. Goebel and Physicians Choice with a cease and desist order in January. The order charged, among other things, that the MEWA falsely claimed to be insured by Kentucky Central Life Insurance Co. and that 78% of its premiums went to pay commissions to Mr. Goebel and others (*BI*, Feb. 10).

After buying the Local 444 charter in January, Mr. Goebel moved the former Physicians Choice business into Physicians Benefit Plan and continued to operate the plan, the department alleges.

Local 444 does not act as a genuine union, accepting as "associate members" virtually anyone who wants to buy health insurance, the suit says. People who join are generally not told they are joining a union or that a portion of their premiums goes toward union "dues," the suit alleges.

Physicians Benefit Plan sales brochures obtained by *Business Insurance* say the plan is insured by Lloyd's of London, a claim that state regulators say is false.

Letters to prospective agents from Jim Roberts, Physicians Benefit Plan general manager, have also touted the purported Lloyd's coverage and NCAE's supposed affiliation with the AFL-CIO.

Responding to a request from Texas regulators, Lloyd's officials reported no evidence that Physicians Benefit Plan or NCAE were Lloyd's policyholders, according to a March 26 affidavit of Anthony Cook, manager of Lloyd's advisory department in London.

Self-Funded Services Inc., an Ocean City, N.J., firm with a medical benefits binding authority for certain Lloyd's underwriters, was offered the NCAE risk but rejected it, according to documents attached to the affidavit.

The California department's lawsuit seeks a permanent injunction against those involved with Physicians Benefit Plan, along with an order that they make restitution to the plan's members and pay fines of at least $500,000 each.

A state judge issued a temporary restraining order against the defendants May 7 and ordered them to show cause at a hearing scheduled for May 18 why an injunction should not be entered against them.

In an interview, Mr. Goebel denied trying to mislead buyers. He said he believed Lloyd's had accepted the risk and did not find out it had been rejected until after he had printed sales brochures naming Lloyd's as the plan's insurer. He also said he was misled by Mr. Rickard and Mr. Loeb about the NCAE's alleged affiliation with the AFL-CIO.

Physicians Benefit Plan brochures have more recently named Pacific Casualty Insurance Co. as the plan's insurer.

Robert L. Turell, a principal of Insurance Design Associates and a defendant in the California department action, confirmed that Pacific Casualty is incorporated in the Marshall Islands and said it provides coverage excess of $100,000 up to $1 million per individual.

Mr. Turell, who said he acted as a "broker/consultant" on the placement, said Pacific Casualty cedes portions of the business to other reinsurers, including Lloyd's and companies in Europe and the Caribbean.

Continued on next page

SPEAKING OF DEDICATION

WE ARE DEDICATED TO MAINTAINING MARKETS
THROUGH ALL COMPETITIVE CYCLES.
OUR CUSTOMERS KNOW WE ARE UNALTERABLY COMMITTED
TO PROVIDING QUALITY PRODUCTS AND SERVICES
REGARDLESS OF MARKET CONDITIONS.

AAMGA

Northland Insurance Companies

QUALITY PRODUCTS THROUGH GENERAL AGENTS AND SURPLUS LINES BROKERS

Health plan probe

Continued from previous page

He declined to provide any further information on Pacific Casualty's ownership or finances.

Meanwhile, the NCAE, Mr. Loeb and Mr. Rickard filed suit May 7 in U.S. District Court in Brooklyn against Physicians Benefit Plan, Insurance Design Associates, Mr. Goebel, Mr. Turell and several others involved with the Local 444 operations.

The complaint charges that Mr. Goebel damaged the union by fraudulently claiming that the health plan was insured by Lloyd's and that the NCAE is affiliated with the AFL-CIO. The suit also charges that Local 444 officials failed to pay the $32 per member per month union dues owed to the NCAE.

As a result, Mr. Loeb declared a "state of emergency" at Local 444 last month and suspended the local's charter, the suit says.

NCAE Local 555

The Florida Insurance Department issued a permanent cease and desist order April 22 against the NCAE, Mr. Loeb and locals 412, 444, 555 and 615.

The NCAE and Mr. Loeb have unlawfully sold health insurance in the state through the various locals since May 1991, the Florida department charged in March.

After reciting details of Mr. Loeb's history—including his management of Local 867 and convictions on unrelated fraud and perjury charges in a Florida state court in the 1970s—a show-cause order expresses "grave concerns" about the adequacy of the NCAE benefit fund's reserves and the NCAE's "ability and willingness" to pay claims.

The Florida department action cites solicitations of Florida consumers by several NCAE local health plans, including one offered through Local 555 with the assistance of Consultants & Administrators Inc., a third-party administrator based in Westerville, Ohio.

Local 555, based in Encino, Calif., is controlled by Angelo Valente and provides health benefits through the National Health Foundation of Worthington, Ohio, according to regulators and court filings unrelated to the Florida action.

Mr. Valente could not be reached.

A large part of Local 555's health benefit business consists of MEWA risks formerly administered by C&A and insured by United Olympic Life Insurance Co. and Bankers Security Life Insurance Society, both units of USLICO Corp.

United Olympic/Bankers Security had in turn ceded all of the MEWA business to reinsurers represented by Zimmerman Line Slip Inc., a reinsurance pool manager. The business generated huge losses and produced an avalanche of litigation among most of those involved in the 1988 ZLS pool (*BI*, Feb. 17).

In a March 2, 1992, letter, C&A Senior Vp Samuel C. Corey Jr. notified policyholders that their United Olympic/Bankers Security group coverage was being canceled as of March 31, but that replacement coverage had been arranged through the National Health Foundation and Local 555.

Business Insurance has also obtained a copy of a March 6, 1992, letter in which Mr. Corey notifies agents on the health business that the first $100,000 of risk assumed under the Local 555 plan would be reinsured by European International Re-Insurance Co. Ltd. and Limerick International Re-Insurance Co. Ltd.

European International, domiciled in Ireland, and Limerick—now Tiberian Insurance Co. Ltd. and domiciled in Anguilla—are both affiliates of Pantheon Industries Inc. of Scottsdale, Ariz. California regulators are separately investigating Tiberian before deciding whether to object to its use as a surplus lines insurer in the state (*BI*, May 4).

In an interview, Mr. Corey said 12,000 to 15,000 United Olympic/Bankers Security policyholders have been notified of the Local 555 coverage offer. The business overall would generate about $25 million a year in premiums, but Mr. Corey guessed that only about 25% of the policyholders have opted for the Local 555 plan.

C&A is no longer administering the business but is entitled to a "royalty" of 2% of the net premiums rolled over from the old United Olympic/Bankers Security program into the Local 555 plan, Mr. Corey said.

American Healthcare Underwriting Managers Inc., a San Francisco firm that also shares office space with Local 555 and Mr. Valente in Encino, arranged the plan's reinsurance, confirmed Donald K. Anderson, American Healthcare president.

The reinsurance program has changed since Mr. Corey's letter. Tiberian now reinsures 100% of the coverage up to $1 million per individual, Mr. Anderson said.

Mr. Anderson estimated that the plan covers about 3,000 members and generates between $5 million and $6 million in premiums. He added that Local 555 "deserves plaudits" for providing health coverage to workers who otherwise might not be able to find insurance.

"If I thought (Local 555 representatives) were bad guys, I would not have been dealing with them," he said.

Mr. Anderson previously acted as an underwriting manager for Winston Hill Assurance Co. Ltd., a Turks & Caicos Islands insurer that was barred from underwriting in California and Missouri last year.

Regulators in several other states have taken steps to prevent the Local 555 plan from recruiting members.

The Louisiana Insurance Department in April issued a cease and desist order against the local, National Health Foundation, C&A and other NCAE-related groups.

The Georgia and Kentucky insurance departments obtained lists of former United Olympic/Bankers Security policyholders in their states and notified them directly that Local 555 and the National Health Foundation are not licensed.

Meanwhile, the Texas Insurance Department has sued NCAE, Mr. Loeb, Local 555, Local 615 and more than two dozen other companies and individuals connected with the union health plans.

The Texas department originally filed the suit in state court in Austin, but it was removed to federal court on a motion from several defendants. A federal judge remanded the case to the state court April 27 after finding that the defendants failed to prove that ERISA pre-empts state jurisdiction over the welfare plans.

A state judge has extended a temporary restraining order against the NCAE, its locals and the other defendants.

The Texas department generally charges that NCAE is a bogus union selling fraudulent group health coverage through its local affiliates.

NCAE Local 615

To a greater extent than other insurance department actions, the Texas lawsuit focuses on NCAE Local 615, based in Tempe, Ariz., and headed by Carlton J. Kirel.

Local 615 has marketed health and workers compensation coverages through three organizations that falsely claim to have collective bargaining agreements with the local, the Texas department charges. These organizations are:

- Royal Guardian Mutual Benefit Assn., based in Tempe and operated by Mr. Kirel.

An Arizona federal judge found last year that Royal Guardian, Local 615, Mr. Kirel and others were erroneously claiming that the union's benefit program was insured by Commonwealth Life Insurance Co. of Louisville. The judge has enjoined Mr. Kirel and others from claiming Commonwealth coverage.

Separately, the Missouri Insurance Department on March 13 ordered Mr. Kirel, Royal Guardian, Local 615 and others to show cause why a cease-and-desist order should not be entered against them.

- International Assn. of Entrepreneurs of America Inc., an Irving, Texas, company operated by James E. Taylor and Joseph N. Fiore. Taylor & Associates Inc., another Irving-based company headed by Mr. Taylor, markets the IAEA program, according to the Texas department.

Mid-Atlantic Consultants, another company Mr. Taylor operates, also acts a "consultant" introducing associations to the Local 615 plan, Mr. Taylor said. He said that IAEA has a legitimate collective bargaining agreement with Local 615.

- Granite Holding Co. of Oklahoma City, Okla., and an affiliate, Sterling Holding Co. Inc., which control several employee leasing companies whose leased employees were enrolled as members of Local 615, according to Texas.

In addition, Intrepid Reinsurance Group Ltd. purportedly provides general liability insurance and/or reinsurance to Local 615 members, the Texas department alleges.

Intrepid has since changed its name to Perseus Reinsurance Group Ltd., and is believed to be domiciled in St. Kitts and Nevis, British West Indies. In an unrelated matter, the Kentucky Insurance Department last year sought an injunction against Intrepid and several others charging that they were operating illegally in the state.

The Texas complaint notes that Local 615 claims to have split off from the NCAE and reorganized as United Labor Council Local Union 615, still headed by Mr. Kirel.

Mr. Kirel referred questions to his Los Angeles lawyer, Helena Wise.

Ms. Wise said in an interview that Local 615 stopped forwarding members' union dues to the NCAE last year after Mr. Kirel became "extremely concerned" about his "nonresponsive relationship" with the NCAE and became aware of Mr. Loeb's various legal troubles.

"There was a perception on Carlton's part that the NCAE was not truly operating as a union," Ms. Wise said.

Mr. Kirel—who previously worked with Mr. Loeb at Consolidated Local 867—reached a settlement with the NCAE allowing him to keep the Local 615 name but severing the affiliation with NCAE itself, Ms. Wise said.

United Labor Council Local 615 has more than 5,000 members and has legitimate collective bargaining agreements with Royal Guardian and IAEA, she said. The union is trying to cancel its agreement with Sterling for failure to pay about $400,000 in health fund contributions and union dues, she said.

Meanwhile, several other states have taken various steps against the NCAE and its local health plans.

The Kansas and Washington insurance departments issued cease and desist orders May 8 and April 2, respectively, against Physicians Benefit Plan, the NCAE and others.

The Wisconsin Insurance Department issued an order in February in which Barry L. Miller of Oshkosh, Wis., agreed that he would cease selling insurance through the NCAE. Mr. Miller is identified in the AFL-CIO's letter to Mr. Loeb as president of NCAE Local 915.

Insurance departments in Delaware, New York and Virginia say they are investigating NCAE-related health plans.

For their part, Mr. Loeb and the NCAE challenge the authority of any state to regulate the union's health plans.

In an April 6 letter, Mr. Loeb told the NCAE's locals and agents that "the position of the National Union is: We will conduct business as usual irregardless of a cease and desist order by Florida and Texas, as we continue to maintain that (we are exempt from) any state regulations."

The NCAE and Mr. Loeb May 6 filed suit in U.S. District Court in Uniondale, N.Y., against Florida, Texas, Kentucky, Maryland, New York, Virginia and Louisiana.

The suit—whose plaintiffs also include Local 555 and Mr. Valente—charges that the states are violating NCAE's constitutional rights of freedom of speech and assembly by attempting to block lawful union organizing activities.

The NCAE also charges that the states are violating federal civil rights laws.

Claiming the union will suffer "irreparable injury" if its welfare plans are forced to comply with state insurance laws, the NCAE seeks an injunction barring the states from pursuing enforcement actions and "any other acts which are intended to harass, intimidate or coerce" the NCAE or its representatives.

The suit also seeks a ruling on the status of NCAE's welfare plans under ERISA. ■

WHEN IS THE ALTERNATE EMPLOYER ENDORSEMENT USED IN WORKERS COMP?

SEE PAGE 1208D OF THE WERBEL GENERAL INSURANCE GUIDE.

You'll find answers to 99% of questions about property, casualty and health insurance in this "encyclopedia" of insurance that professionals have depended on for 55 years. 3000 pages of information you need every day. Revised quarterly.

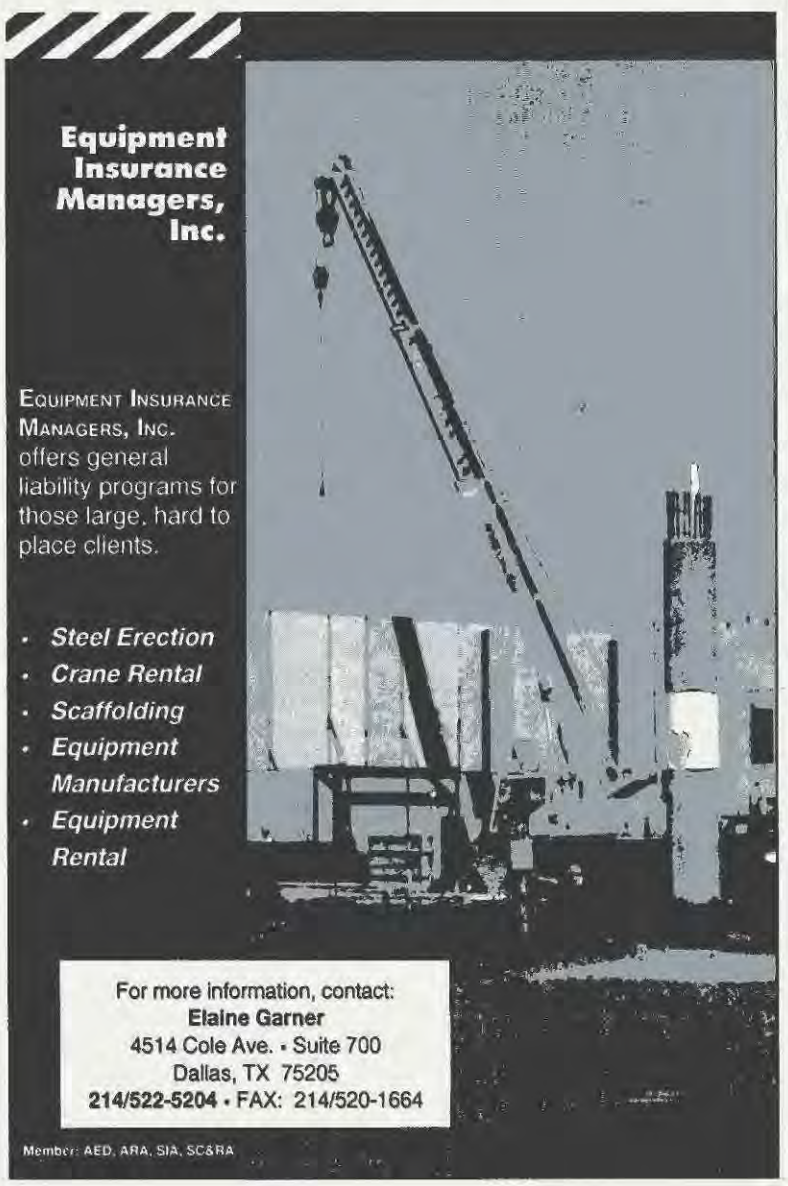
SPECIAL OFFER

Purchase the guide for $110 (including 2 quarterly revisions*) and receive FREE the Werbel Life Insurance Primer, a $17.75 value. Send check or Money Order for $117 (includes shipping) or telephone Visa or Mastercard orders. NY residents please add sales tax.

*Subsequent quarterly revisions billed to you at $52 per year.

WERBEL PUBLISHING CO., INC.

20 Oser Avenue
Hauppauge, NY 11788-3813
(516) 234-1114



Industry outlook

Continued from page 2

tween the industry's haves and have-nots, he said.

"Things are worse than people realize today," he added.

Mr. Slayton's bleak assessment was one of four offered by leading industry analysts at the 58th annual National Assn. of Insurance Brokers conference held in Pebble Beach, Calif., May 3-5.

Pretax cash flow as a percent of premium in the property/casualty industry has dropped off from about 30% in 1987 to less than 5% estimated for 1992, Mr. Slayton said.

In addition, the industry is suffering from adverse loss development. Across all lines, the industry's loss reserves in 1991 had to be increased by an amount equal to almost 4% of premium, he pointed out. And that represents an amount equal to about a third of the industry's profit, he said.

While that order of magnitude is manageable, he said, among insurers writing workers compensation or long-tail liability lines the loss reserve development is far worse.

And underwriting expenses continue to grow as well. Among 10 agency insurers, expense ratios for 1990 averaged 32.6%, Mr. Slayton said.

As a result, Mr. Slayton predicted more insolvencies, market withdrawals and consolidations ahead.

Insurance is a "relatively low" return-on-equity business because of catastrophic surprises and external pressures, but it is generally self-correcting from a pricing point of view, said Peter B. Walker, a director of management consultant McKinsey & Co. Inc. in New York.

This is unlikely to change, as handling losses is the nature of the business, he said.

But over the past 20 years, the structure of the industry itself has changed. Paralleling the banking industry, where lumbering giants like Citibank are now outperformed by well-run regionals, the insurance industry has seen "a shift in where the clout is," observed Mr. Walker.

Since the mid-1970s, the capital bases for successful insurers grew between eight and 20 times. But many large, well-known insurers, unprepared for a changing market, increased their capital base "somewhere between not at all and one times," Mr. Walker said.

The "internationalization" of big business means that clients are frequently bigger than the companies that insure them—except perhaps for American International Group Inc.—said Russell Miller, chairman of the investment banking and insurance consulting firm Russell Miller Inc. in San Francisco.

Insurance companies will grow only 3% over the next 10 years, and they will have to look to other parts of the world for clients, Mr. Miller predicted.

And U.S. insurers and brokers can no longer look to a hard market for relief. Upturns in the insurance cycle are only a "blip," and won't rearrange the industry or "make the losers winners," Mr. Miller said.

The liability system also will continue to plague the insurance industry, said George L. Priest, a Yale law school professor specializing in liability.

Rising health and workers compensation insurance rates do not just signal an increase in fraud, but rather an expansion in the public mind of the term "benefits," he added.

And although the tort reform movement has slowed this growth, it has not eliminated it, Mr. Priest said.

The danger to the insurance industry is not simply in costs, but in image, as politicians offer to address public demand for compensation through the expansion of liability, he said.

As an example, he cited California. Workers comp and other regulations there have gradually "eclipsed" initiatives like Proposition 103, evolving into a concerted effort "to treat insurance like a public utility," said Mr. Priest.

'Things are worse than people realize today,' says Maurice W. Slayton of Conning & Co.

If situations like damages from the Los Angeles riots are not handled carefully by insurers, with public perception in mind, the industry may end up as a "scapegoat" and under more public scrutiny, Mr. Priest said.

Hard times brought on by double regulation may also await insurers if any eventual federal solvency oversight is not coupled with the dismantling of state regulation, he said.

Despite their bleak outlooks, these analysts agreed that insurers could control part of their destiny by better managing their businesses.

Insurers that have performed well over the past 20 years share common traits, said McKinsey's Mr. Walker: They ran internal operations successfully and they took little risk outside of their core property/casualty insurance business.

Internally, these insurers concentrated on building a winning culture, with a top management team "with fire in its belly about winning," he said. These insurers minimize the number of management layers and create a culture "where the transaction is king."

Externally, successful insurers sought risk—"because that's what this industry is getting paid to do"—but did so selectively and remained within their core businesses. They also took a

Continued on next page

If you're having difficulty finding a claim service that acts like one of these, perhaps you should find one that acts like both.

You don't have to sacrifice speed for accuracy, responsiveness for diligence.

Axia Claim Management is a proven process for lowering bottom-line claim costs while delivering prompt, professional claim administration. Over 6,000 claim experts, including registered nurses and doctors, deliver consistent, high-quality service coast-to-coast. All backed by the most sophisticated computer technology in the business.

Workers Compensation Managed Care. General liability. Product liability. First- and third-party auto. Property claims. Wherever you need better claim management, Axia has the capabilities you need.

Prove it to yourself.

For complete references, contact your broker or call Axia at 1-800-332-AXIA. In Connecticut, call 659-6700.

AXIA SERVICES INC.

One of The Aetna Life and Casualty Companies

Industry outlook

Continued from previous page
"risk averse" approach to moves into junk bonds and real estate, Mr. Walker said.

This sounds like a simple formula, but few insurers followed the lead, he said.

According to Mr. Walker, the "winners" on the insurer list, with more than 50% of property/casualty insurance industry capital between them, include Chubb Corp., CNA Insurance Cos., AIG, and direct writers like State Farm Mutual Automobile Insurance Co. and Allstate.

Other insurance companies are following slowly, shedding marginal businesses and strengthening management teams, said Mr. Walker.

"The issue is not one of direction, but of pace," he commented.

Solvent insurers can change their financial results over a "five-year horizon" and become a "true winner" in 10 years, he said.

Like the large banks whose growth and stagnation they parallel, insurers are beginning to spin off many marginal businesses and wind down unprofitable books of business to reinvest the money elsewhere, Mr. Walker said.

New solvency regulation would in the long run improve the industry, Mr. Slayton added. It will result in consolidations, which will increase capacity, stabilize markets and attract needed capital.

Such a turnaround could begin to solidify over the next three years, with company cultural changes accelerating over the next five to 10 years, Mr. Slayton said.

Such consolidation will come in different forms, with "blocks of business" being moved around, he added.

The panel was moderated by Kathryn J. McIntyre, publisher and editorial director of *Business Insurance.* ■

Solvency regulation key to insurer survival: Exec

By LAURA MAZZUCA

PEBBLE BEACH, Calif.—The "unremitting persistence" of the soft market will spur more insurer insolvencies unless federal authorities assume some solvency oversight role, asserts a brokerage executive.

"The facts are very basic: There is nothing worse for a client and a broker than a claim that can't be paid," said Tinsley H. Irvin, chairman and chief executive officer of Alexander & Alexander Services Inc.

In today's intensely competitive market, "billions of dollars of business is being underpriced —and everyone knows it," Mr. Irvin said at the 58th annual National Assn. of Insurance Brokers conference held May 3-5.

Still, insurers and brokers can no longer rely on the return of "an historic insurance cycle" or a "market correction" to alleviate soft market conditions, since the global flow of capital may provide enough capacity to keep the soft market going indefinitely, he said.

If permitted to continue unchecked, such frantic competition will drive more insurers into insolvency, Mr. Irvin said.

"The industry is playing musical chairs. With each turn, there is one less place to sit. We all know that some players will disappear; we just don't know exactly who or when."

And solvency is more important than ever in light of today's "aggressively litigious environment," with both insurers and brokers at risk, Mr. Irvin said.

"Remember when you wanted people to think you had deep pockets? That used to be a sign of great success. Now it's an invitation to find a process server at your door," he said.

With so many larger forces out of the industry's control, "it is imperative that we pay attention to those matters over which we can exert some influence," specifically, improved solvency regulation, Mr. Irvin said.

The federal solvency legislation introduced by Rep. John Dingell, D-Mich. is "encouraging" because Rep. Dingell "seems willing to recognize that the regulatory focus should be on solvency for highly capitalized commercial insurers that sell to large buyers," he said (*BI,* April 20; April 13).

As a member of the Insurance Solvency Coalition, Alexander & Alexander supports an exclusive federal solvency role for large commercial insurers that write coverage for large commercial risks (*BI,* May 11). While the fed-

Continued on next page

Huber trashes 'junk science'

PEBBLE BEACH, Calif.—"Junk science" lawsuits remain a growth industry, says their most popular critic.

Peter W. Huber, senior fellow at the Manhattan Institute for Policy Research, defines "junk science" as "astrology, not astronomy; alchemy, not chemistry; homeopathy, not pharmacology. . .it's like pornography; you recognize it when you see it" (*BI,* July 15, 1991).

These lawsuits lean heavily toward personal injuries, toxic torts and fears of contracting cancer or other deadly diseases. The common denominator is "causality," where a single source—such as dioxin, electromagnetic rays, or stray chemicals—is blamed for an injury or condition, Mr. Huber said.

Such cases have been on the rise since 1975, when the federal rules for "expert witnesses" were relaxed. Since then, he claims, "fringe expert testimony" has been accepted as the norm.

For now, he said he is "cautiously optimistic" that courts will again exclude such testimony. Also, he said, the insurance industry and other opponents of the current liability system are "beginning to capture the moral high ground" as the public realizes that the high cost of insurance is directly related to such lawsuits.

Mr. Huber spoke at the National Assn. of Insurance Brokers conference.

—*By Laura Mazzuca*

PUBLIC ENTITY INSURANCE PROGRAM

FOR:

CITIES • TOWNS • COUNTIES • TOWNSHIPS • SPECIAL DISTRICTS • POLICE DEPTS.

Liability Carrier: *American Governmental Reciprocal Insurance Exchange A Risk Retention Group*

Property Carrier: ***Best Rated A + XV***

Excess Carrier: ***Best Rated A + XV***

Excess Limits available to $25,000,000.

Providing Competitive Pricing & Broad Coverage including:

General Liability • Public Officials

Police Professional • E & O • Automobile

Excess Liability • Property

Special Program for Self-Insured Retentions

Contact: American Risk Pooling Consultants
P.O. Box 5088, Southfield, MI 48086
Phone: (313) 358-4010 Fax: (313) 358-2276

When Common Problems Require Special Solutions. . .

STAR INSURANCE COMPANY*

dedicated exclusively to
★ ASSOCIATION PROGRAMS
★ RISK RETENTION GROUPS
★ CAPTIVE INSURANCE COMPANIES
★ INSURED PROGRAMS
★ PROGRAM MANAGEMENT
★ REINSURANCE

"The Right Track"
For information and our video
contact: Dick Marshall or Joe DiPasquale
26600 Telegraph Rd. • Southfield, MI 48034
(800) 482-2726 (313) 358-4020
*Admitted in most states

Continued from previous page
eral government would set strict solvency standards under the ISC's proposal, insurers that are federally regulated would be free from state rate and form regulation. However, states would be allowed to tax premiums generated by federally chartered insurers, Mr. Irvin said.

Such a system not only would solidify insurer solvency, but it also would give U.S. insurers an edge against foreign competitors, he added.

Mr. Irvin also discussed internal industry issues—the broker/underwriter relationship and economic efficiency—and how they affect the policyholder.

Without workers comp reform, federal intervention 'is just a matter of time,' says Tinsley H. Irvin.

Relations between brokers and insurers are fraught with problems, he noted. Underwriters complain that brokers who control access to larger accounts show no "brand loyalty," while brokers gripe that if insurers can't offer proper pricing and coverage, they must seek it elsewhere.

Such internal disagreements must be ironed out or policyholders will turn to alternatives to commercial insurance or to government-sponsored programs, Mr. Irvin warned.

"Brokers, buyers and underwriters are all scrambling to become more efficient, and we are all seeking to redefine our roles," he said. "In doing so, we need, where possible, to work together to reach our common goal of providing more efficient and cost-effective service."

The industry also must be able to relate to and address the serious problems that health care and workers compensation costs pose to policyholders, Mr. Irvin said.

In a national survey, A&A found that six of the 15 issues of greatest importance to risk managers focused on the economic viability of the workers comp system, he said (*BI*, March 30).

Brokers and insurers must be able to provide not just a premium quote, he said, but services like workplace safety programs, claims auditing, loss forecasting, risk assessment, claims consulting and loss control engineering.

Unless the workers compensation system is improved, "it is just a matter of time before we'll see federal intervention and the potential evaporation of billions of dollars in premiums," Mr. Irvin said.

"Any well-run business wants to minimize its financial risks," he said. "Our skill at minimizing clients' financial exposure will increasingly stand us in good stead in the '90s." ■

NML to sell shares of mortgage unit

MILWAUKEE—Northwestern Mutual Life Insurance Co. and two minority shareholders will offer to sell 6.7 million shares of home mortgage insurance unit MGIC Investment Corp. for about $240 million.

In a Securities and Exchange Commission filing, NWML proposed selling 4 million shares; Swiss Reinsurance Co., 1.83 million; and Zurich Insurance Co., 870,000. Zurich and Swiss Re acquired their stakes in 1990.

Based on a selling price of $35.75 per share—where the shares were trading late last week—the sale could generate nearly $143 million for NWML, which currently owns 56% of MGIC's outstanding common stock. Its stake in MGIC, whose shares have risen sharply since August 1991, would drop to 33% after the sale.

An NWML spokesman said proceeds from the sale will be reported as investment income for 1992.

MGIC, through its Mortgage Guaranty Insurance Corp. subsidiary, is one of the largest writers of private mortgage insurance for lenders like banks.

—By Michael Schachner

We've Made A Name For Ourselves.

BUSINESS INSURANCE

It's Business Insurance.

We're the weekly it takes to stay on the cutting edge of the commercial insurance marketplace.

SUBSCRIBE TODAY!

CALL TOLL-FREE on 1-800-678-9595. Fax your order in on 1-313-446-0961. Use the card in this issue or if it's gone, use the coupon below.

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	☐ $80	☐ $175
Canada	☐ $118	☐ $185
Bermuda (air only)		☐ $180
United Kingdom		☐ $190 or £104
Europe/ Middle East		☐ $196
All other foreign	☐ $118	Rates on request

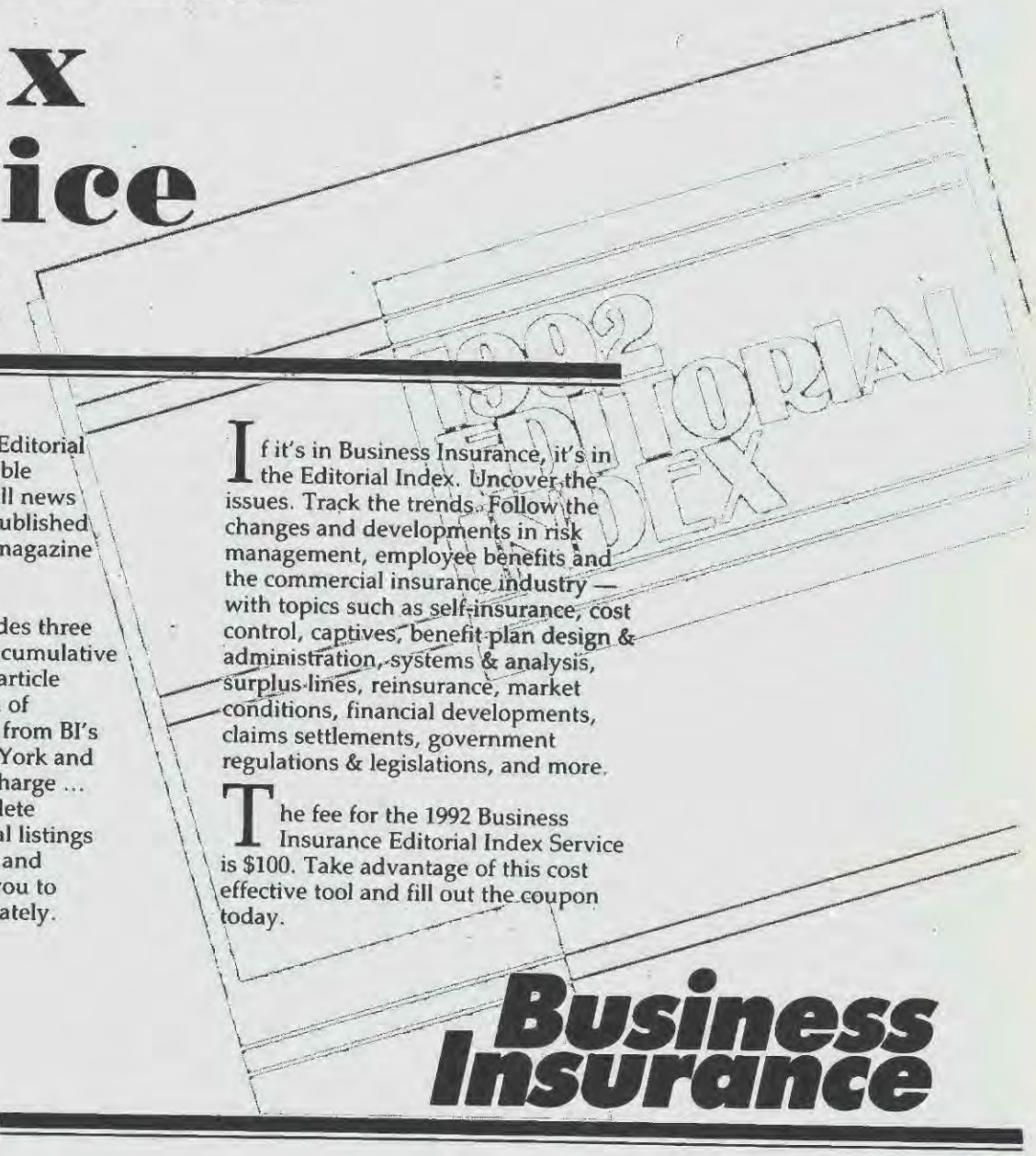
☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Business Insurance.

4C042

Editorial Index Service 1992



The Business Insurance Editorial Index Service is a valuable resource that directs you to all news reports and feature articles published by Business Insurance newsmagazine during the year.

The annual service includes three quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are availble from BI's Information Centers in New York and Chicago ... at no additional charge ... it's part of the service. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

If it's in Business Insurance, it's in the Editorial Index. Uncover the issues. Track the trends. Follow the changes and developments in risk management, employee benefits and the commercial insurance industry — with topics such as self-insurance, cost control, captives, benefit plan design & administration, systems & analysis, surplus lines, reinsurance, market conditions, financial developments, claims settlements, government regulations & legislations, and more.

The fee for the 1992 Business Insurance Editorial Index Service is $100. Take advantage of this cost effective tool and fill out the coupon today.

Business Insurance

Please send me the following index(es):
Full Index Service at $100* for: ☐ 1992 ☐ 1993
Softcover editions at $100* each:
☐ 1991 ☐ 1990 ☐ 1989 ☐ 1988 ☐ 1987 ☐ 1986
Hardcover editions at $150* each:
☐ 1985 ☐ 1984 ☐ 1983 ☐ 1982 ☐ 1981
* foreign postage additional

TOTAL ENCLOSED $ _____
PAYMENT MUST ACCOMPANY ORDER —
☐ Visa ☐ Mastercard ☐ Optima ☐ American Express
☐ Check Enclosed (payable to Business Insurance)

Mail to:
Editorial Index Service
Business Insurance
220 East 42nd St.
New York, NY 10017
Or call: 212/210-0137

name
title
company
address
city state zip
phone#
account# exp. date
signature

Court sets rule for reinsurers denying claim

By STACY GORDON

ALBANY, N.Y.—Reinsurers must show they have been prejudiced by a ceding company's late notice of a claim before they can deny coverage, New York's highest court has ruled.

The May 7 decision is significant because primary insurers in New York and most other states do not have to show they were prejudiced by late claims to avoid coverage.

However, the New York Court of Appeals ruled 5-0 that differences between reinsurers' and primary insurers' perspectives justify a different late-notice standard.

"A reinsurer is not responsible for providing a defense, for investigating the claim or for attempting to get control of the claim in order to effect an early settlement," wrote Judge Stewart F. Hancock Jr. "Thus, failure to give the required prompt notice is of substantially less significance for a reinsurer than for a primary insurer.

"Moreover, the interests of a reinsurer and the ceding primary insurer with respect to a pending claim are generally identical," whereas the interests of a primary insurer and its policyholder may be opposite, the ruling stated.

"The 'follow the fortunes' clause in most reinsurance agreements leaves the reinsurers little room to dispute the reinsured's conduct of the case," the New York high court said.

The "follow-the-fortunes" clause states that the reinsurer is bound to the same fate as the ceding company.

Attorneys for the reinsurer in the case before the New York court, Unigard Security Insurance Co. Inc., a Seattle-based unit of John Hancock Mutual Insurance Co., say they have not decided whether they will ask the court to reconsider the ruling or seek review by the U.S. Supreme Court.

An attorney for the ceding company, North River Insurance Co., a unit of Crum & Forster Inc. in Basking Ridge, N.J., praised the ruling.

"The court is placing some well-defined limits on a reinsurer's ability to disclaim coverage," said Dennis Jacobs of Simpson, Thacher & Bartlett in New York.

"The custom and the practice in the reinsurance marketplace is that ceding companies typically take several weeks to six months to provide notice," he said. "The tolerance displayed by reinsurers who accept this practice shows they do not need immediate notice from ceding companies."

Mr. Jacobs predicted the decision would be "very influential," noting that it is "the first state supreme court to address this issue."

The New York Court of Appeals ruling was in response to a question on this issue from the 2nd U.S. Circuit Court of Appeals, in which Unigard and North River are disputing in excess of $15 million in coverage for amounts settled in the now-defunct Asbestos Claims Facility.

Reinsurance attorney Vincent Vitkowsky said requiring reinsurers to show prejudice is "the emerging majority view" of the few courts that have addressed the issue (*BI*, Sept. 3, 1990).

"This is consistent with the result you would get from an arbitration panel, which bases its decision on equitable considerations," said Mr. Vitkowsky of Buchalter, Nemer, Fields & Younger in New York.

However, reinsurance attorney Frank Nicoletti of Ober, Kaler, Grimes & Shriver criticized the decision.

"This virtually does away with the obligation of a ceding company to give notice to reinsurers," he said. "The standard of prejudice is very difficult to prove."

"A reinsurer must prove that if it had the opportunity to come in and participate, something would have been done differently," explained Mr. Nicoletti. "This is a very tough standard."

But both Mr. Jacobs and Mr. Vitkowsky say it is possible for a reinsurer to show prejudice in several situations.

For example, a reinsurer has been prejudiced if it commutes a contract with a retrocessionaire based on reserves that are set too low because the reinsurer did not know of a large claim by its ceding company, the attorneys say.

And, they add, a reinsurer can be prejudiced if a ceding company has agreed to accept extracontractual liability and the reinsurer has not been allowed to participate in these negotiations, they say.

Reinsurers could rewrite their policies to make prompt notice by cedants a condition of receiving coverage, but the two attorneys say that such a policy likely would be rejected in the marketplace.

In this dispute before the New York court, Unigard provided $10 million in facultative reinsurance to North River from July 9, 1974, to Oct. 22, 1975. North River had written $30 million in excess liability coverage for Owens-Corning Fiberglas Corp., which manufactured asbestos-containing products.

North River's $30 million policy was part of a $50 million layer of coverage shared with Boston-based First State Insurance Co., a unit of ITT Hartford Group Inc., excess of $76 million in underlying insurance purchased by Owens-Corning.

Owens-Corning and North River were members of the now-defunct Asbestos Claims Facility, in which asbestos manufacturers and their insurers agreed to settle their disputes and share in the costs of defending and settling asbestos bodily injury litigation.

In April 1987, North River became aware that its excess policy was being penetrated by asbestos injury claims settled by the facility, and that there was a likelihood that the Unigard reinsurance would be triggered. However, North River waited until August 1987 to send notice to Unigard. Unigard did not receive the notice until Sept. 2, 1987.

North River sought $10 million in coverage plus approximately $5 million in defense costs, which it argued were covered because it was forced by an earlier arbitration decision to pay defense costs outside policy limits.

Unigard denied any coverage based on late notice, prompting North River to sue in federal court.

The U.S. District Court for the Southern District of New York on July 13, 1990, ruled that North River's obligation to give notice arose in April and that notice sent in August and received in September was untimely.

However, it held that Unigard must prove it was prejudiced by the late notice before it could deny coverage.

Unigard appealed to the 2nd U.S. Circuit Court of Appeals, which decided on Oct. 17, 1991, that the issue of whether reinsurers in New York must show prejudice to deny a claim based on late notice would best be decided by the New York Court of Appeals. The 2nd Circuit, therefore, certified the question to the New York Court of Appeals.

The case will now return to the 2nd Circuit for a determination of the remaining issues, including whether Unigard was prejudiced and how to interpret the "follow the fortunes" clause in the reinsurance contract.

The 2nd Circuit in 1990 ruled in *Bellefonte Reinsurance Co. vs. Aetna Casualty & Surety Co.* that the "follow the fortunes" clause does not obligate a reinsurer to pay amounts that exceed the limits of its policy (*BI*, May 28, 1990).

However, in the Unigard case, North River is arguing that its clause is different—a "follow the form" clause—and does require Unigard to pay the policy limits plus defense costs.

Mr. Nicoletti disagreed: "Whether you call it 'follow the form' or 'follow the fortunes' does not matter; it means the same thing. As Shakespeare said, 'a rose by any other name' is still a rose."

Since the 2nd Circuit has already ruled on the issue, the *Bellefonte* decision should control, argued Mr. Nicoletti.

•

Unigard Security Insurance Co. Inc. vs. North River Insurance Co., New York Court of Appeals, No. 92.

See you in Copenhagen...

....and in London, Singapore, Sydney, Auckland, Santiago and Athens.

Time Warner names risk manager

Comings & goings: buyers

Andrew W. Rozanski, 33, has been promoted to director-risk management and insurance at Time Warner Inc. in New York. Mr. Rozanski, who joined Warner Communications Inc. in 1986, was promoted from risk manager in a departmental restructuring resulting from the 1990 merger of Time Inc. and Warner. He reports to Joseph C. Mallia, assistant vp. Mr. Rozanski earned a bachelor of science degree from the Syracuse University School of Management in Syracuse, N.Y. Previously, Mr. Rozanski was insurance manager for The Grand Union Co. in Paramus, N.J., a retail food chain. He holds the Associate in Risk Management designation as well as the Chartered Property & Casualty Underwriter designation. Mr. Rozanski is a deputy member of the Risk & Insurance Management Society.

* * *

Stephen M. Wilder, 36, has been promoted to assistant treasurer-risk management of The Walt Disney Co. in Burbank, Calif. Mr. Wilder, who joined the entertainment company in 1987 as director of corporate risk management, continues to be responsible for The Walt Disney Co.'s worldwide risk management program. He reports to Michael Montgomery, vp-treasurer. *Business Insurance* named Mr. Wilder Risk Manager of the Year in 1990, the youngest person to receive that distinction in the award's 15-year history (*BI*, April 30, 1990). Previously, Mr. Wilder was risk manager of Los Angeles-based Whittaker Corp., a diversified manufacturer. He earned a bachelor's degree in economics from the Wharton School of Finance and Commerce at the University of Pennsylvania. He also completed the Executive Management Program at the University of California at Los Angeles. In addition, Mr. Wilder holds the Associate in Risk Management designation and is a deputy member of RIMS.

* * *

Lawrence P. Levine, 40, has been appointed group director-human resources administration at Ryder System Inc. in Miami. Mr. Levine, an attorney, is responsible for employee benefits worldwide, corporate payroll and analysis of human resource matters. He reports to C. Robert Campbell, executive vp-human resources and administration. Before this appointment, Mr. Levine was a senior division counsel, with responsibility for human resource legal matters. He joined Ryder in 1987 as division counsel. Previously, Mr. Levine was a corporate attorney with Matsushita Electric Corp. of America. He received a bachelor's degree in political science from the University of Pennsylvania in Philadelphia and a law degree at Case Western Reserve School of Law in Cleveland. Mr. Levine belongs to the American and Dade County, Fla., bar associations and is a member of the American Corporate Counsel Assn. of South Florida.

* * *

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Roseanne White, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-7785. Please send a photograph, too.

MAY CLOSINGS

SET YOUR DATES

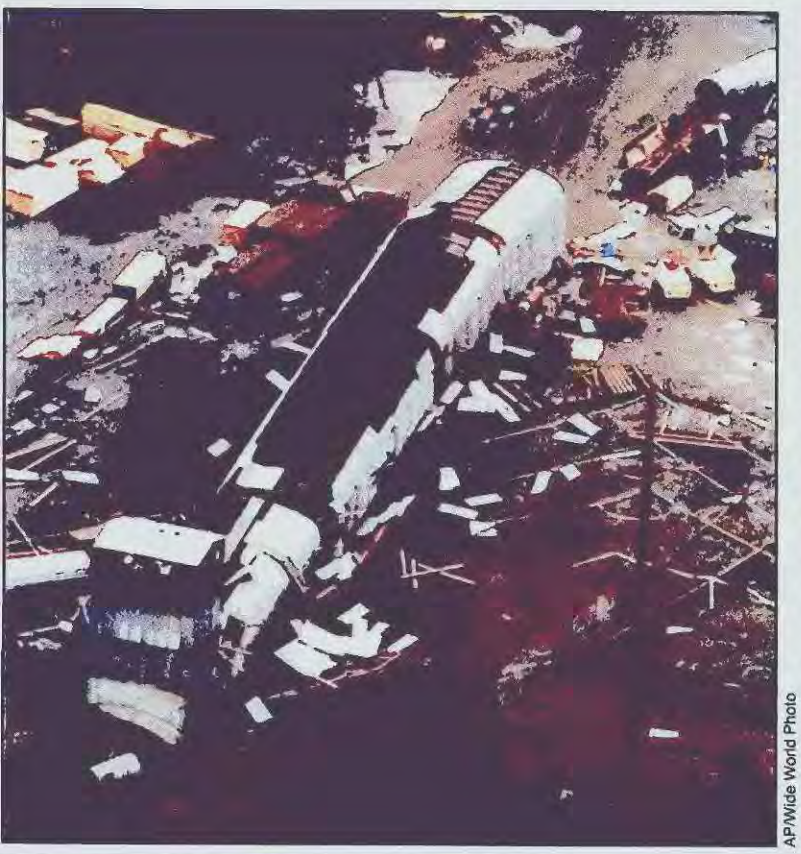
issue:	May 18 — Bonus Distibution: PRIMA — Ad Study
closing:	**May 5**
editorial feature:	Property Loss Control
demographic section:	Insurer Topics: Reinsurance Issues: Relations with Intermediaries
	Directory: Property Loss Control Consultants
issue:	May 25
closing:	**May 13**
issue:	June 1
closing:	**May 19**
editorial feature:	Conference Report: PRIMA
demographic section:	Agent/Broker Topics: Legislative Issues; NAIB Conference Report
issue:	June 8 — Reader Service
closing:	**May 26**
editorial feature:	Benefits: Mid-Year Market Report
	Directory: EAP's & Mental Health Networks

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

New York (212) 210-0228 Fax: (212)210-0704
Chicago (312)649-5276 Fax: (312)280-3189
Los Angeles (213)651-3710 Fax: (213)655-8157

Business Insurance
a publication of Crain Communications Inc

INTERNATIONAL



AP/Wide World Photo

Debris caused by the May 9 explosion at the Westray coal mine in Plymouth, Nova Scotia, lies scattered about the mine's entrance.

Nova Scotia mine blast

Two funds to pay benefits to dead miners' families

By MICHAEL SCHACHNER

STELLARTON, Nova Scotia—The families of miners killed in the May 9 explosion of the Westray coal mine in northern Nova Scotia will receive the bulk of their long-term survivor benefits from two separate provincial and national benefit funds.

The Nova Scotia Workers Compensation Board and Canada's federal pension program will pay the bulk of the benefits to dependents of the miners killed in the disaster.

However, it is likely that Curragh Resources, the Toronto-based parent company of the Westray mine, will also make payments to survivors of the miners killed in the accident through group life and accidental death and dismemberment insurance programs.

At least 15 coal miners died in the gas explosion at the non-union mine just outside Stellarton, about 75 miles northwest of Halifax. And 11 more miners still were trapped a mile below the earth's surface as rescue workers battled unsuccessfully last week to make contact. It is unlikely that any of the trapped miners survived the explosion and subsequent collapse of the mine shafts, sources said.

Nova Scotia's workers compensation fund, which is financed by employers in the province and is administered by the province's workers compensation board, will pay spouses of deceased miners an immediate lump sum of $15,000 Canadian ($12,500), as well as a funeral benefit of $4,000 Canadian ($3,333), according to a board spokesman.

In addition, the fund pays the spouse of a worker killed on the job 75% of that worker's annual wages, up to an annual maximum of $36,000 Canadian ($30,000). This yearly benefit is tax-free and is payable until the spouse remarries.

Lastly, the fund pays the deceased worker's family $192 Canadian ($160) per month for every child 18 years or younger. This benefit can be extended to children up to age 25 who are still in school.

Spouses are also eligible to receive monthly payments from the Canadian federal pension system, which is financed by monthly worker contributions.

The maximum monthly benefit payable by the pension plan, based on earnings at the time of death and full contributions to the fund, is $974 Canadian ($811.66).

The federal pension plan also pays a one-time lump sum benefit of up to $3,220 Canadian ($2,683).

Although the Westray mine, which may never reopen, is not a union mine, it is likely that Curragh Resources' benefits

Continued on page 65

Judge denies dismissal of Focus litigation

By ROGER SCOTTON

BERMUDA

HAMILTON, Bermuda—Bermuda Supreme Court Chief Justice Sir James Astwood last week refused a motion to dismiss a civil lawsuit started last summer by the liquidators of Focus Insurance Ltd. against its former directors and officers.

He ruled that the suit contains allegations which, if proved at trial, could show that the directors deliberately disregarded their legal duty to Focus and failed to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Focus is a subsidiary of Forum Re Group Ltd., which is controlled by Mark Hardy.

In the action begun last July (*BI*, July 15, 1991), Focus liquidators David E. W. Lines and Peter Mitchell have accused Focus directors Mr. Hardy, David Thirkill and Douglas Pullen of willful negligence and breach of statutory fiduciary duty and seek damages of $19.7 million.

The suit claims that Mr. Hardy was the company's ultimate beneficial owner, that he wrongfully paid out funds from Focus' bank account, that he ran Focus' business affairs without authority to do so and that Messrs. Thirkill and Pullen negligently failed to prevent this wrongful conduct.

The suit asserts the claim that Mr. Hardy "at all times operated the plaintiff's (Focus') affairs in his own absolute and uncontrolled discretion without any, or any adequate, reference to or consultation with his co-directors."

"He (Mr. Hardy) merely called on the second and third defendants (Messrs. Thirkill and Pullen, respectively) when formal or legal requirements had to be met or considered, or technical aspects of insurance business had to be considered or dealt with," the action says.

Mr. Thirkill and Mr. Pullen "merely rubber-stamped and

Continued on next page

Hong Kong flood damage

Insured losses from floods could total $50 million

AP/Wide World Photo

Record rainfall on May 8 caused severe flooding in Hong Kong.

HONG KONG—Insured losses from flooding in Hong Kong earlier this month could reach $50 million.

Flooding swamped Hong Kong's central business district and other parts of the island after record torrential rains on May 8. Five people were killed.

During the main storm, 4.36 inches of rain fell in one hour, which is the heaviest rainfall ever recorded in Hong Kong. Water was at knee-level throughout the central business district.

A major component of the losses will be construction site damage covered under construction all-risk policies, insurers agree.

One of the worst-hit areas was the residential area Bagiuo Villas, where landslides damaged high-rise buildings. One of the buildings may have to be demolished, an underwriter said. In addition to the property damage, a business interruption claim could be lodged for lost rental income, according to the underwriter.

Geoffrey M. Riddell, president of the Hong Kong office of American International Underwriters, said it is hard to gauge losses yet because not all claims have been received and no formal market claims statistics are filed in Hong Kong.

"Construction claims are the question mark hanging over the total losses," he said.

Mr. Riddell added that uninsured losses would be "relatively high" because many policies cover named perils, which normally do not include floods.

Union Insurance Society of Hong Kong Ltd., a unit of Guardian Royal Exchange Assurance P.L.C., last week reported claims totalling about $580,000, much of which was for construction site property damage, said Alan J. Wilson, underwriting manager.

"Claims are still coming in," he said late last week.

The New Zealand Insurance Co. Ltd. had claims totalling $1.7 million as of last week, said Mike C. Hannan, Hong Kong general manager.

But, he agreed last week that it was too early to "get a handle" on total losses.

Franz-Josef Hahn, chief casualty underwriter in Hong Kong for Munich Reinsurance Co., said it would be three to four weeks before Munich Re has a clear picture of losses.

Munich Re reinsured a significant share of the construction all-risk policies in Hong Kong.

—By Kate McIlwaine

Swedish Club seeks cash from members

GOTHENBERG, Sweden—Shipowners belonging to The Swedish Club, a protection and indemnity club, are being asked to dip deep into their pockets to pay additional premiums for the 1989-1991 underwriting years.

The club's board is asking members to pay an "additional call" of 50% of their paid premium for the 1989 underwriting account, which is just closing under the club's three-year accounting system, said Lars Lindfelt, managing director of the Swedish Club.

The P&I club also is levying a call equal to 140% of premium for the 1990 underwriting year, which is still open. "We hope we won't call any more (for 1990) but we can't say that officially."

The Swedish Club also plans to make an additional call equal to 60% of premiums for 1991, but that is lower than the 100% call that was first expected, said Mr. Lindfelt.

He would not say how much in additional premiums shipowners would have to pay because of the calls.

The calls are a result of "too many claims," particularly from the International Pool of P&I Clubs, said Mr. Lindfelt. All P&I clubs retain the first $2 million of each loss. Above that level, the International Pool, which consists of 95% of the world's P&I clubs, provides coverage up to $15 million.

Also, there is a "great uncertainty" about the future of the International Pool's reinsurance, which provides coverage in the layer between $15 million and $1.05 billion, he said. When the reinsurance coverage was renewed Feb. 20, there were "great increases paid" in premium and there was a shortfall in the coverage, he said, declining to elaborate.

"What will happen in February 1993 is very uncertain," he said. Clubs may have to retain more risk, "so we are preparing for alternative solutions."

In particular, the Swedish Club is building up its free reserves. Additionally, its consolidated capital now stands at 240 million Swedish krona ($1.4 billion at current exchange rates), up 14 million Swedish krona ($81.8 million) from a year ago.

—By Stacy Shapiro

1991 1992
Business Insurance
DIRECTORY
of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

The *1991/92 Directory* is updated and expanded — it includes information on more than 13,000 executives from over 2,100 companies of all sizes located throughout the U.S. Plus vital statistics on all companies listed include:
- primary type of business
- sales or assets
- number of employees
- name and title of CFO
- names and titles of executives directly responsible for: employee benefits; pension/retirement plans; personnel; risk and insurance management; property/casualty insurance; international employee benefits and/or risk management

Order the *1991/92 Business Insurance Directory of Corporate Buyers* today — gain access to the executives who are directly responsible for the purchase of commercial insurance, risk management and employee benefits.

To order your copy phone:
313-446-1623.
For tape sales or information call:
313-446-1625.
Or, complete the coupon and mail to:
Business Insurance Directory
Single Copy Sales
965 East Jefferson Avenue
Detroit, MI 48207

Reserve ____copies
$95 each (15% discount when you order 5 or more). All orders must be prepaid.
Make check payable to:
Business Insurance Directory
Total enclosed: $____
or charge my ☐ Visa ☐ Mastercard ☐ American Express ☐ Optima
Account # ____
Exp. Date ____
Signature ____
print name ____
title ____
company ____
address ____
city state zip
phone ____

INTERNATIONAL

BERMUDA

Continued from previous page
went along with his actions," the liquidators' complaint says.

Sir James' ruling turned down a motion by the three defendants to have the liquidators' statement of claim against them dismissed on grounds that it:

- Fails to disclose a reasonable cause of action against them.
- May prejudice, embarrass or delay fair trial of the action.
- Abuses the court process.

In a 14-page judgment, Sir James rejected the defendants' submissions that, where willful default is alleged, it was not sufficient to plead that a defendant "knew or ought to have known" of particular facts or matters.

He said lawyers Julian Hall, acting for Mr. Hardy, and Robin Potts, representing Messrs. Thirkill and Pullen, had argued that every plea of willful negligence or willful default necessarily involves an allegation that the defendant either knew that he was committing a breach of duty or was reckless in the sense that he did not care whether or not he was committing a breach of duty. Knew-or-ought-to-have-known pleadings, they claimed, are more consistent with "mere negligence" than willful negligence.

"Mr. Potts and Mr. Hall both assert that the facts given are not sufficient to meet the requirements that every pleading must contain the necessary particulars of any claim and must contain particulars of the willful default, and since the plaintiff alleges the condition of the minds of the defendants, they must give particulars of the facts on which the plaintiff relies."

Sir James ruled: "I disagree with Mr. Potts that no particulars of primary facts are pleaded. . .which would justify any court in concluding that the conduct of the second and third defendants can be characterized as willful default or willful negligence. The plaintiffs' case against the second and third defendants would seem to be one of allowing themselves to be used as a rubber stamp, as (the liquidators' attorney) Mr. Froomkin puts it."

The chief justice held that the liquidators' statement of claim contains "a number of facts which, if proved at the trial of the action, would show a willful, in the sense of deliberate, disregard of their duties." He added that there would be a very strong inference that the directors knew that they were in dereliction of their duties to the company. "If the facts given are proved by the plaintiff, the court of trial could infer knowledge or the court could infer willfulness on the part of the defendants—that is that they knew what their duties were and they deliberately failed to carry them out after adverting to them."

He held that the liquidators had "given all material facts on which they rely for showing the defendants' state of mind."

Sir James concluded: "At this stage, I am only concerned to see whether the plaintiffs have properly pleaded their case. It would appear to me that they have. . . ."

Mr. Hall said that he was seeking leave to appeal the ruling.

In hearing the motion to dismiss the lawsuit, the chief justice also heard arguments from the liquidators for adding six new defendants to the suit. These include Mr. Hardy's wife, Judith, and several firms believed to be under Mr. Hardy's control: two British companies, Caredeed Ltd. and Starbrook Investments Ltd.; a Liechtenstein entity known as Villarosa Anstalt; a Panamanian company, Magnolia Trading S.A.; and the Bermuda Trust Co.

Although Mr. Hardy's attorney urged that the court not allow the parties to be joined, Sir James pointed out that it was the liquidators' case that at least one of the proposed new defendants was used as a device to protect or preserve Mr. Hardy's assets from the legitimate claims of his creditors.

He said the liquidators had satisfied him that the new parties were "necessary defendants to the dispute" and ruled that they be named as defendants. He also granted the liquidators leave to serve notice of the action outside the jurisdiction of the Bermuda Supreme Court. ■

INTERNATIONAL

MP critical of Lloyd's losses

By STACY SHAPIRO

LONDON

LONDON—Many people inside and outside of the House of Commons are criticizing the latest attack on Lloyd's of London by a Labour member of Parliament.

Meanwhile, more than 30 syndicates are expected to remain open for the 1989 underwriting account which is just being announced under Lloyd's three year accounting.

Last week, Peter Hain, Labour MP for Neath, claimed that huge losses at Lloyd's could affect the balance of power in the House of Commons and force Prime Minister John Major out of office.

Mr. Hain identified in a written statement to the House of Commons 24 Conservative MPs who are members of disastrous Lloyd's syndicates. Those members could face "individual bankruptcy," Mr. Hain said.

If the Tory MPs were declared bankrupt, they would lose their seats in Parliament because all destitute MPs are automatically disqualified.

Last month, Mr. Major, the leader of the Conservative party, retained his position as prime minister because his party won an overall majority of 21 seats during the general election. Of the 651 MPs, 334 are conservatives and hold the balance of power.

"If even half these 24 colleagues of (the prime minister's) are indeed declared bankrupt, the government could lose its majority," said Mr. Hain. Another general election would then have to be called.

Altogether, 50-odd conservative MPs including cabinet ministers could face heavy losses at Lloyd's, Mr. Hain added. "Unless there is a cover-up, the Tory election victory could be reversed," he said.

Mr. Hain urged Michael Heseltine, secretary of state for Trade and Industry, to "institute a full public inquiry into insider dealing, financial management and corruption in Lloyd's and. . .demand wholesale reform and independent regulation."

The MPs who were cited criticized Mr. Hain, saying that none of them was near bankruptcy as a result of Lloyd's losses. They accused Mr. Hain of scaremongering for political purposes.

Mr. Hain's remarks are "a pile of rubbish," added a Lloyd's spokesman. "Once again Mr. Hain is abusing Parliamentary privilege for his own suspect ends."

Meanwhile, Lloyd's 1989 global results are expected to be announced at the end of June. The 1989 account—which is just being audited under Lloyd's three-year accounting—will be the worst ever, with estimated total losses of 1.65 billion pounds ($2.98 billion at current exchange rates).

As a result, many syndicates will leave their 1989 accounts open, including:

- Non-marine syndicate 404, managed by Cuthbert Heath Underwriting Ltd.

The syndicate is expected to announce a loss of 61.8 million pounds ($111.9 million), or 80% of its 1989 capacity of 77.3 million pounds ($140 million).

Two other Heath syndicates which it took over from Lambert Brothers (Underwriting Agencies) Ltd. are also staying open: marine syndicates 202 and 437.

Heath officials did not return calls.

- Non-marine syndicate 257, managed by Young & Smith (Underwriting) Ltd., which ceased trading Dec. 31.

The syndicate started in 1977 but didn't have a loss until 1989 and 1990, confirmed underwriter K.R. Smith who would not say what the total underwriting loss will be for 1989. Total capacity for the syndicate in 1989 was 31.4 million pounds ($56.8 million).

- Marine syndicate 367, managed by F.L.P. Secretan & Co. Ltd.

Secretan announced last year that it would run off syndicate 367, one of Lloyd's largest, and keep the 1989 underwriting year open (*BI*, Nov. 4, 1991). The syndicate had a total capacity of 141.7 million pounds ($256.5 million) in 1989.

- Marine syndicate 475, formerly underwritten by R.J. Bromley, and currently managed by Spratt & White Ltd.

The excess-of-loss reinsurance syndicate ceased trading on Dec. 31. The syndicate is staying open in 1989 mainly because its losses from Hurricane Hugo have exceeded its reinsurance protections, said Spratt & White managing director John Gillespie. The syndicate, with a loss so far of 14.7 million pounds ($26.6 million), has made a cash call of 12.8 million pounds ($23.2 million)—or 50% of the syndicate's 1989 capacity—which is due at the end of July.

- Marine syndicate 321, formerly managed by Gresham Underwriting Agencies Ltd. and underwritten by Terry Green, which has ceased underwriting.

The syndicate has had two cash calls already for the 1989 underwriting year, and two for the 1990 underwriting year, totaling about 35 million pounds ($63.3 million at current exchange rates).

- Non-marine syndicate 190, managed by Cater Allen Syndicate Management Ltd. and underwritten by Lloyd's deputy chairman Richard Hazell until July.

The syndicate expects to report a loss of about 16% of its 1989 capacity, or around 20 million pounds ($36.2 million) (*BI*, April 27, 1992).

Members agents also say that the following syndicates are expected to stay open for the 1989 account: all syndicates formerly managed by Gooda Walker Ltd. and Feltrim Underwriting Agencies Ltd.; plus syndicates 384, 448, 506, 509, 540, 604, 727, 764, 843, 847, 932, 1021, 1025, 1035, 1097, 1122 and 1145.

Hardship aid sought

Some market insiders at Lloyd's of London are applying to Lloyd's hardship committee to help pay massive losses.

Robin Kingsley, former chairman of disastrous members agency Lime Street Underwriting Agencies Ltd., and his wife have applied to the hardship committee for financial assistance to help pay their total loss of 1.6 million pounds ($2.9 million at current exchange rates).

The Lime Street members comprised 30% of the total membership of the loss-riddled syndicates managed by Gooda Walker Ltd. and Feltrim Underwriting Agencies Ltd. (*BI*, July 29, 1991).

Also, several employees of Gooda Walker also have applied to the hardship committee to help pay losses. Some of the Gooda Walker employees face losses of over half a million pounds ($905,000). ■

Nova Scotia mine disaster

Continued from page 63

package also includes a group life and accidental death coverages, according to a consultant.

Alan Mileham, a consultant in the Winnipeg, Manitoba, office of A. Foster Higgins & Co. Inc., said that a recent study conducted on behalf of a large mining client found that Canada's large mining companies all provide some sort of life insurance benefit, ranging from $25,000 Canadian to $50,000 Canadian, as well as an accidental death benefit equivalent to the life insurance benefit.

"It's very typical, especially with union-negotiated contracts, for the company to provide a flat life benefit of $25,000 to $50,000 or a year's worth of pay, which falls right into this range," said Mr. Mileham.

In addition, he said all seven mining companies Foster Higgins studied also offered an accidental workplace death and dismemberment benefit equal to the life insurance benefit.

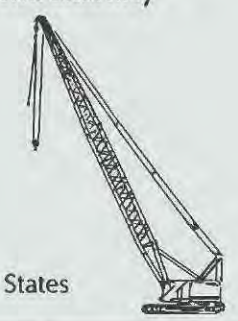
"Even non-union mines are probably in line with what we found," he said.

Officials for Curragh Resources in Toronto and Westray in Nova Scotia did not return phone calls. ■

CRANE RENTAL & SCAFFOLD LIABILITY INSURANCE

CIS provides an A rated domestic insurance company offering **General Liability** and **Umbrella Liability** coverages for companies in the following industries:

- Scaffolding
- Crane and Rigging
- Construction Equipment Dealers
- Aerial Lift Distributors
- Available to Insurance Agents in Most States



CIS

Construction Insurance Specialists
5050 Quorum, Suite 644
Dallas, Texas 75240 - 7057
214-991-6719

AGENT/BROKER 21st PROFILES

Business Insurance proudly announces the 21st Annual Agent/Broker Profiles Issue.

Presented to over 148,000* readers, this outstanding editorial package contains vital information on leading insurance agents and brokers. *Business Insurance* will publish its exclusive ranking of the world's 20 largest brokerage firms and will profile them. The 100 largest U.S. brokers also will be ranked.

What's more, *BI* also will include its exclusive Directory of Agents & Brokers ... an invaluable information resource for corporate insurance buyers, insurance and reinsurance company executives. All year long it provides a ready reference on the agents and brokers who serve the commercial insurance marketplace.

And there will be a bonus distribution of this important issue at the Society for Human Resource Management conference.

So advertise in this *Business Insurance* annual spotlight report and reach the executives who want to reach you.

Call now and reserve your ad space.

*Includes pass-along readership.

New York: 212/210-0228 • Fax: 212/210-0704
Chicago: 312/649-5276 • Fax: 312/280-3189
Los Angeles: 213/651-3710 • Fax: 213/655-8157

PUBLISHING: JUNE 29
AD CLOSING: JUNE 16

Business Insurance®
a publication of Crain Communications Inc

RIMS dispute

Continued from page 2
he said of RIMS chapters.

The 12-member executive council decided to make the announcement in Anaheim after meeting with representatives of the Insurance Solvency Coalition, the American Insurance Assn. and the staff of Rep. John Dingell, D-Mich., who was drafting a bill proposing a federal role in regulating insurers (*BI*, April 13).

"We felt it was important to come out with a position. We did not want to be perceived as reacting to what Mr. Dingell was doing," Mr. Esenberg said.

The Dingell bill was unveiled on April 9, one week after RIMS' announcement.

"RIMS intended to be an active participant in the debate, not just stand on the sidelines and complain about the outcome," added Mr. Esenberg, who is risk manager for the city of Virginia Beach, Va.

A federal role in the regulation of large insurers "will benefit all consumers one way or another," he said. "Solvency regulation does not have to result in whole new bureaucratic requirements for rate and form."

Taking the burden of solvency regulation of insurers writing large commercial accounts off the states would free them "to devote their resources to where they do the best job: small commercial and personal lines," Mr. Esenberg said.

Commenting on the executive council's position, he said the council is representative of RIMS' membership. Each chapter elects a society director to the board, which in turn elects the executive council.

RIMS has 8,000 deputy members representing 4,500 employers in 89 U.S. and Canadian chapters.

"I don't think it's possible for the board to be contacted on every issue," Mr. Esenberg said.

Ms. Crager, who is assistant vp-risk management and insurance for PNC Financial Corp in Pittsburgh, said she responded to the Wisconsin chapter's letter in writing but will not revoke or amend the statement.

RIMS currently is drafting an explanatory memo to chapter presidents about the decision, she said. The memo "should have gone out earlier but, because of a variety of glitches, it didn't."

"RIMS has a group of volunteers and elected officials who have assumed responsibility and decision making on behalf of the society," she said. "It's our job to assess a particular situation. It would be impossible for RIMS to function if we had to first obtain approval from every member."

Support of some federal regulation was "clearly a consensus" among those contributing to the decision, including the executive council, the governmental affairs committee and certain RIMS staff, she said.

The Wisconsin chapter's letter, which was sent to all chapter presidents, is prompting some to add the issue to their agendas. Others, however, support federal regulation of large commercial insurers underwriting large commercial risks.

"It sure would make our lives easier," said Atlanta chapter president June Dickinson, vp-risk management for Suntrust Banks Inc.

"The majority of our 100-plus members are in favor of RIMS' position," said Atlanta chapter society director Eben Jones, vp-insurance and risk management at Rollins Inc. "There is too much dissension behind state regulation. If you are in 25 or more states, it's chaos."

"I am not aware of any groundswell of anger," said Indiana chapter president Jeff Davies, risk manager of Boehringer Mannheim Corp. "We were not consulted. It took me aback, because it seems to be a change from the past. But a general consensus is not necessary."

Chicago chapter President Rebecca Gilman said the chapter board has requested that an executive council member attend its meeting this week to discuss federal regulation and RIMS policy statement.

Mr. Lang will also speak on the issue at the Chicago meeting.

"We are somewhat disturbed by the action of the executive council without input from the chapters," said Ms. Gilman, risk manager for Centel Corp. in Chicago.

When the society was faced with the model anti-fronting bill proposed by the National Assn. of Insurance Commissioners in 1991, RIMS staff members visited chapters to gather input, she noted.

James Dedeo, former president of the Los Angeles chapter and risk manager of Atlantic Richfield Co., commented that "some members were upset the way national (RIMS) handled it, but the point is it is a national organization. Each chapter has a different opinion. The general consensus was, 'If you have a problem, get involved.' "

For some chapter presidents, the Wisconsin chapter's letter initiated discussion of federal regulation.

"We are looking at the federal regulation issue and the national RIMS statement and figuring out where we stand," said Arkansas chapter president Michael Wilson, supervisor of risk assessment and administration for Arkansas Power & Light Co. ■

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $123.75 per column inch, minimum of one inch. Straight classified is $11.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $17.50 charge for all blind box ads. Only those reponses 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 noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for all advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.*

SMITH HANLEY
ASSOCIATES INC.
EXECUTIVE RECRUITERS
NEW YORK • CHICAGO

99 Park Avenue
New York, NY 10016
Tel: 212-687-9696

In Chicago: 312-558-1535

Risk & Insurance Management Announcement

Andrew Davis, President of Davis & Company Inc. has merged with Smith Hanley. His division will continue to specialize in the national recruitment of Risk Management & Commercial Insurance professionals.

National Sales

Managed Care is moving in a brand new direction - and Liberty Healthcare sets the pace! We're saving money for more and more employers - and rapidly growing. You can participate if you have at least 7 to 10 years of successful experience in sales of managed care and/or benefit products, and are energetic, aggressive, and able to travel extensively. The position is based in the Philadelphia suburbs and offers a very attractive compensation package. Send your resume to:

Liberty Healthcare Corporation
401 City Ave., Suite 820, Bala Cynwyd, PA 19004

OFFICER LEVEL POSITION

The Workers' Compensation Reinsurance Association (WCRA), a non-profit organization providing workers' compensation reinsurance protection to all Minnesota insurers and self-insurers, is seeking an individual with experience in workers' compensation, excess ratemaking, and reserving. A background in operations management is also highly desirable for this position.

Qualified candidates should have at least six years in property/casualty insurance work and should have either: 1) an ACAS or FCAS designation; or 2) a graduate degree in business or a related field, with significant experience in overseeing actuarial functions.

This position provides a high level of exposure within and outside the company, and a significant opportunity to assist in business policy development and planning.

Competitive salary and benefit package includes a savings and investment plan and pension plan.

If you meet these qualifications, please submit a resume and salary history to:

Cynthia M. Smith
Human Resources Manager
WORKERS' COMPENSATION REINSURANCE ASSOCIATION
900 Minnesota Mutual Life Center
400 North Robert Street
St. Paul, MN 55101-2092

Equal Opportunity Employer M/F/H/V

RMA RICHARD MEYERS & ASSOCIATES, INC.

Executive Recruiters,
Servicing Clients Nationwide, In The Areas Of:

- Risk Management
- Safety & Fire Protection
- Claims Management
- Benefits & Pensions
- Property & Casualty

Also Offering A Unique Concept In Executive Search For The 1990's
"RENT-A-RISK MANAGER"

15 James Street, Main Level, Florham Park, NJ 07932
Call 201-765-9000 • Fax 201-765-9009

"Where Professionals Insure Their Careers"

CHIEF FINANCIAL OFFICER & VICE PRESIDENT FOR PROPERTY/CASUALTY INSURANCE GROUP

The ideal candidate will have extensive experience in statutory, agency and reinsurance accounting. Also, S.E.C., tax and E.D.P. expertise is desirable.

We are a dynamic, growing, midwest multiple P&C lines group currently managing over 30 carriers (onshore and offshore), pools and self-insured programs.

There are exceptional opportunities for the right person including bonuses and stock. If this sounds like you, please send current resume with letter indicating salary history to: Business Insurance, Box 2736, 740 N. Rush St., Chicago, IL 60611-2590.

HELP WANTED

CLAIMS SUPERVISOR
School district property/liability pool in Seattle. B.S./B.A., 5 years multi-line claims adjusting and 2 years supervisory experience required. Prefer familiarity with public sector or self-insured programs and automated claims tracking systems. Salary negotiable. Excellent benefits; EOE; **Call (206) 439-3636** for application. Open until filled.

MANAGER, RISK MANAGEMENT
City of St. Petersburg
SALARY $36,400 - $52,000

Responsible for administrative and technical work, in the management and administration of a comprehensive risk management program.

Prefer a four year college degree in Risk Management or related field with an ARM or CPCU designation. Must have considerable progressively responsible experience in claims administration, loss control, and property insurance.

Interested persons should submit a resume to the **Employment Office, P.O. Box 2842, St. Petersburg, FL 33731 through May 29, 1992.**

EQUAL OPPORTUNITY EMPLOYER

HELP WANTED

CONTRACTOR PRODUCERS WANTED

The Land Improvement Contractors of America, a forty year old national association of contractors, is looking for insurance producers in all jurisdictions for their nationally available casualty-property program.

Producer should have a working knowledge of the risks of the land improvement contractor and understand a national association insurance marketing program. Producers would retain ownership of their book of business and receive a generous commission split.

Send inquiries to: **Land Improvement Contractors of America Insurance Service, 7701 College Blvd., Overland Park, KS 66210, PH #1-800-365-LICA (5422) FAX #913-345-0418.**

BUSINESS OPPORTUNITIES

TPA, HMO, PPO, MGA Brokers:
Health care company seeks blocks of broker business to buy in large midwestern and sun belt cities. Reply to Box 2737, Business Insurance, 740 N. Rush St., Chicago, IL 60611-2590.

WORLD'S BEST INSURANCE SOFTWARE NEEDS SEVERAL NATIONAL SALES MANAGERS.

If you know your way around risk management, insurance claims administration, worker's comp, software sales and/or computers, we have a pile of big-ticket, pre-qualified leads for you to call on. We're a "marketing-aggressive" team and need representatives in every state who are too. Great compensation package. Unlimited, ground-floor opportunity to sell proven, high-demand, established products.

Send confidential resume to:
Insurance Software Solutions
960 Holcomb Bridge Road
Roswell, Georgia 30076

Or call 404-992-9383

LEGAL NOTICE

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

IN THE MATTER OF THE REHABILITATION OF MILLERS NATIONAL INSURANCE COMPANY — **NO. 90 CH 4851**

NOTICE OF PROPOSED PLAN OF REHABILITATION (FOR PUBLICATION)

TO: ALL POLICYHOLDERS, CLAIMANTS, INSURANCE COMPANIES WHICH CEDED LIABILITIES TO OR ASSUMED LIABILITIES FROM MILLERS NATIONAL INSURANCE COMPANY ("MILLERS"), OTHER CREDITORS OF MILLERS, AND ALL OTHER INTERESTED PARTIES.

PLEASE TAKE NOTICE that Stephen F. Selcke, Director of Insurance of the State of Illinois, acting in and only in his capacity as the Domiciliary Rehabilitator (the "Rehabilitator") of Millers, has prepared a Proposed Plan of Rehabilitation (the "Plan") as and to Millers, a copy of which has been mailed to all known creditors of Millers, and may be obtained from counsel for the Rehabilitator listed below.

TAKE FURTHER NOTICE that the Rehabilitator has requested a hearing upon and approval of the Proposed Plan of Rehabilitation by the Honorable John N. Hourihane, the Judge of the Circuit Court of Cook County, Illinois having jurisdiction of the rehabilitation proceedings of Millers, and that Judge Hourihane has set the hearing to be held Monday, August 17, 1992, commencing at the hour of 10:30 a.m., in the court room usually occupied by him in Room 2402, Richard J. Daley Center, Chicago Illinois 60602, at which time you may appear if you wish.

All written objections to the Proposed Plan of Rehabilitation must be served upon the counsel for the Rehabilitator on or before Friday, July 17, 1992, at 4:30 p.m., Central Daylight Time. Any objections so received shall be presented to Judge Hourihane by the counsel for the Rehabilitator for the consideration at the time of hearing upon the Plan.

The Rehabilitator requests that you direct any questions, suggestions and/or objections you may have concerning the Proposed Plan of Rehabilitation to any of the following:

Peter G. Gallanis,
Daniel A. Guberman,
Counsel for the Rehabilitator
Office of the Special
Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, Illinois 60654

Telephone: (312) 836-9500
Telefax: (312) 836-1944

Stephen W. Schwab,
Counsel for the Rehabilitator
Rudnick & Wolfe
203 N. LaSalle Street
Suite 1800
Chicago, Illinois 60601

Telephone: (312) 368-2150
Telefax: (312) 236-7516

Respectfully submitted,

Stephen F. Selcke
Director of Insurance
of the State of Illinois,
in his capacity
as Rehabilitator of Millers
National Insurance Company

By:
Stephen W. Schwab
Counsel to the Rehabilitator
Rudnick & Wolfe
203 North LaSalle Street
Suite 1800
Chicago, Illinois 60601

YOUR AD SHOULD BE HERE

Birth outcomes

Continued from page 1

national average of 7%, which includes the uninsured population, CIGNA reports.

In addition, one in four insured babies are either premature or born with some health complications, the study found.

And, one in 22 insured infants is born with a severe health problem, most commonly related to a birth weight of less than 2.5 pounds, the study says.

The costs associated with these poor birth outcomes are significant for employer-sponsored health care plans.

CIGNA estimates that poor birth outcomes—including both relatively minor infant health problems and severe problems—cost employers and employees an additional $5.6 billion per year compared with the costs incurred in normal full-term births.

Preterm births alone represent a net cost of as much as $4.7 billion per year to employers and workers, the study found.

A second report funded by CIGNA and conducted by the Center for Health Policy Studies in Columbia, Md., estimates employers also will pay more than $4 billion this year through cost-shifting because of uncompensated maternity costs incurred by uninsured mothers and Medicaid recipients.

Part of that amount results from premature and problem births, the study added.

"Corporations have to recognize that this is their problem," said Deborah J. Chollet, associate director of the Center for Risk Management & Insurance Research at Georgia State. "If they don't realize they own this problem, they won't solve it," she said of the costs associated with poor birth outcomes.

The great expenses associated with poor birth outcomes—even those that are relatively minor—need to be highlighted, Ms. Chollet said. "We tend to think of cataclysmic events—like transplants—as being the most expensive for employer health plans. But, pregnancy can be very expensive, especially if something goes wrong," she said.

Something goes wrong surprisingly often, pointed out Douglas Smith, assistant director of research and development for CIGNA in Bloomfield, Conn.

For example, the study found that one in eight infants is born with a "minor" health problem—like jaundice, rapid breathing, a scalp injury or clavicle fracture. These problems typically result in a two-day hospital stay and cost about $1,600 for the infant's care alone, Mr. Smith explained.

A normal newborn incurs costs of about $1,250, he said.

One in 12 infants is born with a "moderate" health problem, the study found. Common examples of moderate health problems include full-term infants born with Rh factor incompatibility, respiratory problems and perinatal infections or complications resulting from Caesarean section delivery, Mr. Smith said.

The cost of infant care for these types of cases, which typically involve a hospital stay of four days, ranges from $3,000 to $6,000, he noted.

In addition, nearly one out of 22 births results in a "severe" outcome. For example, the cost for an infant suffering from respiratory distress syndrome, in which breathing is severely impaired, totals $39,000 on average, Mr. Smith pointed out.

And extremely premature infants—those born before 28 weeks or weighing less than 1,000 grams—are an even more serious problem. Those infants typically remain in the hospital for 37 days and treatment costs an average of $77,000, Mr. Smith said. Health care for some premature babies can total as much as $1 million, he added.

The study's researchers estimated that if the number of poor birth outcomes were reduced to 12% rather than 25% of deliveries, employers and employees would save $2.9 billion in maternal and infant care expenses.

But the study's authors note that they did not attempt to determine how many birth complications could have been avoided if prenatal care were utilized or whether any of the complications resulted from barriers to prenatal care or other factors.

"While this report documents the incidence and cost of poor birth outcomes, it raises many questions that warrant further analysis," Ms. Chollet explained.

One such question is the relationship between poor birth outcomes and any one pattern of prenatal care, she said.

"We want to look at employer data to see if we can do anything that will help improve outcomes. For example, are pregnant women using prenatal care but ignoring nutrition? Are there workplace problems, like scheduling, that prevent them from getting prenatal care? Do women understand the problems of smoke—both primary and second-hand?" Ms. Chollett said.

'There are things business can do to bring women into prenatal care earlier,' says Mr. O'Brien.

There is some evidence that prenatal care improves birth outcomes, according to the CIGNA study conducted by the Center for Health Policy Studies.

For example, citing an assessment of the California Comprehensive Perinatal Program, a state program to encourage the use of prenatal services among Medicaid recipients and other low-income women, the study authors note that "infants born to women who received prenatal care had an average birth weight that was almost 10% higher than infants whose mothers did not receive prenatal care."

Low birth weights are a major cause of infant mortality as well as complicated, high-cost deliveries, the study pointed out.

Investing in prenatal care definitely pays off, according to other research cited by the CIGNA study. According to a study conducted by the Institute of Medicine, which is part of the National Academy of Sciences, each dollar invested in prenatal care saves $3.38 in medical costs.

Employers have to focus more energy on making sure their pregnant health plan beneficiaries are diligent about getting prenatal care, said G. Robert O'Brien, executive vp for CIGNA in Bloomfield, Conn. "There are things business can do to bring women into prenatal care earlier to reduce the incidence of low-birth-weight babies," he said.

Among other things, Mr. O'Brien suggested that employers give pregnant employees time off for prenatal visits or establish flexible work schedules.

Employers also should stress the importance of prenatal nutrition by providing nutritional lunches in cafeterias and skim milk in vending machines. Companies also can offer counseling on the dangers of substance abuse during pregnancy, smoking cessation classes and exercise programs to expectant mothers, Mr. O'Brien said.

Providing such programs is not only good for employee relations, but it also can be financially beneficial to employers if it reduces the number of poor birth outcomes, he said.

Some employers also may want to invest in well-baby programs, Ms. Chollet suggested. More than 90% of group indemnity policies cover prenatal care, but less than half offer well-baby care, according to a spokesman for the Health Insurance Assn. of America.

•

Copies of both studies, "The Corporate Cost of Poor Birth Outcomes" and "Impact of Uncompensated Maternity and Infant Care Costs on Employers," are available free by calling CIGNA Corp. at 203-726-8340.

Insurance Services Guide

ENVIRONMENTAL CLAIM AUDITS & RISK ASSESSMENTS ACTUARIAL CONSULTING
Financial Evaluation of Environmental Losses
TILLER CONSULTING GROUP, INC.
2833 N Geyer Road / St Louis, MO 63131-3320 314/567-7480

FRONTING
We're specialists in fronting arrangements and mergers/acquisitions.
In the industry since 1960.
Corporate Intermediaries
W.F. "Bill" Vest
Box 816124, Dallas, TX 75381
PHONE 214-620-2581
FAX 214-418-7195

CASUALTY ACTUARIES, INC.
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
• Statutory letters of opinion on loss and loss expense reserves.
77 West Port Plaza, Suite 550
St. Louis, Missouri 63146-3107
(314) 878-5002

presley & associates, inc.
ACTUARIAL CONSULTANTS
Self-Insurance, Captives & Risk Retention Group Feasibility Studies
• Loss Retention & Reinsurance Need Evaluations
• Claim Reserve Studies & Opinions
• Rate & Loss Cost Analyses, & Filings
603-880-6501

InPhoto Surveillance

Long Range Video Surveillance of Claimants. Agents within 3 hours drive of 80% of the U.S. population.
800-822-8220 FAX 800-752-0720

PSYCHIATRIC PHYSICIAN REVIEW
A national network of consulting physicians
PREST & ASSOCIATES, INC.
James Richard Prest, M.D. Chairman
Case Review For Insurance Companies, Claims Administrators, Self Insured Employers, Managed Care Firms, HMOs, EAPs
2304 Wimbledon Way
Las Vegas, Nevada 89107
FAX: 702 258-4669
PHONE: 702 258-6384

CLAIM AUDIT CONSULTANTS
Auditor for the Pool/Risk MGR or Self-Insurer
2333 Hillcrest Drive
Bloomfield Hills, MI 48302
(313) 333-2213
(Responding to RFPs Nationwide)

Insurance Services Guide Works

WLT
MEDICLAIMS COMPCLAIMS FLEXCLAIMS COBRA PLUS
Software of Florida, Inc.
INTEGRATED SYSTEMS LIKE NO OTHER
MEDICLAIMS • Health Claims Administration
COMPCLAIMS • Workers' Compensation Administration
FLEXCLAIMS • Flexible Benefits Administration
COBRA PLUS • Cobra Administration
CALL OR WRITE FOR MORE INFORMATION
831 North Hercules Avenue, Clearwater, Florida 34625
813-442-9296
. . . ANYTHING ELSE IS A COMPROMISE

RISKMASTER® Software
by DORN Technology Group, Inc.
Software, Services & Consulting
...Another Proven Riskmaster Software Series Product
...A Nationaly Ranked Leader Since 1982
ONSITE TRAINING ONGOING SUPPORT
■ GENERAL CLAIMS
■ WORKERS' COMP
■ VEHICLE ACCIDENTS
■ CHECK WRITING
■ EXP. MODIFICATION FACTORS
■ ACTUARIAL REPORTING
■ DATA CONSOLIDATION FOR CARRIERS, TPA'S & BROKERS
FOR PC/LAN/UNIX
For Marketing Questions or to Attend a Free Seminar, Call (313) 462-5800

Reach For The Stars
Investigate this new generation of quality software solutions for health benefits management, workers' compensation claims, general liability, medical cost containment, and first injury reporting, including:
ISP HealthStar • ISP CompStar • ISP MultiStar
ISP MediStar • ISP FirstStar
For more information about the many ways you can benefit from Insurance Software Packages, Inc. write to us at 3625 Queen Palm Drive Tampa, FL 33619 or call (800) 237-8133 in the U.S., (813) 621-6069 in Florida.
ISP
NOW AVAILABLE FOR UNIX®
A registered trademark of AT&T

MEDICAL COST CONTAINMENT
BILL REVIEW SYSTEMS
•Physician
•Hospital
•Pharmacy
DATA ANALYSIS SYSTEMS
•Providers
•Treatments
•Claimants
CALL TODAY for a FREE demonstration disk...
(800) 829-1841
SOFTOUCH SOFTWARE INCORPORATED
5200 SW Macadam Ave., #255
Portland, Oregon 97201
CASE MANAGEMENT SYSTEMS
•Medical Case Management
•Medical Event Management
FRAUD MANAGEMENT SYSTEMS
•Analysis/Detection
•Management/Control
BY SOFTOUCH SOFTWARE, INC.
leader in medical cost containment solutions

For advertising information in the INSURANCE SERVICES GUIDE Contact: Margaret Hikido, 740 N. Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340

Rollback order

Continued from page 1

the rollback provision (*BI*, Oct. 21, 1991).

James O. Curley, president and chief operating officer of 20th Century, called the emergency regulations "unfair, unreasonable and inconsistent with Proposition 103 and the California Supreme Court's ruling interpreting (it)."

"It has been evident to us from the outset that the results of these administrative hearings were predetermined. We have no choice but to seek relief through the courts."

The insurer will file suit in Los Angeles Superior Court seeking a review of the rollback order, said Gary Fontana, a partner with Thelen, Marrin, Johnson & Bridges in San Francisco, who represents 20th Century.

Proposition 103, approved by voters in November 1988, required most property/casualty insurance "charges" in effect between November 1988 and November 1989 to be rolled back to 20% below November 1987 levels.

Although the California Supreme Court upheld the rate rollback, it ruled that insurers were entitled to a fair rate of return, which it did not specify (*BI*, May 8, 1989).

Mr. Garamendi issued on an emergency basis regulations setting a 10% rate of return across all lines of coverage (*BI*, Aug. 26, 1991; April 1, 1991; Jan. 14, 1991).

The department will seek to make those emergency regulations permanent before they expire on June 13, said Michael Strumwasser, a partner with Strumwasser & Woocher in Santa Monica, the department's counsel for Proposition 103 matters.

The regulations may run into at least one more roadblock: the state Office of Administrative Law. Regulators have to petition the OAL to make the emergency regulations permanent, but it is unclear how the OAL will respond. The agency disapproved the emergency regulations last year but was later overruled by Gov. Pete Wilson (*BI*, Sept. 9, 1991).

20th Century, which has not increased its rates since May 1988, will post a negative rate of return for 1989 if courts validate the rollback order, a spokesman said. Its return on equity was 32.5% in 1989, 27.3% in 1990 and 23.3% in 1991. 20th Century does not plan to raise rates this year, he said.

20th Century's refund order represents an overall refund of 12.2% of 1989 premiums across all lines of coverage the insurer wrote.

However, actual rollbacks vary widely by line. Rates for the insurer's more profitable lines—including earthquake and inland marine coverage—were ordered to be rolled back 89.3% and 91.2%, respectively, to arrive at the 12.2% refund. Personal auto rollbacks were much smaller: 24% for physical damage, and 3.9% for liability.

That discrepancy, contends Mr. Fontana, the lawyer for 20th Century, represents an inequity in the regulations.

"Our position is that premiums should be refunded to those who paid them," Mr. Fontana said. As it now stands, approximately 650,000 policyholders—most of whom have personal auto coverage—stand to receive an average of about $150 each.

20th Century writes no commercial coverage. But under the rollback formula used by Mr. Garamendi, commercial lines will subsidize less profitable lines like personal auto, Mr. Fontana said.

That view is shared by Aetna Life & Casualty Co., whose administrative hearing is set for June 1. Aetna has been ordered to refund $146 million, including interest, which represents a refund of 20.3% of all premium to 1989 policyholders.

Ordered rate rollbacks again vary widely by line. For instance, Aetna's rollback for aircraft liability is 101%, far more than the personal auto rate rollbacks: physical damage, 25%; and liability, where no rollback was ordered.

For commercial lines policyholders to subsidize refunds for personal auto policyholders "is not a good idea," the spokesman said. "But it's just one of many problems in the methodology" of the emergency regulations.

But the department's Mr. Strumwasser has a different view. First, he said, "there are always cost subsidies" among different lines of insurance. And secondly, commercial policyholders stand to benefit if their insurer wrote a lot of earthquake coverage in Northern California in 1989, when the Northern California earthquake occurred.

In that instance, an insurer that suffered substantial earthquake losses in 1989 would find its auto premiums subsidizing Proposition 103 refunds to commercial policyholders, Mr. Strumwasser said.

Aetna will argue in its administrative hearing that in calculating refunds, regulators took into account lines of coverage that the Legislature exempted from Proposition 103, including surety and fidelity.

In fact, if the department accepts certain "data adjustments" proposed by Aetna, even Mr. Garamendi's methodology would not require Aetna to make a refund, the insurer's spokesman said.

But Aetna still will argue that the emergency regulations are flawed. For example, though they allow only a 10% rate of return, Aetna's cost of capital in 1989 was "at least 15%," he said.

The emergency regulations "create profit where there was none," the spokesman asserted.

Along with 20th Century, Aetna also will see a negative rate of return for 1989 if it is required to make the ordered refunds, he said.

Los Angeles-based Mercury General Corp.'s administrative hearing now also is complete, although a final refund order has not yet been issued. Mercury was originally ordered to refund $65.2 million.

A hearing will begin Tuesday for Government Employees Insurance Co., which was originally ordered to refund $56.2 million.

A hearing for State Farm Mutual Automobile Insurance Co., which has been ordered to refund a total of $260 million, including interest, will begin May 27. ■

The IRI Difference:

Our Account Teams Are Ready to Serve Your Property Insurance Needs

"IRI account teams combine both loss prevention and underwriting people," said Stan Couvillon, IRI Vice President—Loss Prevention. "In this way, our customers get the best of both disciplines when a recommendation is made. This is a key aspect of The IRI Difference.

"The training of our account teams is a painstaking process which involves weeks of basic classroom studies, months of advanced coursework and years of hands-on experience," he said. "Our customers tell us that our people are very thorough. That's understandable. Since 1890, we have been training our staff to take nothing for granted.

"During our first century, IRI employees helped conduct over five million inspections of facilities in more than 70 countries. This effort helped conserve billions of dollars worth of property and save thousands of jobs.

"Some of the other services our account teams provide are loss prevention advice in the blueprint stage, and the development of programs for preemergency planning and proper handling of impaired loss protection equipment," Mr. Couvillon said.

"In addition, IRI teams have emergency action plans ready in more than 30 IRI servicing offices worldwide in case a blizzard, arctic freeze, hurricane, cyclone or flood threatens the properties of our customers. In the past, these plans have helped to mitigate the results of natural catastrophes and other disasters," he stated.

"Recently, we've introduced a new loss prevention idea. It's called IRInformation, a subscription service for our customers and their insurance agent or broker. IRInformation is a two-volume, loose-leaf technical manual that answers many loss prevention questions. It's one more example of The IRI Difference."

Stan Couvillon, Industrial Risk Insurers

IRI℠

can make a difference

© 1992 Industrial Risk Insurers, Hartford, Connecticut

Texas

Continued from page 1

omp system and created impair-ient rating schedules to determine isability benefits (*BI*, Dec. 18, 989).

The fund's rate cuts and the de-line in the residual market deficit re "clear evidence that the reform aw is working as intended—that s, to lower the cost of premiums aid by employers," agreed Brad Gahm, vp of governmental affairs t the Texas Assn. of Business in Austin.

The law's future is uncertain, owever. The AFL-CIO is challeng-ng the law in state court, charging hat by eliminating the state's trial le novo system, the law denies vorkers due process guaranteed by he state constitution (*BI*, Dec. 10, .990). Under the trial de novo sys-em, nearly all Industrial Accident Board decisions were appealed to state courts for jury trials.

The Legislature approved creation of the competitive state workers comp fund last year with passage of H.B. 62 (*BI*, Sept. 2, 1991).

Since writing its first policy in January, more than 1,000 businesses have purchased coverage from the fund, generating about $37 million in premium.

The fund is scheduled in 1994 to replace the Texas Workers Compensation Insurance Facility, the existing assigned risk pool.

However, the assigned risk pool is reporting some success of its own in slashing its deficit to $137.7 million in 1991 from $556.5 million in 1990.

"This is a tremendous improvement over the previous year," said Synott McNeel, vice chairman of the governing committee of the Texas Workers Compensation Insurance Facility.

Mr. McNeel said the $137.7 million figure is unaudited.

He attributes reduction in the fund's deficit partly to the provision in S.B. 1 that restricts attorney involvement in workers comp claims settlement practices. "That part took effect in January 1991" and has helped keep pool losses down, he said.

Also, a 15% rate surcharge approved in 1990 that took effect in 1991 has boosted the facility's performance, according to Mr. McNeel.

The deficit should shrink even further this year, Mr. McNeel predicted. And, he said, by 1993, "I have hopes that we can get to a break-even point."

If a deficit remains when the facility stops writing coverage in 1994, insurers will continue to be assessed to eliminate the shortfall according to their percentage of premium written in the voluntary market.

Mr. McNeel said the whittling away of the deficit should attract insurers to Texas. Many insurers have withdrawn from the Texas workers comp market in the past several years, citing heavy losses.

"It really should encourage workers comp writers to re-enter the Texas market," he remarked. "It's really looking like a bright future for workers comp business in the state of Texas."

He acknowledged, however, that a dark cloud on the facility's horizon is the AFL-CIO's attempt to overturn the reform law.

Overturning the law "would create economic chaos," said Mr. McNeel. "The insurance industry would take wing and fly out of here."

"If that law is overturned, all bets are off" for Texas workers comp, said a spokesman for the Texas Workers Compensation Fund. "Carriers would leave in droves."

The spokesman speculated that if the AFL-CIO's campaign to defeat the law is successful, Gov. Ann Richards "would have to call a special session immediately" to address the issue.

Mr. McNeel pointed out that Gov. Richards has used the workers comp reforms to attract industry to the state. She particularly noted workers comp reform in persuading General Motors Corp. not to close a plant in Arlington.

"If we go back to trial de novo, the fat will be back in the fire," said Mr. McNeel.

Insurer representatives say they are pleased with the latest developments in Texas, but insurers may not yet be ready to stampede back into the Lone Star State.

"Quite honestly, we're amazed at the turnaround" in the system, said Steve Millikan, vp of workers compensation and commercial lines at the Alliance of American Insurers in Schaumburg, Ill.

"The perspective is hopeful," he said, adding that workers comp insurers that have withdrawn are keeping an eye on the challenge to the reform law before deciding whether to return.

Mr. Millikan said he expects insurers will return if the law is upheld and if the new competitive fund proves it can relieve some of the residual market burden.

Among insurer members of the National Assn of Independent Insurers, "there is some significant thought about coming back" to Texas, said Nancy Schroeder, the NAII's director of workers compensation. "I don't know that any decisions have been made yet, but the environment is as positive as it's been in a while." ■

Maine

Continued from page 1

However, the law gives employers that buy workers comp coverage from commercial insurers at least short-term relief from workers comp rate hikes and additional surcharges to help cover 1988-90 residual market losses, said John G. Melrose, executive director of the Maine Council of Self-Insurers in Hallowell.

"The Legislature is concerned with the state of the economy and wanted to help employers by deferring a rate increase and surcharges," said Richard E. Johnson, acting superintendent of insurance.

The new law extends to Nov. 1 from June 1 the deadline for Maine's insurance superintendent to rule on the NCCI's current rate and surcharge request.

The NCCI essentially is seeking to increase rates 32.2% for both voluntary and residual market risks. It also wants the superintendent to determine how large of a surcharge insurers can impose on employers for their share of residual market losses from 1988 to 1990. The surcharge could range from 16% to about 87% of premium, according to an NCCI estimate.

For 1988 losses alone, insured employers already have paid $19.7 million through surcharges of 3% of premium in both 1990 and 1991. However, the NCCI estimates that an additional $28.7 million to $137.8 million is needed to cover 1988 residual market losses alone, said John McClure, an NCCI actuary.

Employers that buy workers comp insurance are required by law to bear all of the 1988 residual market losses. In subsequent years, insured employers are expected to share up to half the burden with insurers.

The wide range for surcharge estimates "shows how much uncertainty is there" about the projected impact of 1987 reform legislation on still-open 1988 claims, among other things, Mr. McClure said (*BI*, Nov. 30, 1987).

The new law delays regulatory approval of the NCCI's rate request to allow Maine legislators more time to again try to enact reforms that would cut workers comp costs.

Those cuts could come if legislators adopt recommendations from a new "blue ribbon" commission that is charged with examining alternatives to the current workers compensation system. The commission, which was established by a law passed earlier this year, must file its report by Sept. 1.

Anticipated adoption of cost-cutting amendments drafted by the commission "will cause substantial changes" to the workers compensation act "that will have a direct and immediate effect" on workers comp rates, the law says.

The new law requires the insurance superintendent to conduct a hearing to determine the cost-saving effect of any amendments on rates and surcharges and "incorporate" those into his decision on the NCCI's requests.

The new law was adopted by the Legislature as an emergency measure, Legislative Document 2457, and went into effect when the governor signed it April 9.

Although the new law provides that any rate changes approved in November could be retroactive to July 1, the NCCI is not mollified.

"It was very inappropriate," John Casner, the NCCI's director of consumer, industry and government affairs for the Northeastern Division in Windsor, Conn., said of the law.

In addition, the NCCI contends that the superintendent's decision on its rate request was actually due May 1, a month earlier than the June 1 deadline cited in text of the new law.

"By not allowing insurance carriers to collect needed increases in premiums from May 1 to July 1, 1992, the Legislature is permanently depriving carriers of revenue needed to cover the escalating costs of Maine's workers compensation system," Mr. Casner said in a statement.

This "window" will deprive NCCI member companies of nearly $15 million in premium, according to a complaint filed by the NCCI in Kennebec County Superior Court in Augusta.

In the complaint, the NCCI alleges that the new law violates insurers' constitutional rights under federal and state law to equal protection, due process and unimpaired contracts, among other things. It also seeks a "speedy" hearing and an injunction ordering the superintendent to render his decision in the rate filing.

"The Legislature has taken precisely the same approach it took throughout the 1980s—simply prohibit or delay rate relief by legislative fiat. It was this approach that created the Maine workers compensation insurance crisis in the first place," the NCCI's Mr. Casner said.

For example, a 1985 law slashed rates 8% in 1985, froze them in 1986 and capped increases in 1987, 1988 and 1989 at 10% per year.

A pending lawsuit by a group of Maine employers charges that the NCCI and several insurers violated antitrust law by allegedly conspiring in 1987 to repeal that 1985 law (*BI*, Sept. 23, 1991).

Meanwhile, Maine is expected to get a new insurance superintendent, as well as new residual market capacity.

Maine's Senate could confirm this week the nomination of Brian Atchinson, legal counsel to the state's Department of Professional and Financial Regulation. The department oversees operations of the insurance bureau.

Mr. Johnson, the acting superintendent, will resume his position as a casualty actuary with the bureau.

At the same time, new insurers are insuring new risks in the residual market in place of two servicing insurers that reached self-imposed caps for new business.

The new insurers are Aetna Life & Casualty Co. of Hartford, Conn., and Continental Insurance Co. of New York.

However, the new insurers' commitment is limited, Mr. Johnson noted. Continental is expected to reach its self-imposed limit by the end of June. In addition, Aetna has bureau approval to withdraw from the state at year-end, he said.

Those two insurers replaced capacity previously supplied by Commercial Union Insurance Co. of Boston and Hanover Insurance Co. of Worcester, Mass.

Both have reached self-imposed caps for new residual market business, though they still are writing renewal business.

The third insurer acting as a servicing carrier for new risks is Maine Bonding & Casualty Co. of Portland, a Maryland Casualty Co. unit. ■

Policies purchased for satellite rescue

By STACY SHAPIRO

Although the satellite rescued last week by a space shuttle crew is insured for $44 million for 180 days in its new orbit, the orbiter didn't always have coverage.

When the International Telecommunications Satellite Organization F-3 communications satellite failed to reach geostationary orbit 22,500 miles above the earth in March 1990, insurers did not pay any portion of the loss (*BI*, June 25, 1990; March 19, 1990).

Most of the partners of the INTELSAT consortium of national communications companies had opted not to buy insurance because rates were too high. Only Communications Satellite Corp. in Washington D.C. decided to buy $66 million of launch coverage led by Lloyd's of London.

But COMSAT's policy, which covers several satellites, had a one-loss deductible. Because the INTELSAT orbiter was the first loss, COMSAT could not file a claim.

When INTELSAT officials contracted with NASA for the space shuttle to attempt a rescue of the satellite, some members of the consortium sought new coverage for the recovery mission.

When the space shuttle Endeavor lifted off on its rescue mission, three policies were in force for some of the consortium members, according to Beatrice Rice, assistant vp of Willis Corroon Inspace Inc. in Bethesda Md. According to Inspace and London broker Crawley Warren & Co. Ltd., the policies include:

- A $500 million third-party liability, property damage and personal accident policy placed with a NASA insurance facility led by the Ariel syndicate and underwriter Stephen Merrett's syndicate 418 at Lloyd's.

This coverage is 100% placed in the London market. Had anything calamitous occurred to the astronauts or the space shuttle during the recovery mission, this policy would have been triggered.

- A $200 million contingency insurance policy that insured INTELSAT's contractual liabilities if the satellite's "relaunching" fails.

About 73% of this policy was placed in London and the rest in Europe.

- A $44 million extra expenses satellite insurance policy to protect some of the members of the INTELSAT consortium for the loss of the satellite and the cost of the recovery mission if the shuttle crew failed in its venture.

The Endeavor crew, though, apparently succeeded in rescuing the satellite, though it took three attempts and a record three-astronaut space walk to accomplish the goal.

The extra expense policy still is in effect, since it covers the relaunch of the satellite for up to 180 days in orbit, said Ms. Rice.

The $44 million policy had a premium nearing 20% of its limits, according to Stephen Merrett, chairman of Merrett Holdings P.L.C., who was the second lead underwriter on the coverage. The leading Lloyd's underwriter, Michael Marchant, was at NASA headquarters last week watching the mission.

About 95% of the policy is placed in London and European markets, and 5% with International Technology Underwriters Inc. in Washington, said Ms. Rice. ■

AP/Wide World Photo

The space shuttle crew successfully rescued INTELSAT's orbiter.

New York report

Continued from page 2

23, 1991; Jan. 15, 1990).

The latest report, though, comes amid heightened national concern over insurer solvency and as Congress prepares to debate a bill introduced last month by Rep. John D. Dingell, D-Mich., calling for federal involvement in solvency regulation (*BI*, April 13).

The comptroller's office has already sent a copy of its report to Rep. Dingell, chairman of the House Energy and Commerce Committee, a spokesman for Mr. Regan said.

In addition, the New York comptroller is compiling information from Insurance Department audits conducted by comptrollers in 10 other states: California, Colorado, Florida, Illinois, Maryland, Missouri, New Mexico, North Carolina, Tennessee and Texas.

The 11-state overview—a project of the National Assn. of State Auditors, Comptrollers & Treasurers—also will be sent to Rep. Dingell, Mr. Regan's spokesman said.

Noting the New York department's reputation as a strong regulator, the spokesman suggested that audits in the other states are likely to uncover problems of equal or greater magnitude.

"If New York has these problems, what do the other states have?" he asked.

The New York department, meanwhile, has rebutted Mr. Regan's criticisms in a lengthy response to the audit report.

The Insurance Department, defending its record as "stellar," said the report's conclusions are "unfair. . .and do not recognize its long history of efficient and effective regulation."

Many of the report's recommendations are either unnecessary or "too broad and do not recognize relevant facts that would make implementation unworkable," the department contends.

The comptroller's audit, released May 7, examined Insurance Department operations for the period from Jan. 1, 1986, to May 31, 1991.

While acknowledging the department's efforts to strengthen regulation, "our review showed that the department is not as effective as it can be in monitoring insurer solvency," the report says.

New York regulators have not acted quickly once they recognize an insurer is in financial trouble, according to the report, which cited four property/casualty company failures as examples:

- Ideal Mutual Insurance Co. was tagged by the NAIC as needing immediate regulatory attention in 1980 and was found to be insolvent by $6.5 million in a triennial exam begun by the New York department in late 1981 and completed in 1984.

New York regulators did not place Ideal into liquidation until 1985, though, and the delay may have allowed the $6.5 million insolvency to grow to $155 million by 1983, the report charges.

- Midland Insurance Co., whose financial problems were spotted in 1983 in an exam for the four years ending Dec. 31, 1980. Two years passed before the exam was filed, though, and the insurer was not ordered liquidated until April 1986, after a second exam had found Midland insolvent by $24 million, the report says.
- Dominion Insurance Co., whose problems were first spotted in 1978. The insurer was found insolvent by $29 million in 1985 and ordered liquidated in 1986.

Delays in Insurance Department exams allowed the company to misreport financial data, according to the report, which charges that prompt examinations could have shown Dominion to be insolvent in each year from 1981 to 1984.

- Interamerica Reinsurance Corp., which the Insurance Department knew to be insolvent as early as October 1985 but which it did not move to liquidate until August 1988, the report says. In the interim, the size of the insolvency expanded to $41.1 million from $4.2 million, the comptroller alleges.

The report also notes that the department knew of the growing junk bond portfolio of Executive Life Insurance Co. of New York as early as 1981 but took "little or no effective action" on the problem. ELNY was ordered into rehabilitation in 1991.

The report recommends that New York regulators establish formal criteria for taking action against troubled insurers that are not yet legally impaired and that they take steps to ensure that field examinations are completed more quickly.

'Our review showed that the department is not as effective as it can be,' says the comptroller's report.

In its response, the Insurance Department points out that it imposed junk bond restrictions in 1987 after unsuccessfully lobbying for legislation on the issue in 1985, and that it took several other actions unrelated to the junk bonds, including forcing ELNY's parent, Executive Life Insurance Co., to withdraw from the state.

The department also denies that it has failed to act decisively against troubled companies.

The report "implies that any action short of rehabilitation or liquidation is evidence of ignoring problems," New York regulators contend. "The department is given little or no credit for its efforts to solve problems before they become so intractable as to require rehabilitation or liquidation."

The comptroller's audit alleges several other deficiencies in the Insurance Department's operations and offers recommendations for correcting them:

- The department has failed in some cases to adequately monitor insurers it has put on a watch list of potentially troubled companies. The audit found, for example, that "desk examinations" of insurer financial statements had been completed for only four of 76 property/casualty companies on the 1990 watch list nine months after the companies were due to file their 1989 statements.

The report recommends the department set up a tracking system for monitoring watch list insurers that includes not only their names but also descriptions of the insurers' problems and department actions to address them.

In its response, the department says it already monitors "high-priority insurers," documenting their problems and department actions, but does not create a formal list because of concerns about confidentiality.

- The department relies too much on capital infusions to correct insurer financial problems and pays too little attention to operating problems that create threats to solvency, like poor management.

The report recommends that the department focus more on these operating problems and and on companies that depend on capital infusions to correct the problems.

The department says it already does this.

- Department officials do not always share information they have on troubled companies with other state regulators or the NAIC.

The department's 1990 watch list included 111 troubled insurers, but only 17 of these were reported to other insurance departments or the NAIC, the audit found. The New York watch list included the names of 43 insurers that were not included on the NAIC's watch list, according to the report.

The audit recommends that the department pass more information about troubled companies to fellow regulators.

The department, in response, maintains that it already communicates extensively with other regulators, but "this must be balanced by the legal requirement to provide licensees with their due process rights."

- Desk examinations are not completed quickly enough and department resources are wasted on field examinations of strong companies that do not need the attention.

The audit found that desk examinations of 1989 financial statements had been completed for only 274 of 810 companies, or 33.8%, within 10 months of receipt.

The report recommends that the department set productivity standards for desk examiners, consider levying fines against companies that file late statements and adjust the scope of field exams based on the solvency risk an insurance company presents.

The department responded that strict productivity standards are not feasible since financial statements differ dramatically and that it is implementing procedures to levy fines. The department says it already takes solvency risks into account in conducting field exams.

- New York's minimum capital and surplus requirements don't take into account the type or amount of insurance a company writes.

The report recommends legislation creating risk-based capital requirements.

The department says it plans to propose such legislation once a risk-based capital model law is developed.

Mr. Regan's report also questioned whether the NAIC's accreditation of the New York department is meaningful, describing the accreditation process as "limited, undocumented and primarily based on interviews with department officials."

New York regulators rebutted this description of the accreditation process, though, saying the process requires extensive documentation and review. ■

Update

Primary win for Gov. Caperton

CHARLESTON, W.Va.—West Virginia Gov. Gaston Caperton will face Republican Cleve Benedict in November's general election after winning last week's Democratic gubernatorial primary.

Gov. Caperton, the former chairman of Charleston, W. Va.-based insurance brokerage McDonough Caperton Insurance Group, came under fire during the primary campaign for breaking a previous pledge not to raise taxes. The governor received about 43% of the vote, with 34% going to state Sen. Charlotte Pritt and 20% to state Attorney Gen. Mario Palumbo, with the rest of the vote split between two minor candidates. The governor's November opponent, state Agriculture Commissioner Benedict, swamped former state Rep. A.V. Criss III by winning more than 80% of the GOP primary vote.

Gov. Caperton resigned his chairmanship of McDonough Caperton after winning the 1988 gubernatorial election. The brokerage was acquired last year by San Francisco-based American Business Insurance Inc. (*BI*, June 10, 1991).

Jury finds traffic design faulty

DALLAS—An engineering firm's errors and omissions insurance will pay part of a $42 million jury award to a motorist injured in a 1987 Dallas automobile accident, the plaintiff's attorney says.

Improperly timed and placed traffic signals were blamed for an accident that left Cecil Wayne Smith paralyzed.

A state court jury in Dallas earlier this month awarded him compensatory damages of $19.6 million and punitive damages of $22.5 million to be paid by the city of Dallas and Kansas City, Mo., engineering firm Howard Needles Tammen & Bergendoff, which was involved in the placement of traffic signals.

The city, which is self-insured, would be required to pay only $250,000 under state governmental immunity laws, according to Katherine Knight, assistant city attorney.

However, the engineering firm has "a substantial amount of insurance to cover all the actual damages," said Dallas attorney Jan Woodward Fox, who represents Mr. Smith.

Punitive damages generally are insurable in Texas.

Ms. Fox said Chicago-based CNA Insurance Cos. wrote E&O coverage for the engineering firm.

The city is studying an appeal, according to Ms. Knight. Attorneys for the engineering firm could not be reached.

Securities firm to appeal verdict

NEW YORK—Morgan Stanley Group Inc. says it plans to appeal a Charlotte, W.Va., circuit court verdict last week that the securities firm pay up to $48 million in damages and interest to the state of West Virginia for engaging in speculative transactions in 1987 while employed by the state.

The brokerage said in a statement that West Virginia's Consolidated Fund had been managed by the state's own team of professional money managers and that Morgan Stanley served simply as one of many firms used to execute trades.

Rudy DiTrapano, an attorney for the state with Charlotte-based DiTrapano & Jackson, said West Virginia lost $39 million on the three Morgan Stanley transactions.

Mr. DiTrapano said seven other firms have settled for a total of $28 million in connection with a 1989 lawsuit. The securities unit of Chase Manhattan Bank is the only remaining defendant.

Morgan Stanley would not comment on its insurance.

Briefly noted

New York regulators have approved **The Equitable Life Assurance Society of America**'s plans to convert from a mutual company to a stock life insurer. Under the plan, which Equitable's board of directors approved last year, France's AXA Midi Assurances S.A. will invest $1 billion in cash (*BI*, July 22, 1991). . . .The National Transportation Safety Board has asked the Federal Highway Administration, state governments and the construction industry to **develop a safety program** to reverse the increase in deaths in highway work zones. The NTSB reports that the number of work zone-related deaths climbed to 780 in 1988—the last year for which nationwide statistics are available—from 489 in 1982. . . .Hassneh Insurance Co. of Israel Ltd. has settled claims brought by **Pacific Reinsurance Management Corp.** in an arbitration proceeding for an undisclosed amount. Hassneh is the last of six PRMC reinsurers to settle with the pool manager after an arbitration panel hit them with a $94.5 million judgment in 1989 (*BI*, Nov. 6, 1989). . . .**Arist National Insurance Group**, a New Orleans auto insurer formerly known as Certified Lloyds Plan, was ordered into liquidation by a state judge May 4. Insurance executive Norman Howard pleaded guilty in 1990 to a fraud charge stemming from his unsuccessful attempt to buy Certified Lloyds using phony certificates of deposit (*BI*, Dec. 16, 1991). . . .The Illinois House and Senate this week may consider bills that would establish by Jan. 1, 1995, a single-payer, **universal health care plan** administered by the state. Amendments are expected to weaken the legislation, business lobbyists say. . . .**North Dakota Insurance Commissioner Earl Pomeroy** is the Democratic candidate for the U.S. House of Representatives in the November elections. Mr. Pomeroy had planned to join the Peace Corps after his term as commissioner expires at year end. On the ballot to replace him as insurance commissioner is Glenn Pomeroy, his brother, who now oversees the licensing and sale of securities in the state. . . .Sir David Walker says he will complete his investigation into alleged malpractices in the **London excess-of-loss market** next month and hand his report to Lloyd's Council by July 1.

Mutual Benefit

Continued from page 2

Benefit's operations and contends that more than policyholders' fears led to its downfall, contrary to the perception of some.

Mutual Benefit was the largest insurer ever put into rehabilitation when it was taken over by the New Jersey Insurance Department last July (*BI*, July 22, 1991).

In September, the insurer's group health, accident and life business was sold to New York-based AMEV Holdings Inc. (*BI*, Aug. 5, 1991).

In addition, Hartford Life Insurance Co. signed a letter of intent to buy the insurer's corporate-owned life insurance business (*BI*, Feb. 24).

Mutual Benefit has retained its individual life, tax-deferred annuity and guaranteed investment contract business.

The advisory group's report estimates that Mutual Benefit's liabilities exceed its assets by more than $800 million. This is based upon the assumption that Mutual Benefit will remain an ongoing concern rather than be liquidated.

"We have a rehabilitation plan which will show the hole in the balance sheet can be worked out over five years," said Mr. Palmieri. But this plan assumes the real estate market, which is "obviously at the bottom of the market now," will recover, he said.

The department is asking the life/health insurance industry for a guarantee that would be a "deferred contribution rather than an up-front contribution" in the event the real estate market does not improve, Mr. Palmieri said. However, the actual amount contributed by insurers would depend upon the performance of Mutual Benefit's real estate portfolio.

Under Mr. Palmieri's proposal, the guarantee would be provided by a consortium of insurers. State life/health guaranty funds would be used to back up the industry guarantee, he said.

The plan also provides that policyholders would have several choices, including withdrawing their money immediately and sacrificing a percentage of the cash value of their policy; or leaving their money with the insurer for a minimum of five years, after which 100% of a policy's cash value could be obtained.

Robert Chmely, senior vp at Prudential Life Insurance Co. in Newark, N.J., who is project leader of the industry advisory group, said the group has just begun to focus on the issue of assisting Mutual Benefit.

However, he added, "there's no question the industry feels there's great value in protecting the industry's reputation. That's important to all of us."

Rob Henrikson, senior vp at Metropolitan Life Insurance Co. in New York and a member of the advisory group, said the "big question" is how much industry assistance is needed, and the most appropriate and efficient way to pay for it.

A Metropolitan Life policyholder would "obviously not be very excited" to learn MetLife had written out a check for Mutual Benefit, he said. On the other hand, the industry's reputation is a consideration, as well, said Mr. Henrikson.

The report issued by the advisory group notes that Mutual Benefit was placed into rehabilitation because of a "run on the bank" made by policyholders concerned about the security of their investments. That concern was prompted by a series of successive downgrades by rating agencies in 1990 and 1991 (*BI*, July 22, 1991).

Well over half of Mutual Benefit's portfolio was in assets related to real estate that was becoming "increasingly illiquid and losing value," the report said.

"But closer review reveals that the liquidity crisis was largely an outgrowth of the aggressive manner in which the company had been operated," the report charged.

Beginning in the mid-'80s, the insurer grew rapidly by writing interest-bearing, high-rate short-term insurance products, including guaranteed investment contracts, and using the cash flow to buy real estate-related assets.

But the advisory group says there were several problems with the insurer's real estate investment strategy. For instance, more than 63% of the book value of its invested assets was in real estate, compared with a life insurance industry average of 26%. In addition, there was an unusual concentration in commercial properties, the report notes.

Mutual Benefit also had an "excessively large and risky" $630 million investment in two luxury residential resort properties in Florida—Fisher Island and Williams Island—which exceeded its total capital of $560 million at year-end 1990.

"Investments in individual properties that are huge relative to the size of the portfolio may be characterized, at best, as atypical in the insurance industry, particularly when the investments involve unusually high-risk, luxury resort properties," says the study.

Furthermore, its commercial mortgage loan portfolio was "apparently not judiciously selected and was not well managed" with current delinquency rates that were three times the insurance industry experience, according to the report.

Many of its investments were in Michigan and the Northeast, "where continuing economic problems will contribute to the expected heavy losses in 1992," says the report.

The group found problems on the liability side of the ledger as well. For instance, Mutual Benefit had four major pension contracts that accounted for about $2 billion of liabilities. "This is almost 40% of MBL's total pension liabilities and, given the illiquidity in its real estate portfolio, represents a severe loss if assets have to be sold to meet withdrawal demands."

The study found that assuming a going-concern scenario, Mutual Benefit had a total of $8.518 billion in assets and $9.32 billion in liabilities, or an $802 million shortfall.

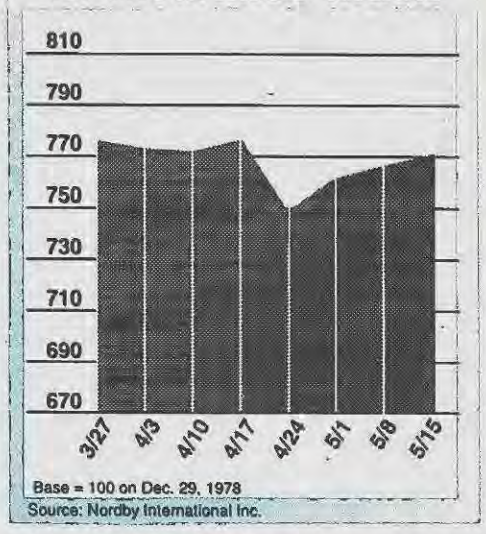
If, however, the insurers' real estate portfolio were liquidated within the next 12 months, its assets would total just $8.03 billion in value, which would amount to a $1.29 billion shortfall.

"By any reasonable measure, it is clear that MBL's assets are not currently sufficient to meet its liabilities, even if the potential cost of unsecured claims or contingencies is ignored," the report said.

But, it states, "Severe and unnecessary additional losses would be incurred by a rapid liquidation of the real estate portfolio. Clearly, a fast liquidation of assets must be avoided."

In addition to Prudential and MetLife, members of the industry advisory group include representatives of the American Council of Life Insurance, the National Organization of Life & Health Guaranty Associations, CIGNA Corp., Federal Kemper Life Assurance Co., Lincoln National Life Insurance Co., the Principal Financial Group, Capital Holding Corp. and American Heritage Life Insurance Co. ■

BI Insurance Index



Insurance industry stocks crept ahead last week, as the *Business Insurance* Index climbed 3.0 points to 770.5 on May 16 from 767.5 on May 8. Advancing issues for the week were led by Reliance Group Holdings, up 16.2%; Belvedere Corp., up 11.4%; and National Re Holdings Corp., up 10.4%. Declining issues for the week followed HMO America Inc., down 10.5%; Frank B. Hall, down 9.1%; and Kemper Corp., down 5.9%. The most active issue was Sears, Roebuck & Co. (Allstate), 3.1 million shares traded. The *BI* Index was up 0.4%; the New York Stock Exchange Composite was down 1.3%; the Standard & Poor's 500 fell 1.4%; and the Dow Jones 30 Industrials fell 0.5%.

British Issues

May 14 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	497	N/M	31.5	6.3	502—	497
Genl Accident	497	N/M	35.7	7.2	499—	489
Gdn Royal Exch	158	N/M	10.0	6.3	158—	158
Royal	250	N/M	15.0	6.0	250—	235
Sun Alliance	322	N/M	19.0	5.9	330—	322
Brokers						
Bradstock	150	16.9	6.3	4.2	150—	147
CE Heath	414	27.3	34.5	8.3	416—	399
Hogg Group	165	11.0	10.9	6.6	167—	165
JIB Group	203	14.9	10.0	4.9	204—	197
Lloyd Thompson	240	24.0	6.0	2.5	242—	240
Lowndes Lmbrt	319	13.3	17.3	5.4	319—	318
PWS Holdings	53	5.8	5.3	10.0	53—	53
Sedgwick Grp	232	18.2	16.0	6.9	237—	223
Steel Brrl Jones	299	15.0	17.7	5.9	299—	296
Willis Corroon	257	16.7	17.6	6.8	267—	257

Source: Philip Olsen, Insurance Industry Analyst, London

BI Industry Stock Report

MAY 11, 1992 THROUGH MAY 15, 1992

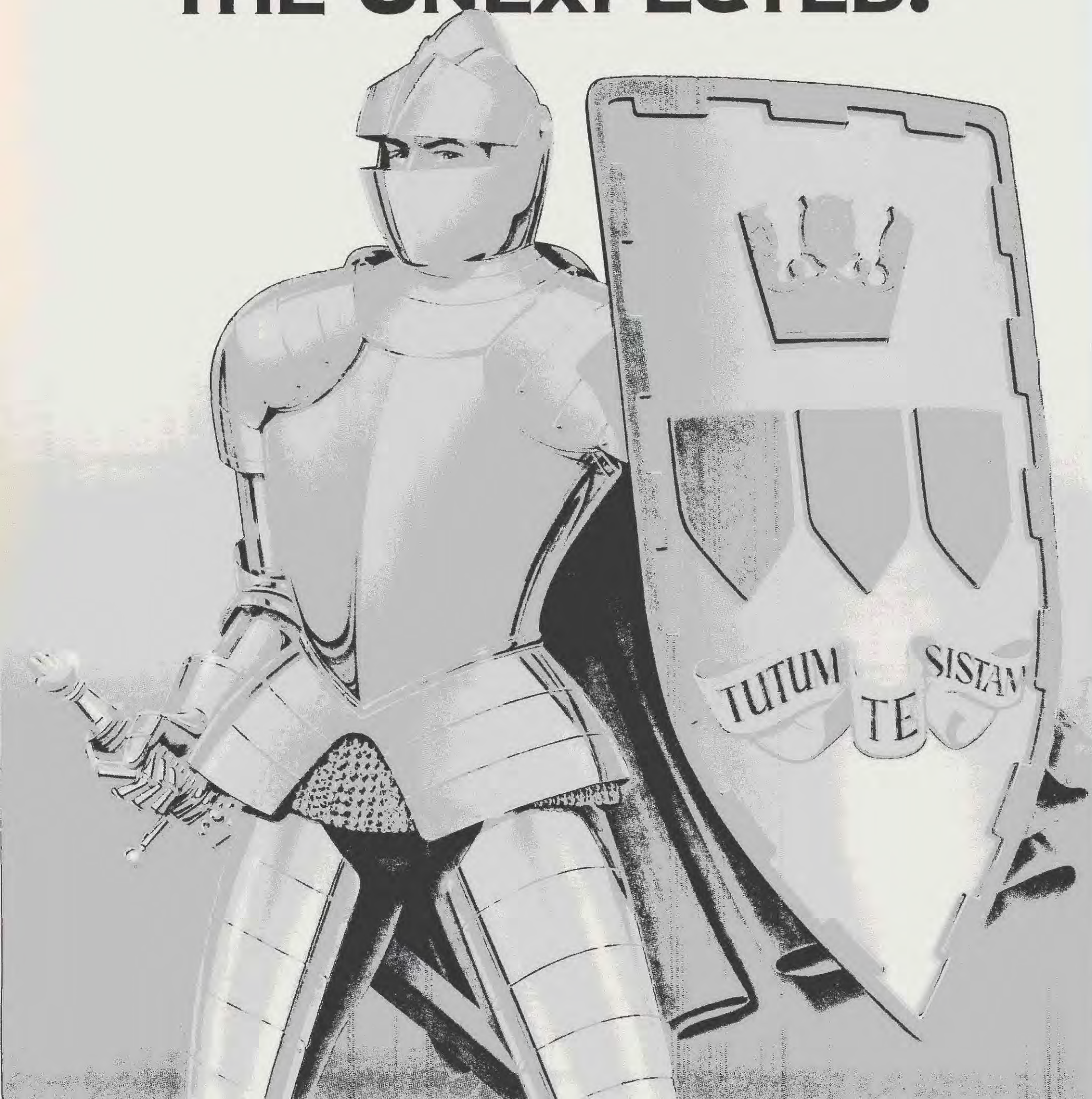
		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	19.63	-1.26	-4.27	23.38	18.00	253	1.00	5.10	123	9.77	2.01
Gallagher Arthur J. & Co.	NYS	23.25	-3.13	3.91	25.25	19.00	90	0.64	2.75	18	5.88	3.95
Frank B. Hall	NYS	3.75	-9.09	-11.76	5.50	3.13	54	0.00	0.00	-3	-5.24	-0.72
Hilb, Rogal & Hamilton	OTC	12.25	5.38	-7.55	17.25	11.00	196	0.40	3.27	20	3.56	3.44
Marsh & McLennan	NYS	75.50	-5.18	-7.22	83.75	70.00	283	2.60	3.44	18	14.77	5.11
Poe & Associates	OTC	14.50	-1.69	20.83	16.00	10.00	24	0.40	2.76	17	2.52	5.75
BROKERS	AVERAGE		-2.5	-1.0					2.5	27		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	32.25	1.57	5.74	36.25	23.50	412	0.36	1.12	11	23.89	1.35
Berkshire Hathaway Inc.	NYS	9075.00	0.28	0.28	9200.00	8000.00	0	0.00	0.00	-33	4612.00	1.97
ITT (Hartford Group)	NYS	65.88	-3.13	14.07	70.63	50.00	911	1.84	2.79	11	64.01	1.03
Sears (Allstate)	NYS	43.63	2.35	15.18	48.00	32.50	3136	2.00	4.58	12	37.38	1.17
CONGLOMERATES	AVERAGE		0.3	6.8					2.1	0		
INSURERS/REINSURERS												
AEGON N.V.	NYS	66.00	-1.86	-5.71	71.75	54.75	6	2.30	3.48	6	N/A	N/A
Aetna Life & Casualty	NYS	40.63	-1.81	-7.67	47.00	31.88	1287	2.76	6.79	8	64.23	0.63
Allied Group Inc.	OTC	20.50	-1.20	20.59	23.00	16.00	50	0.64	3.12	7	19.85	1.03
American General	NYS	46.75	0.81	5.06	48.25	37.25	663	2.08	4.45	10	37.14	1.26
American Heritage Life Ins.	NYS	27.63	0.91	-9.80	30.00	20.06	3	0.84	3.04	14	N/A	N/A
American Indemnity/Fin'l	OTC	7.50	-3.23	57.89	9.25	4.50	20	0.08	1.07	6	12.93	0.58
American International	NYS	84.38	0.60	-14.23	99.38	78.63	2140	0.48	0.57	11	45.34	1.86
Aon Corp.	NYS	43.50	-0.85	9.78	45.25	34.75	319	1.68	3.86	11	18.50	2.35
Argonaut Group	OTC	26.00	-4.59	9.47	31.50	21.75	50	0.84	3.23	8	48.26	0.54
AVEMCO Corp.	NYS	25.81	2.74	3.25	28.00	19.63	33	0.40	1.55	23	9.55	2.70
Baldwin & Lyons Inc.	OTC	27.50	-1.79	6.80	28.00	22.75	1	0.28	1.02	7	24.29	1.13
Belvedere Corp.	ASE	6.13	11.36	88.46	6.25	2.88	69	0.04	0.65	17	7.65	0.80
Chandler Insurance	OTC	5.63	0.00	73.08	6.00	2.13	62	0.00	0.00	70	5.95	0.95
Chubb Corp.	NYS	65.75	-1.13	-14.61	78.00	60.75	675	1.60	2.43	10	35.19	1.87
CIGNA Corp.	NYS	52.50	-0.47	-14.11	61.75	41.25	539	3.04	5.79	11	73.15	0.72
CNA Financial Corp.	NYS	81.75	-3.54	-16.58	104.50	75.50	80	0.00	0.00	8	70.23	1.16
Continental Corp.	NYS	28.25	-0.44	2.26	30.38	23.25	454	2.60	9.20	24	37.83	0.75
EXEL Ltd.	NYS	33.00	-2.22	-12.00	40.25	27.38	1084	0.92	2.79	7	N/A	N/A
Fund American Corp.	NYS	68.75	6.59	-1.61	70.25	62.00	387	0.68	0.99	23	36.11	1.90
Fremont General Corp.	OTC	21.25	6.25	-12.82	26.00	17.00	237	0.88	4.14	5	19.13	1.11
Frontier Insurance Group	NYS	34.63	1.09	28.24	34.88	20.91	34	0.60	1.73	13	11.20	3.09
Gainsco Inc.	ASE	13.63	-3.54	-2.68	15.00	8.50	27	0.04	0.29	15	3.37	4.04
General RE Corp.	NYS	80.75	-0.92	-20.74	104.75	77.50	1407	1.80	2.23	11	37.50	2.15
Guaranty National Corp.	NYS	15.00	2.56	3.45	17.00	12.63	48	0.48	3.20	10	N/A	N/A
Hanover Insurance Co.	OTC	38.50	1.32	7.69	42.75	27.13	53	0.44	1.14	10	37.44	1.03
Harleysville Group	OTC	19.50	0.00	-8.24	23.25	16.75	100	0.64	3.28	8	22.99	0.85
Hartford Steam Boiler	NYS	54.38	3.33	-5.43	62.38	45.13	102	2.00	3.68	16	17.05	3.19
Kemper Corp.	NYS	25.75	-5.94	-32.46	46.13	23.75	553	0.92	3.57	7	34.20	0.75
Lawrence Insurance Group	ASE	8.13	3.17	-26.97	11.13	7.75	6	0.48	5.91	16	4.71	1.73
Liberty Corp.	NYS	27.00	5.37	22.03	28.75	19.50	88	0.48	1.78	12	23.86	1.13
Lincoln National	NYS	55.50	1.14	1.37	61.00	45.38	801	2.92	5.26	9	45.16	1.23
Markel Corp.	OTC	26.25	-0.94	19.32	28.25	15.38	52	0.00	0.00	12	3.22	8.15
Mutual Risk Mgmt. Ltd.	NYS	31.50	-3.08	-10.32	37.75	17.00	149	0.12	0.38	21	-	-
NAC Re Corp.	OTC	26.25	2.94	-16.67	33.00	21.75	248	0.16	0.61	12	18.90	1.39
National Re Holdings Corp.	NYS	19.88	10.42	N/A	23.63	17.00	138	0.12	0.60	10	N/A	N/A
Navigators Group	OTC	36.50	2.82	-10.98	48.25	29.50	6	0.00	0.00	21	13.52	2.70
Nobel Insurance LTD.	OTC	4.94	-1.24	23.45	6.00	3.38	35	0.00	0.00	4	7.76	0.64
NWNL Companies	NYS	35.88	-3.04	15.26	38.50	18.63	378	1.48	4.13	10	42.73	0.84
Ohio Casualty Corp.	OTC	52.50	5.53	6.06	58.25	43.50	168	2.68	5.10	8	36.38	1.44
Old Republic Int'l	NYS	20.88	1.21	17.61	21.13	13.75	187	0.36	1.72	8	33.09	0.63
Orion Capital Corp.	NYS	32.00	2.81	1.19	34.25	27.00	145	0.92	2.88	5	29.68	1.08
Phoenix RE Corp.	OTC	10.38	0.00	-1.19	11.75	8.50	68	0.20	1.93	25	13.30	0.78
Provident Life	OTC	22.88	0.00	-1.61	24.25	16.75	131	1.00	4.37	9	25.88	0.88
Re Capital Corp.	ASE	15.00	-1.64	4.35	18.25	13.13	44	0.24	1.60	15	15.05	1.00
Reliance Group Holdings	NYS	5.38	16.22	30.30	6.13	3.50	334	0.32	5.95	3	5.61	0.96
RLI Insurance Corp.	NYS	18.50	0.00	12.12	20.38	11.88	50	0.48	2.59	8	14.41	1.28
St. Paul Companies	NYS	70.00	0.00	-3.95	75.75	57.13	408	2.72	3.89	7	52.00	1.35
SAFECO Corp.	OTC	49.75	2.58	2.05	50.00	35.50	811	1.64	3.30	11	31.50	1.58
SCOR U.S. Corp.	NYS	15.25	-3.94	-0.81	18.88	11.63	16	0.28	1.84	9	11.19	1.36
Seibels Bruce Group	OTC	5.63	0.00	2.27	8.75	4.00	29	0.36	6.40	-3	7.35	0.77
Selective Ins. Group	OTC	19.25	-1.91	14.93	20.00	13.75	33	1.12	5.82	8	18.91	1.02
Statesman Group Inc.	OTC	5.75	0.00	0.00	6.88	2.63	467	0.00	0.00	3	2.48	2.32
Tokio Marine & Fire	OTC	38.75	-1.90	-24.76	55.25	32.25	5	0.00	0.00	-	70.93	0.55
Torchmark Corp.	NYS	58.00	0.43	0.22	61.50	46.50	193	1.60	2.76	12	16.70	3.47
Transamerica	NYS	42.00	-5.88	5.33	46.75	31.25	367	2.00	4.76	28	36.56	1.15
Transatlantic Holdings	NYS	31.88	-0.39	-18.01	39.63	29.00	32	0.24	0.75	10	18.38	1.73
Travelers Corp.	NYS	20.00	-0.62	-7.51	25.13	17.25	1387	1.60	8.00	8	41.44	0.48
Trenwick Group Inc.	OTC	27.50	-0.90	-3.51	30.75	23.00	122	0.72	2.62	10	21.71	1.27
United Fire & Casualty	OTC	56.50	-5.04	25.56	62.00	42.00	7	1.32	2.34	11	35.39	1.60
USF&G Corp.	NYS	10.63	-2.30	46.55	11.50	5.63	901	0.20	1.88	-6	11.96	0.89
UNUM Corp.	NYS	37.25	1.36	-8.02	40.63	28.81	642	0.64	1.72	11	37.25	1.00
USLIFE Corp.	NYS	44.63	0.00	-6.79	47.88	38.50	148	1.68	3.76	9	60.34	0.74
Unitrin	OTC	34.13	0.00	-4.55	39.00	31.00	195	1.00	2.93	14	30.70	1.11
USLICO Corp.	NYS	18.13	1.40	-2.03	21.00	17.00	16	1.00	5.52	-15	29.44	0.62
Washington National	NYS	19.13	2.68	20.47	20.63	13.38	142	1.08	5.65	-33	26.86	0.71
Zenith National Ins.	NYS	17.63	3.68	4.44	18.50	13.75	193	1.00	5.67	8	13.14	1.34
INSURERS/REINSURERS	AVERAGE		0.5	4.0					3.4	12.1		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	16.25	0.78	14.04	27.00	9.88	768	0.00	0.00	15	5.44	2.99
HMO America Inc.	OTC	13.88	-10.48	-17.16	24.88	11.38	1860	0.00	0.00	15	0.61	22.75
Pacificare Health Sys.	OTC	54.50	-4.80	37.97	62.50	21.50	235	0.00	0.00	19	6.55	8.32
Safeguard Health Enter.	OTC	12.00	-2.04	28.00	14.75	5.13	6	0.00	0.00	18	3.53	3.40
Sierra Health Services	ASE	19.00	-5.00	2.70	27.50	12.38	39	0.00	0.00	10	1.78	10.67
United Healthcare Corp.	NYS	76.88	4.59	3.19	93.00	40.25	547	0.03	0.04	30	3.76	20.45
United Medical Corp.	ASE	8.00	-4.48	14.29	10.88	5.88	8	0.20	2.50	31	8.79	0.91
U.S. Healthcare	OTC	48.38	4.03	16.57	57.75	21.25	2666	0.56	1.16	22	3.38	14.31
HMOs	AVERAGE		-2.2	12.4					0.5	20		
ALL COMPANIES	AVERAGE		-1.0	6.1					2.8	13		

System design: Nordby International Inc.

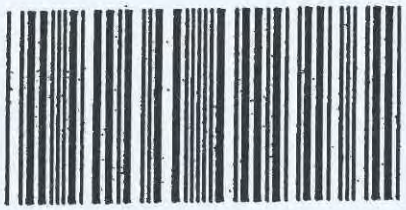
For nearly a century and a half, the Shield has been poised not to do battle but to defend.
Protecting business and home, property and possessions.
A worldwide symbol of an organization with a rich history as legacy. And a bright future as promise.
Strong. Stable. Steadfast.
Royal Insurance. Your shield against the unexpected.

Royal Insurance®

YOUR SHIELD AGAINST THE UNEXPECTED.



TOTALLY GENERIC SEPARATION SHEET



ACCEPT NO SUBSTITUTES

NEWSPAPER

MAY 11, 1992

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $2.00 a copy; $80 a year

© Entire contents copyright 1992 by Crain Communications Inc. All rights reserved

Update

Separate trials ordered to award punitive damages in Tennessee

MEMPHIS, Tenn.—Tennessee defendants are entitled to a separate trial to determine the amount of punitive damages, which can only be assessed if there is "clear and convincing evidence" that the defendant acted intentionally, fraudulently, maliciously or recklessly, the state Supreme Court ruled.

The sweeping April 30 ruling is advantageous to businesses, noted Martin Connor, president of American Tort Reform Assn.

Under the bifurcated system mandated by the ruling, two separate trials are held in

Continued on next page

AP/Wide World Photo

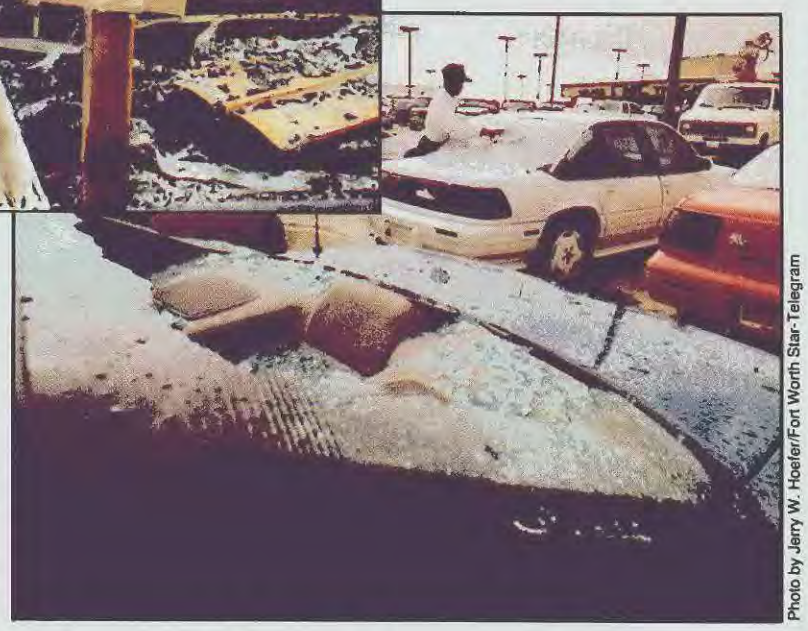


Photo by Jerry W. Hoefer/Fort Worth Star-Telegram

Insurers could be hit with $500 million in claims in the wake of rioting that destroyed many Los Angeles businesses, like the hardware store pictured above. In addition, insurers face at least $450 million in claims from a hailstorm that caused extensive property damage to auto dealers like Buzz Post Pontiac, GMC, Isuzu Inc., other businesses and homeowners in the Dallas-Fort Worth area (see story, page 37).

Insured riot losses may hit $500 million

L.A. unrest, other catastrophes could cost insurers $2.5 billion

By JUDY GREENWALD and LOUISE KERTESZ

LOS ANGELES—Insured losses from the Los Angeles rioting that followed the April 29 Rodney King verdict could hit $500 million.

Although individual insurers are receiving and paying claims, more precise loss estimates are not expected for another week, as claims from the rampage—which mostly targeted retailers—are tallied.

Including uninsured damage, the cost of the arson and looting could top $1 billion.

The Los Angeles riot is the fourth catastrophe to batter the insurance industry in less than a month. Insurers could face combined claims of up to $2.5 billion from the riot; a hailstorm that clobbered the Dallas-Fort Worth area that caused at least $450 million in insured damage; the Chicago flood, which caused at least $300 million in insured damage (see stories, page 37); and terrorist bombings in London, which cost insurers more than $1.2 billion (*BI*, April 27).

Industry analysts doubt, however, that the losses will be large

Continued on page 37

States take the lead

Vermont latest to seek universal health coverage

By JERRY GEISEL

MONTPELIER, Vt.—A commission will develop recommendations on how Vermont can institute universal health care coverage by October 1994.

"This is a giant step toward health care reform. In two years, we will be prepared to take the next step," said Gov. Howard Dean, who is expected to sign legislation today creating the commission.

"It is landmark legislation," agreed Jeanne Keller, president of the Vermont Employers Health Alliance in Burlington.

With the new law, Vermont joins a growing number of states attempting to broaden access to health care coverage.

The bill, H. 733, calls for the three-member Health Care Authority Board to issue recommendations by Nov. 1, 1993.

One recommendation will center on a single-payer approach. The plan would be primarily financed through public funds.

The other recommendation would detail how universal health care coverage could be achieved through a "regulated multiple-payer system" in which coverage would be funded through a mix of public and private financing. Under this approach, employer-provided health plans likely would be retained.

If the Vermont Legislature adopts either recommendation, the state almost cer-

Continued on page 4

Executives do not favor health reform proposals

By CHRISTINE WOOLSEY

Corporate executives support neither a Canadian-style national health care delivery system nor laws requiring employers to provide comprehensive benefits for employees, according to a new survey.

Executives also overwhelmingly oppose paying surcharges to finance health care for the uninsured or to subsidize other payers—like Medicare and Medicaid—that pay less than the actual costs of medical services received, the survey found.

American businesses have yet to reach a consensus about how to reorganize and finance the health care system to improve access to medical treatment. But business executives do share similar opinions about which general approaches they favor and oppose, according to a survey of 254 large and small companies conducted late last year by the Boston University Health Policy Institute.

Established in 1975, the institute

Continued on page 35

N.Y. eyes risk manager

Proposal authorizing risk management office could save $30 million, proponents estimate

By MICHAEL SCHACHNER

ALBANY, N.Y.—The state of New York would have its first risk manager if lawmakers approve recently introduced legislation.

Funding for a risk management program was included in the state's 1992-93 budget. The state stands to save at least $30 million annually if the bill to implement the program is passed by both houses of the Legislature, according to the bill's sponsor.

New York currently has no risk manager. Only one state agency, in fact, has any risk management authority, and that is nominal.

The risk management bill, S.4551-B, has the full support of Gov. Mario Cuomo, who has authorized that $500,000 of the state's $56.5 billion budget be allocated to financing the program. A comparable bill was introduced last year but died over funding issues.

"We're thrilled that the governor heeded our advice by including funding for a risk manager in New York. We have proof that

Continued on page 29

Spending caps opposed

Employers reject government cost controls

By JERRY GEISEL

NEW YORK—Employers overwhelmingly oppose a government cap on health care spending, while favoring private sector approaches to controlling costs, according to a new survey.

Fifty-nine percent of employers surveyed by A. Foster Higgins & Co. Inc. said they opposed an annual government-set cap on overall health care spending. Just 19% endorsed such a cap, while 22% were neutral.

Employers have an "almost visceral reaction to price controls with an underlying concern that price controls over the long term could hurt the quality of care," said Edward J. Davey, a principal with Foster Higgins in New York.

On the other hand, employers say the private sector can do much more to control health care costs.

More than 75% of those surveyed favored private sector approaches like

Continued on page 34

Update

Tennessee punitive damages

Continued from previous page
cases involving punitive damages: one to determine liability for compensatory and punitive damages and to award compensatory damages, and a second to set the amount of punitive damages.

"Bifurcation is important to businesses because it keeps information that only relates to punitive damages—like the defendant's wealth—away from the jury when they consider liability and compensatory damages," explained Mr. Connor.

Twelve other states require bifurcated punitive damage trials.

The Tennessee court also made it more difficult to assess punitive damages by raising the required standard of proof from "preponderance of the evidence" to "clear and convincing evidence."

"This higher standard of proof is appropriate given the twin purposes of punishment and deterrence. Fairness requires that a defendant's wrong be clearly established before punishment is imposed," the court said.

Some 27 other states require clear and convincing evidence to award punitive damages. Colorado requires proof "beyond a reasonable doubt."

In reaching its decision, the Tennessee court relied on the 1991 U.S. Supreme Court ruling in *Pacific Mutual vs. Haslip,* which requires proper jury instructions about punitive damages and significant judicial review of awards (*BI,* March 11, 1991).

In response, the Tennessee court set specific criteria juries should consider when awarding punitive damages, including reprehensibility of conduct, profits garnered from it and whether the defendant has already paid punitive damages for the conduct.

Fraud put at 10% of health tab

WASHINGTON—Fraud and abuse by health care providers account for about 10% of the nation's total health care bill, according to a General Accounting Office report released last week.

After the report was released to the House Government Operations Subcommittee on Human Resources, Chairman Ted Weiss, D-N.Y., introduced H.R. 5120, which would create a commission to study the impact of such fraud and ways to fight it.

The GAO projects that health care fraud and abuse—like padding bills or claiming to have performed procedures that never were done—will cost the nation $100 billion by 1995, when the annual U.S. health care tab is expected to be at least $1 trillion. The report also called for a commission to study the problem.

Earlier in the week, Sen. Joseph Biden, D-Del., introduced a bill, S. 2652, that would make health care mail and wire fraud punishable by up to 10 years in prison and fines of up to $250,000. The bill doubles to 20 years the maximum prison sentence for health care fraud that results in serious bodily injury to the patient. The bill also authorizes an additional $30 million to bolster the federal government's anti-fraud efforts.

Constellation Re reorganizes

NEW YORK—The New York Insurance Department has filed a reorganization plan for Constellation Reinsurance Co., which has been in liquidation since 1987.

The plan, filed last week in state Supreme Court in New York, calls for Centre Reinsurance Co. of New York to assume all of Constellation's assets, including reinsurance recoverables, and to cover all its obligations up to a limit of $305 million.

The Centre Re treaty would cover ceding insurer policyholders and insurance creditors of Constellation that filed proofs of claim against the estate before June 30, 1991. The aggregate limit on the Centre Re coverage could be expanded under a formula that takes into account interest rate variations and retrocessional recoveries by the Constellation estate.

Constellation's gross obligations were estimated to be $295.3 million as of Dec. 31, 1990. The plan envisions Constellation emerging as a reinsurer with capital and surplus of $2.5 million.

A court hearing on the reorganization plan has been scheduled for July 2. Creditors or others objecting to the plan must file written objections with the court 10 days before the hearing.

Regulators settle Reserve suits

CHICAGO—A $30 million settlement ends more than a decade of litigation between Illinois regulators and numerous parties allegedly responsible for the 1979 insolvencies of two insurer units of Chicago-based American Reserve Corp.

The litigation, originally filed in 1981, involved Reserve Insurance Co. of Illinois and American Reserve Insurance Co. of Rhode Island (*BI,* March 23, 1981).

Contributing to the settlement are: 13 former officers and directors of American Reserve Corp., the American Reserve Corp. estate, Arthur Andersen & Co., Coopers & Lybrand, Alexander Grant & Co., Societe Commerciale de Reassurance, Guaranty Reinsurance Co. and Reserve Insurance Managers Ltd.

Though the settlement is under court seal, Illinois regulators said all defendants "disclaim any misconduct or wrongdoing."

The complex Reserve litigation was precedent-setting because the U.S. Supreme Court upheld a 7th U.S. Circuit Court of Appeals

Continued on page 38

Errors & omissions

• An employer with a fully funded defined benefit pension plan with 200 participants would pay an annual termination insurance premium of $3,800 to the Pension Benefit Guaranty Corp. A May 4 story stated an incorrect premium.

Expense cuts, recovery brighten broker outlook

By LORI BLOCK

"Expense control" is the rallying cry for brokers as the soft property/casualty insurance market and low interest rates continue to drag down their results.

But a third factor that plagued the seven publicly held brokers throughout 1991—the recession—may be easing. While the improvement in the economy is spotty, it brings promises of increased brokerage and consulting revenues as clients boost payrolls and resume delayed projects.

As a result, the brokers' forecast may be for sunnier skies. Indeed, first-quarter net income levels soared at five of the brokers.

However, unless insurance rates also rise, the forecast is sure to still include some clouds for several more months.

"During 1991, the economy was hurting us pretty bad," said Robert H. Hilb Sr., president of Hilb, Rogal & Hamilton Co. in Glen Allen, Va. "We now see some improvement in some locations."

Mr. Hilb is optimistic that the property/casualty insurance market may harden by year end.

"We certainly aren't banking. . .on a turn in the market," he said. But "every day that goes by brings us a day closer to the turn. I think it's closer than a lot of people think. It wouldn't surprise me if, toward the end of this year, we saw some indication of it."

But, for now, such signs are lacking.

"As far as I'm concerned, I don't see any indication of a change in the marketplace," said Donald R. Bell, chairman and chief executive officer of Frank

Continued on page 36

Premium fraud crackdown

Comp insurers to collect $18 million from leasing company

By MEG FLETCHER

A crackdown on employer premium fraud is paying off big for a group of workers compensation insurers.

A Texas judge approved a May 1 settlement that requires a Louisiana employee leasing company to pay a group of workers comp insurers $18 million plus interest. The insurers alleged the leasing company was formed by a Louisiana trucking company to avoid paying its appropriate workers comp insurance premiums.

"It is the largest recovery to date in a fraud suit" filed by the National Council on Compensation Insurance, said William Hager, president of the Boca Raton, Fla.-based organization.

"In the last five years, the NCCI has recovered more than $10 million as a result of other litigation involving workers compensation premium fraud," Mr. Hager said.

About $8.9 million of that amount was recovered in premium fraud litigation in 1991 alone, according to the NCCI.

The NCCI also recovered $47.1 million last year from employers without going to court after workers comp insurers questioned the appropriateness of the employers' premiums and billed

Continued on page 30

Agent/broker annual listing deadline nears

Business Insurance will publish its 21st annual directory of agents and brokers in the June 29 issue.

That issue also will contain a spotlight report on the commercial retail insurance brokerage business and profiles of the 20 largest brokerages worldwide.

The directory is published as an editorial service; there is no charge to be listed. To be listed, brokers must complete and return a questionnaire supplied by *Business Insurance.*

If your company generated at least $500,000 of its 1991 gross revenues from commercial retail brokerage and you have not yet received a questionnaire, please request one by calling Karen Armaganian, 312-280-3195.

The extended deadline for returning completed questionnaires to *Business Insurance* is May 22.

IRA-like plan urged to cut health costs and help uninsured

By SARA J. HARTY

ALEXANDRIA, Va.—Allowing employers to make pretax contributions to "medical savings accounts," similar to individual retirement accounts, would reduce employers' health care costs as well as the number of Americans without health care coverage, a new group suggests.

If tax laws were changed to allow such accounts, employers could encourage their employees to make smarter health care decisions, suggested Greg Scandlen, executive director for the Council for Affordable Health Insurance in Alexandria, Va.

The council's members include small and medium-size insurers, health care consultants and marketing agencies. The group was formed March 26 to develop proposals for health care reform and to promote competition and consumer choice.

Under the group's plan, a company that now pays health care premiums of $4,000 per employee could instead spend $1,000 to purchase a policy with a high deductible of $3,000. The other $3,000 could then be invested in a medical savings account, Mr. Scandlen said. This savings account, which would be the employee's property, would be used to pay medical expenses that did not exceed the $3,000 deductible, he explained.

Such an arrangement would put the patient in charge of pay-

Continued on page 36

Inside

✔ The investment practices that helped bring down a Florida life insurance company may be widespread, a Senate subcommittee learned last month. **PAGE 7**

✔ No matter what the reason for the delay in responding to Chicago flood claims, property insurers have squandered another chance to improve the insurance industry's image, this week's editorial says. **PAGE 8**

✔ Oregon regulators have approved a health benefit package for small employers that insurers must offer to all employers with three to 25 workers. **PAGE 29**

✔ Attempts to resolve a messy proposed takeover of Sweden's Skandia Holding A.B. have fizzled. **PAGE 31**

✔ Four Texas workers comp insurers improperly charged employers to make up for residual market assessments, according a lawsuit. **PAGE 33**

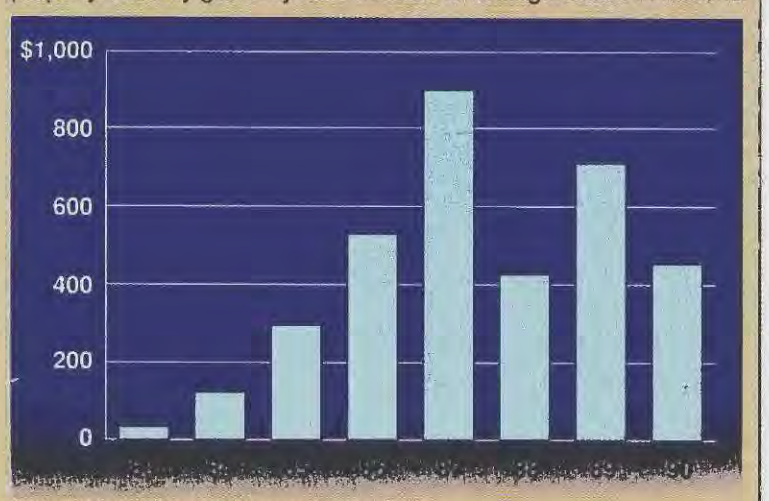
Departments

Advertiser index 32
Ask a benefit manager 23
Benefit beat 6
Books & ideas 24
Classifieds 34
Insurance services guide 35
International 31
Letters 8
London 31
Opinions 8
Ticker 39

Vol.26, No.19—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance,* Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207-3185; 800-678-9595 or 313-446-1611. Copyright 1992 by Crain Communications Inc.

The 'big ones' loosen their grip

Assessments for a series of spectacular insurance company insolvencies in the mid-1980's are tapering off, easing overall property/casualty guaranty fund assessments. Figures are in millions.



Source: National Conference of Insurance Guaranty Funds

GRAPHIC BY JOHN SMITHER

Assessments made by guaranty funds fell sharply in '90

By DOUGLAS McLEOD

SCHAUMBURG, Ill.—State guaranty fund assessments against property/casualty insurers dropped sharply in 1990, as losses from a slew of large insolvencies in the mid-1980s tapered off, a study by the Alliance of American Insurers concludes.

Guaranty fund assessments totaled $454.5 million in 1990, down 36.5% from $716 million in 1989, according to the Alliance.

The decline largely reflects the gradual runoff of claims from the huge collapses of the 1980s, like Transit Casualty Co. in 1985 and Mission Insurance Co. in 1987, observed Roger K. Kenney, director of actuarial studies for the Alliance in Schaumburg, Ill.

"Some of those big ones from the early years are beginning to decline," Mr. Kenney noted. "Things are slowing down in that area and (more recently) there really haven't been any big property/casualty insolvencies."

The Alliance compiled data from the National Council of Insurance Guaranty Funds on assessments and expenditures by guaranty funds in 48 states, the District of Columbia and Puerto Rico.

New York was not included in the survey because it is the only state that makes pre-insolvency assessments and because 1990 figures were not available.

While falling to $454.5 million in 1990, guaranty fund assessments rose more or less steadily in the early 1980s before hitting a peak in 1987. Since then, assessments have fluctuated widely, the report shows.

The 1989 assessment total of $716 million represented a 67.7% increase from $426.9 million in 1988. The 1988 total, however, was less than half the $902.2 million assessed in 1987, the highest total on record.

Assessments rose rapidly in the years before 1987, totaling $529.1 million in 1986, $292.8 million in 1985, $119.6 million in 1984, $35.4 million in 1983, $39.5 million in 1982 and $47.7 million in 1981.

The Louisiana Insurance Guaranty Assn. cost insurers the most in 1990, assessing $59.2 million, or 13% of the total of $454.5 million assessed that year.

California came in second, assessing $51.7 million, or 11.4% of the total, followed by Texas, assessing $41 million, or 9% of the total; Florida at $38.2 million, or 8.4%; Pennsylvania at $33.2 mil-

Continued on page 33

Looking for answers to health plan woes

Managers strive to find definition for 'quality' care

By STACY GORDON

NEW YORK—It is as difficult for benefit managers to define health care quality as it is for Supreme Court justices to interpret the law.

"Quality is like pornography; when you see it, you know it, but it is hard to define," says Donna Lynne, first deputy commissioner of the New York City Office of Labor Relations, playing off the words of former Supreme Court Justice Potter Stewart.

"If I asked 150 people, I could probably come up with 150 different definitions of quality," remarked Ms. Lynne, who supervises health care benefits for New York City municipal employees.

In fact, nothing is more difficult for employee benefit managers than attempting to measure quality, she said.

Ms. Lynne offered her ideas as to how benefit managers can solve the enigma of quality during the First Annual Health Care Management & Cost Containment Conference, held April 27-28 and sponsored by *Business Insurance* in conjunction with IBF Conferences.

The program raised the question: "Quality of Care Management and Cost Control: Is It a

Continued on page 12

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Experts foresee no major reform in health system

By MICHAEL SCHACHNER

NEW YORK—Radical health care reform will not occur soon, say several Washington health care experts.

Despite a popular desire for dramatic changes in the health care delivery system, policymakers in the short term will implement only small-scale reforms aimed at controlling costs and improving access, they say.

"Every proposal out there creates winners and losers, so it will be virtually impossible to ever reach a consensus," said Bill Custer, research director with the Employee Benefit Research Institute in Washington.

That means many states will probably take the initiative to try to control rising costs and improve health care access for the nation's 36 million uninsured, said Frank McArdle, a consultant with Hewitt Associates in Washington.

"I believe states will go ahead much faster than the federal government," he said.

Mr. McArdle predicted that states will "step up to the plate and probably take the first swings, and this makes sense considering health care is perceived as a local problem."

Continued on page 10

Most firms take positive view of disabilities act

ADA compliance begins

By SARA J. HARTY

While not all companies favorably regard the new Americans with Disabilities Act, most are actively trying to comply with it, a new survey finds.

Employment provisions of the 1990 law, which is designed to prevent discrimination against the disabled, take effect July 26 for private employers with 25 or more employees (*BI*, Jan. 27).

Most companies that have decided how they feel about the act are taking a positive view, according to Buck Consultants Inc., which did the survey.

Indeed, close to half of the 385 companies surveyed—44%—reported a favorable reaction to the ADA, although 20% reported an unfavorable reaction to the law and nearly as many—18%—said they did not know yet. Thirteen percent had no opinion, while 5% gave some other answer.

Although reaction to the law is mixed, many companies have begun trying to comply with the law's employment provisions.

At 74% of the surveyed companies, someone had been specifically assigned to ensure ADA compliance. No one had been assigned the duty at 24% of the companies; 1% said they did not know and another 1% gave some other answer.

In addition, 61% of the respondents reported that their employment application form had been reviewed or modified to bring it in line with ADA requirements, 37% had not done so, and 2% did not know.

Half the surveyed companies said that health insurance had been reviewed for limits or provisions that might conflict with the ADA, while 35% had not done this, 11% did not know and

Continued on page 35

Support for federal solvency oversight builds

NAIB says insurers should be given a choice

By LAURA MAZZUCA

PEBBLE BEACH, Calif.—The National Assn. of Insurance Brokers is the latest member of a growing group of insurance trade associations to endorse a federal role in insurer solvency regulation.

However, another industry group—the National Assn. of Independent Insurers—refuses to join. It maintains that states can do a much better job of protecting policyholders than the federal government.

The NAIB outlined its support for a federal regulatory role in a position paper released last week at the group's annual meeting.

The NAIB endorsed a system under which insurers would have an option of receiving a federal or state charter. Insurers choosing to be regulated by the federal government would be exempt from all state insurance regulation, including rate and form regulation and participation in state guaranty funds.

Such a system would eliminate "duplicative or conflicting state regulation," and would be attractive to both national insurers and large commercial policyholders with nationwide exposures, the NAIB said.

The NAIB unveiled its position after a

Continued on page 39

Buyers, legislators must be lobbied: Executives

By LAURA MAZZUCA

PEBBLE BEACH, Calif.—The insurance industry must light a fire under its corporate clients and state legislators to support federal solvency regulation, several leading brokerage and insurer executives say.

Major trade groups like the National Assn. of Insurance Brokers, the American Insurance Assn. and the Risk & Insurance Management Society Inc. already support federal regulation (see related story).

But industry support alone will not suffice, argued David D. Holbrook, cochief executive officer of Marsh & McLennan Inc. in New York, who participated in a panel discussion with six other executives at the annual NAIB conference last week.

Brokers have a pivotal role to play in advocating federal solvency regulation, Mr. Holbrook said. They can explain to large corporations how commercial insurers stand to gain from federal oversight, and large corporations can then put their own lobbying clout to work.

While state insurance commissioners oppose a federal role in solvency regulation, states themselves stand to benefit, Mr. Holbrook said.

Federal solvency oversight would alle-

Continued on page 38

Vermont plan

Continued from page 1

tainly would have to seek an exemption or waiver from Congress to implement a program since the Employee Retirement Income Security Act pre-empts any state law relating to employee benefit plans.

Other provisions in the Vermont legislation call for other significant health care changes.

For example, the measure will create a new group health insurance purchasing pool, which initially would be open to state agencies, the University of Vermont and municipalities. However, after Oct. 1, 1993, private employers could obtain coverage through the pool.

"The concept is to increase purchasing power of buyers," said Norman Wright, president of the Vermont Hospital Assn. in Montpelier.

The measure also would require insurers and claims administrators to develop uniform claims processing forms as part of a drive to reduce administrative costs.

In addition, the measure would require hospitals and physicians to disclose more information on claims costs to enable the state to compile a health care utilization data base. The data presumably would be available to employers and insurers to enable them to identify the most efficient providers and set up networks.

Finally, the measure would expand a state program to provide health insurance to children under 18 in families earning less than 225% of the federal poverty level. The program now only covers children 6 years and under.

Vermont is the third state this year to pass a major health care access bill.

Late last month, Minnesota created a new state-subsidized health care plan, financed primarily by new taxes on health care providers and cigarette smokers, to provide coverage to the state's uninsured (*BI*, April 27).

And a Florida law enacted in March could lead to a universal health care program in the state by 1995 (*BI*, March 30).

These state initiatives come at a time when congressional action on health care reform has ground to a halt due to the lack of consensus on how to improve access for 36 million Americans without coverage.

The lack of consensus at the federal level—with no sign that the stalemate will be broken soon—is precisely why the states are beginning to seize the lead.

"The state legislatures and governors are frustrated at the lack of consensus in Washington. They are saying we don't have the luxury of waiting any longer. They are feeling the heat from constituents and are beginning to act," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

"The pressures for change are so strong that legislators are rolling up their sleeves and are taking a crack at solutions," said Frank McArdle, a consultant with Hewitt Associates in Washington.

In Vermont, "the Legislature recognized that there were a lot of people without any access to health care. That is what drove this bill," said George Chaffee, a former Vermont insurance commissioner and now president of Skandia International Risk Management Inc. in Burlington.

In 1990, the most recent year for which statistics are available, about 55,000 Vermont residents, or 11% of the population, were uninsured, says the Employee Benefit Research Institute in Washington.

If state initiatives to improve access pick up steam, it could pose a dilemma to Washington policymakers.

On one hand, legislators—as well as the Bush administration—welcome state initiatives to improve access to health care, Mr. McArdle noted.

On the other hand, Congress—when it passed ERISA in 1974—made clear that states could not regulate employer-provided benefit plans. That action was taken in response to the demands of large, multistate employers that wanted to offer uniform benefit plans to employees throughout the country. Differing state benefit requirements would have complicated this task.

Any weakening of ERISA's pre-emption provisions to accommodate state health care access laws would make it more difficult for employers to offer uniform benefit plans nationwide.

Congress did exempt Hawaii's universal health care law from pre-emption, but that law already was on the books when ERISA was passed.

If the Vermont Legislature accepts either approach—a single-payer or a multiple-payer system—to achieve universal health care coverage, the implications would be huge for employers in the state.

The legislation defines a single-payer plan as one in which a set of uniform health care benefits would be provided to all residents. All aspects of the management of the single-payer system would reside with the state government and the system would be administered by a single entity.

Under the multiple-payer approach, the state would regulate entities—possibly including employers—that provide benefits to employees, including regulations for enrollment and changes in premium rates. The basic health care benefits offered would have to be uniform, though employers could offer additional benefits.

However, the measure doesn't make clear if a health plan could, for example, penalize employees who used doctors outside a network, noted Tucker Sharp, a consultant in Hewitt's Boston office.

While the legislation puts Vermont on the road toward universal coverage, the state isn't there yet.

"The issue is not settled but the stage is set," said Fred Cook, director of governmental relations for the National Federation of Independent Business in Montpelier. ■

AT LAST, A TPA
THAT'S AGGRESSIVE
BUT GENTLE.

Practical cost controls that aren't sheepish about savings. Specialty Risk Services gives you a vigilant approach to managed cost and managed care. We have specialists in your line of business, backed by a huge national loss control database. We go on-site: studying your operations, scrutinizing claims, searching for new ways to save money and improve your plan's design.

Lionized for our friendly, helpful attitude. Sure, we're tough investigators. But we're just as vigilant when we help your employees. We explore treatment options with their doctors, including home care and other cost containment innovations. Your people get prompt, personal attention. You get a real partnership with caregivers and your TPA.

Ask your broker about Specialty Risk Services, or call: (203) 275-1350.
We never forget who's paying the bills.™

SRS SPECIALTY RISK SERVICES, INC.
An ITT Hartford Company

Jack Eckerd settles drug injury lawsuit

DALLAS—Insurance will cover most of the $6 million a drugstore chain agreed to pay to settle a suit by a Texas woman who lapsed into a coma and suffered brain damage after a pharmacist filled her prescription with the wrong drug.

Jack Eckerd Corp. of Clearwater, Fla., and its insurers agreed to the terms last week.

The suit charged that the injuries to 59-year-old Deatrice Manning of Fort Worth were caused by taking the diabetes medication Diabinese instead of the painkiller Darvocet. The prescription was filled by an Eckerd pharmacist in Fort Worth, the suit said.

Eckerd is paying $50,000 and its primary general liability insurer, Travelers Insurance Co., is paying $950,000, the limit of the policy, said S. Craig Smith, a Dallas lawyer representing the injured woman.

Another $5 million will come from Crum & Forster Inc. units, which wrote a $10 million excess layer, said Mr. Smith.

—By Michael Bradford

We've Quietly Made A Name For Ourselves As Property Insurers.

Wausau isn't new to property insurance. But we have a fresh determination to get the word out. We're one of the few insurers able to engineer, underwrite and service Highly Protected Risks (HPR). We also are willing and able to include your non-HPR properties. And we do Special Risk underwriting, including special service commitments for property loss control and claim handling. Add to that our national account coordination, our capacity, and our A+ (Superior) A.M. Best rating, and you can see we have a lot of reasons to make some noise.

WAUSAU INSURANCE

PROPERTY • HPR • SPECIAL RISK

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (715) 845-5211 A Member of the Nationwide® Group.

RIMS opposes bill to extend COBRA cover

By SARA J. HARTY

The Risk & Insurance Management Society Inc. opposes legislation in the House that would extend the continuation period for health insurance under the Consolidated Omnibus Budget Reconciliation Act.

Employees who leave their jobs would be entitled to five years of continued coverage under the measure, H.R. 4109, introduced by Dan Glickman, D-Kan.

Former employees currently are entitled to 18 months.

Dependents would also be entitled to five years of coverage, rather than the three years they now are allotted.

Expanding the coverage period would ignore Congress' original intent that COBRA be a "temporary, stop-gap relief measure for separated employees" and would result in employers bearing extraordinary costs, the New York-based trade group said in a release.

For many employers, the administrative costs associated with COBRA already exceed the 102% of premium employers are allowed to charge beneficiaries, RIMS said.

"We are not unsympathetic to the unemployed, but we don't think that" extending the COBRA coverage period is the solution, said Patricia C. Vaughan, assistant director of government affairs and assistant general counsel for RIMS.

Guaranteeing someone the "right under COBRA for coverage is meaningless if they have no means to pay (for it)," said Ms. Vaughan.

"We are not in favor of utilizing a bill for a purpose that was not intended and won't accomplish what they say it will," she said.

If Congress wants a "real solution," it should attempt to come up with a "workable and affordable" national health care program, she said.

COBRA coverage was never intended and should not be used as a substitute for a national health care plan, added Ms. Vaughn.

Congress intentionally limited COBRA coverage periods, and this proposal is contrary to that intent, according to the organization.

Supporters argue that the bill is needed to prevent coverage lapses for workers who find themselves between jobs that offer health benefits.

Early retirement plan

Raytheon Co. is trying to trim its payroll by offering enhanced early retirement benefits to all salaried employees who are eligible for retirement.

The program is "part of an ongoing effort to streamline our organization and to maintain and build our cost competitiveness," a spokesman for the Lexington, Mass.-based defense contractor said.

Employees age 55 and older who have been with the company 10 years or more are eligible for early retirement under the program.

Some 4,000 employees at 20 locations in six states will be eligible, the spokesman said.

Those who take advantage of the offer will receive a lump sum continuance of their salary, as if they were being laid off. That amount will then be factored into the worker's final salary, on which retirees' monthly pensions are based.

Benefit beat

In addition, workers taking advantage of the program who have been with the company for more than 15 years will have their contributions for retiree medical coverage frozen at current levels until age 65.

Employees currently contribute 0.5% of their salary for individual coverage and 1% of salary for family coverage.

The program began April 21 and continues until May 19.

Long-term care study

The percentage of San Francisco-area companies that offer their employees long-term care coverage may increase significantly in the near future, a recent survey indicates.

Only 11% of the 76 surveyed firms now offer long-term care coverage, according to the survey by the San Francisco office of A. Foster Higgins & Co. Inc.

But 43% of those that do not now offer the coverage said they are considering offering it in the next two years.

Another 23% said they will not consider offering the coverage and 34% said they are still undecided.

Most of the 76 surveyed companies are base in the San Francisco area. They employ a total of more than 675,000 people.

Many of the employers that already offer or are considering LTC coverage are more mature organizations with an older workforce and a retiree population, the survey report indicates.

The companies that have decided against offering LTC coverage or are undecided tend to be relatively new organizations with a young workforce and few retirees, the survey authors added.

When the employers that do not now offer LTC coverage were asked to rank the factors behind their decision, 56% of them said the fact that LTC is not a priority issue had a major influence on their decision. More than a third of these respondents, 35%, said the low priority had some influence on their decision, and 9% said it had little or no influence.

Escalating health care costs and a young workforce were issues cited as having major or some influence by 64% and 62%, respectively of the companies. However, more than a third, 36%, said that escalating health care costs had little or no influence on the decision. Likewise, 38% reported that a young workforce had little or no influence on the decision.

Free copies of the survey are available from Robbie Brewster, A. Foster Higgins & Co. Inc., 345 California St., San Francisco, Calif. 94104: 415-296-3252. ■

When Heinz was in a pickle over rising benefits costs...

Senate panel probes insurer fraud

By MARK A. HOFMANN

WASHINGTON—The investment practices that helped bring down a Florida life insurance company may be more widespread than investigators believe, a Senate subcommittee learned last month.

Insurance regulators must assume more of a police role to prevent insolvencies caused by fraud and aided by unprofessional conduct by accountants and securities firms, Florida Treasurer and Insurance Commissioner Tom Gallagher told the Senate Permanent Subcommittee on Investigations.

The subcommittee, chaired by Sam Nunn, D-Ga., was investigating the spectacular rise and fall of Guarantee Security Life Insurance Co. of Jacksonville, Fla., which sold individual annuity contracts in more than 40 states before being placed in receivership in 1991.

Florida regulators contend in lawsuits that fraudulent acts by the former managers of Guarantee Security and unprofessional conduct by its outside accountant and securities broker contributed to the company's downfall.

"We, the naive regulators, often failed to ask the right questions, believed the false answers and took the word of a handful of crooks buttressed by an army of silk-stocking professionals who made lots of money off this scam and who were interested in their own fees to the exclusion of the public interest," Mr. Gallagher said.

The insurer has assets of $230 million but owes policyholders about $620 million, according to the Florida Department.

Guarantee Security, incorporated in Florida in 1969, was acquired in early 1984 by a now-defunct Kentucky-based holding company called Transmark USA Inc. Transmark was run by two former stockbrokers with no insurance experience.

Mark Sanford, Transmark's president and chief executive, managed Guarantee Security's investment portfolio. William Blackburn, who left the insurer in 1987 after a disagreement with Mr. Sanford, was the insurer's president.

Soon after it was purchased, Guarantee Security launched an aggressive growth campaign. The company's assets grew to a reported $686 million in 1990 from $90 million in 1984. But, at its own request, the company did not carry an A.M. Best Co. rating.

Pressed by Sen. Nunn, Mr. Blackburn admitted the insurer did not inform its agents or potential policyholders that it did not carry a Best rating because "it wasn't very flattering to us."

Mr. Sanford declined to say anything beyond his name, address and current unemployment, invoking his Fifth Amendment right against self-incrimination.

But, Mr. Gallagher charged at the hearing that the company's officers systematically "looted" the insurer through their "self-dealing management agreements" in addition to fat salaries, "unwarranted bonuses, improper dividends and other devices that produced millions of dollars they should never have received."

And the company's seeming financial health was a sham, Florida regulators said. The insurer's junk bond holdings were extensive, and state investigators charge the company's management schemed to avoid disclosing just how extensive those holdings were.

Regulators and Sen. Nunn said that in 1984 and for several years after, the insurer moved large junk bond stakes into U.S. Treasury bonds each Dec. 31. And, some of these transactions allegedly never took place on the dates reported.

These transfers allowed the insurer to state in its annual reports to regulators that its investments were sound and enabled it to circumvent Florida laws requiring a 20% reserve for low-grade investments, regulators charge.

Years later, auditor Coopers & Lybrand came under the Florida department's scrutiny for its actions on behalf of the insurer.

Sen. Nunn asked Donald P. Withers, a partner in Coopers & Lybrand's Jacksonville, Fla., office, whether he had ever considered that the year-end sale of junk securities was designed to deceive regulators.

Mr. Withers, acknowledging that he did not inform regulators of the insurer's practice, replied that the transaction was a means to meet statutory accounting requirements. He added that the transaction was not rare among young, rapidly growing insurers.

"Mr. Withers, what you've told me is the most disturbing thing in the whole hearing," Sen. Nunn responded. The senator wondered whether Mr. Withers' statement indicated that many potentially insolvent companies are currently doing business.

"You're throwing up a very big red flag," the senator said.

Mr. Withers said he had seen perhaps five to seven insurers use this maneuver.

According to the senator and the regulators, the junk bonds were purchased by Merrill Lynch Cos. Inc., which then sold them back to the insurer each Jan. 1 or 2.

Michael Heekin, the deputy receiver for Guarantee Security, accused Merrill Lynch at the hearing of knowingly participating in a scheme to mislead regulators.

Several Merrill Lynch executives disputed the charge.

"In brief, these transactions were valid," said Jerome P. Kenney, an executive vp of Merrill Lynch in New York.

But Richard Allerton, a former Merrill Lynch salesman who handled the Guarantee Security account, said Mr. Sanford had indicated that he wanted to buy back the junk bonds.

Florida regulators are attempting to recover about $300 million jointly and severally from Merrill Lynch, Coopers & Lybrand, a law firm and several former Guarantee Security officials.

Mr. Gallagher said that the insolvency "has shown us the need to be even more cynical in appraising the accuracy of what companies tell us."

Insurance Department examiners should be better trained to detect sophisticated fraud, he said.

Regulators also must "look at the often too-cozy relationship between insurers and accountants," he said. He called for more stringent sanctions against professionals who "knowingly enable insurers to deceive us."

In addition, state and federal law enforcement authorities should be encouraged to cooperate more fully in insurance fraud investigations, he said. ■

...FlexRx had a plan they could relish.

How can you reduce the cost of your employee benefits plan without actually reducing employee benefits?

Companies like H.J. Heinz have found the FlexRx maintenance prescription drug program to be part of the solution.

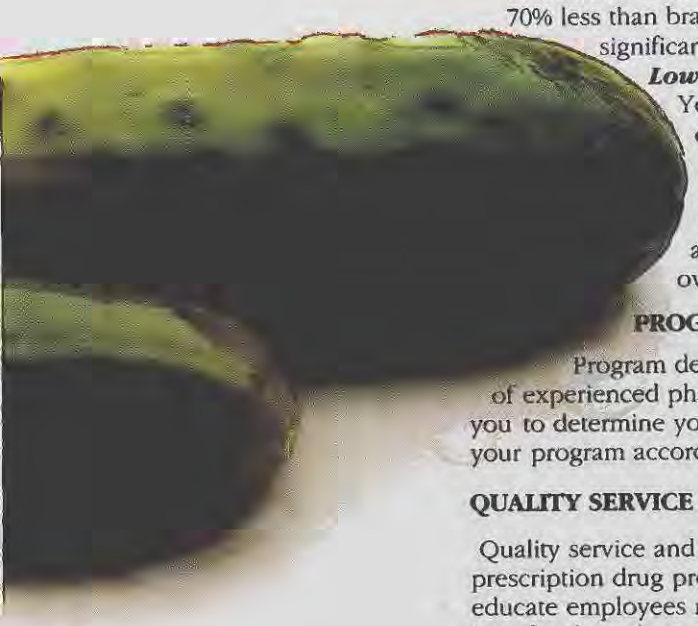
IMMEDIATE MEASURABLE COST REDUCTIONS

High volume, below wholesale pricing.
Our volume buying power results in prescription prices that are approximately 25 to 30% less than retail store prices.

Maximum generic substitution.
FlexRx has an average substitution rate approximately three times that of retail drug stores. Since generics can cost up to 70% less than brand name equivalents, the potential savings are significant.

Lower administrative costs.
Your administrative costs are greatly reduced or eliminated through our sophisticated electronic processing and billing arrangements.

Management reports.
Cost control reports are provided periodically, allowing administrators to maintain tight control over prescription drug expenditures.



PROGRAM DESIGN

Program design is extremely important. The FlexRx team of experienced pharmacists and benefits managers will meet with you to determine your specific needs and objectives, and to design your program accordingly.

QUALITY SERVICE AND EDUCATION

Quality service and education are essential to the success of a prescription drug program. FlexRx provides numerous ways to educate employees regarding generic drugs, along with the various benefits they obtain by using the program.

Start-up packages, posters, quarterly newsletters and employee meetings are just some of the methods we use to increase program awareness and participation.

Most importantly, FlexRx maintains an excellent pro-active service approach to benefits administrators and plan participants. The customer learns quickly that FlexRx cares.

FOR MORE INFORMATION CALL:

Linda Schuetz, R.Ph., Director of Sales at 1-800-634-9704.

FlexRx®
Flexibility in a Maintenance Prescription Drug Program

Opinions

Chicago firms left high and dry

FOUR WEEKS AFTER the start of the "Great Chicago Flood," many downtown Chicago businesses still are asking their insurers whether property damage and business interruption claims will be covered.

In some cases, businesses are hearing in reply nothing more than the sound of the pumps siphoning water from the tunnels below Chicago's Loop. In others, reservation of rights letters have landed on risk managers' desks.

At the same time, insurers are asking themselves many questions, especially: Are the losses suffered by Chicago businesses the result of a "flood" or "water damage"?

Based on a dictionary definition of "flood" as an "overflow" of a body of water, we do not see how the Chicago "flood" could be regarded as an actual flood by insurers since the Chicago River did not overflow.

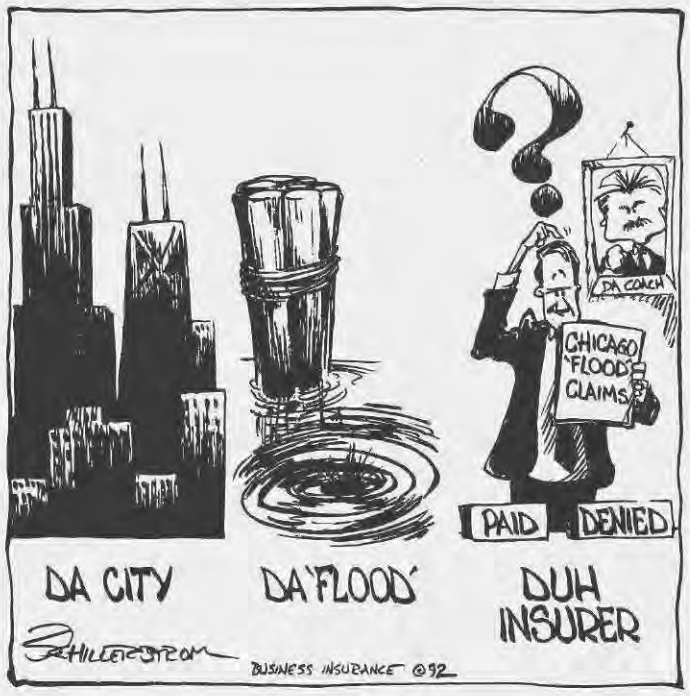
We'll concede that this is not an easy question to answer. How coverage is interpreted for the Chicago catastrophe could set precedents that insurers could be obliged to follow for years. But, since decisions must be made, we'll ask one more question: What's taking some insurers so long?

Property insurers usually pride themselves for quick reactions to disasters. After Hurricane Hugo in 1989, a couple of insurers used TV commercials to document their fast response to the storm. Of course, hurricane damage does not pose the coverage questions raised by the freak nature of the Chicago "flood."

Still, one has to wonder if insurers feel less of a sense of urgency to determine coverage because Chicago claims involve only businesses, not personal lines policyholders. The public relations fallout from acting slowly will not be as great, insurers may be telling themselves, since the general public is not involved.

Insurers' statements that decisions about individual coverage cannot be made until the damage has been assessed probably are adding to the resentment by many policyholders. What caused the disaster has been readily documented. Many are interpreting the insurers' indecision as "Let's see how much damage there really is. If there's a lot, we'll deny the claims."

No matter what the reason for the delay, property insurers have squandered another chance to improve the insurance industry's image. And if disputes over coverage spill over into the courts, as appears likely, the black eye will only become worse.



While we advise insurers that are waffling on coverage to get off the fence, we salute those that have moved quickly, decided which policyholders are entitled to coverage and advanced funds to help speed disaster recovery. Policyholders denied coverage may not agree with their insurers' decisions, but at least these policyholders know where their insurers stand and can try to persuade the insurers—whether through negotiation or, if all else fails, litigation—that claims should be covered.

While insurers can learn a lesson from the Chicago flood on how to respond in the face of an emergency, policyholders—whether in Chicago or elsewhere—can learn something, too: It pays to have broad coverage. The companies that have broadly worded all-risk property policies had no worry whether or not their claims would be covered.

While many perils are easy to predict, no one ever anticipated the Chicago disaster. A good risk manager is prepared for everything and anything—including the unpredictable.

Letters

Survey did not address risk managers' raises

To the editor: The conclusion made in the headline—"Recession Restrains Risk Managers' Raises"—that accompanied the report on the Logic Associates Inc. risk management salary survey (*BI,* March 30) is not supported by the survey data.

The response rate on this survey certainly makes the results valid. However, the participants in the survey are not identified and will change from year to year.

As companies grow, they change revenue groups. A highly compensated risk manager at a company with $190 million in sales in 1990 might only receive average compensation if his company grew to $210 million in sales in 1991. If an older, and logically higher-compensated, risk manager retires, his or her replacement probably will be earning less.

Just because the average salary for risk managers in a particular revenue group does not change in no way implies that individual risk managers did not receive pay increases. The survey does not address the issue of pay increase.

I wonder how many risk managers will have this article placed in front of them the next time they ask for a raise.

Phillip C. Bly
Risk Manager
Brush Wellman Inc.
Cleveland

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611-2590.

Full name of RMIS omitted from article

To the editor: I was delighted to see the in-depth stories about Millie Workman and Belz Enterprises' risk management program (*BI,* March 30).

Unfortunately, our trademarked risk management information system product, J&H*STARS, was misstated throughout one article.

The article also contained one item of potential confusion.

Ms. Workman indicated that she was not specifically billed for the use of J&H*STARS. This may create the impression that Johnson & Higgins does not charge for the use of J&H*STARS. The product is provided to our clients on a fee basis, either as an itemized charge or as part of our overall compensation.

Joan B. Schaeffer
Senior Vp
Johnson & Higgins Risk
Management Services
New York

Business Insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher/Editorial Director:	Kathryn J. McIntyre, A.R.M. *(Chicago)*
Editor:	James M. Burcke *(Chicago)*
Editor-at-Large:	Jerry Geisel *(Washington)*
Managing Editor:	Paul D. Winston *(Chicago)*
News Editor:	Dave Lenckus *(Chicago)*
Assistant Managing Editor/Graphics:	Jeanne M. Bartels *(Chicago)*
International Editor:	Stacy Shapiro *(London)*
Senior Editor:	Douglas McLeod *(New York)*
Bureau Chiefs:	Stacy Adler Gordon *(New York)*
	Joanne Wojcik *(Los Angeles)*
Copy Editors:	Nancy Johnson *(Chicago)*
	Kathryn M. Larrabee *(Chicago)*
	Timothy Stanton *(Chicago)*
	Roseanne White *(Chicago)*
Associate Editors:	Lori Block *(Chicago)*
	Michael Bradford *(Dallas)*
	Meg Fletcher, A.R.M. *(Chicago)*
	Judy Greenwald *(San Jose)*
	Mark A. Hofmann *(Washington)*
	Louise Kertesz *(Los Angeles)*
	Laura Mazzuca *(Chicago)*
	Michael Schachner *(New York)*
	Deborah Shalowitz *(Chicago)*
	Gavin Souter *(London)*
	Christine Woolsey *(Chicago)*
Staff Reporters:	Sara J. Harty *(Chicago)*
	Sara Marley *(Chicago)*
Directory Editor:	Sarah E. Polster *(Chicago)*
Assistant Directory Editor:	Karen Armaganian *(Chicago)*
Editorial Cartoonist:	Roger Schillerstrom *(Chicago)*
Assistant to the Publisher:	Karen Brown *(Chicago)*
Editorial Assistant:	Cynthia L. Bloom *(Chicago)*
Advertising Director:	Martin J. Ross III *(New York)*
Eastern Advertising Manager:	Stephen P. Lincoln *(New York)*
Midwest Advertising Manager:	Robert L. Niesse *(Chicago)*
Western Advertising Manager:	Marta Hill Stevens *(Los Angeles)*
District Managers:	Cynthia Bykowski *(New York)*
	Margaret Hikido *(Chicago)*
	Charles A. Horvath *(New York)*
	Thomas P. Loftus *(New York)*
	Deborah D. Neale *(Chicago)*
	Kathryn Premetz *(New York)*
Production Manager:	Elmer Kerstowske *(Chicago)*
Director of Communications:	Ronnie I. Drachman *(New York)*

EDITORIAL:	Chicago:	312-649-5398
	Dallas:	214-363-1066
	London:	71-608-1172
	Los Angeles:	213-651-3710
	New York:	212-210-0100
	San Jose:	408-379-1790
	Washington:	202-662-7200
ADVERTISING:	New York:	212-210-0228
	Chicago:	312-649-5276
	Los Angeles:	213-651-3710
COMMUNICATIONS:	New York:	212-210-0132
CIRCULATION:	Detroit:	800-678-9595

Published by Crain Communications, Inc., Chicago

Founder	G.D. Crain Jr.
Chairman	Mrs. G.D. Crain
Vice chairman	Keith Crain
President	Rance Crain
Chairman-executive committee	S.R. Bernstein
Treasurer	Mary Kay Crain
Secretary	Merrilee P. Crain
Executive vice president-operations	William A. Morrow
Vice president-circulation	William Strong
Vice president-production	Robert C. Adams
Corporate communications manager	Penelope A. Geismar

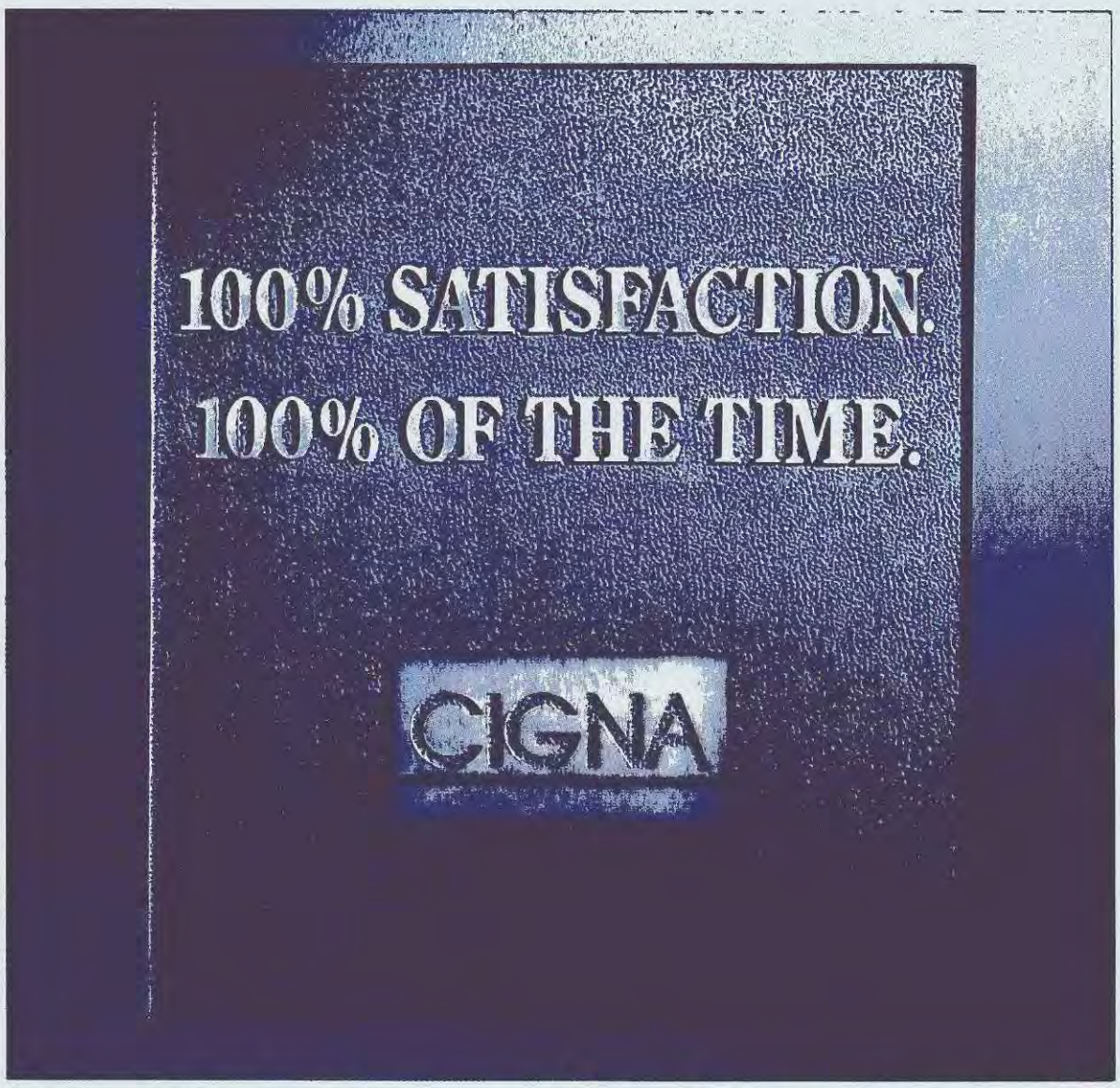
Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231-6415, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 540 Latimer Circle, Campbell, Calif. 95008, Fax 408/379-3257; Cowcross Court, 2nd Floor, 75-77 Cowcross St., London EC1M 6BP, England, Fax 71/608/1173. $2.00 a copy. $80 a year in U.S. Canada and all other foreign add $38 for surface mail. Europe and Middle East only add $116 for air delivery. First-class mail to U. S., add $95; to Canada add $105. Bermuda only, $180 per year expedited delivery; Australia only, $305 per year expedited delivery. SHEILA GORMLEY, 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 313-446-1611, Fax 313/446-1650. 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: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611-2590, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-210-0229, Fax 212/210-0704.

VBPA Member of Business Publications Audit of Circulation ABP

Are we aiming too high? Or is everyone else aiming too low?

At the CIGNA Group Pension Division, customer satisfaction is our number one priority. Sounds good in an ad. But how do we achieve it?

By giving the customer a voice. And then listening to it. When our customers told us that simplifying participant financial statements was a major priority, we listened. Then, using their input we designed more user-friendly reports.



When customers told us they wanted more investment options, we listened, too. Responding to their request with new accounts—six investing in mutual funds. Including highly rated funds from well-known outside investment companies.

And because even a little thing can often be a big thing, we listen to everything. For example, when customers told us they preferred talking to people rather than computers, we eliminated recorded messages in our customer service areas.

The point is, when the customer talks, we listen. To find out precisely how well, call CIGNA Group Pension Division, 1-800-238-2525.

Of course, we're not saying that we're perfect. But what we are saying is that we'll never be 100% satisfied until you are, too.

We get paid for results.® CIGNA

Health reform

Continued from page 3

Messrs. McArdle and Custer were among several participants in a panel discussion on the future of health care reform at the First Annual Health Care Management & Cost Containment conference.

The meeting was sponsored by *Business Insurance* in conjunction with IBF Conferences. The conference was held April 27-28 in New York.

Another reason why substantial reform is unlikely on a national basis is that the policymakers who would lead such a drive cannot agree on which path to take, said Ellen Goldstein, director of health policy and communications with the Assn. for Private Pension & Welfare Plans in Washington.

"There's a big difference between Democrats and Republicans in terms of health care proposals and an even bigger difference within the Democratic Party itself. (Politicians) seem intent on seizing defeat from the jaws of victory," Ms. Goldstein commented.

"And President Bush is so ambivalent when it comes to health care," she said.

"For a week he's the self-proclaimed health care president and then he doesn't want to talk about it at all."

Ms. Goldstein said that some in Congress support a "big bang" approach, meaning reform must come all at once or not at all.

Two such proposals receiving the most attention are the well-known "play-or-pay" proposal, supported by Sens. George Mitchell, D-Maine; Edward Kennedy, D-Mass.; and John D. Rockefeller IV, D-W.Va.; and a single-payer Canadian-type plan, supported by Reps. Marty Russo, D-Ill.; and Fortney "Pete" Stark, D-Calif.

The play-or-pay proposal would require employers to either offer minimum health care benefits or finance a public pool for the uninsured.

Mr. McArdle

A Canadian-style system would make the government the single payer of health care services for all citizens and would be financed by taxes on business and individuals.

At this point, there seems to be more interest in both the single-payer plan and a Canadian-style plan in the House than in the Senate, said Ms. Goldstein, noting that there are currently about 30 House members who are sponsoring legislation that would establish a Canadian-style plan.

"But personally I don't think it will come about. There's too much cultural diversity here. In Canada, they cross the street only when the sign says 'walk.' I don't see us adapting to that type of regimented system," she said.

Ms. Goldstein

Another group of reformers, according to Ms. Goldstein, are the incrementalists, led in the Senate by Lloyd Bentsen, D-Texas, the chairman of the Senate Finance Committee. "Bentsen doesn't want to do anything in big steps. He's like George Bush in this sense," she said.

House Republicans, on the other hand, are all over the map in terms of reform, according to Ms. Goldstein. "They may push for a small market reform bill, but that's about it. And I wouldn't dare give odds on this passing. It has been defeated once before."

Hewitt Associates' Mr. McArdle said that Americans shouldn't expect any long-term solutions to the health care crisis until after the November presidential election.

"If a Democrat is elected, we may see something radical. If Bush is re-elected, I wouldn't bet on anything. If Ross Perot gets elected, there'll probably be demonstrational changes by region to see what works," Mr. McArdle said.

Mr. Custer of EBRI went so far as to predict that there will be no reform at all in the near future.

"There are too many stakeholders for reform to occur. There are just too many diverse interests out there. I can envision some small moves to help the uninsured, like subsidies being made available to small groups or small group coverage mandates, but even this wouldn't solve the cost problem," he said.

"Also we must realize that health care is not a monolithic system. It's really a series of local systems. And, there are no level playing fields among different industries. Each proposal has different implications for employers, both in terms of class and as individuals," he said.

'There are too many stakeholders for reform to occur,' according to Mr. Custer of EBRI.

One proposal that has a chance of passing would restrict the ability of employers and insurers to deny coverage for individuals with pre-existing medical conditions, Mr. McArdle said.

Such a proposal would eliminate "job lock," he said, because employees would "be free to change jobs without having to fear losing coverage completely."

But this pro-employee move would drive up companies' health insurance premiums, warned Mr. Custer. "There's no question about that."

The APPWP's Ms. Goldstein said a sleeper issue on the health care reform agenda is relaxing the pre-emption provisions of the Employee Retirement Income Security Act, which now bar states from regulating self-funded benefit programs.

"This would give states more freedom to handle reform, and some say no reform is possible without ERISA reform," she said.

"I think it's due for revision although nobody seems ready to go ahead with it."

Mr. McArdle said weakening ERISA's pre-emption provisions could cause problems for multistate employers that rely on those provisions to offer uniform benefits to their employees across the country.

Jerry Geisel, editor-at-large for *Business Insurance* in Washington, moderated the discussion. ■

We have an entire department dedicated to going above and beyond what other insurance companies do.

Chubb is one of the few insurers with an entire department specializing in underwriting excess and umbrella coverages. Our Excess Umbrella Department has over a decade of experience and expertise to support its reputation for responding to unique liability needs with creativity.

Backed by the financial strength of Chubb, the Excess Umbrella Department has an in-house capacity of $25 million. These significant limits can be applied at various levels of attachment, to protect against catastrophic loss as well as losses not covered by underlying insurance.

But it is Chubb's service—combined with policy features such as true follow-form coverage—that goes above and beyond what other insurance companies provide. And with high levels of field underwriter authority, decisions are made promptly. For information, call your broker or agent, or 1-800-36 CHUBB.

Insure your world with Chubb

CHUBB

For promotional purposes, Chubb refers to member insurers of the Chubb Group of Insurance Companies who issue coverage. Chubb is proud to participate in "American Playhouse." Watch for it on PBS.

WE HAVEN'T CHANGED OUR POSITION ON WORKERS COMPENSATION IN OVER 50 YEARS.

Defining quality

Continued from page 3

Zero-Sum Game?"

The answer, according to panelists, is no.

Although quality is amorphous and difficult to define, it can be measured, said John George, executive vp of InterGroup Service Corp., a preferred provider network in Pittsburgh. By measuring quality, employers can be certain that they are not sacrificing quality care to curb costs.

"We have an obligation to our employees to force providers to demonstrate that they can provide quality care," said Mr. George.

An estimated 20% to 30% of all health care services delivered are unnecessary and may even be harmful to employees, he said. To prevent this misuse of health care services, Mr. George advised employers to look at two distinct aspects of quality:

- Technical quality, which measures the effectiveness of medical treatments.
- Perceived quality, which measures the employees' perceptions of their medical care.

Technical quality can be measured accurately by looking at various provider statistics, like morbidity rates, he said.

While most providers can generate this type of statistical information, it is important that employers seek out additional information to make these statistics meaningful, he said.

For example, to understand the morbidity rate of a particular health care facility, an employer needs to understand the severity of illnesses suffered by its patients, he said.

Similarly, employers should ask providers to document their utilization patterns and the individual costs of particular services, he said.

"We are not only asking providers to do more for less; we are asking them to tell us what they are doing," said Mr. George.

By far the more difficult aspect of quality to measure is perceived quality, said Mr. George.

One way to measure perceived quality is to survey employees, he said. Employees can be asked where they like to go for medical treatment and why. In addition, patients at hospitals can be queried about the care they received.

Employers should ask providers to document their utilization patterns and the individual costs of particular services, says Mr. George. 'We are not only asking providers to do more for less; we are asking them to tell us what they are doing.'

One reason measuring quality is so difficult is because an employer is often forced to rely on a provider's subjective description of its own quality.

One way to avoid this subjective view is by "benchmarking" —comparing a given provider to the best in the field, said Mr. George.

For example, a hospital might be measured against standards set by the Mayo Clinic, he explained.

When Ms. Lynne was trying to measure the quality care covered under New York City's employee health care program, her office conducted a survey of the city's 330,000 employees.

One key finding: Employees viewed the second surgical review program favorably. "The survey revealed that the second surgical opinion program provided employees with a great deal of reassurance," said Ms. Lynne.

So even though the program was not saving the city as much money as hoped, the program was retained.

The city also measured the quality of its utilization review program.

The method for conducting this survey was to divide the employee population into two groups with either odd or even social security numbers.

One group of employees, which was used as a control group, was given a phone number to call. The person who answered the phone was not a utilization review case worker, but merely someone who approved whatever medical treatment the employee was about to undergo.

The second group of employees was directed to a genuine case worker who provided true case management review.

The result was that there was no difference in the perceived quality of care received by the two groups, said Ms. Lynne.

This demonstrated that the utilization review program was not sacrificing quality to reduce costs, she said.

These types of surveys and studies should be conducted by other employers, she said.

"It is one way an employer can ensure that employees are receiving quality care while the employer is controlling costs," she said. ■

'First annual' conference not the last

NEW YORK—More than 340 employee benefits professionals gathered in New York for the First Annual Health Care Management & Cost Containment Conference.

The meeting, which was held April 27-28 at the Grand Hyatt Hotel, was sponsored by *Business Insurance* in conjunction with IBF Conferences, a division of International Business Forum Inc. of Uniondale, N.Y.

The conference—which attracted benefit managers, human resource directors, consultants, health insurers and managed care executives—featured 17 presentations, which ranged from the latest techniques in managed care to the advantages of belonging to an employer health care coalition.

In addition to the seminars, 21 companies exhibited their products and services to benefit managers.

Besides *Business Insurance* and IBF Conferences, other companies sponsored events at the health care conference, including John Hancock Financial Services, which sponsored the Monday luncheon; Preferred Health Care, which sponsored a Tuesday working breakfast; and Coopers & Lybrand, which sponsored a Monday evening reception.

Conference Chairman Kathryn J. McIntyre, publisher and editorial director of *Business Insurance*, joked that some attendees had questioned whether it was proper to call the conference the "first annual." However, she noted that plans now are under way for the Second Annual Health Care Management & Cost Containment Conference, to be held in May 1993 in New York.

In addition, *Business Insurance* and IBF Conferences will team up to sponsor a Winter Health Care Forum, to be held next January in San Diego.

For more information about either conference, contact International Business Forum Inc., 50 Charles Lindbergh Blvd., Suite 400, Uniondale, N.Y. 11553; 516-229-2375.

After Answering 679 Actuarial Questions, Our Fee Came To A Total Of $0.00.

It's a busy morning on the Actuarial Assistance HotLine.

First, it's a senior life actuary. He asks about accelerated benefit product design. Later, a valuation actuary wants to discuss reserving for AIDS. Then there's a question about last-survivor pricing.

An actuarial resource for our clients.

With the toll-free Actuarial Assistance HotLine, preferred life reinsurance clients of Lincoln National can save time and money getting help with actuarial questions. There's no fees, no statements, and no strings attached.

The HotLine staff taps a resource pool of some of the most experienced actuaries in the field. They can share Lincoln National's research, experience or just a well-reasoned opinion. Even on the newest products. The latest legislation.

Why would a reinsurer offer a service like this?

You may think it's unusual for a reinsurer to offer a service like the HotLine, and you're right. It all comes down to this—we focus on serving as a broader resource to your company. That's what underlies our range of unique products and services, all designed to contribute to your success in new ways.

To learn how this approach can make a bottom-line difference to your company, contact your Lincoln National account executive.

LINCOLN NATIONAL REINSURANCE
A part of LINCOLN NATIONAL CORPORATION
The Reinsurance Resource.
1300 S. Clinton St. • Fort Wayne, Indiana 46801

Liberty Mutual has been the leading writer of workers compensation for over 50 years.

It's a position we've earned by working with our customers on the issues that matter most: controlling workers compensation costs through innovative loss prevention and effective claims management.

COST REDUCTION THROUGH LOSS PREVENTION

Right now, Liberty's research center—the only one of its kind—is analyzing the causes of workplace injuries to improve occupational safety. For our customers, that research means Liberty's 750 local loss prevention specialists provide leading edge safety consultations, including ergonomics and customized safety programs.

COST CONTAINMENT THROUGH CLAIMS MANAGEMENT

When an employee is injured on the job, we apply unmatched experience to provide the most appropriate medical treatment, and return that person to work as soon as possible.

That's because managed care has been our strong suit for decades. We pioneered return to work programs. We have the only rehabilitation center of its kind in the industry. Our groundbreaking program of panel physicians was a forerunner of today's Preferred Provider Organizations (PPOs). Now LibertyPREFERRED CARE is one of the industry's most effective nationwide PPO networks. Our medical cost containment programs saved our customers over $170 million last year.

Fighting fraud through innovative programs, like special investigative units, is another important way we work to control costs.

DEVELOPING SOLUTIONS FOR A TROUBLED SYSTEM

As the industry's leader, we're working together with our customers and their trade associations, state legislators and labor in the fight for reform. And we'll keep working with them until workers compensation accomplishes its mission: helping injured workers return to work by assuring quality medical care and fast benefit payments.

At the same time, meeting the needs of our customers in difficult states requires innovative solutions. That's why we pioneered a large deductible policy. For self-insured employers, we expanded our Helmsman services with flexible plans.

THE DIRECT WRITING ADVANTAGE

Our leadership position demands a passion for service. As a direct writer, we can more readily provide the service customers need because partnership is built into the way we do business. By working together, we can more effectively control costs.

LIBERTY MUTUAL®

FACING THE ISSUES THAT FACE OUR CUSTOMERS

© Liberty Mutual Insurance Group/Boston

Delving into managed care data

Employers demand in-depth treatment info to establish cost-efficient provider networks

By JERRY GEISEL

NEW YORK—A growing demand for more in-depth treatment data is the latest development in the ongoing evolution of managed care, a health care consultant says.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Employers need to look beyond hospital mortality and morbidity statistics when trying to put together a network of quality providers, says Charles M. Jacobs, president of InterQual in Marlboro, Mass.

A hospital may have a lower death rate for a specific procedure not because its care is any better, but because its patients may not be as sick as those admitted to other hospitals, he said.

"You have to look at outcomes data with caution," Mr. Jacobs said at the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

To truly measure quality of care, employers have to find what proportion of patients are low risk vs. high risk and the outcomes for patients in those two categories, he said.

Without such information, treatment outcome data is "meaningless," he said.

Mr. Jacobs

"Ask a hospital, 'What is your mortality rate for low-risk vs. high-risk patients?' That is what is happening in managed care," Mr. Jacobs added.

Providing employers with meaningful numbers marks the latest step in an evolutionary process that has been advanced over nearly two decades as employers have become more informed health care consumers, Mr. Jacobs said.

Indeed, providers' first response to managed care was to avoid it, he said. For example, when health maintenance organizations began to pick up steam in the early and mid-1970s, some physicians and medical societies refused to deal with them, a tactic they later dropped under pressure from the Federal Trade Commission.

Eventually, physicians and hospitals—in an effort to build volume—agreed to provide discounts to certain large health care purchasers, he said.

As employers demanded more price information from hospitals, some hospitals were openly skeptical of whether employers would actually steer employees to lower-cost providers.

As managed care continued to evolve, providers responded by opening what they called centers of excellence. The theory is that employers will direct patients to a facility that is renown for a certain specialty.

Growth of those centers, however, is no assurance that quality medicine is being delivered. "We have a lot of centers, but not so much excellence," Mr. Jacobs said.

The most recent development in the managed care arena—employers and providers trying to make treatment outcome data more meaningful—is being driven by the growing employer awareness that there are differences in the quality of care delivered by different providers.

To that end, there has been more sharing of outcomes data among employers and providers, according to Mr. Jacobs .

At the same time, employers also have become more interested in the experience and professional backgrounds of potential providers in a managed care network for a very pragmatic reason: fear of litigation.

"A prediction that is sure to come (true is) employers being held liable for an employee injured in a managed care network offered" by the employer, Mr. Jacobs said..

Showing due diligence in provider selection, like choosing only those with certain credentials, could reduce the liability exposure, Mr. Jacobs said.

Managed care is moving in other directions as well, said Roger Taylor, national practice leader for health care at The Wyatt Co. in Washington.

Dr. Taylor

Mr. Moser

Instead of paying HMOs a rate based on the experience of the broad community an HMO serves, employers are demanding rates that are based on their individual experience, he said.

The demand for HMO experience rating has been propelled by employers "who want some of the savings" when their employees use fewer services provided by the HMO than the community at large, Dr. Taylor said.

In other cases, employers are pruning the number of HMOs they offer as they search for higher-quality providers, said Warren Moser, president of Advanced Benefit Concepts, a consulting firm in Pasadena, Md., and a former benefits manager at Southwestern Bell Telephone Corp. in St. Louis. ■

The secret of success is never being at a loss for words.

(Or pictures)

If you've ever been frustrated by a misplaced or lost piece of information, don't lose this page.

Because IBM can make sure that never happens again—thanks to ImagePlus.®

ImagePlus is IBM's system solution designed to give you image processing capabilities, including high-speed capture of large volumes of documents, to help streamline your paper-intensive operation.

It's an imaging system created to make you more productive, by making you more responsive.

With ImagePlus, you can scan or fax your documents, letters, photos—any piece of paper—directly into your computer.

N.J. official sees small-scale health reforms

By MICHAEL SCHACHNER

NEW YORK—Employers should not expect Congress to reform the health system in one swoop, cautions a state health care official.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Instead, the federal government will implement a series of small changes as if it were filling in a jigsaw puzzle, according to Gerry Goodrich, deputy health commissioner of New Jersey.

"Research shows that without change, the U.S. could soon be allotting as much as 30 cents of every dollar to health care. Now, 50% of business profits go directly toward health care," he said.

"While these things are clearly unacceptable, I wouldn't expect any significant changes over the next three years," Mr. Goodrich said at the First Annual Health Care Management & Cost Containment conference in New York, sponsored by *Business Insurance* in conjunction with IBF Conferences.

Impending changes are not monumental, Mr. Goodrich said. But chances are solid that at least some small-scale reforms will be enacted to help control costs and improve access.

As an example, he cited federal initiatives that would allow the creation of health insurance networks, or coalitions, through which small employers could pool resources to buy or self-fund coverage for employees.

"There seems to be a consensus forming on this issue. Many believe these HINs would work. If the federal government can't get these networks up, I think the states will," Mr. Goodrich said.

Such networks will not be set up without extensive private sector support, he warned. "Government doesn't know beans about health care plan design and how to write a health care plan."

Mr. Goodrich also said any future health insurance networks will have to contain managed care features. "Any coalition must move forward with managed care. We can't act in any way that would harm the gains made in managed care."

Congress also will continue to pursue some form of health care pricing constraints, he said.

"The government won't back away from this," said Mr. Goodrich. "There has to be some cap placed on expenditures. The pieces are in place for this to happen nationally, but what's lacking right now is leadership."

Over the long term, state and federal policymakers will try to control health care utilization through rules and regulations.

"Controlling utilization through managed care, utilization review and reduced physician payments will become more the norm," said Mr. Goodrich. "We also need to cut back on administrative overhead. It's accounting for 15% to 25% of all costs now."

To reduce health care inflation, health care policymakers will have to look into controlling hospital costs, said Mr. Goodrich, who manages New Jersey hospital rate-setting system.

"We already have (diagnostic related groups) in New Jersey. Hospitals are where 40% of all costs are generated, so they have to be a target area. Medicare right now is underpaying on hospital bills to reflect inordinate inflation, but what's happening is other payers are being saddled with the costs," he said.

Lastly, health care rationing is a possible, if not likely, solution to making limited health care resources available to everyone.

"An Oregon-type waiver program is possible. We have seen reports showing that 30% of all costs are accrued in the last 30 days of life. But rationing is a tough decision that many people don't like," he said.

A proposed health plan in Oregon aims to extend Medicaid coverage to all residents living below the federal poverty line. Prioritizing which services will be eligible for Medicaid coverage is a key part of the plan (*BI*, March 2).

Mr. Goodrich wrapped up his presentation by spelling out what he'd do if he were an employer looking to better control his company's health care costs:

- "I'd realize that my employees are very important, and I would do what's good for them. Ensuring that employees are well treated is one of our top societal challenges. I believe health care policy should be driven by this concept," he said.
- Cost and quality issues would not be ignored.

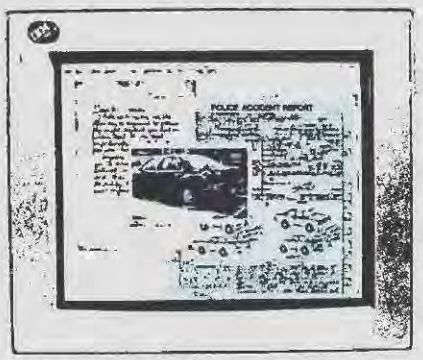
"People are scared to death about being treated in a hospital. I have walked the halls of hundreds of hospitals, and while some are very good, others are very bad.

"The thing is you don't know about a hospital until you start examining outcome data and making cost comparisons. It serves no purpose in sending employees to a facility that's not worth its name," said Mr. Goodrich.

- Treat health maintenance organizations just like hospitals. Acquire as much data as possible and weed out low-quality HMOs.
- "I'd do more than simply shift costs to employees through deductibles. I'd find out where real cost problems exist and do something about it. I'd find out if it's mental health or something else that's driving our costs," he said.
- "I'd spend 1% to 3% of of my overall health care budget on buying smart," he said, referring to research and working with consultants to improve health care decision-making. ■

So they can't accidentally fall off your desk, slip behind your coffee mug or inadvertently end up in the wastepaper basket.

And, once you've scanned or faxed information into your system, anyone in



any department—from your accounting people to your customer service reps—can retrieve it, file it, view it in full color, and reproduce it. Instantly.

One of the many other conveniences: An image of a color photograph can be captured, stored and retrieved from the same folder that contains an image of a handwritten letter and other related documents.

Today, hundreds of ImagePlus systems are installed and improving productivity and customer service in banks, insurance companies, government agencies, hospitals, manufacturers, retailers and transportation companies around the world.

From now on, everyone with an ImagePlus terminal can have the information they need, the second they need it. Which, alone, is enough reason to consider ImagePlus.

But there are other reasons.

Like flexibility: ImagePlus with OS/2® gives you the multitasking power to run several different programs—spreadsheets, word processing, desktop publishing, host computer emulation and other image applications—at the same time, without interrupting the one you're working on.

You can imagine the impact on productivity.

Projects that used to take weeks to close, now can take hours.

Customer questions that used to take days to answer, now can take seconds.

One ImagePlus customer recently reported significant increases in productivity after only *eight weeks*. Our image specialists are hearing more reports like this all the time.

And remember, IBM can help you integrate ImagePlus into your existing data management system. In fact, thanks to ImagePlus' open interfaces, you can integrate your own image applications and even attach your own scanners and printers.

Best of all, these features are in *addition* to IBM's long-term commitment to service and support.

ImagePlus, from IBM. Now, when it comes to information, you can't lose.

For more details, contact your IBM representative, call us at 1 800 IBM-6676, ext. 883 or send in the coupon below.

IBM, ImagePlus and OS/2 are registered trademarks of International Business Machines Corporation.
© 1991 IBM Corporation

Please send me more details about IBM's
Imaging Solutions

Clip and mail to:
IBM Corporation, Dept. 883
P.O. Box 3974, Peoria, IL 61614

Or call:
1 800 IBM-6676, ext. 883

Name
Title
Company
Address
City State Zip
Phone BUSI

IBM

Canadian-style system works well—in Canada

By JERRY GEISEL

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

NEW YORK—All Canadians have access to health care, yet Canada spends less per person on health care than the United States, where 36 million people are uninsured, a Canadian health care official says.

In 1989, per capita health care costs in Canada were $1,683, or 28.5% lower than the U.S. average of $2,354.

Similarly, in 1989, health care costs in Canada comprised 8.7% of that country's the gross national product, compared with 11.8% in the United States.

Despite these impressive statistics, the Canadian system may not be the perfect model when U.S. policymakers consider new approaches to provide coverage to the uninsured and to restrain soaring costs, said A. Eugene LeBlanc, executive director of the Negotiations Secretariat for the Ontario Ministry of Health in Toronto.

When asked if Canada's system is right for the United States, "I say it may not be, but you should look at it and the 22 other systems of national health insurance" in other industrialized countries, said Mr. LeBlanc, who helps directs price negotiations between Ontario and health care providers in the province.

In the keynote address at the First Annual Health Care Management & Cost Containment Conference, held April 27-28 in New York and sponsored by *Business Insurance* in conjunction with IBF Conferences, Mr. LeBlanc rebutted criticisms that have been lobbed at Canada's health insurance system.

Under that system—the final pieces of which were put in place in 1971—all Canadians are ensured of comprehensive health insurance. While the Canadian federal government covers part of the costs, the program is administered by the provinces.

The provinces also decide how to finance their portion of the costs and determine what specific benefits will be offered.

Each year, provincial officials like Mr. LeBlanc negotiate fee schedules for thousands of procedures with doctors' groups.

Mr. LeBlanc said the tag "socialized medicine" is not appropriate to describe the Canadian program. Physicians are not employed by the state, as they are in England, and while hospitals receiving funds from the government, they are privately owned.

In essence, the Canadian program "is a private utility within a public framework," he said.

Perhaps the most serious criticism of the Canadian program is that patients often have to wait for services, a process the Canadians call queuing.

The General Accounting Office last year reported that patients in Ontario have to wait from 30 days to about a year for elective eye surgery. For cardiovascular surgery, the wait can be as short as seven days, but waits of up to about six months were reported (*BI*, June 10, 1991).

Acknowledging the waits for elective services, Mr. LeBlanc pointed out that if treatment is deemed urgent, it is provided at once. "If you need it now, you get it now."

And even though Canadians may have to queue for elective services, particularly inpatient care, they are ensured of coverage, Mr. LeBlanc said.

On the other hand, U.S. citizens without health insurance can be bankrupted by medical bills.

To underscore the differences in the two countries' health care systems, Mr. LeBlanc cited the case of a young Ontario girl with a rare bone disease. Treatment costs were estimated at $200,000, an expense the Ontario health care program would pay even if she had needed to go to a U.S. hospital for care.

By contrast, if a U.S. citizen contracted AIDS and did not have health care coverage, the medical bills could bankrupt the individual, something that would not happen under the Canadian health care program.

Critics of the Canadian health care system also charge that Canada is deficient in purchasing technically advanced medical equipment, like magnetic resonance imaging and computerized axial tomographic scanning machines, or CAT scanners.

Sophisticated equipment has not proliferated in Canada like it has in the United States. "We do not have the same incidence of technology and equipment as you do," acknowledged Mr. LeBlanc. Los Angeles, for example, has more CAT scan equipment than all of Ontario.

But Canada has enough equipment so that "if you need a CAT scan or an MRI, you will get it," said Mr. LeBlanc.

Mr. LeBlanc

Devoting adequate resources to ensure prompt care is difficult, he said. "Do we get it right all the time? No. In general, though, we do it right."

While the government plays a much larger role in the Canadian health care system compared to government's role in the United States, the entrepreneurial spirit in the Canadian medical community remains very much alive, he said.

The foundation of Canada's health care delivery system rests on several principles included in Canada's 1971 Health Care Act, Mr. LeBlanc said. Those principals include:

- The benefits provided must be comprehensive for medically necessary services.
- Coverage should be universal.

Virtually the only Canadians that lack coverage are those that decline services because of religious beliefs, Mr. LeBlanc said.

- Coverage should be portable.

Even if an individual moves from one province to another, coverage is maintained.

By contrast, U.S. residents sometimes are reluctant to change jobs because of concern that their new employer's health plan won't cover pre-existing medical conditions.

Because coverage is portable, Canadians do not face "job-lock," Mr. LeBlanc said.

- Accessibility should be uniform.

All Canadians, regardless of their economic status, have the same access to medical services.

- Administration should be public.

The provinces administer Canada's health care program and negotiate with providers.

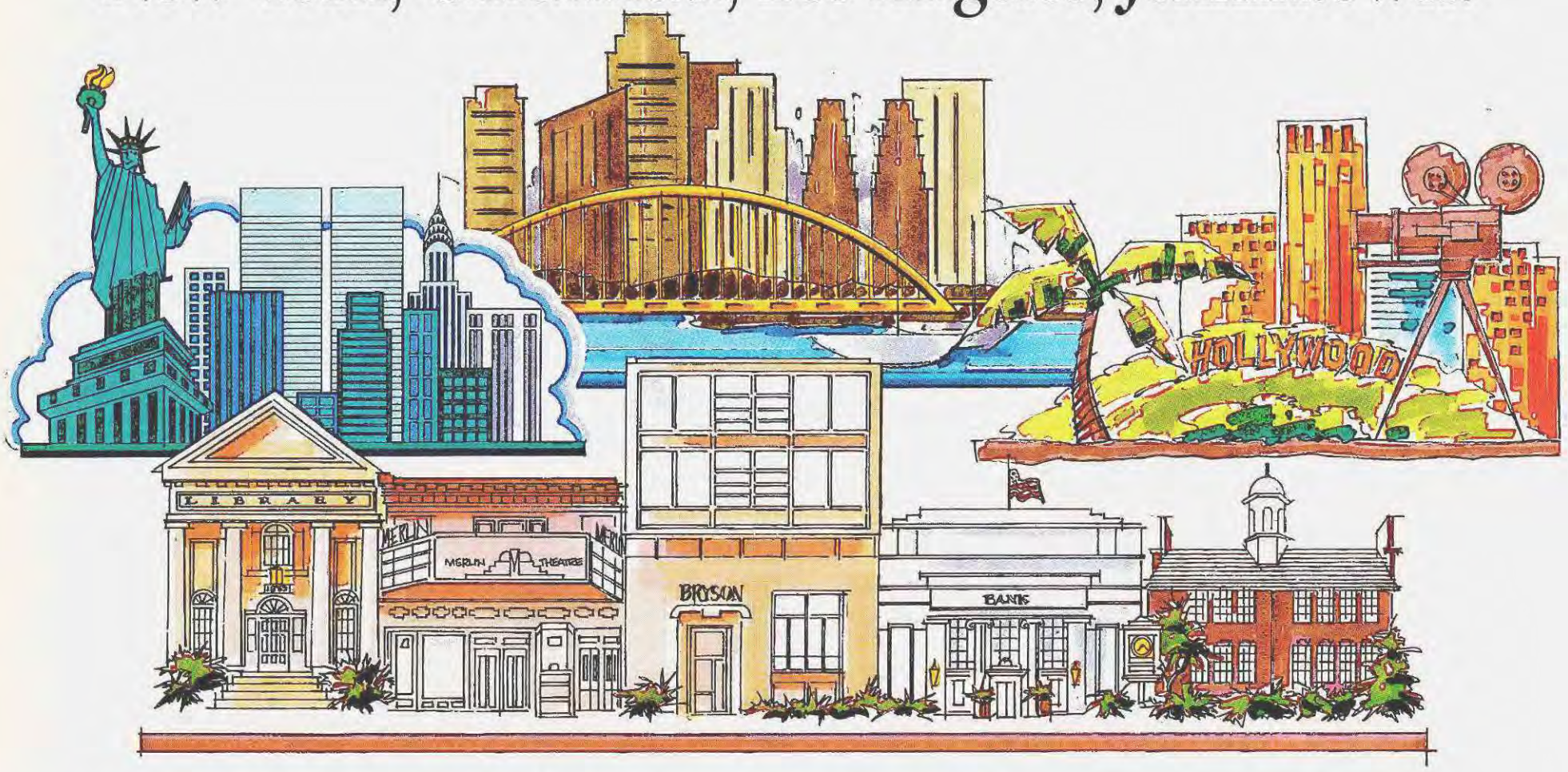
By contrast, in the United States, thousands of self-funded employers and insurers negotiate with health care providers and administer benefit programs.

At the same time, the Canadian program is funded with revenue from a broad range of sources, including income and gasoline taxes.

The introduction of the provincial health care program in Canada was not always smooth, Mr. LeBlanc said. For example, physicians in Saskatchewan went on strike in 1959 when that province took over responsibility for providing health insurance to residents.

And changes to the health care benefits are a touchy subject. In fact, recent discussion of introducing certain cost sharing requirements by patients caused enormous political turmoil in Canada, Mr. LeBlanc said. ■

Big Placements Should Be Made In Big Places.
New York, Cincinnati, Los Angeles, Jenkintown.



Jenkintown? Yes, Jenkintown. It's home base for Bryson Associates. Which means for specialty insurance, it's a giant. From Jenkintown, New York, Cincinnati and Los Angeles, we're making some of the largest placements in the country. Brokers with something big in mind—call today.

BRYSON
ASSOCIATES
INCORPORATED

P.O. Box 545, Beaver Hill South, Jenkintown, PA 19046 215-576-1500 12100 Wilshire Boulevard, Los Angeles, CA 90025 310-826-1982
111 John Street New York, NY 10038 212-791-9745 1500 Chiquita Center, 250 East Fifth Street, Cincinnati, OH 45202 513-762-7626

Provider 'discounts' may be an illusion

By JERRY GEISEL

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

NEW YORK—Employers that obtain discounts from providers without knowing the range of basic rates charged in a community may not reap any savings, asserts employer health care coalition official.

"Provider discounts don't mean very much in the absence of good data on basic rates" says Debra Hubers, marketing director for the Colorado Health Care Purchasing Alliance in Denver.

Ms. Hubers spoke at the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences, April 27-28 in New York.

Ms. Hubers cited one surgical procedure—appendectomy—as an example of how provider discounts may offer only the illusion of savings.

The Colorado purchasing group, which helps design managed care networks for its employer members, found that basic rates charged by a group of hospitals in the state for an appendectomy ranged from $2,264 to $7,696.

The group found that the average charge for an appendectomy was $3,677.

As a result, employers that negotiate discounts with hospitals at the higher end of the cost spectrum actually could end up paying more than employers that select providers with much lower basic rates, she said.

Just as it pays for employers to compare rates, employers also have to scrutinize hospital bills for irregularities and overcharges, Ms. Hubers said.

For example, by appearing to unbundle services for total hysterectomies, one hospital was in fact charging several times for one procedure, she said.

Ms. Hubers also advised employers to dig beyond simple treatment outcome results.

Outcome results only have meaning if they are adjusted for the severity of patients' conditions when they seek treatment, she said.

"You are not buying quality if you don't adjust for severity," she said.

At the same time, by obtaining other measures of quality—such as complication rates by providers—and sharing this information with employees, workers will choose providers more carefully, Ms. Hubers said.

In the future, employers, with the help of new software packages, will be better able to compare providers on the basis of outcomes. Such comparisons, though, will require substantial investments of time and money, Ms. Hubers noted.

In addition, providers will have to adjust to new relationships in which buyers of health care services increasingly will challenge decisions made by providers.

As a new body of literature develops on conditions and outcomes, employers can make progress on reducing and eliminating medical treatment that is unnecessary, according to Ms. Hubers.

Too often, she said, "We are doing procedures on people who don't need it."

Indeed, if waste was eliminated from the health care delivery system, the savings could be used to expand coverage to the uninsured, Ms. Hubers said.

However, Ms. Hubers said she strongly opposes a government takeover of the nation's health care delivery system. The current system is one of the best in the world, albeit the most costly, she said.

Employers, by banding together in purchasing coalitions like the Colorado alliance, can make the system more cost-effective, she noted.

These coalitions can push providers for more information on practice patterns and then reward those providers—through purchasing agreements—who demonstrate the highest quality of care, she said.

Ms. Huber

Ms. Maynard-Rogers

As part of that trend, about 80 business coalitions are involved or soon will be involved in various purchasing arrangements with health care providers across the country, Ms. Hubers said.

Coalitions are becoming more popular with employers, she noted, referring to the Colorado alliance's own success: Employer members of the Alliance represent 99,920 lives, up from 26,849 lives in 1988.

In New England, The Good Neighbor Alliance Corp., a Cranston, R.I.-based service firm, brings small employers—generally those with fewer than 20 employees—together to give them more clout.

"Typically, insurers shy away from small books of business," says President Dorothee Maynard-Rogers.

But because coalitions bring big blocks of business and do much of the paperwork, insurers and health maintenance organizations are more receptive to writing health care coverages for small employers, she said. Good Neighbor Alliance members have access to five indemnity plans and three HMOs.

For example, the Good Neighbor Alliance will process enrollment forms, forward premiums to HMOs and explain HMO benefits to member companies' employees.

In addition, she said, the Good Neighbor Alliance can assist smaller companies in understanding the requirements laid down by such laws as the Employee Retirement Income Security Act and the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985. ■

Today's employee health care system is shot full of holes. Unnecessary surgical procedures, extended hospital stays, inappropriate diagnostic testing, over-utilization of psychiatric and substance abuse benefits, code gaming and the rubber stamping of claim payments can seriously drain a company's profits.

Insurers that address only one or two of these problems won't stem the flow.

At ITT Hartford, we take a total approach to cost containment. Managed care networks, utilization management (including psychiatric and substance abuse review), hospital bill audits, health care provider profiling and careful attention to monitoring and managing claims are all part of our process.

Everybody's plugging cost containment these days. The ITT Hartford difference is a strategy that's as comprehensive as it is conscientious.

For a program that holds water, talk to us.

ITT HARTFORD

For The Best In Life—And Health.

On-site med centers touted

Employer-owned facilities can reduce costs, improve quality

By MICHAEL SCHACHNER

NEW YORK—One way for employers to get a grip on rising health care costs is to create an on-site corporate medical facility and staff it with salaried primary care physicians, according to a benefits consultant.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Another method that has proven successful for dozens of employers is to join other companies on a local basis to create proprietary health care networks, says a corporate benefits director.

Employers that simply ride the current wave of U.S. health care will find themselves the target of cost shifting and thus will continue to watch their health care costs climb skyward, said James A. Norton, managing consultant in the Stamford, Conn., office of A. Foster Higgins & Co. Inc.

Corporate medicine is the key to cost savings, said Mr. Norton, who spoke at a session on innovative cost-containment approaches at the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

"I don't think employers can continue to negotiate quantity-based network contracts, because if employees aren't being seen by quality providers, the whole program isn't worth much," said Mr. Norton.

The Campbell Soup Co. has achieved significant savings in several of its rural locations by joining forces with its neighbors and building partnership health care networks with area providers.

"As long as you have a quarterback capable of getting good physicians in your network and the effort is concentrated locally," quality shouldn't be problematic, noted John Hague, corporate director of benefits with the Camden, N.J.-based food company.

Still, for employers with as few as 1,000 employees at a single worksite, building one's own primary care medical center, which allows a company to better control the quality of care and the referral process, can be immensely cost-effective, said Mr. Norton.

"Corporate medicine is the key today to controlling managed care. An on-site, mini staff-model HMO with salaried primary care physicians will allow a company to attain a higher quality of delivery and will also allow the employer to make its own decisions," he said.

Mr. Norton

Mr. Norton said on-site facilities can be set up to function simply as a supporting delivery system to an outside plan—treating minor illnesses or providing pharmaceutical services, for example—or it can be the required starting point for employee health treatment.

The center can provide "anything from casual primary care to being a very organized system with incentives and disincentives related to where employees can seek care," Mr. Norton said. "Your corporate philosophy will determine whether to go ahead with it. Some companies may feel that medicine is not their strength."

The two leading questions that arise when employers debate whether to create a corporate health care center is whether employee confidentiality can be protected and whether salaried doctors can provide care of equal quality to private practitioners, according to Mr. Norton.

"Confidentiality is a legitimate issue, but the employer should be able to protect a patient's privacy," he said.

Mr. Hague

"Quality becomes an issue, because accountability is transferred from the physician community to the employer. The liability issue does come up, but you can hedge the liability by making sure you hire quality doctors," Mr. Norton explained.

He added that critics of the corporate medical facility concept point out that limiting an employee's choice of doctors hinders quality. "It doesn't," he countered. "The 'Yellow Pages' is definitely a source for choice, but it doesn't guarantee quality at all."

In order to establish a corporate medical facility, Mr. Norton said employers must:

- Set clear goals for quality, savings and health care results.
- Determine the number of sites needed and the locations.
- Obtain the equipment and supplies for the facility.

And while larger companies may be able to benefit most easily from corporate medical centers, smaller employers with at least 1,000 employees should be able to generate savings, too, Mr. Norton said. "Don't let size be a determining factor."

The partnership approach to cost control, joining with area employers to negotiate a proprietary health care network with area providers, is proving cost-effective for Campbell in three of its rural locations.

Campbell has a nationwide indemnity plan covering its 34,000 domestic employees and retirees. But near three highly unionized production facilities in North Carolina, Ohio and Texas, Campbell has joined forces with other local employers to bolster its purchasing clout with area providers, Mr. Hague explained.

"We made several changes to our health care plan in 1986 and 1987, but after looking at ourselves we still had a Cadillac plan (and) low employee awareness. We were a 'dumpee' for dependents, and nobody really wanted to change," said Mr. Hague.

What Campbell did then was to begin establishing its own network plans in Paris, Texas; Willard, Ohio; and Maxton, N.C. These facilities all center around a family practitioner as a gatekeeper.

The network plan is easy for employees to understand, and participation is not mandatory: Employees who don't want to go to network providers have the option to participate in the company's standard indemnity plan, but at slightly lower benefit levels, Mr. Hague said.

"In the network, we withhold a small portion of reimbursement and then refund it to the doctors if they help us meet our savings goals. This way, we're all partners in the effort," said Mr. Hague.

"These plans have introduced case management to rural America and have put the general practitioner back in medicine. They're locally based, raise community awareness and encourage local referrals," he explained.

To date, the Campbell partnership plan in Ohio has generated savings of 24% compared with the costs incurred by Ohio employees seeking care outside the network. In North Carolina, the savings have been about 8%. And in Texas, where Campbell operates without partners, network costs are about 16% lower than out-of network costs, said Mr. Hague.

"The key is that in the networks, the referral process is controlled. Also, all care is provided locally, which tends to cost less than when people travel for services. We also have a planning board of doctors and company people to help manage the plan," said Mr. Hague.

He added that the network model is attractive to local providers because it guarantees them an increased patient load and pays on a fee-for-service basis, albeit a reduced rate.

"We're a good payer. The doctors know that," Mr. Hague commented. ■

If You Think There's Nothing New In D&O, Better Take Out Some More E&O.

There's a big, important change in personal directors and officers liability insurance. For the first time, you can fill gaps, remove exclusions, add or replace excess layers, and insure against situations when primary coverage or indemnification won't, or can't, respond. All for the protection of the personal assets of directors and officers. All with a single, domestic, wraparound policy. Call your broker immediately, or contact Aetna/Executive Risk at 203-244-8900.

Introducing Broad Form Directors and Officers Liability Insurance from Executive Risk Management Associates.

Aetna

Lamba Safety Cones are an effective defense against liability for slip, trip and fall accidents... and Workmen's Compensation claims.

To place an order, or for more information, call

1-800/645-7844

Lamba® Systems

Division of American Allsafe Company
89 Wales Avenue
Tonawanda, New York 14150

The Lamba Product Line Is Protected By Patent. © 1992 Lamba Systems—Division American Allsafe Co.

Several tools available to cut comp inflation

By STACY GORDON

NEW YORK—On June 25, 2015, at 3:30 p.m., health care expenditures will comprise 100% of the nation's gross national product, a health care cost management expert jokingly forecasts.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

But the soaring costs of medical care for workers compensation are no joke, he adds.

"Medical costs in workers compensation are rising 50% to 80% faster than medical costs in employee benefit plans," said Gary Anderberg, national account executive for Conservco Inc. in San Mateo, Calif., a health care cost management unit of Travelers Corp.

"For many common diagnoses, workers compensation medical costs are twice as high as employee benefit costs," Mr. Anderberg said last month at the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

Mr. Anderberg

The rise in workers comp medical costs is driven by many of the same factors driving medical costs in employee benefit plans, he noted. However, the same sophisticated cost controls in employee benefit plans are not widely used for workers compensation.

Another factor pushing up workers comp medical costs is the rise in stress and substance abuse claims, Mr. Anderberg said.

In addition, courts are making it much easier for employees to recover under workers compensation for an array of injuries never intended to be covered under workers comp, he said.

Courts are "constantly broadening the definition of workplace injury," he said. Many types of stress claims, for example, are now compensable under workers comp, he added.

Another factor behind soaring workers comp medical costs is that the cost containment techniques now used in the employee benefits arena force some employees to seek coverage for nonwork-related injuries from workers comp programs, said Mr. Anderberg.

"The harder you squeeze the end of the balloon labeled employee benefits, the more the end labeled workers compensation expands," he explained.

When a workers comp claimant is receiving capitated group medical benefits, there is "considerable incentive to investigate very carefully whether an injury is work-related," said Mr. Anderberg.

No easy solutions await employers faced with these soaring costs. "There is no silver bullet," said Mr. Anderberg.

But, he said, some techniques that can be used to curb rising medical costs for workers compensation are:

- Developing better claims handling systems.
- Implementing stronger utilization review programs.
- Using preferred provider networks and direct contracting arrangement with providers when possible.
- Using case management

Continued on next page

KODIAK • NEW YORK • BOSTON • PHILADELPHIA • CHEVY CHASE • WASHINGTON D C
BANGOR • ATLANTA • TAMPA • SAN DIEGO • DALLAS
BAKERSFIELD • DALLAS • TERRE HAUTE • COLUMBUS
HOUSTON • ST LOUIS • CHICAGO • INDIANAPOLIS • SAN FRANCISCO • KEY WEST

FROM KODIAK TO KEY WEST, FROM BANGOR TO BAKERSFIELD, EXPRESS SCRIPTS PREFERRED PROVIDER PHARMACIES CRISSCROSS THE UNITED STATES.

EXPRESS Rx SCRIPTS

ON-LINE • MAIL SERVICE • DUR

1-800-332-5455

1991 1992

Business Insurance

DIRECTORY

of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

Updated and expanded, the *1991/92 Directory* includes information on more than 13,000 executives from over 2,100 companies of all sizes located throughout the U.S. Plus, vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for:

— employee benefits — pension/retirement plans — personnel — risk & insurance management — property/casualty insurance — international employee benefits and/or risk management

Order the *1991/92 Business Insurance Directory of Corporate Buyers* today — gain access to the executives who are directly responsible for the purchase of commercial insurance, risk management and employee benefits.

Order today! Complete the coupon and mail, or phone 313/446-1623. For tape sales or information call 313/446-1625.

Reserve_____copies
$95 each
15% discount when you order 5 or more.
All orders must be prepaid.
Make check payable to:
Business Insurance Directory

Total enclosed: $_____

or charge my ☐Visa ☐Mastercard ☐American Express ☐Optima

Account #_____

Exp. Date_____

Signature_____

print name

title

company

address

city state zip

phone

Mail to:
Business Insurance Directory Single Copy Sales
965 East Jefferson Avenue Detroit, MI 48207

Workers comp

Continued from previous page
techniques.

Mr. Anderberg also suggested that reining in claimants' lawyers would do much to reduce workers compensation costs; the audience sighed in agreement.

"In California, 70% to 80% of all time-loss claims are litigated," he pointed out.

One California company that has been able to control its rising workers compensation medical costs is The Walt Disney Co.

At its most well-known operations—Disneyland Park in California and Walt Disney World Resort in Florida—the company self-insures and self-administers its workers compensation program, said John Middagh, manager of workers compensation for the Burbank, Calif.-based entertainment giant.

Aetna Casualty & Surety Co. writes Disney's workers comp insurance in other states where it has operations like retail stores and restaurants.

For California and Florida workers comp exposures, Disney has $25 million of coverage excess of $1 million from General Reinsurance Corp., followed by a $75 million layer written by X.L. Insurance Co. Ltd.

By self-insuring and self-administering its workers comp program, Disney has been able to control rising costs, said Mr. Middagh.

"We found that by taking charge and aggressively managing our work comp program we can control costs," he said.

This is no small task: Disney has 20,000 employees in California and 35,000 in Florida.

Making matters worse is the fact that California and Florida "are two of the most costly and litigious states" in which to operate, Mr. Middagh said. "Our work comp costs could easily be out of control," he added.

Three key elements of Disney's workers comp program are prompt communication with injured employees, provision of quality medical care and a medical cost containment program.

Disney works very hard to respond quickly to employees with workers compensation claims, said Mr. Middagh.

"We have found that paying claims promptly greatly reduces litigation costs," he said.

When disability benefits are delayed, injured employees seek legal advice to ensure they receive compensation, he said.

"How many people will sit at home for several weeks without contacting a lawyer?" he asked.

Because Disney promptly contacts and pays its injured workers, "Disney enjoys a litigation rate much lower than other California and Florida employers," said Mr. Middagh.

Disney has also identified and contracted directly with those health care providers used most often by injured employees at Disneyland in California.

In California, Disney also hired a cost containment firm, Occupational Urgent Care Health Systems. In 1991, OUCH was able to reduce Disney's workers comp medical costs by 23%, said Mr. Middagh.

Disney also has an active limited-duty program in both California and Florida that enables injured workers to get back to work sooner.

"This reduces both the cost of work comp claims and the inclination to litigate," he said.

"Even with these impressive results, we are still frustrated with the system and continue to look for additional solutions to further reduce our cost," said Mr. Middagh.

Another cost containment expert says comparing health insurance to workers compensation is a little like comparing apples with oranges.

"There are more differences than similarities between the two, but managed care is the knife that cuts them to the core," said Ann E. Ellingham, cost containment coordinator for Risk & Insurance Services Corp. of Sarasota, Fla. "Once you open them up for a closer look, there are details in the construction that make you see they are related."

Continuing her analogy, Ms. Ellingham said, "We're learning how to squeeze the system just enough so the doctors, employers and claimants get the juice, and the pulp gets tossed out."

Mr. Middagh

Ms. Ellingham

Companies are doing this by implementing managed care techniques into their workers comp programs, she said.

Although managed care is not yet a workers comp option in all states, features like utilization review, fee schedules and bill review are becoming increasingly widespread.

However, Ms. Ellingham cautioned: "Managed care fails for workers compensation if we ignore the differences between it and group health."

By recognizing the differences between workers comp and group health care coverage and by implementing a managed care program, the Florida Chamber of Commerce's workers compensation fund saved more than $13 million in workers comp costs in the past 2½ years, she said.

RISCORP administers the Florida Chamber Fund, which provides coverage to approximately 5,500 Florida employers. The self-insurance fund collects $100 million a year in premiums.

One key difference the fund identified between group health and workers comp programs is that the claimant is the focal point in workers compensation, while the benefit plan is the focal point in group health care, Ms. Ellingham said. The state mandates the benefits payable to employees under workers compensation, while the employer has freedom to set the level of group health benefits, she explained.

RISCORP's medical management program provides physician referral and medical bill review, among other things, to Florida fund members.

In the end, for managed care to be successful in the workers compensation arena, employers must communicate with employees, she said.

"We have to tell employees that managed care is quality care," said Ms. Ellingham.

"An employee who doesn't think his boss cares will take his time recovering," she added. "And, an employee who thinks his company doesn't care and his doctor is not good enough will be more inclined to file a lawsuit. Communication is the key." ■

Your premiums 100 cent Why are your worth

With casualty long tails, you could pay premiums for a decade before the claims come in. When they do, you better hope your reinsurer has built up the reserves to pay them.

At the end of 1990, twenty five companies were faced with $1.36 billion in overdue authorized reinsurance. In the next hard market, reinsurers who pay claims late might not last long enough to pay them at all.

When you work with American Re, you're building up a bank with a reinsurer that is financially stable. One with a history of responsible underwriting and record claims payment. No matter what year it is, you will always get consistent capacity, at

Software cracks miscoded claims

Computer helps cut waste in health costs

By MICHAEL SCACHNER

NEW YORK—Employers unwilling to spend the time and money to closely evaluate and monitor the claims process unnecessarily spend millions of dollars on health care, a benefit information systems expert says.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Last year, approximately $16 billion, or just more than 10%, of the $155 billion in physician payments nationwide was attributable to miscoded bills, says the medical director of a claims review software vendor.

And, with doctors and hospitals facing increased competition, higher overhead and stunning medical malpractice costs, it is likely that intentional miscoding of services will continue to plague the health care industry in the near future, the expert says.

"Today there are even newsletters and billing services out there aimed at helping physicians increase their billings," pointed out Dr. David Rullo, medical director with Health Payment Review Inc., a Boston-based vendor of cost containment software for health care payers.

Dr. Rullo spoke at a session on how employers can use technology to manage health care costs at the First Annual Health Care Management & Cost Containment Conference, sponsored April 27-28 by *Business Insurance* in conjunction with IBF Conferences.

But employers need not accept the high level of miscoded billings, according to Dr. Rullo. Benefit information systems available for purchase or that can be used on a time-share basis are capable of catching miscoding before claims are paid, he said.

"Approximately 20% of all claims paid have coding errors, so a system that catches even 1% of code 'gaming' is valuable," he said.

Dr. Rullo

Mr. Romeo

Claims for surgery and medication show the highest frequency of miscoding, said Dr. Rullo. About 45% of all miscoding is related to surgical processes, while 43% is associated with medication and prescription drugs, he said. Radiology claims account for about 8% of all miscoding, while laboratory and pathology claims account for about 4%, he added.

"You wouldn't believe how common it is for a bill to charge for both laparoscopy and gall bladder removal when they're the same thing. This is the type of thing employers have to check for," said Dr. Rullo.

Computer systems can also help employers catch errors in outpatient billing and procedures, Dr. Rullo said. "We believe about 30% of all ambulatory claims can be affected by a review system."

The two areas of outpatient billing that require scrutiny are frequency of services and intensity of care, Dr. Rullo suggested. Reviews can be conducted both on a prepayment or post-payment basis, with reviewing criteria determined by the employer, he said.

Dr. Rullo did warn, however, that software-based claims review products are not perfect. "They won't catch everything, but if the system is based on physician consensus as to what is proper treatment and it targets billing," it's valuable, he said.

In terms of return on investment, claims review systems generally produce savings of at least three times the purchase price, he said. "And for large companies with heavy claims volume, the return on investment ratio can be as big as 20-to-1.

In addition to system-based claims review, employers can also attempt to stem escalating health care payments by studying their company's health care data and then making plan design changes based on where dollars are being spent inefficiently.

For example, Bethlehem, Pa.-based Bethlehem Steel Corp. believes that by gathering and evaluating data on its various health care plans from a variety of sources, the steelmaker can understand the outflow of health care dollars and then do something to correct what's unacceptable, said John A. Romeo, director of health care systems.

"To us, data management is an all-or-nothing venture. It's only efficient if you can obtain and evaluate data and then do something based on what you discover," said Mr. Romeo.

"You can get data from TPAs, ASO insurers, data base managers, the government and providers. But you have to break it down and understand it. Technology is the only way to get into the data for evaluation," he said.

Mr. Romeo said a company that understands its health care data is best prepared to make educated plan design changes and to talk knowledgeably with employees, unions, providers and legislators about costs and utilization in the health care industry.

"For example, after a thorough data evaluation project, we were able to see that plan design changes we made to our prescription drug program were appropriate. The data showed us we were saving about 20%. It all boils down to doing something for yourself," said Mr. Romeo.

But while data evaluation has proved necessary and successful, it has one major pitfall, he added. "You can't get bogged down in data overload. Sometimes you just have to walk away from what you have and realize you're not getting anywhere. I once had over 40 separate data files in front of me and had to step away and recognize that we weren't getting anywhere." ■

were paid with dollars. collectibles less?

predictable prices, with terms and conditions you can depend on.

Since 1917, we have been known as a stable market, dedicated to giving our clients the services they need even as their needs change. Because history has a way of repeating itself. Thankfully, so does American Re.

AMERICAN RE-INSURANCE COMPANY

555 College Road East Princeton, NJ 08543-5241 (609) 243-4200

Atlanta, Bermuda, Bogota, Boston, Brussels, Cairo, Chicago, Columbus, Dallas, Hartford, Kansas City, London, Los Angeles, Melbourne, Mexico City, Minneapolis, Montreal, New York, Philadelphia, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto, Vienna

GIC concerns

Continued from previous page
larger dollar amount than a single plan and can more easily diversify among insurance companies.

Still another approach is to invest in BICs. This allows your fund to diversify outside of the insurance industry.

- **Credit quality.**

It's important to make sure that your GIC providers are quality organizations. A good starting point is to establish standards an insurance company must meet, based on the ratings of services like A.M. Best Co., Standard & Poor's Corp., Moody's Investors Service Inc. and Duff & Phelps Credit Rating Co.

However, once an insurer meets the basic standards of the rating services, a closer review of their investments should be made.

- **Communication.**

If the decision is made to maintain a GIC fund, it is important to communicate information about the fund to employees. Because of the many questions recently raised about GICs, employees need to know about the investment vehicles in which they are placing their retirement funds. The communication program may include:

- The investment policy, including the purpose, objective, strategy and standards.
- Standards for credit quality and diversification.
- Companies with which GIC contracts have been placed and their credit ratings.

The basic fear employees have regarding their investments is the fear of the unknown. Once employees know about their GIC fund, they will either be more comfortable with their investment or will decide to transfer their funds. It's important that employees act on facts rather than on fears. ■

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

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

This month's column on employee benefit management issues is written by Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers questions on risk management issues. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Pacific Actuarial Resources (PAR) Excellence in Ashland, Ore., answers actuarial questions in the casualty field.

Mr. Nirtaut

Mr. Nirtaut's and Ms. Werner's columns appear on the second Monday of alternate months. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month.

Mr. Nirtaut's next column will appear in July.

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

Europe's leading brokers

Book eyes scope of brokerage industry and ranks largest firms

"A Guide to The Leading Insurance Brokers in Europe"
By Andre Melly
Published by Witherby & Co. Ltd., 32-36 Aylesbury St., London EC1R 0ET, United Kingdom
Price: 195 pounds ($348 at current exchange rates)

By Stacy Shapiro

A DETAILED DIRECTORY OF the top insurance brokers in Europe is now available, just at a time when brokerage is becoming fashionable on the European continent.

Andre Melly, editor of the French trade journal L'Assurance Francaise, in partnership with Union des Assurances de Paris, has published "The Guide to the Leading Insurance Brokers in Europe, 1992" in both English and French.

Though the translation to English from its original French is admittedly full of grammatical and typographical errors, this first attempt to rank the European brokers—especially those on the Continent—should be applauded.

Books & ideas

The 400-page book uses 1990 revenues to rank Europe's top 50 brokers that place both commercial and personal lines. Of those brokers, 28 are British, seven are French, four are Dutch, three are European subsidiaries of U.S. brokers (two more have been bought by U.S. companies since 1990), three are German, two are Italian, two are Belgian and one is Spanish.

The guide also lists the top 20 brokers in each country from Belgium to the United Kingdom and provides an alphabetical company directory giving details of each broker.

Known for his knowledge of continental European brokers, Mr. Melly also gives some insight into the size of this sector.

The top 50 European brokers together, he said, earned a total of 6 billion ECUs ($8.18 billion at year-end 1990 exchange rates) in commissions with a total staff of 85,471, which represents "an incontrovertible economic force in insurance distribution."

Approximately $120 billion in premium passes through their hands, with Sedgwick Group P.L.C. alone handling a premium volume equivalent to that of UAP, the third-largest European insurer, he says.

Large U.S. brokerages also play an important role in Europe, Mr. Melly notes. "Most European of them all" is Frank B. Hall & Co. Inc., which produced 40% of its revenue from its European operations in 1990, he says. Marsh & McLennan Cos. Inc. genrated 22% of its revenue from Europe in 1990, and Alexander & Alexander Services Inc. generated 26%, he adds.

Meanwhile, Rollins Burdick Hunter Group Inc.'s acquisition of Dutch-based Hudig-Langeveldt Group bv means that the U.S. broker will receive 16% of its revenue from Europe, according to Mr. Melly (*BI*, August 19, 1991).

"These percentages make interesting reading," said Mr. Melly. "First of all, they show that the American brokers, even those that are in the top places in our ranking list, have not yet achieved the market share they could hope for. . . .None of them yet occupies the position it is due (in Europe), which means that we can predict a rather interesting situation in the decade just beginning."

Mr. Melly expresses the brokers' earnings in ECUs, or European currency units, a value based on a combination of European Community currencies. The ranking of the top 50 brokers in Europe lists Sedgwick Group P.L.C. as the largest, based on its total 1990 revenues of 981.3 million ECUs ($1.34 billion at the year-end 1990 exchange rate), and Willis Faber in second place with revenues of 835.4 million ECUs ($1.14 billion). Marsh & McLennan (Europe)—the European operations of M&M—ranks third with 443.6 million ECUs ($604.8 million), and A&A's European operations take fourth place with 254.8 million ECUs ($347.4 million). JIB Group P.L.C. is the fifth-largest broker, based on 1990 revenues of 238.7 million ECUs ($325.4 million). ■

CGL cover for punitive award denied

A comprehensive general liability insurance policy defining personal injury to include injury arising out of malicious prosecution did not cover punitive damages, according to the Missouri Court of Appeals.

Heartland Stores Inc. was covered under a CGL policy issued by Royal Insurance Co.

In 1982, Steven Swinney sued Heartland for actual and punitive damages for injuries he suffered when his hand went through a glass door in a Heartland store. Mr. Swinney alleged the store was negligent for not having safety glass in the door.

He also sought actual and punitive damages for malicious prosecution resulting from Heartland having filed criminal charges against him for destroying their property. Those charges were later dropped.

Mr. Swinney recovered a jury verdict awarding him $225,000 in actual damages and $500,000 in punitive damages on the negligence claim. He also was awarded $600 in actual damages and $50,000 in punitive damages on the malicious prosecution charge.

Legal briefs

An appeal was filed and in the course of the appeal Mr. Swinney and Heartland reached a settlement. Royal agreed to pay the actual damages and Heartland was to pay $169,656 of the punitive damages.

Heartland then sued Royal seeking, in part, a declaratory judgment that the Royal policy covered punitive damages. The trial court ruled against Heartland.

The Missouri Court of Appeals noted that the CGL insurance policy covered injury arising out of malicious prosecution; however, the policy only covered personal injury resulting from malicious prosecution.

"Thus, it is only damages flowing from a personal injury sustained as a result of malicious prosecution which is covered," the appellate court said.

This refers to compensation for personal injury and did not contemplate sums awarded as punishment, the appellate court found. The trial court decision was affirmed.

Heartland Stores Inc. vs. Royal Insurance Co., Missouri Court of Appeals, July 16, 1991; *motion for rehearing and/or transfer to Missouri Supreme Court denied* Aug. 27, 1991; *application to transfer denied* Oct. 16, 1991. (*BI*/03/June-$10). ■

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

How Chrysler floored mental health costs

By STACY GORDON

NEW YORK—Chrysler Corp. has been able to drive down its accelerating mental health care costs by instituting a comprehensive managed mental health care plan, according to Donald Longnecker, manager-finance and planning.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Mr. Longnecker outlined what he dubbed Chrysler's "successful experiment" in controlling its mental health care costs at a session during the First Annual Health Care Management & Cost Containment Conference, held April 27-28 in New York.

In 1988, the Detroit-based automaker conducted a study which revealed that drug addiction, alcoholism and mental health problems among its employees cost the company $100 million per year in absenteeism and lost productivity.

Furthermore, the company discovered that it was spending $45 million per year on health care benefits for employees suffering from mental health and substance abuse problems.

But the "real show stopper" was the realization that the total number of inpatient hospital days for employees suffering from mental health and substance abuse problems exceeded the total number of inpatient hospital days for all other employees, said Mr. Longnecker.

Fifty-five percent of all inpatient hospital days were for mental health treatment, 25% were for medical treatment, 16% were for surgical treatment and 4% for maternity.

To control its mental health and substance abuse treatment utilization and expenditures, Chrysler developed a two-pronged strategy. First, the company established an employee assistance program. Then the company developed a nationwide mental health managed care program called Help-Line.

The Help-Line program has five main components:

- A closed panel of mental health care providers selected both for their ability to contain costs and to provide high-quality treatment.
- Post-treatment services. With this 1991 program addition, clinicians help employees reenter family and community life.
- An advisory committee, which allows providers to offer their insights on how to provide affordable, cost-effective mental health care.
- Benefit flexibility, which allows Chrysler to waive out-of-pocket maximums in appropriate cases.
- An independent group of clinically experienced case managers.

Under the Help-Line program, case managers from Preferred Health Care Corp. of Wilton, Conn., review the treatment needs for all employees and direct employees to the most appropriate mental health care providers.

Mr. Longnecker

If an employee fails to have his or her treatment plan reviewed, there is a 50% reduction in benefits.

Preferred Health Care also monitors the employee's ongoing progress in treatment.

"Case managers remove the crap shoot from the process," said Mr. Longnecker. "They make sure that each worker is referred to the best provider."

Often the case manager can suggest very simple changes that can save Chrysler substantial money, he said.

For example, a 22-year-old male employee, who had been hospitalized for mental health problems 16 times in the previous two years for a total of 200 days, found help from a case manager.

It turned out that the employee was not taking his medicine because both he and his mother were illiterate. The case manager hired someone to come to their house each week and measure the medicine into seven color-coded cups.

As a result of this intervention, 16 months have passed without a hospital readmission. The simple step has improved the employee's quality of life and saved Chrysler $60,000 in hospital costs, said Mr. Longnecker.

The weekly visits cost Chrysler only $1,600 per year.

The overall results of the Help-Line program also have been outstanding.

In the first year the program was in use, hospital admissions per 1,000 employees dropped 12% to 20.7 from 23.6.

The average length of a hospital stay dropped 22% to 13.5 days from 17.3 days.

And, the number of inpatient hospital days per 1,000 employees fell 32% to 280.5 from 410.7.

All of these factors enabled Chrysler to cut its per-employee mental health care costs by 31% to $338.35 from $485.30. Furthermore, the company estimates that in 1991 its mental health care costs per employee will remain nearly stable, increasing just 3% to $348.84.

But cost savings are not the only way to measure the success of a health care program, said Mr. Longnecker. Equally important is the satisfaction of employees.

To measure employee opinion of the Help-Line program, Chrysler conducted an employee survey that revealed high satisfaction with the program.

Employees rated five aspects of the program as being "good or excellent":

- Case managers' courteousness, responsiveness and concern for patient welfare.
- Access to providers and availability of services.
- Quality of treatment and technical processes.
- Interpersonal aspect of treatment.
- Outcome assessment.

Chrysler also is preparing to conduct a quality audit of its mental health care program, said Mr. Longnecker.

Also speaking at the program, titled "Managing Your Mental Health and Substance Abuse Benefits: Improving Quality While Containing Costs," was David Noone, senior vp-clinical operations for Preferred Health Care.

The program was moderated by Sara Bilik, vp-marketing for Preferred Health Care. ■

Plan design can control costs

NEW YORK—Redesigning benefit plans can help employers hold down soaring mental health care costs, say providers of managed mental health care programs.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Steps that employers can take to better control costs include changing coverage levels and establishing preferred provider networks, according to Sara Bilik, vp of sales and marketing at Preferred Health Care Ltd., a Wilton, Conn.-based firm that develops managed mental health networks for employers.

For example, some employer plans may actually encourage employees to use the most expensive form of treatment—inpatient hospitalization—because such care is reimbursed at the highest level.

"You may need a more flexible benefit design," said David Stone, Preferred Health's corporate vp of sales and marketing, who along with Ms. Bilik spoke at a working breakfast at the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

Ms. Bilik

One alternative to inpatient hospitalization is providing services through clinics.

These clinics or alternative centers, which have sprung up around the country, are a cross between outpatient and inpatient care.

An alternative center might be appropriate for an employee who needs all-day treatment, but does not require hospitalization.

At the same time, employers need to remove any barriers to care so that employees are encouraged to seek treatment before problems worsen.

"People should be getting into (treatment) earlier," Ms. Bilik agreed.

In addition, just as employers have tried to better manage the costs of health care by encouraging employers to use a network of providers, more companies are establishing managed mental health care networks, Ms. Bilik said.

Often, an outside vendor will establish a provider network for an employer.

In evaluating vendors and their programs, employers should be looking for a number of services, Ms. Bilik said.

For example, employees should be able to call a toll-free telephone number 24 hours a day to seek treatment and help.

"This really opens up the benefits," Ms. Bilik said.

At the same time, an employer needs to know how the managed care network vendor is staying on top of cases.

"When you evaluate vendors, make certain that there is a case manager will who stay on top of a case from beginning to end. You want someone who is immersed in a case, not someone reading off a computer screen," Ms. Bilik said.

In addition, some vendors of mental health care networks may have clinical protocols in place to guide providers in the network on what is appropriate care or treatment.

"What is medically necessary no longer is a black box," Mr. Stone said.

Any managed mental health care program should have an evaluation system in place so that the condition of a patient is measured during different intervals of treatment, Mr. Stone said.

—By Jerry Geisel

Free market may be dead, but what lay ahead?

By MICHAEL SCHACHNER

NEW YORK—A health care market guided by Adam Smith's "invisible hand" is no longer acceptable, but no rash decisions should be made on health care reform, contends an insurance company executive.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

Much is wrong and in need of change in the health care delivery system, according to William Caulfield, senior vp and profit center manager of group benefits operations with John Hancock Financial Services in Boston.

But policymakers must refrain from entirely dismantling a system that has taken hundreds of years to develop, said Mr. Caulfield at the First Annual Health Care Management & Cost Containment Conference in New York, sponsored by *Business Insurance* in conjunction with IBF Conferences.

"For a long time we have had a horseshoes approach to health care where we scored points just by getting close. But now, only universal access is being seen as acceptable by many people," he said.

Mr. Caulfield

Complaints about the system include that it is too expensive, lacks quality and deprives millions of access to medical care. Often insurers are blamed for those problems, said Mr. Caulfield.

"Insurers are often the scapegoat in this problem. It's easy to say the insurance industry's drive for excessive profits is the cause of today's problems. I can understand that when companies see double-digit premium increases, they want to point at someone," he said.

But in response to these popular views, Mr. Caulfield insisted that little can be done to control costs when the average American remains committed to rapid advancements in technology and medicine.

"We love the idea of innovation because it gives us hope. But at the same time, we're appalled at the high cost of health care. It's these two polar beliefs that make the system so hard to reconcile," he said.

As an example of the inherent contradiction between the desires for low costs and for top-quality medicine, he cited the example of an unidentified pharmaceutical manufacturer. With a seven-year patent on a drug that treats a rare bone disease, the firm charges $36,000 for a one-month supply.

"The drug company is making a 60% profit on every dose, but it happens to be the only drug that can restore normality to people with this disease. This is the paradox we're working within," said Mr. Caulfield.

'We need a market that will punish the inefficient. Now excess is rewarded,' says Mr. Caulfield.

He also pointed to what he called the borderline hypocrisy of many corporate and individual investors in the drug industry.

"Employers complain the loudest about rising costs, yet they invest heavily in the biochemical and pharmaceutical industries," he said.

America cannot continue with a market-based health care system under which providers compete with very few constraints, he contended.

But the John Hancock executive doesn't support a single-payer, government-based delivery system, either.

"Can the invisible hand continue?" he asked. "Absolutely not, but we shouldn't be hasty in dismantling a system that we have spent so long in developing."

Instead, he favored several smaller-scale changes.

"We need a market that will punish the inefficient. Now excess is rewarded," said Mr. Caulfield.

"We also need everyone participating in reform, including government, which should be responsible for addressing the social problems that lead to high health care costs.

"And, we need quality care, which is more than just a buzzword. Quality equates to cost-efficiency. This has been proven time and time again." ■

'In body, mind and spirit'

Wellness credo paying dividends at Coors Brewing

By JERRY GEISEL

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

NEW YORK—At Coors Brewing Co., a broad-based wellness program is more than paying for itself.

For every dollar Coors spends on its wellness program, it is saving about $6 in reduced health care costs, less sick leave and increased productivity, says Lynn Gilfillan, community wellness coordinator for the Golden, Colo.-based brewer.

She spoke at the First Annual Health Care Management & Cost Containment conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

Encouraging employee wellness is part of the company's credo, Ms. Gilfillan said. "We encourage wellness in body, mind and spirit."

That commitment directly effects health care costs. At other companies, double-digit increases in health plan costs have been common in each of the last two years, but Coors held the increases to 8% in 1990 and 7% in 1991, she said.

Ms. Gilfillan attributes that performance to the wellness program and other programs, like utilization review and negotiated contracts with providers.

Coors' wellness program includes several components. A major one is the Coors Wellness Center, a 23,000-square foot on-site facility that offers exercise equipment as well as programs for diet counseling, back injury and other areas.

Coors also covers 90% of health care bills for employees in its health risk assessment program. Under that program, employees fill out a detailed questionnaire to spot potential health problems. Coors only picks up 85% of health care expenses for employees that do not participate in the program.

Ms. Gilfillan

Among other things, the health risk appraisal program found that many female employees did not have regular breast examinations. As a result, Coors developed an on-site mammography program that as of late last year detected 16 early malignancies.

Other wellness-related programs at Coors include skin cancer screening, blood pressure videos, cholesterol testing and smoking cessation classes.

Coors is just one of many companies that have launched or plan to establish wellness or health promotion programs. And a recent study found that 89% of employers with wellness programs are planning to expand the scope of those programs (*BI*, April 20).

"Employers are willing to support health promotion programs because they believe they work," said Sonia Muchnick-Baku, assistant director at the National Resource Center for Worksite Health Promotion, an affiliate of the Washington Business Group on Health.

For example, she said, a clothing manufacturer was able to halve the number of premature deliveries by encouraging prenatal care. It did this by covering 100%—up from 80%—of the cost of physicians' visits during the first trimester of the pregnancy.

Sometimes wellness promotion can be as simple as transferring a worker.

Ms. Muchnick-Baku cited the case of a company that found it was racking up big bills for certain drugs, including tranquilizers. The company transferred the manager who was believed to be causing much of the employees' stress and notified the physician who had written many of the prescriptions that it was monitoring the situation.

Before an employer establishes a health promotion program, it has to grapple with a number of issues, Ms. Muchnick-Baku said.

For example, employers have to decide if they are going to give incentives or penalties to encourage employees to participate in health risk appraisals or healthier lifestyles, she said.

Employee attitudes toward incentives or penalties—like basing their premiums on health characteristics—vary depending on the behavior or characteristic that is being rewarded or penalized, said John Moses, a Hewitt Associates consultant in Bedminster, N.J.

In a recent survey, 75% of employees favored lower health insurance premiums for employees who didn't smoke. On the other hand, only 65% favored lower premiums for those who exercised regularly or whose weight fell within certain levels.

However, some incentive or penalty programs may cause employees to ask if "Big Brother" is watching them, Mr. Moses said.

If employers want their wellness or health promotion programs to succeed, they have to be sure that employees believe companies are sincere in their goals.

For example, at a firm where employees are expected to work 12 hours a day, workers would be skeptical about a company fitness program, Mr. Moses said.

If employees have to spend more time on company premises, it would put even more pressure on them, he said.

In promoting wellness programs, employers can choose from a variety of strategies, Mr. Moses said.

A company, for example, can explain to employees that its compensation philosophy is to pay equal salaries for equally experienced employees doing the same job.

The company could explain to its employees that if a smoker paid the same percentage of health insurance premiums as a non-smoker, he or she really would be receiving greater compensation than the non-smoker because of higher health care costs and time off from work, Mr. Moses said. ■

Flex plans help shift costs without raising worker ire

By JERRY GEISEL

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

NEW YORK—Replacing a traditional benefits programs with a flexible benefits plan will make cutbacks more palatable to employees, a consultant says.

In most flex plans, employees get a specific amount of credits to purchase benefit options, like health plans with different deductibles, offered by the employer.

These "flex dollars" let employees decide how to allocate their benefits, says John Hickey, a partner with Kwasha Lipton in Fort Lee, N.J.

Speaking last month in New York at the First Annual Health Care Management & Cost Containment Conference sponsored by *Business Insurance* in conjunction with IBF Conferences, Mr. Hickey said this element of choice "allows employees to give up what is of least value to them. It minimizes negative reaction to takeaways."

In addition, the tax-favored status of flex plans—employees can contribute pretax dollars to spending accounts to pay for uncovered benefit expenses—makes it easier to introduce higher levels of employee cost shifting.

At the same time, the original raison d'etre of flexible benefits—to give a diverse workforce the opportunity to select benefit options to meet individual needs—remains a driving force in the adoption of flex plans by employers, Mr. Hickey said.

"Flex responds to individual needs," Mr. Hickey said, adding that only a tiny minority of the workforce now fits into the old mold—once predominant—of a working husband, a non-working wife and two children.

Educational Testing Service, which in 1974 became one of the first employers to establish a flexible benefit program for employees, did so to meet the diverse needs of its staff, said Andrea Schutz, vp and director of human resources for the Princeton, N.J.-based firm.

For example, by offering different health plans with varying deductible and coinsurance levels, employers with flex plans can meet the needs of workers who don't want to assume much risk, while providing plans for employees who have a higher tolerance of risk, Mr. Hickey says.

A primary concern of employers considering flexible benefit plans is that they will be overwhelmed by the administrative burden of annual employee enrollments.

Such concerns, though, should be alleviated by recent advances in personal computers and software packages, Mr. Hickey said. "Flex is very doable. It is not nearly as complex as it was five years ago."

After adopting flex plans, many employers have reported slower increases in health care costs. But Mr. Hickey cautioned that flex plans are not a cure-all to spiraling health care costs.

"Flex does not solve all problems. You still have to manage your plan aggressively," he said.

For example, ETS has tried to manage health care costs by, among other things, offering employees exercise facilities as well as health screenings for early detection of potential health problems, Ms. Schutz said.

The same factor—providing more choice—that made flexible benefit plans for employees became one of the hottest benefit trends of the 1980s could drive employers to offer flex plans to retired workers, Mr. Hickey said. "Retirees' needs, like employees', can vary."

For example, some retirees may have relatively little need for health care services, while others may have big prescription drug bills, he noted.

And the rise in the number of two-wage earner households over the last 20 years means that more couples will be retiring with both spouses entitled to retiree health insurance from their respective employers.

Mr. Hickey

Ms. Schutz

"There is a potential for duplication" of benefits that a flex plan could address, Mr. Hickey said.

Another attraction of flex plans for retirees is that they already may have participated in such arrangements as employees and will continue to want benefit choices when they retire, Mr. Hickey said.

One way that a flex plan could be offered to retirees is to give credits for each year of service. These credits would accumulate until the employee retired, Mr. Hickey said.

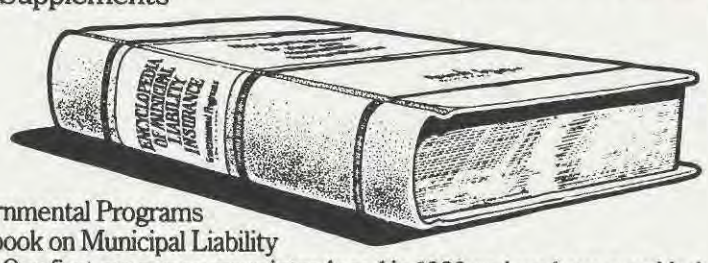
Then, at retirement, the credits in the account balance could be used, for example, to pay Part B Medicare premiums or to purchase Medicare supplement insurance.

Such an arrangement is more logical than traditional programs in which all retirees, after meeting certain minimum age and service requirements, are eligible for the same level of coverage, Mr. Hickey said. ■

MUNICIPAL LIABILITY INSURANCE

Public Officials
School Boards
Law Enforcement Agencies
9-1-1 Errors & Omissions
Pool Supplements

Public Housing Authorities
(General and Public Officials Liability)
Umbrella and Excess Liability
(for all Municipal Risks)
Municipal General Liability



Governmental Programs wrote the book on Municipal Liability Insurance. Our first programs were introduced in 1980 and we have provided consistent service to our clients ever since.

Today, we continue to set the standards for the industry with refined and expanded programs, backed by knowledgeable, experienced liability experts dedicated to customer service.

In addition to our individual municipal programs, we can also provide Excess Liability coverage for Risk Pools or any of our primary coverages in association with the Pool.

For more information, contact your insurance representative or call us direct.

Governmental Programs
A Division of Aon Direct Group, Inc.

1-800-368-3583
FAX (804) 527-3850

4551 Cox Road, Glen Allen, VA 23060 P.O. Box 3059 Glen Allen, VA 23058-3059

Firms can slip FAS 106 punch in several ways

By JERRY GEISEL

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

NEW YORK—Employers are taking a variety of steps to contain retiree health care costs in the wake of an accounting rule that is changing the way they recognize their liabilities and expenses for those benefits, an consulting actuary says.

The rule, Financial Accounting Standard 106, was approved in 1990 and is set to take effect next year for large companies. It will require companies to accrue as an expense against earnings retiree health care obligations from the date employees are hired until they become eligible for retiree health benefits.

Employers now generally report retiree health care expenses as they are paid, such as when a company pays an insurance premium or a self-insured company pays a claim.

In addition, employers will be required to recognize—either at once or generally over a 20-year period—retiree health care obligations that have accumulated at the time they adopt FAS 106.

These changes will wallop the financial statements of many companies.

Several recent surveys report that adoption of FAS 106 will boost retiree health care expenses—for financial reporting purposes—to 5% to 7% of payroll, compared with a typical range today of 1% to 3% of payroll (*BI*, May 4; Feb. 10).

While FAS 106 will not change companies' cash flow, it has made employers more aware of the true cost of their retiree health care programs, said Lewis Borgenicht, a consulting actuary with Actuarial Sciences Associates Inc. in Piscataway, N.J.

Retiree health care programs "no longer are an add-on," he said in New York last month at the First Annual Health Care Management & Cost Containment Conference sponsored by *Business Insurance* in conjunction with IBF Conferences.

Companies have a number of options for holding down their retiree health care costs, Mr. Borgenicht said.

One is simply to shift more costs to retirees, such as through higher deductibles and coinsurance, he said.

Another way to shift costs, albeit more subtly, is through a flexible benefits program for retiree benefits, he said. Through a flex plan, an employer can hold down its costs by providing a limited number of credits that retirees can apply toward "buying" coverage from the employer plan.

Other approaches involve significantly altering the retiree health care plan, Mr. Borgenicht said.

For example, there has been growing interest in "defined dollar" plans, he said. In such an arrangement, an employer will agree to make a certain contribution toward retirees' health insurance, requiring the retiree to pick up costs exceeding the employer's contribution.

Other employers, he said, are linking the amount of benefits to employees' age and length of service when they retire, rather than providing uniform benefits regardless of length of service or age at retirement.

Mr. Launer

Mr. Borgenicht acknowledged that this type of cost shifting is controversial. However, he said, "a window of opportunity" for making such cuts, at least for future retirees, may now be available.

In the current economic climate, employees may be more concerned about job security than cuts in the health care benefits they will receive when they retire, he explained.

Employers also can do a better job of controlling the costs of their retiree health care programs by introducing managed care arrangements, Mr. Borgenicht suggested.

"There are tremendous savings available" through managed care, he said.

For example, expenditures for prescription drugs can equal as much as 40% of the cost of benefits for retirees over 65, Mr. Borgenicht noted.

By establishing a mail-order program that encourages retirees to use generic drugs, "employers can really ratchet down costs," he said.

In addition, giving retirees incentives to use networks of high-quality, cost-efficient providers, such as through preferred provider organizations or point-of-service plans, can help employers control costs.

But convincing retirees to use a managed care network can be difficult, said Mr. Borgenicht, noting that retirees often have long-established relationships with their physicians.

The size of the retiree health care liabilities employers will have to recognize for FAS 106 purposes will be affected by a number of variables, according to Lee Launer, a partner with Coopers & Lybrand in New York.

One of those variables is retirement age. Liabilities will be substantially higher for companies that allow workers to retire before age 65, when they become eligible for Medicare coverage, and still receive retiree health care benefits, Mr. Launer said.

That is because not only will an early retiree collect benefits over a longer period of time than someone retiring at age 65, but the employer also can't use Medicare to offset benefits, Mr. Launer pointed out. When a retiree turns 65, the employer health plan would only supplement benefits provided through Medicare.

Companies also may be able to trim their liabilities by raising deductibles or coinsurance requirements if they can show they have a history or practice of doing so, he said. ■

With 'hybrid' plans, no need to give up quality and choice to trim health costs

By MICHAEL SCHACHNER

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

NEW YORK—Health care plan design has evolved to the point where employers don't have to completely sacrifice employee freedom and quality of care for cost containment, says an executive with a cost management firm.

Now, benefit managers seeking to control costs can find a range of hybrid plans that can meet multiple needs while maintaining quality and a level of choice for employees, says Larry Goelman, president and chief executive officer of Cost Care Inc. in Huntington Beach, Calif.

There is a wide variety of both managed and unmanaged products available, Mr. Goelman said last month at the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

Mr. Goelman's optimism, though, was tempered with this warning: There is still no miracle plan that will meet every employer, patient and provider need and also prevent health care spending from consuming 18% to 30% of the U.S. gross national product by the year 2020.

Every plan still has "loopholes" and inefficiencies, he asserted, but at least now there is a wide range of designs to choose from compared with 15 years ago.

"On one end of the spectrum, there is still the traditional HMO where the emphasis on cost containment is high and the emphasis on employee choice is low. At the other end, there's the unmanaged indemnity plan that's geared to employee choice, but cost containment is virtually non-existent," he said.

In between are "all sorts of hybrids that offer various features and intensities of cost control," said Mr. Goelman.

Unfortunately for employers, no plan can contain costs while giving employees total freedom and providers full fee-for-service reimbursement.

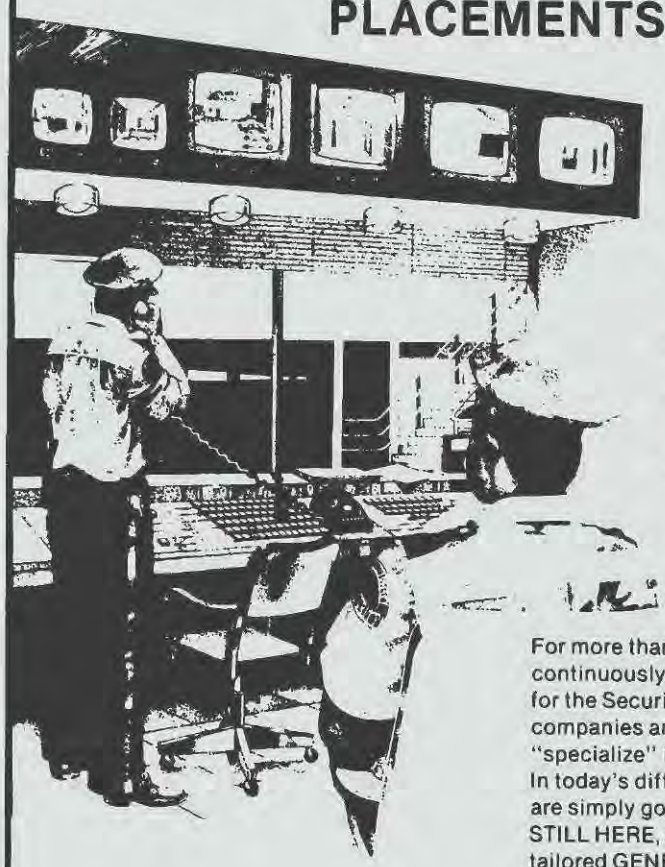
For example, health maintenance organizations have not succeeded in meeting many of the needs of employers and employees, Mr. Goelman said.

"HMOs simply aren't available everywhere, and they're expensive to build and maintain. HMOs have proven to be viable only in areas where there's a potential for a large amount of patients," he said.

As a result, alternative forms of managed care plans—including preferred provider organizations, point-of-service plans, exclusive provider organizations and managed indemnity plans—

Continued on next page

A BRIEF MESSAGE ABOUT INSURANCE PLACEMENTS FOR



- Security Guards,
- Patrol Services,
- Detective Agencies,
- Armored Car Service,
- Alarm Monitoring and
- Alarm Installation

For more than a decade CoverX Corporation has continuously provided a stable insurance product for the Security Industry. During that time many companies and agencies professing to "specialize" in this industry have come and gone. In today's difficult insurance marketplace most are simply gone. COVERX CORPORATION IS STILL HERE, providing that industry with custom tailored GENERAL LIABILITY AND PROFESSIONAL LIABILITY.

If you have current or potential clients in the security industry whose long range interests lie in obtaining a quality insurance product in a stable market then you owe them a CoverX quotation.

For further information or applications call or write . . .

COVERX CORPORATION

P.O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010
Facsimile: (313) 358-2459

'Hybrid' plans

Continued from previous page
have all blossomed in recent years.

Out of the HMO concept has emerged the PPO, in which providers are reimbursed on a fee-for-service basis, but at discounted rates.

The concept for preferred provider organizations "is that doctors receiving a higher volume of patients would accept lower fees," said Mr. Goelman.

But providers haven't really held up their end. Instead, according to Mr. Goelman, many PPO doctors are performing more medical services to offset discounts.

Employees also have been unsatisfied with access to PPO physicians and facilities, claiming that there are often long waits for service, according to Mr. Goelman.

"Quality is also questionable," with health maintenance organizations and preferred provider organizations, he said, adding that many networks have enlisted physicians who quite possibly would not be capable of maintaining a private practice on their own.

Problems with health maintenance organizations and preferred provider organizations have prompted the rise of point-of-service plans. These plans allow beneficiaries to swing between an HMO or PPO and an indemnity setting with the knowledge that benefit levels are higher if the employee opts for managed care.

"These plans are very hot right now, because they provide choice and appear to be containing costs," Mr. Goelman said.

As an example, he cited a study indicating that 77% of point-of-service enrollees are staying within the network in order to obtain richer benefits.

Arthur Drechsler, a vp with consultant Martin E. Segal Co. in New York, agreed that a point-of-service option makes an HMO much more acceptable to employees.

Another "hybrid" is the lesser-known exclusive provider organization, or EPO. "This plan avoids some of the burdensome HMO regulations, and it's still a capitated plan" that pays providers set salaries, said Mr. Goelman.

"EPOs look very much like HMOs, but are often smaller and are geared to specialized services," he said (*BI*, Dec. 18, 1991).

Mr. Goelman

Mr. Drechsler

Exclusive provider organizations can definitely work to "fill the gap between PPOs and HMOs," said Mr. Drechsler. "They have a limited number of providers participating, but still offer much more choice than an HMO. They tend to be good on quality, and they're easily credentialized."

Mr. Drechsler also said specialty EPOs are cropping up more frequently in areas like behavioral health care, pharmacy and home health care.

Exclusive provider organizations can also be constructed to fill geographical voids caused by HMOs, added Mr. Goelman.

A relative newcomer to the health care marketplace is the managed referral network, a case management approach that focuses on controlling the use of specialists, a concept similar to a managed indemnity plan.

"Under this plan, you're controlling the most expensive part of health care, which is treatment by a specialist," said Mr. Goelman.

And, defining the benefits under an indemnity plan is another method by which employers can control costs but still permit employees to select their own physicians, according to Mr. Drechsler.

"Defined benefits and scheduling is another option. It's far more effective than straight cost-shifting, because the employees are still partners in that they're retaining their choice," said Mr. Drechsler.

"It channels and guides people to seek appropriate levels of care because of the cap on benefits," he explained.

With the wide variety of plans available, Mr. Goelman offered some advice as to what employers should focus on when making plan design decisions.

"The key to an effective plan is to have a gatekeeper to secondary services. The gatekeeper must be there before hospitalization, because this will allow for patient tracking and will help ensure appropriate care," he said.

Mr. Goelman recommends assessing the credentials of providers and networks at the time of an initial agreement. Another assessment should be made after about 18 months, he said.

A plan that fosters physician interaction is vital, he added, because it promotes education among doctors and can attach red flags to questionable doctors.

Lastly, Mr. Goelman said ongoing employee education, including employee assistance phone lines and explanations of reasonable cost sharing, are important. ■

April 1992

Aon Corporation

through its wholly-owned subsidiary

Aon Specialty Group, Inc.

has acquired substantially all of the assets of

Media/Professional Insurance, Inc.

We initiated this transaction and acted as financial advisor to Media/Professional Insurance, Inc.

Northington Capital Markets, Inc.

Solid ties needed with local providers in direct contracting

By STACY GORDON

NEW YORK—Employers directly contracting with physicians, hospitals and ancillary medical service providers must take a local approach, be prepared to involve senior management and develop long-term relationships with providers.

THE FIRST ANNUAL HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

"Employers have become much more sophisticated in what they are asking for in direct contracting relationships," said Paul McAuliffe, director-compensation and benefits for Becton, Dickinson & Co., a medical equipment manufacturer in Franklin Lakes, N.J.

"And, providers have become more sophisticated in meeting employers' needs," said Mr. McAuliffe during the First Annual Health Care Management & Cost Containment Conference, sponsored by *Business Insurance* in conjunction with IBF Conferences.

The session, "Going Direct: Purchasing Directly From the Source," traced the developments in direct contracting since its inception in 1987.

In those five years, "employers have developed a better ability to measure value and quality of care," according to Mr. McAuliffe.

And, employers have developed "a number of different approaches to direct contracting," added Leesa Key, a partner with Coopers & Lybrand in Chicago.

Every employer approaches the process of direct contracting differently. But several common denominators exist.

First, employers need to analyze the needs of each local operation and focus on hospitals or provider networks that meet local needs.

"Managed care is still very much a local business," said Mr. McAuliffe. "And direct contracting is inherently a local operation."

For example, a company with only a few main locations might consider contracting directly with hospitals in those locations, explained Ms. Key.

By contrast, a nationwide employer, such as a fast-food chain, might consider ranking hospitals nationwide based on their accreditation, range of services and cost, and then contract with the highest-ranked hospitals, she said.

Another important aspect to direct contracting is commitment from senior management.

"Direct contracting requires much more company involvement than just turning over your business to an insurance company or third-party administrator," said Ms. Key.

Mr. McAuliffe agreed: "Senior management commitment is important, because you are looking at making more internal decisions as a company."

He cautioned: "Never underestimate the ability of an executive who is otherwise cost conscious to leave this at the door when discussing health care."

Too often senior managers are afraid that direct contracting will save money but sacrifice quality of care, he explained. They must be made aware that direct contracting can save money without sacrificing quality, said Mr. McAuliffe.

"One way to ensure quality care is to develop long-term relationships with providers," Ms. Key suggested.

When Becton, Dickinson decided to contract directly, its first task was to develop data, said Mr. McAuliffe.

It began by collecting information on the concentration of employees at different locations, the existing provider networks in those locations and the administrative requirements of direct contracting.

"You must have a concentration of employees to justify the administrative cost and to be able to impact the marketplace," explained Mr. McAuliffe. "In addition, the existing networks must be unable to meet your needs."

Mr. McAuliffe

Ms. Key

An employer's standing within the community can be an asset in direct contracting, he said. The higher its status, the more likely it is that a hospital or provider network will want to negotiate a deal, he explained.

When dealing with providers, Becton, Dickinson considered several issues:

- How many providers should be included in the network.
- What financial arrangements would be established with them.
- What incentives or penalties would be used to steer employees to selected providers.
- How providers would be evaluated.

Becton, Dickinson has yet to make a final decision on direct contracting. Its goal, said Mr. McAuliffe, is to have its first regional networks in place in 1993.

Each of these questions needs to be answered, and the responsibilities of the provider and the employer clearly delineated, said Mr. McAuliffe. The legal liabilities of the employer may depend on how well these questions are answered, he added.

Providers have become more sophisticated in meeting employer needs. But they "still have a long way to go to respond to employers' needs in the direct contracting relationship," said Ms. Key.

"I am astounded by how little hospitals know about their own operations," Ms. Key commented. "They often don't understand where their costs are coming from."

In the future, she hopes that hospitals would be better able to provide employers with detailed information on utilization and costs. ■

New York

Continued from page 1

the $500,000 will be money well spent," said Guy J. Velella, R-Bronx/Westchester, the bill's sponsor and chairman of the Senate Insurance Committee.

"New York's a $51 billion corporation and has significant liability exposures without any system of quantifying risk levels. Any private corporation of this size would be tightly managing its risks," he said.

The bill is awaiting a vote by the full Senate.

A likely sponsor for a companion bill in the state Assembly is Insurance Committee member Howard Lasher. The Brooklyn Democrat sponsored a companion bill to S.4551-B's predecessor last year.

Currently, insurance purchasing for the hundreds of state agencies is handled exclusively by the Office of General Services' Bureau of Insurance. But purchasing insurance is just about all the bureau does. Neither it nor any other agency has significant risk management responsibilities.

The proposed Executive Office of Risk Management would have full responsibility for purchasing commercial property/casualty insurance or establishing self-insurance programs for all of the state's insurable risks.

The new risk management office also would be charged with implementing various measures designed to reduce workplace injuries among state workers, as well as liability and property losses.

Sen. Velella said a free-standing risk management department responsible for assessing and managing the state's risks would save the state nearly $30 million annually in workers compensation and tort liability costs alone.

For the year ended March 31, 1991, the last year for which figures are available, the state's Court of Claims Judgment Fund paid about $34 million in awards stemming from tort suits.

Workers comp claims paid by a state fund as well as administrative costs totaled about $150 million in 1990-91.

"New York must spend more time looking out for its workers and less time paying them huge cash awards due to injuries," Sen. Velella said.

"The state of Oregon cut its workers compensation costs by over $100 million in just two years by instituting a formal risk management plan. Oregon has 55,000 workers, while we have 267,000 workers. So, for us to achieve $60 million in savings (over two years) is certainly within reach," said a spokeswoman for Sen. Velella.

Property losses are not centrally documented, so Sen. Velella said he cannot estimate how much in property losses a risk management department would save.

Insurance Bureau Chief Ken Thacher estimated that losses to state-owned property totaled about $10 million to $15 million in 1990-91.

Elements of the Velella bill would benefit the state, he said.

"Putting in risk management is the good part of the bill. All exposures will finally be assessed and quantified. We have never done that," he said.

But he also says much of what the bill seeks to accomplish could be achieved simply by authorizing the existing insurance bureau to do more "pure risk management" functions.

"This bill seeks to incorporate the bureau's functions into a new office of risk management. But we think it would be better to bring risk management into the bureau as it exists now. Right now, we're restricted by code to only purchase insurance. Our risk management responsibilities are limited," Mr. Thacher said.

He also questions whether the new risk management department will be able to achieve the savings Sen. Velella is promising. "Savings are hard to project. I wouldn't want to guarantee figures. But I would say that savings are there to be had, depending on what techniques are used."

Alicia Sterna, risk manager for the state of Arizona and a member of the State Risk Managers Assn., was surprised by the New York's lack of risk management efforts. "At this point in time, it's quite unusual," she said. "It makes it much clearer to understand why New York is pushing for a risk manager."

"When you're simply buying insurance, it delivers a message that there's nothing you can do and you don't care about your losses. Risk management says absolutely the opposite. It's a philosophy."

New York, though, is hardly alone in not having a risk manager. About 35 states handle risk management functions through a general services division or through administration agencies, said Mr. Thacher, also an SRMA member.

"All states have different ways of designating risk management responsibilities. It's not cut and dried," Ms. Sterna said. Arizona's risk management department is a division of the state's Department of Administration. "A number of states have separate risk managers and some handle it through other state agencies."

"For many, it's handled out of a financial agency," pointed out Yvonne Norton-Leung, risk manager for the state of Nebraska. "Others do it from administration or general services. The key is to have open communication between agencies." ■

Oregon approves basic health plan

SALEM, Ore.—Department of Insurance and Finance Director Gary Weeks has approved a health benefit package for small employers. Under a mandate from the Oregon Legislature, insurers that participate in the small group market must offer the plan to all employers with three to 25 workers.

Basic coverage for small business is a key element of the larger Oregon Health Plan, which is designed to extend medical coverage to most state residents over the next three years. Under the plan, employers that do not offer health coverage by 1995 will have to pay a payroll tax. Another part of the Oregon Health Plan is a five-year pilot program designed to widen access to Medicaid coverage to all poor people, while prioritizing and rationing Medicaid services. The pilot program requires federal approval (*BI*, March 2).

Reflecting the priorities for the Medicaid program, the small business package emphasizes maternity and preventive services. It does not cover certain costly, high-risk procedures and covers only palliative care for terminal conditions.

The package is expected to be offered to small employers at a monthly cost of about $100 per employee and $375 per family. An employee could be required to pay as much as 50% coinsurance for services, up to a maximum of $7,500 annually.

—By Louise Kertesz

call for entries
20th annual
excellence beyond compare
EBC
EMPLOYEE BENEFITS COMMUNICATION AWARDS

The 20th Annual **EMPLOYEE BENEFITS COMMUNICATION AWARDS** will be presented on October 13th during a luncheon sponsered by *Business Insurance*, honoring excellence in communicating employee benefits.

The Competition is open to all companies in the U.S. and Canada, and has no restrictions as to the size of the company.

A panel of benefit managers and communication specialists will select winners from a variety of categories.

JUNE 1 DEADLINE FOR ENTRIES

Entries will be accepted beginning May 11th. No entry will be accepted after June 1st.

For Competition rules and entry forms, or for awards luncheon details, fill out the coupon and mail or fax to:

Barbara Dalton, EBC Registrar
BUSINESS INSURANCE
220 E. 42nd Street, Suite 930 • New York, NY 10017
Fax: 212/210-0704

Please send me information on the 1992 EBC Awards:
☐ Competition ☐ Awards Luncheon

name
title
company
address
city state zip
phone number
fax number

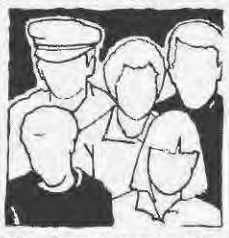
Business Insurance®
a publication of Crain Communications Inc

Business Insurance Delivers Maximum Benefits.

100%. That's what *Business Insurance* brings you. We take it to the max every week.

That's why your ad should be in *BI's* June 8 Mid-Year Market Report spotlighting Employee Benefits.

We give you something no other publication can — renowned industry coverage. Employee benefits is an explosive subject. And with benefit costs spiraling out of sight, *BI* will bring this critical problem into sharper focus by ... examining health care cost trends for the first half of 1992 and what's in store for the rest of the year ... evaluating the effect managed care has had on health care cost increases ... and surveying insurers, consultants and employers about the long-range health care cost outlook.



61%*— Group Insurance Plans

42%*— Alternative Health Care Delivery Systems

Your ad will be positioned in a unique editorial environment. This issue will also feature *BI's* annual report on employee assistance programs and managed mental health care ... reporting on the latest techniques employers can use to control mental health care costs. Included in this issue is *BI's* annual Directory of EAPs & Mental Health Networks ... listing details on types of services; staff qualifications and size; facilities; reporting/billing; clients; regions served; revenues; officers; contacts and more. This comprehensive resource gives readers important data on almost 150 EAPs and managed mental health care organizations that provide stand-alone services that could make the difference in creating healthy employee benefits programs.

26%*— Employee Assistance Counseling

40%*— Health Plan Utilization Review

And we attract the most distinguished group of industry decision-makers — *Business Insurance* subscribers. These are corporate decision-makers who are well informed ... and control millions of dollars each year in employee benefit expenditures.

88%**— Corporate Insurance Buyers Take Action

When they're looking for what it takes to get things done, they turn to *BI* ... because your advertising in *Business Insurance* helps them reach their benefit goals.

*Percentage of Corporate Insurance Buyers involved in purchasing decisions, as detailed in Audience Profile of the *Business Insurance* Subscriber, 1990.
**Audience Profile of the *Business Insurance* Subscriber, 1990.

Publishing: June 8
Ad Closing: May 26

New York: 212/210-0228
Chicago: 312/649-5276
Los Angeles: 213/651-3710

Business Insurance®
a publication of Crain Communications Inc

Work comp fraud

Continued from page 2

them for additional amounts due, insurers say.

And, insurers expect more success in recovering additional workers comp premiums from employers—with or without legal action.

"In 1992, we expect that effort to yield another $125 million in premiums," Mr. Hager said during the recent NCCI issues conference (*BI*, May 4).

Workers comp premium fraud occurs "when an employer misrepresents the nature, size, ownership and claims experience of its business to avoid paying the proper premium," the NCCI says.

Misrepresentations can include "deceptive information about the amounts of payroll, the nature of the jobs the employees perform, the number of employees, the legal name or owner of the company, or the employee leasing arrangements," the association added.

"Many employee leasing firms have been created solely for the purpose of experience modification avoidance," the NCCI said. Under a typical arrangement, an employer essentially "fires" all of its employees, then rehires them through a contract with an employee leasing company (*BI*, June 25, 1990).

The recent Texas case began when a unit of The Travelers Insurance Co. canceled the workers comp coverage for Acme Truck Line Inc. of Harvey, La., after the insurer's investigation found that the company allegedly paid inadequate residual market premiums due to misrepresentation of its workforce.

Transportation Financial Systems Inc. of Harvey, an employee leasing company formed by Acme Truck, had "misclassified the truck drivers and misrepresented payroll and loss history," the NCCI charged in a statement.

Transportation Services and Acme Truck filed an injunction in May 1991 to prevent the Travelers unit from canceling the trucking company's workers comp insurance.

The NCCI, on behalf of several insurers, then filed a complaint in June 1991 charging Transportation Systems with "fraud, violations of the federal racketeering statute, civil theft and breach of contract."

Insurers expect to recover $125 million in added work comp premiums in 1992, says Mr. Hager.

Transportation Systems denied the allegations. However, it reached a settlement with the NCCI shortly before the case was to be tried. The settlement was approved by a Travis County District Court judge in Austin.

In addition to Travelers, the Texas Workers Compensation Insurance Facility, the National Workers Compensation Reinsurance Pool and the NCCI agreed to the settlement, according to court papers.

The alleged fraud was uncovered by the Residual Market Special Investigative Unit of Travelers Corp. in Hartford, Conn., which was established by the insurer in August 1991.

"The Travelers' approach in pursuing premium fraud is somewhat unique in the industry in that we have created a multidisciplined unit solely dedicated to the identification, investigation and pursuit of premium fraud," said Mark M. Levine, second vp in Travelers property/casualty commercial lines department.

"Our unit is composed of two attorneys, a premium auditor, an underwriter, an investigator, a claims and systems specialist, and two special examiners who screen leads," he said.

The unit, which is located in the Hartford office, also works closely with policy issuers, underwriters, engineers, premium auditors, claims handlers and special field investigators nationwide, he added.

To educate these officials, Travelers developed a videotape explaining how fraud can be perpetrated and distributed a checklist of factors, like excessive claims, that may indicate fraud, said Arleen Lempicki, assistant director of the insurer's residual market Division.

In addition, Travelers instituted a system of finders' fees and incentive awards to encourage employees to report "success stories" and to refer questionable cases to the unit for additional scrutiny.

The Texas case involving Transportation Systems will net four Travelers employees several hundred dollars in incentive awards, Mr. Levine said.

Thus far, the fraud unit is responsible for obtaining $6.3 million in additional premiums.

Travelers would prefer not to go to court but will refer difficult cases to the NCCI for litigation, if necessary, he said.

"The goal is deterrence," Mr. Levine said.

Several other workers comp insurers and state workers comp funds have expressed an interest in establishing similar units since Ms. Lempicki discussed Travelers unit during the NCCI's recent conference.

The $18 million settlement may "accelerate this process," Mr. Levine said.

Requiring employers to pay their fair share of workers comp premiums benefits insurers by reducing state residual market deficits and increasing their servicing fees, he noted.

It also benefits employers that are paying appropriate premiums, because the additional premium collected by insurers should result in lower rates overall, he added.

In a related development, the NCCI recently began reporting premium fraud cases to the Federal Bureau of Investigation.

The NCCI also is trying to reduce all types of workers comp system fraud, including the number of phony claims filed by claimants.

The NCCI is sponsoring a National Fraud Study Commission that is expected to review the problem and write a report within a year, said Frederick Leo Bateman Jr., an attorney with Bateman, Camp & Graham P.A. in Tallahassee, Fla., who represented some of the insurance companies in the Transportation Systems case.

The NCCI also is working with fraud commissions established by four states: California, Florida, Massachusetts and Texas. ■

NAIW. We Take Our Business Seriously.

For 53 years, NAIW has been in the business of building leaders through education, professional interaction and management training.

We believe we can improve the industry by improving its employees ... fostering professionals who serve clients with knowledge and integrity.

So, each year we make it our business to recognize those who have worked hard to advance the interests of this industry. Join us for NAIW Week, May 17-23, as we salute NAIW members ... their achievements, contributions and successes.

At NAIW, we believe an investment in people is an investment in the profession. And *that's* good business ... for all of us.

For more information contact:
The National Association of Insurance Women (International)
P.O. Box 4410 • Tulsa, OK 74159
Phone: 918/744-5195; FAX: 918/743-1968

INTERNATIONAL

Corporate members at Lloyd's by 1994?

By GAVIN SOUTER

London

LONDON—Lloyd's of London will be able to accept corporate members without waiting for a new act of Parliament, a lawyer says.

Companies may be able to invest in the market as early as next year if the legal opinion is accepted by the British Department of Trade and Industry, a Lloyd's spokesman said.

As individual members flee the market, a Lloyd's task force recommended in January that Lloyd's accept corporate members —with limited liability—as a way to meet future capital needs (*BI*, Jan. 20).

Lloyd's membership has fallen nearly a third to about 22,300 this year from a peak of 32,433 members in 1988.

At the time the task force's report was published, it was assumed that a new act of Parliament would be needed to allow companies to join Lloyd's. Passing such an act could take several years.

However, lawyer Jonathan Sumption has advised Lloyd's that corporate capital can be admitted into the market by changing Lloyd's own regulations rather than waiting for a new Lloyd's Act to replace the 1982 law now in force, the Lloyd's spokesman said.

The opinion is now being considered by the DTI and by the Lloyd's working party that is considering the task force's corporate capital proposal. The working party is expected to report within two months, the spokesman said.

If all sides agree that corporate capital should be allowed without a new act of Parliament, companies could begin investing in the market by the end of 1993, the Lloyd's spokesman said.

Lloyd's legal advisers also are considering what type of companies would be allowed to join, the spokesman said.

British law limits insurance transactions to companies accredited by the DTI and Lloyd's members, he said. Lloyd's legal advisers are considering whether this legislation will preclude non-insurance companies from joining Lloyd's, he said.

KELM policyholders

A group of North American lawyers, doctors and accountants have won a round in their fight for payment of claims due under policies underwritten by four insolvent units of London United Investments P.L.C.

The professionals' appeal against a British High Court decision last month will be heard in June rather than November as originally scheduled.

If the professionals win on appeal, the earlier hearing will have saved parties involved "massive inconvenience and wasted money," said plaintiffs' lawyer Tim Bull of Wilde & Sapte in London.

Last month Justice Webster

Continued on next page

Bloodstock rates soar

Increases could hit 100% in New Zealand, Australia

By KATE McILWAINE

SYDNEY, Australia—Major losses in the thoroughbred industry in Australia and elsewhere will force bloodstock insurance rates in Australia and New Zealand up as much as 100% at the June renewals, some brokers say.

Other specialist bloodstock brokers say increases will not be quite that steep this year, although they agree rates will indeed rise.

The increase will not come soon enough for insurers, brokers say.

The "very, very soft" market of late has been a "graveyard for a lot of insurers," said Bob G. Logan, managing director of Logan Livestock Insurance Agency Pty. Ltd. of Sydney. The Lloyd's of London correspondent writes Australian and New Zealand bloodstock insurance as well as some business in Malaysia and Singapore.

Bloodstock rates in Australia and New Zealand have been among "the lowest in the world for a long time," he said.

For insurers to break even, they need to charge rates of 4% of a thoroughbred's insured value. Yet business was being written at rates of 2% and less, said Mr. Logan. He expects rates to rise to 3.5% and 4% of insured values in June renewals.

Insured values are predominately based on expected service fees for stallions during the breeding season.

Bert C. Clarke, bloodstock manager for Gow Gates Insurance Brokers Pty. Ltd. of Sydney, anticipated rising rates, but not as high as 4% of insured value this year.

"If underwriters can get small increases this year, they can get more next year, but clients won't wear big increases (in a single year)," he said.

Sydney-based broker Ray Willis of Wilburtins Brokers said he expected rates to rise to about 2.75% of insured value in June.

Tony Oliver-Watkins, bloodstock underwriter for Mercantile Mutual Holdings Ltd. of Sydney, also noted that London bloodstock rates have been low, but are increasing and "coming up to what the (Australian) market is."

Hit by losses worldwide, bloodstock underwriters will have to raise rates, he said. The London market has suggested rates of 2.4% net of broker commissions for stallions and broodmares to 12 years of age and fillies and colts from 30 days of age.

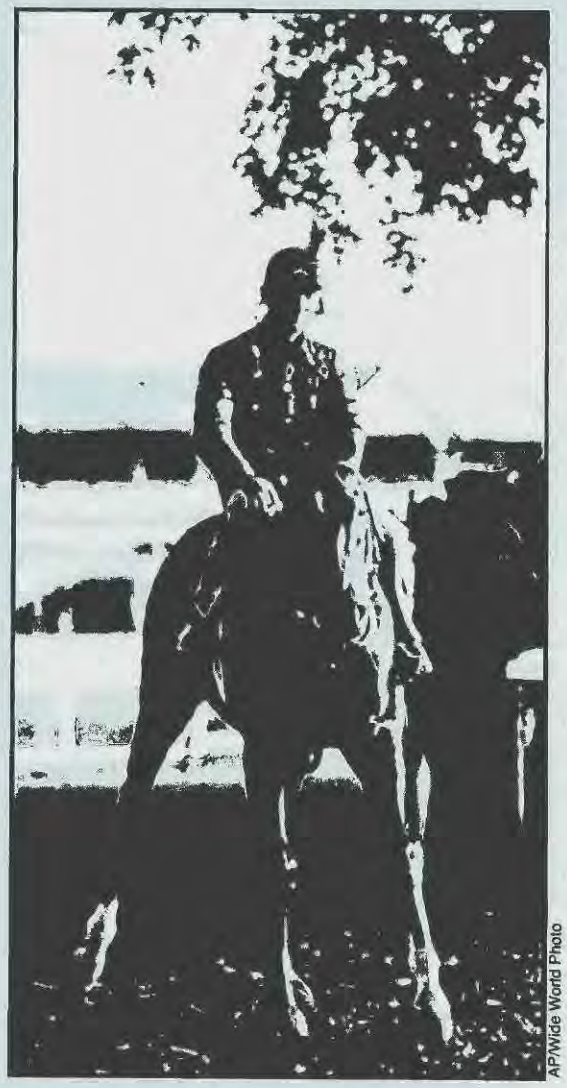
"Australian rates are, depending on the sums insured, between 2.8% and 3.25% gross, giving a net of between 2.2% and 2.6%," Mr. Oliver-Watkins noted. "By going to 2.4% net, London has come up to what. . .most Australian underwriters are charging."

But he had doubts whether London would meet its suggested rate increases, saying the London underwriters had not done so in the past.

Wilburtins' Mr. Willis said "turmoil" in the London market means business will probably stay in Australia.

But Australian underwriters have lost $40 million Australian ($30.2 million at current exchange rates) over the past year, said Gow Gates' Mr. Clarke.

"It's been an horrific two years for the insurers,"



AP/Wide World Photo

The 1990 death of Alydar is causing bloodstock rates to increase in Australia and New Zealand.

he said. No underwriter in Australia or at Lloyd's of London had less than a 100% loss ratio on bloodstock business during that period.

Mr. Logan described recent losses worldwide as "monumental."

They include the deaths of several top thoroughbreds in Kentucky—stallions Alydar, a $40 million claim (*BI*, Nov. 19, 1990), and Fappiano, valued at $18 million, in 1990; and The Minstral, valued at $3 million, and Nihilator, valued at $8 million, last year; and mares Triptych, valued at $4.3 million, and Dona Ysldra, valued at $2.5 million, in 1990 and 1991.

Irish stallion Ahonoora broke his leg in Australia, resulting in a claim of 6 million pounds ($11.6 million at year-end 1990 exchange rates) in 1990, and a New Zealand stallion, Imposing, died, producing a $2 million NZ ($3.4 million) claim in 1990. The death of Star Watch last year produced a $2 million Australian ($1.5 million) claim.

From 1989 to 1991, at least seven other claims hit or exceeded $1 million in Australia and New Zealand. Mr. Logan said Australia had $1 billion Aus-

Continued on next page

Rejection of deal between Hafnia, Skandia causes Nordic turmoil

By MARIA KIELMAS

LONDON—The Scandanavian insurance market is back in a state of upheaval after attempts to resolve a messy proposed takeover of Sweden's Skandia Holding A.B. were sunk.

Hafnia Holding A.S. of Denmark and UNI Storebrand A/S of Norway had planned to take over Skandia and form a pan-Nordic insurance alliance after acquiring nearly 43% of Skandia's stock. However, the takeover was opposed by Skandia management and was later blocked by a quirk in Skandia's shareholder voting rules (*BI*, Feb. 10).

Under a tentative plan reached last month to resolve the impasse, Skandia was to acquire 100% of Hafnia through a stock swap and merge it into its Danish operations. In return for its stake in Skandia, UNI Storebrand A/S would acquire all of Skandia's reinsurance operations, except Skandia America Group in the United States (*BI*, April 20; April 13).

The deal was reached amid concern that Hafnia had incurred too much debt when it acquired stakes in Skandia and, earlier last year, Danish insurer Baltica Holding A/S. At the same time, Norwegian authorities were pressuring UNI Storebrand to complete the takeover of Skandia or reduce its stake in the Swedish insurer.

However, institutional holders of Hafnia's stock have rejected its proposed buyout by Skandia, unraveling the whole deal.

Those shareholders, led by Danish pension fund Employees' Capital Pension Fund, reportedly opposed the proposed agreement from the outset, saying that Hafnia management agreed to the deal under undue pressure from the other companies.

Hafnia on April 30 announced that the company's board had instead agreed to pursue a "Danish solution." This decision had the unanimous support of the board,

Continued on next page

New cast, old script in Outhwaite drama

Members left out of settlement may sue

By GAVIN SOUTER

LONDON—Beleaguered Lloyd's of London underwriter Richard Outhwaite may face another court battle as syndicate members who were not included in an out-of-court settlement earlier this year threaten legal action.

The move follows unsuccessful attempts by the members to persuade Lloyd's Chairman David Coleridge to back another settlement to compensate the 627 members who for various reasons did not join the legal action brought by 987 other members. The defendants agreed to settle that action in February (*BI*, Feb. 17).

Many of the members not involved in the earlier litigation have now formed an association to seek compensation.

The members' dispute centers on the huge losses suffered on the 1982 account of syndicate 317/661, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd., which is still open.

At the start of 1991, existing losses and estimated future losses for the syndicate stood at $481.8 million. The losses stem from 32 runoff reinsurance contracts written by Mr. Outhwaite, which included huge liabilities for asbestos-related claims.

The 987 members who originally sued both Mr. Outhwaite and 81 members agencies who looked after their affairs alleged that Mr.

Continued on next page

INTERNATIONAL

Skandia fallout

Continued from previous page
including employee-elected members.

Under the plan, the group of Hafnia's shareholders will ensure that Hafnia receives fresh capital of at least 1.5 billion Danish kroner ($238.5 million at current exchange rates). The capital will be raised through a subscription rights offer among existing shareholders of Hafnia Holding.

Hafnia said that the company's board and the group of institutional shareholders will ensure that Hafnia can continue to develop its operations and attain the strongest possible position in the Danish insurance market "for the benefit of Danish society and, not least, commerce and industry."

The institutional investors also agreed that Hafnia in the future should re-examine the possibilities of extended Danish, Nordic or international cooperation, as the Skandia deal would have involved.

"(Such links) will be of importance to Hafnia's future as an insurance and financial group in Europe," the company said.

"We are truly disappointed that from a business perspective a workable Nordic solution was not given a real chance when we were so close. Instead, Hafnia has chosen an internal Danish solution that contradicts the Nordic cooperation ambitions that the parties had agreed on," said Bjorn Wolrath, Skandia's chief executive.

UNI Storebrand last week said it is prepared to discuss alternative solutions with Skandia, Hafnia and other interested parties. "We continue to believe that a positive solution will be reached," a spokeswoman said.

Some analysts, many of whom predicted from the beginning of the attempted Skandia takeover that the whole undertaking would end in tears, believe the Nordic insurers will be forced to find a solution among themselves.

"There are reasons to be skeptical about an external entrant," said Jonathan Lawlor of Kleinwort Benson Securities in London. "Who is big enough and right enough? Allianz is preoccupied with the East, (Union des Assurances de Paris President Jean) Peyrelevade is on record that his medium- to long-term aim is to resolve the Colonia issue. Would Victoire want to get involved?"

UAP has been trying to trade a stake in France's Groupe Victoire for Victoire's majority stake in German insurer Colonia Group, parent of Colonia Insurance A.G. (*BI*, Nov. 25, 1991).

"The problem is now full square in the Danish pension funds' court," Mr. Lawlor said. He believes that Hafnia's institutional shareholders will have a difficult time finding subscribers to the planned rights issue because of the company's financial difficulties.

The Danish pension funds' action contained an element of "self-preservation," said Mr. Lawlor, who noted that they had permitted Hafnia to acquire stock in Baltica and then Skandia.

Meanwhile, although UNI Storebrand has been instructed by Norwegian authorities to reduce its holding in Skandia to 10% by June, Mr. Lawlor said he thinks that under the circumstances Norwegian authorities may be flexible. ■

Bloodstock rates

Continued from previous page
tralian ($756.5 million) in insured bloodstock values, with a gross premium income of $30 million Australian ($22.7 million). Covers written include mortality on stallions and mares, as wells as fertility and unborn foal coverage.

"The whole insurance industry is hardening," Mr. Logan said, noting that the bloodstock market followed trends in the Australian property/casualty market.

Underwriters need expertise in the thoroughbred industry to make money in bloodstock, said Mr. Logan, but many had gone into the market expecting profits regardless of their expertise.

"There are bodies all over the place of underwriters who've tried it and failed," he said. Inexperience was the main reason.

The increase in losses and expected rise in bloodstock insurance rates is forcing thoroughbred owners and breeders to take a closer look at their risk financing approach, Mr. Logan said.

Owners and breeders are now looking at elements of self-insurance and increasing deductibles because rates are rising, he said. "They're looking at their potential loss of income, the effect a loss could have on their cash flow, instead of just insuring everything," he noted. "They're being forced to find more value."

While mortality insurance has been the major type of coverage sought, breeders and horse farm owners are now looking at business interruption covers, as well.

Gow Gates' Mr. Clarke said owners and breeders are insuring more selectively; insurance is no as high a priority as it had been when rates were low. But clients will "shop around," he said.

Wilburtins' Mr. Willis agreed that bloodstock owners and breeders are looking at higher deductibles and cash-flow programs. ■

Outhwaite

Continued from previous page
Outhwaite was negligent when he wrote the runoff contracts.

The 116 million pounds ($207.2 million at current exchange rates) settlement, which will be paid by errors and omissions underwriters, was reached four months after the trial began and 10 years after Mr. Outhwaite underwrote the contracts.

That settlement does nothing for the 627 members who did not join the legal action. Many of them are working members encouraged by their employers not to sue.

Of those not covered by the settlement, 491 have joined the 1992 Outhwaite Names Assn. Of those, 393 have agreed to the issuance of a writ against R.H.M. Outhwaite (Underwriting Agencies) Ltd., said Richard Fielding, chairman of C.E. Heath P.L.C. and the original chairman of the group.

The new chairman of the association is Lloyd's member Eddie Kulukundis, a shipping executive.

At an Outhwaite association meeting last week, Mr. Fielding said that his close involvement with the market made it inappropriate for him to chair the group.

The members are seeking "damages and/or equitable compensation" from the Outhwaite agency.

Their writ, which has been issued but not yet served, alleges that the agency caused members damages by breaching: the terms of the underwriting agency agreement with members; fiduciary and other duties owed to members; duties owed in tort; and contractual warranties given to some members by the agency.

The alleged breaches stem from the underwriting of the runoff contracts and the failure to provide "full and proper information" to members concerning the business underwritten.

To avoid the risk of being time barred, the members need to prove that the Outhwaite agency deliberately withheld information on the deterioration of the 1982 account in later years, Mr. Fielding pointed out. "And even if we do that, it will still not be plain sailing."

Because the original suit was settled out of court, any new suit would "have to start from scratch," he said.

The members have four months in which to serve the writ.

The writ was issued after members sought an out-of-court solution, Mr. Fielding said.

"I saw David Coleridge, the chairman of Lloyd's, in March, who left me in no doubt that he would not use his office to get the E&O underwriters to treat the 1992 names in the same way that they have treated the 1982 names," he said.

Mr. Fielding also met with Stephen Merrett, the representative for the original defendants' E&O insurers.

"Mr. Merrett said that his legal advisers regarded our legal position as interesting," Mr. Fielding said. "He also said that he was the wrong person to talk to because the E&O underwriters would be different."

E&O policies are written on a claims-made form, Mr. Fielding noted.

"Clearly we need to be more persuasive, so we issued a writ on April 29 on behalf of 393 names," he said.

The members of the association will also have to pay a further 300 pounds ($535.80) in addition to the original 150 pounds ($267.90) they have already paid to meet pre-trial legal costs, Mr. Fielding said.

London law firm Norton Rose is advising the members. ■

London

Continued from previous page
ruled that the professionals are entitled to receive payment of up to 90% of their claims from a British guaranty fund for individual policyholders that is administered by the Policyholder Protection Board (*BI*, April 13).

However, the judgment has a "sting in the tail," attorneys have said.

The judge ruled that the PPB only has to pay claims made as of the date the insurers are placed in liquidation.

As a result, any claims not yet known or potential claims whose final size is unknown when the four LUI insurers are wound up would not be covered by he fund.

The plaintiffs are appealing the ruling, saying that it would mean 95% of their claims would not be met.

The professionals' appeal was to be heard in November, but it is possible the LUI insurance subsidiaries will have been placed in liquidation by then, Mr. Bull explained.

"The PPB can give financial assistance to insurance companies, including those in schemes of arrangement, but only if that would cost less than putting the companies into liquidation. Under the Webster judgment, it would always be cheaper to put the (insurance subsidiaries) in to liquidation," he said.

And although the plaintiffs would still receive compensation from the fund if they won their appeal in November, allowing last month's decision to stand until then could have jeopardized the potential for any scheme of arrangement, causing inconvenience to the parties involved and wasting time and money, according to Mr. Bull.

The appeal is scheduled to be heard during the last half of June.

Bail-out schemes

The Council of Lloyd's of London is discussing various schemes to bail out members suffering heavy losses as a result of their participation in the market.

At its monthly meeting at the end of April, the council considered central measures to give financial assistance to members who "face severe underwriting losses," said Alan Lord, Lloyd's chief executive.

"Much further work is required on this complex matter before we can establish the feasibility of any scheme in detail," he said.

Mr. Lord would not comment further on the council's discussions.

Council member Peter Nutting said that most council members favored taking measures to help the many Lloyd's members facing large losses.

"There is a groundswell of opinion at Lloyd's that we ought to do something for them. . .we cannot adopt the attitude of the pharisee and pass by on the other side of the road," he said.

Mr. Nutting is also chairman of the group of members that earlier this year settled their claims concerning the underwriting losses of Richard Outhwaite.

The Outhwaite members earlier this year agreed to accept approximately $200 million to settle their claims concerning huge asbestos-related losses on 32 runoff reinsurance contracts written in the early 1980s (*BI*, Feb. 17). ■

We've Made A Name For Ourselves.

BUSINESS INSURANCE

It's Business Insurance.

We're the weekly it takes to stay on the cutting edge of the commercial insurance marketplace.

SUBSCRIBE TODAY!

CALL TOLL-FREE on 1-800-678-9595. Fax your order in on 1-313-446-0961. Use the card in this issue or if it's gone, use the coupon below.

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	☐ $80	☐ $175
Canada	☐ $118	☐ $185
Bermuda (air only)		☐ $180
United Kingdom		☐ $190 or £104
Europe/ Middle East		☐ $196
All other foreign	☐ $118	Rates on request

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Business Insurance.

4C042

Advertiser Index

Issue of May 11

Advertiser	Page #
American Re-Insurance Co.	20-21
Bryson Associates	16
Business Insurance	19,29,30,33
Chubb	10
CIGNA	9
Cover X	27
Duncanson & Holt	40
Environmental Risk Ins. Co.	22
ERMA	18
Express Scripts	19
Flex Rx.	6-7
Governmental Programs	26
IBM	14-15
ITT/Hartford	4,17
Lamba Systems	18
Liberty Mutual	11,13
Lincoln National Reinsurance	12
Natl. Assn. of Ins. Women	30
Northington Partners	28
Wausau Insurance Company	5

Business Insurance

Texas work comp insurers overcharging: Suit

By MICHAEL BRADFORD

DALLAS—Four Texas workers compensation insurers improperly charged employers to make up for residual market assessments, employers claim in a lawsuit seeking $12.2 million from the insurers.

The lawsuit, filed last month in state court, seeks class-action status. It alleges that in 1989, 1990 and the first quarter of 1991, the insurers charged Texas employers amounts "not derived from an authorized rate or rating methodology," in violation of the state insurance code.

The overcharges, says a lawyer for the employers, were equal to the insurers' assessments by the state's assigned risk pool.

The suit names Employers Casualty Co., based in Dallas and seized earlier this year by the state Insurance Department (*BI*, Feb. 17); Protective Insurance Co., based in Indianapolis; Reliance Insurance Co., headquartered in Philadelphia, and Argonaut Insurance Co., based in Menlo Park, Calif.

"As soon as full court-ordered discovery is under way in this case, we anticipate finding that many other insurance companies in Texas made similar illegal charges," says Fred Misko Jr. of Misko, Howie & Sweeney in Dallas, who represents one plaintiff company, Weatherford Roofing Co. of Dallas.

Once other insurers are identified, "we will be seeking recovery of three or four times as much as we have currently been able to substantiate," Mr. Misko said.

Until last year, workers comp insurers in Texas were barred from adding any charges to premiums to make up for their assigned risk pool assessments.

However, because of concern that insurers would leave the state over the assessment controversy, the Texas State Board of Insurance last May passed an emergency rule authorizing insurers to charge employers that pay $350,000 or less annually for retrospectively rated workers comp coverage a surcharge to help offset residual market assessments (*BI*, May 13, 1991).

Under the rule, the State Board annually sets a "residual market factor" that insurers apply to premiums to determine the amount of the surcharge.

Employers that pay more than $350,000 annually for retrospectively rated coverage can negotiate the surcharge with their insurers.

Although the State Board sanctioned surcharges from May 1991 on, it didn't do so retroactively, Mr. Misko said.

Insurers also have admitted adding unauthorized charges to workers comp premiums before May 1991 to help defray assigned risk assessments, according to Mr. Misko.

In April 1991, the State Board required insurers to furnish information regarding any charges not made in accordance with approved rating methodology.

The four insurers named in the lawsuit responded with information that indicated a total of $7.2 million in charges were made that were not based on the state-approved rating methodology, court papers show.

Specifically, the suit seeks $3.2 million from Employers Casualty Co., $2 million from Protective Insurance Co., $1.7 million from Argonaut Insurance Co. and $253,433 from Reliance Insurance Co.

It also seeks prejudgement interest of $1.9 million and attorneys fees of $3 million.

One of the insurer defendants says it believes it was acting within the law by assessing the charges.

"The department has not reached a final determination on whether it was legal or illegal," contends William H. Huff, executive vp at Employers Casualty.

"It was premature for them to file suit," he said. Mr. Huff pointed out that while insurers admitted levying unauthorized charges on employers, the Texas Department of Insurance has not cited the insurers for doing anything illegal.

The suit also alleges that Employers Casualty required policyholders to "enter into service contracts or other arrangements for claims, consultation services, safety engineering consultation services, audit consultation services and other similar services."

Mr. Huff maintained that any service arrangements with Employers Casualty policyholders were in accord with state law.

Spokesmen for Argonaut and Protective would not comment. Reliance could not be reached for comment. ■

Guaranty fund study

Continued from page 3

lion, or 7.3%; Illinois at $31 million, or 6.8%; Massachusetts at $25.2 million, or 5.5%; Maine at $23.1 million, or 5.1%; and Michigan at $20.4 million, or 4.5%.

Sixteen states had no guaranty fund assessments in 1990, while Puerto Rico's fund actually returned $3 million to insurers.

While assessing $454.4 million in 1990, the guaranty funds actually spent $629.1 million paying claims and covering loss adjustment expenses and other costs of insolvencies, according to the report.

Ten defunct insurers accounted for 61.4% of the 1990 expenditures, the study found. These were:

- American Mutual Liability Co. of Wakefield, Mass., which cost guaranty funds $111.3 million, or 17.7% of 1990 expenditures. American Mutual, declared insolvent in 1989, has cost the funds a total of $192.5 million through 1990, making it the fourth most expensive property/casualty insolvency on record.
- Mission, which cost the funds $64.2 million in 1990, or 10.2% of total expenditures. Mission, the largest insolvency in history, has cost $393.3 million through 1990.
- Champion Insurance Co. of Baton Rouge, La., which cost $61.4 million in 1990, or 9.8% of the total. Champion, declared insolvent in 1989, has cost $94.3 million through 1990, making it the seventh most expensive insolvency ever.
- Coastal Insurance Co. of Van Nuys, Calif., which was ordered liquidated in 1989 and cost guaranty funds $31.7 million, or 5% of total expenditures, in 1990. Coastal is not among the 10 most expensive insolvencies through 1990.
- Midland Insurance Co. of New York, which cost $27 million in 1990, or 4.3% of total expenditures. Ordered liquidated in 1986, Midland has cost $172.7 million through 1990, making it the fifth-costliest failure on record.
- Integrity Insurance Co. of Paramus, N.J., which cost $26.1 million, or 4.1% of total expenditures in 1990. Integrity, whose 1987 collapse was spawned partly by unrecoverable reinsurance from Mission, is the sixth most expensive failure and has cost $166 million through 1990.
- Transit, which was ordered liquidated in 1985 and cost $18.3 million, or 2.9% of total expenditures, in 1990. The second-largest property/casualty failure of all time, Missouri-domiciled Transit has cost guaranty funds $265.5 million through 1990.
- Ideal Mutual Insurance Co. of New York, which cost $17.1 million in 1990, or 2.7% of total expenditures. Ideal, ordered liquidated in 1985, is the third most expensive insolvency for guaranty funds, costing $239.8 million through 1990.
- Cadillac Insurance Co. of Detroit, which collapsed in 1989 and cost guaranty funds $14.8 million in 1990, or 2.3% of total expenditures. Cadillac is not among the 10 most expensive property/casualty failures.
- Intercontinental Insurance Co. of Chicago, which was ordered liquidated in 1990 and cost $14.5 million that year, about 2.3% of total guaranty fund expenditures. Intercontinental is not among the 10 costliest failures.

A number of other insolvencies cumulatively cost guaranty funds $242.9 million in 1990, or 38.6% of the $629.1 million in total expenditures.

Three insurer failures that are among the 10 most expensive on record were not among the 10 most expensive in 1990.

These are: Carriers Insurance Co. of Des Moines, Iowa, which was ordered liquidated in 1986 and has cost guaranty funds $92.4 million through 1990; Enterprise Insurance Co. of Los Angeles, which entered liquidation in 1987 and has cost $91.9 million through 1990; and Reserve Insurance Co. of Chicago, which collapsed in 1979 and has cost $76.1 million through 1990.

●

Copies of the Alliance report may be ordered at no charge by writing to the Alliance Customer Service Department, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill., 60173-4980, or by calling 708-330-8587. Please refer to publication No. R-RM-00005-0392.

Suit alleges chiropractor favoritism

AUSTIN, Texas—Texas physical therapists allege a state senator influenced the Texas Workers Compensation Commission to set higher fees for chiropractors than other medical providers providing workers comp care.

The Texas Physical Therapy Assn. charges in a lawsuit filed in state court last August and amended earlier this month that the fee guidelines in the Texas Workers Compensation Act of 1989 should be declared invalid.

The group contends that Sen. Chet Brooks, D-Pasadena, joined with chiropractors to influence the commission to adopt rules that unfairly favor chiropractors.

The suit names the commission as the defendant, and the therapists have called for an investigation of the senator's alleged involvement.

The state court granted a temporary injunction enjoining the commission from enforcing the fee guidelines against the physical therapists while the suit is heard. But in their amended complaint, the therapists contend the commission is not cooperating with the order.

The injunction allows physical therapists to charge and be reimbursed for usual and customary fees, according to Jerry Payne, an attorney with Payne & Associates in Houston, who represents the plaintiffs.

Even though a Texas appeals court refused to hear an appeal filed by the state attorney general on the commission's behalf, the commission "won't notify the insurance companies" that the injunction is in effect, said Mr. Payne.

The suit charges that chiropractors, partly through the "influence of Sen. Chet Brooks, have received a 200% increase in their fees under the new rules and guidelines in question while the physical therapists and other health care providers have received between a 25% to 50% decrease in their fees."

The suit alleges that chiropractors are Sen. Brooks' "main financial backer," and that he has pressured the commission to treat them favorably.

The suit also alleges that private meetings were held among the senator, members of the Medical Review Division of the workers comp commission and three chiropractors for the purpose of "improperly and illegally motivating the staff of the Commission to favor the chiropractors in the rules and guidelines in question."

Mr. Payne has asked Texas Attorney General Dan Morales and Travis County District Attorney Ronald Earle to investigate the charges of political favoritism.

TWCC Acting Executive Director Todd K. Brown said, "We are working closely with the attorney general's office and I have full confidence that the courts will uphold the medical fee guidelines as developed by the commission."

J.P. Word, executive director of the Texas Chiropractic Assn. in Austin, said there's no basis to the suit.

Charges that the chiropractors have bankrolled Sen. Brooks are untrue, he added. With 1,300 members, the association's total contributions to all political candidates is $100,000 a year, said Mr. Word. "And we certainly don't give all that to one person."

Mr. Word said he is unsure how the plaintiffs figured chiropractors received a 200% increase in their allowable fees, but speculated that because chiropractors are now considered doctors under the law they can charge for additional services unlike physical therapists.

If physical therapists are unhappy with that, "they ought to go out and get the education" to become doctors, Mr. Word said.

Sen. Brooks called the allegations that he influenced the commission to set higher fees for chiropractors "a pipe dream" and the suit a "vicious political pleading."

The senator said he has "no role in setting fees" and "never did I talk to anybody about specific fees."

Instead of favoring one group of health care providers, the senator said he has attempted to bring chiropractors and physical therapists together over the issue of fee guidelines and has never excluded either side from meetings.

Sen. Brooks said the charge that chiropractors are his main financial backers is an "absolutely false statement."

—By Michael Bradford

MAY CLOSINGS

SET YOUR DATES

issue: May 18 — Bonus Distibution: PRIMA — Ad Study
closing: May 5
editorial feature: Property Loss Control
demographic section: Insurer Topics: Reinsurance Issues: Relations with Intermediaries
Directory: Property Loss Control Consultants

issue: May 25
closing: May 13

issue: June 1
closing: May 19
editorial feature: Conference Report: PRIMA
demographic section: Agent/Broker Topics: Legislative Issues; NAIB Conference Report

issue: June 8 — Reader Service
closing: May 26
editorial feature: Benefits: Mid-Year Market Report
Directory: EAP's & Mental Health Networks

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

New York (212) 210-0228 Fax: (212)210-0704
Chicago (312)649-5276 Fax: (312)280-3189
Los Angeles (213)651-3710 Fax: (213)655-8157

Business Insurance
a publication of Crain Communications Inc

Health care reform

Continued from page 1

expanding managed care programs, consolidating health care programs and requiring employees to pay higher deductibles and coinsurance.

"Employers recognize that changes in the health care delivery system are necessary, but that it is better if companies try to make the changes rather than have government dictate those changes," said Foster Higgins President John Feldtmose.

Employer attitudes on health care spending and their views on other health care issues are included in the "Foster Higgins Health Care Reform Survey" to be released this week. Results are based on the responses from 850 benefit managers, chief executives, chief financial officers and others.

Just as Congress is deadlocked on how best to improve health care access while keeping costs under control, the survey found a lack of consensus among employers. When asked which of four health care reform proposals they favored, no single proposal emerged as the overwhelming favorite.

Only 31% of employers favored a Bush administration plan to improve access to health care through expanded tax deductions and tax credits, while 22% favored the "play-or-pay" approach, which requires companies to either offer a health care plan or fund a public plan for the uninsured through a payroll tax.

Only 14% of employers supported a single-payer Canadian-style national health insurance plan, while 16% supported a proposal by the Heritage Foundation, a conservative think-tank in Washington, to replace tax breaks for employer health plans with tax credits for individuals to buy health insurance. Eighteen percent favored no government action at all.

Not surprisingly, the highest percentage of employers—43%—believe that a Canadian-style national health insurance system would be the best solution for improving access to care, while the lowest percentage—7%—say no government action is the best way to improve access.

On the other hand, only 8% of employers said that a Canadian-style health insurance program is the best way to improve the quality of care.

While hardly an overwhelming favorite, employers thought a Canadian-style plan would be the best of the four approaches involving government action to control costs.

Some 28% of the surveyed firms said a Canadian-style plan was the best way for the government to control costs, just ahead of the Bush tax credit plan, cited by 25%. Sixteen percent said a play-or-pay system would be control costs, while 13% selected the Heritage plan. Eighteen percent cited no government action as the best way to control costs.

When asked which health reform proposal they were most opposed to, the highest percentage of employers—40%—cited a Canadian-style system, while 18% said play or pay, 16% selected the Heritage Foundation plan, and 8% opposed the Bush administration tax credit proposal. Seventeen percent were most opposed to no government action.

While policymakers recognize that major reform of the health care delivery system will involve certain trade-offs, employers are fairly clear on what they would give up and what they want retained.

Employers, for example, generally would give up having the most advanced technology in every community as part of a health care reform package.

Fifty-one percent of respondents said state-of-the-art medical technology could be given up as part of the price of achieving health care reform, while 17% said advanced medical technology in every community should be retained, and 32% were neutral.

"There is a recognition among employers that there is a lot of waste and duplication of medical technology. Every community does not need equipment to do magnetic resonance imaging," Mr. Feldtmose said.

Many employers also would be willing to give up immediate access for certain health care services as a trade-off for health care reform.

Fifty percent of employers said a wait for non-emergency services could be traded for reforms, while 14% said immediate care should be retained, and 36% said the issue was negotiable.

Most employers—45%—said an individual's right to choose any doctor or hospital should be retained, while 31% said the issue was negotiable. Twenty-four percent said freedom of choice could be given up as the price of health care reform.

In addition, 58% of employers said allowing individuals to buy as much or as little health care coverage as desired should be retained, while 27% said this could be negotiated, and 15% said individual decision-making on how to purchase coverage need not be retained.

Fifty-seven percent of employers also said the voluntary nature of company health plans must be retained as part of health care reform, while 32% said the issue was negotiable, and 11% said employer health plans could be given up as part of a reform package.

●

Free summaries of the survey are available from A. Foster Higgins & Co. Inc., 212 Carnegie Center, Princeton, N.J. 08543. Attention: Survey Services. Written requests can be faxed to 609-520-2554.

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $123.75 per column inch, minimum of one inch. Straight classified is $11.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $17.50 charge for all blind box ads. Only those reponses 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 noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for all advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.*

CHIEF FINANCIAL OFFICER & VICE PRESIDENT FOR PROPERTY/CASUALTY INSURANCE GROUP

The ideal candidate will have extensive experience in statutory, agency and reinsurance accounting. Also, S.E.C., tax and E.D.P. expertise is desirable.

We are a dynamic, growing, midwest multiple P&C lines group currently managing over 30 carriers (onshore and offshore), pools and self-insured programs.

There are exceptional opportunities for the right person including bonuses and stock. If this sounds like you, please send current resume with letter indicating salary history to: Business Insurance, Box 2736, 740 N. Rush St., Chicago, IL 60611-2590.

NOTICE

The Health Care Commission of the State of Kansas intends to issue a request for proposal(s) (RFP) on May 15, 1992 for its insured indemnity medical and prescription drug plans and HMO plans. The deadline for receipt of the proposal(s) is June 26, 1992, 5:00 p.m., C.D.T.

There are presently 37,600 employees and 7,895 retirees participating in the various health plans. The 1992 premium for this plan is expected to exceed $132,000,000. The plan has been substantially strengthened over the last few years by lessening adverse selection and including a managed care component in the indemnity program. As a result, the claims experience has become much more predictable. The estimated claims loss ratio for 1991 was 81.1% for the indemnity plan.

If interested in a copy of the RFP, please forward your request to:

Dave Charay
Health Benefits Administration, State of Kansas
900 S.W. Jackson Street, Room 553-South
Topeka, Kansas 66612

Phone: (913) 296-7483 Fax: (913) 296-2664

HELP WANTED

Insurance
CLAIMS MANAGER
Liability & Other Insurance

A Major Southern California retail corporation with a self-insured general liability program and significant deductibles on all other coverages, is seeking an experienced individual for managing our liability and other insurance claim programs. Qualified candidates should possess college degree in related field, have 10 years multi-claims experience, excellent demonstrated communications/analytical skills, and able to work in a rapidly growing organization. Must be both PC and mainframe computer literate; Lotus, Harvard Graphics and WordPerfect are important qualities.

Some of the responsibilities for this position include:

- Managing in-house claims Administration and our TPA
- Coordination of claims Information both within & outside the company
- Provide claims analysis as it relates back to the retail operations
- Budgeting

We offer a full benefits package, plus salary commensurate with experience. Qualified candidates may submit resumes and salary history to: FOOD 4 LESS, Attn: Personnel Office, 777 S. Harbor, LaHabra, CA 90631.
NO PHONE CALLS PLEASE. EOE

FOOD 4 LESS

LEGAL NOTICE

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

IN THE MATTER OF THE REHABILITATION OF MILLERS NATIONAL INSURANCE COMPANY } **NO. 90 CH 4851**

NOTICE OF PROPOSED PLAN OF REHABILITATION (FOR PUBLICATION)

TO: ALL POLICYHOLDERS, CLAIMANTS, INSURANCE COMPANIES WHICH CEDED LIABILITIES TO OR ASSUMED LIABILITIES FROM MILLERS NATIONAL INSURANCE COMPANY ("MILLERS"), OTHER CREDITORS OF MILLERS, AND ALL OTHER INTERESTED PARTIES.

PLEASE TAKE NOTICE that Stephen F. Selcke, Director of Insurance of the State of Illinois, acting in and only in his capacity as the Domiciliary Rehabilitator (the "Rehabilitator") of Millers, has prepared a Proposed Plan of Rehabilitation (the "Plan") as and to Millers, a copy of which has been mailed to all known creditors of Millers, and may be obtained from counsel for the Rehabilitator listed below.

TAKE FURTHER NOTICE that the Rehabilitator has requested a hearing upon and approval of the Proposed Plan of Rehabilitation by the Honorable John N. Hourihane, the Judge of the Circuit Court of Cook County, Illinois having jurisdiction of the rehabilitation proceedings of Millers, and that Judge Hourihane has set the hearing to be held Monday, August 17, 1992, commencing at the hour of 10:30 a.m., in the court room usually occupied by him in Room 2402, Richard J. Daley Center, Chicago Illinois 60602, at which time you may appear if you wish.

All written objections to the Proposed Plan of Rehabilitation must be served upon the counsel for the Rehabilitator on or before Friday, July 17, 1992, at 4:30 p.m., Central Daylight Time. Any objections so received shall be presented to Judge Hourihane by the counsel for the Rehabilitator for the consideration at the time of hearing upon the Plan.

The Rehabilitator requests that you direct any questions, suggestions and/or objections you may have concerning the Proposed Plan of Rehabilitation to any of the following:

Peter G. Gallanis,
Daniel A. Guberman,
Counsel for the Rehabilitator
Office of the Special
Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, Illinois 60654

Telephone: (312) 836-9500
Telefax: (312) 836-1944

Stephen W. Schwab,
Counsel for the Rehabilitator
Rudnick & Wolfe
203 N. LaSalle Street
Suite 1800
Chicago, Illinois 60601

Telephone: (312) 368-2150
Telefax: (312) 236-7516

Respectfully submitted,

Stephen F. Selcke
Director of Insurance
of the State of Illinois,
in his capacity
as Rehabilitator of Millers
National Insurance Company

By:
Stephen W. Schwab
Counsel to the Rehabilitator
Rudnick & Wolfe
203 North LaSalle Street
Suite 1800
Chicago, Illinois 60601

REINSURANCE CLAIMS

■ Devonshire Services Group, Inc., a reinsurance management company specializing in run-off, is seeking a seasoned claims professional with Treaty and Facultative experience primarily in casualty lines.
■ A Juris Doctorate, CPCU, or other professional designation is preferred.
■ Please respond in the strictest confidence with a resume and salary history to:

Garry Nelson, President
DEVONSHIRE SERVICES GROUP, INC.
1851 East First Street, Suite 1400
Santa Ana, California 92705

UNDERWRITERS

The Louisiana Workers' Compensation Corporation, a newly-created, independent mutual insurance company, has ground-floor opportunities for Underwriters in our **Baton Rouge** office.

For consideration, applicants must have:

- 3 years of experience in casualty underwriting with emphasis on workers' compensation preferred; experience with retrospective rating plans and other cash flow plans is desired
- Strong interpersonal/communication skills
- Computer literacy preferred

Qualified candidates seeking the challenge and opportunity of being a part of a developing organization may submit resumes in confidence to: **Human Resources, LOUISIANA WORKERS' COMPENSATION CORPORATION, 2237 South Acadian Thruway, Suite 102, Baton Rouge, LA 70808.** An equal opportunity employer.

Advertise in The Professional Marketplace and reach Top Professionals!

Call 312/649-5340 for details.

HELP WANTED

MANAGER, RISK MANAGEMENT
City of St. Petersburg
SALARY $31,803 - $42,869

Responsible for administrative and technical work, in the management and administration of a comprehensive risk management program.

Prefer a four year college degree in Risk Management or related field with an ARM or CPCU designation. Must have considerable progressively responsible experience in claims administration, loss control, and property insurance.

Interested persons should submit a resume to **Employment Office, P.O. 2842, St. Petersburg, FL 33731 through May 29, 1992.**

EQUAL OPPORTUNITY EMPLOYER

LEGAL NOTICE

be served upon the counsel for the Rehabilitator on or before Friday, July 17, 1992, at 4:30 p.m., Central Daylight Time. Any objections so received shall be presented to Judge Hourihane by the counsel for the Rehabilitator for the consideration at the time of hearing upon the Plan.

The Rehabilitator requests that you direct any questions, suggestions and/or objections you may have concerning the Proposed Plan of Rehabilitation to any of the following:

Peter G. Gallanis,
Daniel A. Guberman,
Counsel for the Rehabilitator
Office of the Special
Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, Illinois 60654

Telephone: (312) 836-9500
Telefax: (312) 836-1944

Stephen W. Schwab,
Counsel for the Rehabilitator
Rudnick & Wolfe
203 N. LaSalle Street
Suite 1800
Chicago, Illinois 60601

Telephone: (312) 368-2150
Telefax: (312) 236-7516

Respectfully submitted,

Stephen F. Selcke
Director of Insurance
of the State of Illinois,
in his capacity
as Rehabilitator of Millers
National Insurance Company

By:
Stephen W. Schwab
Counsel to the Rehabilitator
Rudnick & Wolfe
203 North LaSalle Street
Suite 1800
Chicago, Illinois 60601

GET RESULTS
Advertise in the Business Insurance Professional Marketplace.
Phone 312-649-5340 Fax 312-280-3189

Health care poll

Continued from page 1

brings together major corporations, academicians and health care professionals to develop approaches to contain health care costs and maintain quality of care.

The survey "suggests that the majority of corporate executives may not be ready to commit to major restructuring of the U.S. health care system," pointed out Dr. Richard H. Egdahl, the institute's director. "Rather, it appears that business leaders are more comfortable working within the basic structure of the current system."

For example, 60% of companies surveyed would not support a Canadian-type national health system characterized by a fixed national health care budget with strong governmental oversight. Only 17% said they would favor a Canadian system, and 21% had no opinion. The total does not equal 100% because not all companies answered all the questions.

A majority of employers—60%—also oppose laws requiring them to offer workers comprehensive health care benefits, even though many already do so, the survey found.

"Some proposals for change contain what are known as 'play-or-pay' provisions—mandating that employers pay for the employees' health insurance or else forfeit a tax to be used for that purpose," Dr. Egdahl explained.

Small and marginally profitable businesses most strongly oppose this type of proposal, he said, noting that more than half of all uninsured workers are employed by firms with fewer than 25 employees.

Even some larger companies oppose the play-or-pay approach. "There was a mass defection" among members of the National Leadership Coalition for Health Care Reform when it released a reform proposal last year that included, among other things, a play-or-pay provision, Dr. Egdahl said. "Their question is, 'What else will be mandated?' "

The coalition, which is dominated by big companies like Chrysler Corp. and Bethlehem Steel Corp., last year recommended that all employers provide health care coverage or pay a 7% payroll tax to fund a public plan for the uninsured (*BI*, Nov. 18, 1991).

A national play-or-pay plan was first suggested by the Pepper Commission (*BI*, March 12, 1990). Since then, several bills that call for a play-or-pay health care system have been introduced in the House and the Senate (*BI*, March 30).

Companies, the survey found, also strongly oppose the current practice of subsidizing health care costs for the uninsured and for programs that do not fully reimburse providers for the cost of care.

Ninety-three percent say they would oppose levying surcharges on employer health bills to cover care for the uninsured, according to the survey. And, 95% would oppose such surcharges to subsidize other payers, like Medicare, Medicaid and small employers.

"The biggest albatross" employers face in securing cost-effective health care is cost-shifting, Dr. Egdahl said. "All employers agree they don't want to subsidize other payers, but that's what is happening now."

For example, research on health care costs cited in the book, "The Crisis in Health Care: Costs, Choices and Strategies," indicates that in 1990, individuals covered by indemnity or self-funded health care plans received approximately $85 billion in health care services, while the plans actually paid $142 billion for the services received (*BI*, April 20).

Cost shifting—from the uninsured, Medicaid, Medicare and deep discounts given to some managed care plans—added 67% to health insurance premiums for those covered by indemnity coverage, according to the book written by executives of an economic research consulting firm and the president of an association of hospital financial professionals.

Executives do support improving access to the health care system by making available low-cost, minimum-benefit health insurance to employees of small businesses as well as to high-risk populations, according to the survey.

Some 75% said they would support reforms to guarantee affordable health insurance for small businesses, and 69% said they would support a program to make health insurance available for high-risk populations that currently are excluded by medical underwriting.

"An acceptable minimum benefit would at least include primary care and a wide array of health promotion measures, as well as a schedule of publicly financed benefits for hospitals, physicians and other health care services," Dr. Egdahl said.

In addition, 74% of the corporate executives surveyed support the idea of creating partnerships between employers and health care providers that focus on controlling costs and improving care.

Such employer-provider partnerships have been developed in Cleveland; Kingsport, Tenn.; Milwaukee; and the Chicago area (*BI*, March 16).

Typically, these partnerships try to measure the quality and price of health care services. The programs are based on the assumption that if businesses can reliably identify the best and most cost-effective providers, they can encourage employees to choose them.

In turn, with the incentive of more patient volume, providers will strive to maintain or improve their quality of care while controlling the cost.

Only 6% of the employers surveyed said the partnership approach would not help improve the nation's health care system; 19% had no opinion.

Executives are about evenly divided on whether to expand state programs to cover all the uninsured by rationing available health care resources according to priorities developed by community consensus, the survey reported.

It's easy to say 'if we get rid of all the inefficiencies in the health system, the savings can be used to pay for coverage to the poor,' says Dr. Richard H. Egdahl. 'But everyone knows the savings wouldn't be used for the poor.'

Such rationing is now being proposed in Oregon. Authorities there are seeking a waiver of federal rules that would allow them to fund the extension of Medicaid to more poor people by denying coverage for many services the state deems of low priority (*BI*, March 2).

A third of surveyed executives said that a plan like Oregon's could improve access, a third disagreed and 31% said they had no opinion.

"What is surprising to me is that two-thirds of the companies are not opposed to the Oregon plan," Dr. Egdahl said. "The fact that one-third agreed with it and another third had no opinion but were not opposed suggests that such an approach might develop corporate support, at least for some state demonstration projects."

More employers have learned how the plan works, he said, and that awareness has helped it gain support.

"At first glance, it's easy to come up with a strategy that says if we get rid of all the inefficiencies in the health system, the savings can be used to pay for coverage to the poor. But everyone knows the savings wouldn't be used for the poor," Dr. Egdahl said.

The Oregon plan, however, rations care by withholding payment under Medicaid for certain expensive, high-risk services to make more funds available to extend basic health insurance to all uninsured poor people in the state.

And, large employers believe the plan will help stop health care providers from shifting the cost of health care for the approximately 400,000 uninsured Oregonians to employer-paid health plans (*BI* March, 18, 1991).

The survey also asked employers about their opinions on a proposal by R. Alain Enthoven and Richard Kronick—two academics involved in health policy reform—to encourage competition among health care providers.

The so-called "managed competition" plan would guarantee universal access to health insurance through "sponsors"—including employers or state or federal agencies, Dr. Egdahl explained.

Those sponsors would encourage consumers to make cost-conscious decisions about health care and would reward providers for delivering high-quality, cost-effective care.

Most employers—69%—had no opinion about this strategy, which indicates "business representatives are unclear on details" of the plan, Dr. Egdahl said. Thirteen percent of respondents said they would favor the plan, while 11% said they would not.

•

Copies of the Corporate Health Survey are available free of charge by calling Susan Hamilton at the Boston University Health Policy Institute, 617-353-4520.

ADA survey

Continued from page 3

4% said that it was not applicable.

More than two-thirds—68%—have provided or intend to provide special written information to supervisors concerning the disabilities law, 14% had not done this, 17% did not know and 1% gave some other answer.

Despite the percentage of companies taking steps in anticipation of the law, 47% of the respondents said the law would have no effect on their business, while 18% said the law would hurt their business and an equal number had no opinion. Ten percent of surveyed companies thought the law would help their business, while the rest gave some other answer.

Companies were also asked to rank their knowledge and understanding of the ADA on a scale of one to five, one being minimal understanding and five complete understanding. The middle of the scale, three, was selected by 43%, while 37% saw themselves as slightly above average and gave themselves a four.

Thirteen percent gave themselves a two, while 3% said their company had minimal understanding and assigned themselves a one. Only 5% of surveyed companies gave themselves a five.

Responses were similar when the question concerned preparedness. Most put themselves in the middle, with 45% selecting three, 29% selecting four, 20% selecting two and 3% each saying that their organization was a one, totally unprepared, or a five, totally prepared.

"I was pleased that there is so much positive activity and feeling about the law," said Henry von Wodtke, a benefit consultant in Buck's New York office.

•

Copies of the survey are available for $25. Contact Carolee Martin, Manager of Marketing, Buck Consultants Inc., 500 Plaza Drive, Secaucus, N.J. 07096-1533.

Insurance Services Guide

Advertise in The Insurance Services Guide!
FAX your ad for the next issue:
FAX: 312/280-3189
PHONE: 312/649-5340

InPhoto Surveillance

Long Range Video Surveillance of Claimants. Agents within 3 hours drive of 80% of the U.S. population.
800-822-8220 FAX 800-752-0720

presley & associates, inc.
ACTUARIAL CONSULTANTS
Self-Insurance, Captives & Risk Retention Group Feasibility Studies
- Loss Retention & Reinsurance Need Evaluations
- Claim Reserve Studies & Opinions
- Rate & Loss Cost Analyses, & Filings

603-880-6501

INSURANCE VERIFICATION SERVICE
Insurance Tracking Experts Since 1967
Lessors ✦ Lenders ✦ Prop. Mg.
Franchisors ✦ Contractors
Hospitals
Employee Reimbursement Programs
Turnkey & Custom Systems
800 - 528-3622

CONTROL STAFFING COSTS
IN MEDICAL/DENTAL CLAIMS PROCESSING
With CSRG's *F L E X I B L E* Staffing, you can:
CSRG CLAIM SERVICES RESOURCE GROUP
- Reduce staffing and benefit costs
- Increase production instantly
- Meet service goals all the time
- Minimize claim inventories

Proven results in over 1,000 companies nationwide.
800-331-5039

Reach For The Stars
Investigate this new generation of quality software solutions for health benefits management, workers' compensation claims, general liability, medical cost containment, and first injury reporting, including:
ISP HealthStar • ISP CompStar • ISP MultiStar
ISP MediStar • ISP FirstStar
For more information about the many ways you can benefit from Insurance Software Packages, Inc. write to us at 3625 Queen Palm Drive Tampa, FL 33619 or call (800) 237-8133 in the U.S., (813) 621-6069 in Florida.
ISP
NOW AVAILABLE FOR UNIX®
A registered trademark of AT&T

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido. 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

Broker results

Continued from page 2

B. Hall & Co. Inc. in New York. "And, anecdotally, I still hear stories that make my hair stand on end in terms of pricing."

"Unfortunately, there's nothing out there indicating that a turn is just around the corner," said Frank Wieczynski, corporate secretary for New York-based Alexander & Alexander Services Inc. As a result, revenues will continue their sluggish pace and expenses will have to stay trimmed if net income levels are to show any improvement.

Despite sluggish revenues, first-quarter net income soared at A&A, Hall and Rollins Burdick Hunter Group Inc.

Chicago-based RBH's revenues soared largely due to the inclusion of Hudig-Langeveldt Group bv, the Dutch broker it acquired last year (*BI*, Aug. 19, 1991). But gains at the other brokers were helped by declines in operating expenses: A&A trimmed expenses by 3.1%, Hall by 1.6%.

"We certainly have demonstrated our ability over the past couple of years to control expenses," said A&A's Mr. Wieczynski. "We continue to be optimistic in terms of our ability to control expenses. That continues to be a very high priority in our scheme of things."

Hall's Mr. Bell said that the company's 77.8% gain in net income is largely the "effect of expense controls." Looking ahead, Mr. Bell said that the broker will continue to look at expenses, "demanding profitability maybe more than we have in the past."

Currently, Hall's major shareholder—Reliance Group Holdings Inc.—is looking to sell its 85.1% stake (*BI*, March 30).

While five of the seven publicly traded brokers got off to a positive start in 1992, net income declined for both Arthur J. Gallagher & Co. and Poe & Associates Inc.

One factor behind Gallagher's profit decline was a rise in first-quarter expenses. Poe does not provide quarterly expense figures, though the company said its expenses did rise.

Michael J. Cloherty, vp of finance for Gallagher in Itasca, Ill., explained that accounting for taxes connected with four 1991 acquisitions hurt the broker's results. He added that the 6.4% growth in first-quarter expenses "is well in control."

"Unfortunately, the market is not cooperating," Mr. Cloherty said. "We've got a soft market, falling interest rates, (and) a recession."

Analysts seem to agree. As a group, the brokers have implemented "good expense controls," said Ira Malis, a principal with Alex. Brown & Sons Inc. in Baltimore. First-quarter results are "in line to a little bit better than we expected. I'm surprised to see the extent to which expense controls are helping earnings."

"I think the insurance broking sector as a whole has done a very fine job of controlling expenses during a difficult environment that has gone on for the longest period in history," said J. Michael Bischoff, vp of corporate development for Marsh & McLennan Cos. Inc. in New York.

Not all analysts are encouraged by the gains. "The numbers were stronger than we expected," conceded Michael A. Smith, a senior vp with Lehman Brothers in New York. "But the surprise was on the expense side. Quite frankly, I would prefer the surprise to be on the revenue side."

Mr. Smith added that, "while you take your gains where you get them," profit gains resulting through expense controls are "difficult to sustain."

Individual first-quarter results for the publicly held brokers follow:

Marsh & McLennan

Gross revenues at the world's largest broker inched up 3.3% during the first quarter, led again by a surge in investment management revenues.

Specifically, investment management revenues grew 32.5% to $93.7 million; revenues from insurance services grew just over 1% to $446.8 million; and consulting revenues fell 1.2% to $228.3 million.

But, partially by keeping expense growth to just 2.6%, M&M was able to boost its net income 5.3% to $101.7 million from $96.6 million during the first quarter of 1991.

"Based on what was still a difficult environment for insurance services and consulting, we produced a good quarter," said Mr. Bischoff.

In addition to expense controls and another substantial gain in investment management revenues, Mr. Bischoff cited new brokerage business, the company's stock repurchase program of 1991 and "stabilization" in the consulting segment as keys to a 7.6% gain in earnings per share during the quarter.

Complicating the results was the impact of foreign exchange, which hurt consulting revenues but also helped to hold down expense growth, he said.

Like others, Mr. Bischoff said M&M is poised for substantial income growth when the market hardens. "We have a tremendous amount of operating and financial leverage intact," Mr. Bischoff said.

Alexander & Alexander

A&A's net income soared nearly 1,000% to $20.8 million, up from $1.9 million during the first quarter of 1991.

This gain came despite a 3.4% dip in first-quarter revenues to $321.2 million in 1992 from $332.4 million in 1991. However, if adjusted for lower foreign exchange rates and the fact that two operations were sold early in the quarter, revenues rose by 2%, according to Mr. Wieczynski.

The sale of two operations earlier in the year contributed $26 million of the $39.9 million in A&A's pretax operating income.

Also contributing to the sizable bottom-line gain was the fact that expenses—whether or not they are adjusted for foreign exchange and divested operations—were held down. Unadjusted, expenses fell 3.1%; adjusted, they rose just 1%.

"I think that is commendable," Mr. Wieczynski said.

The broker plans to continue its cost-cutting efforts rather than look for any turn in the market. And, growth continues in other operations—like Alexander Consulting Group—that are not affected by the property/casualty insurance cycle.

After removing foreign exchange effects, A&A's consulting revenues rose 10% during the quarter; reinsurance brokerage revenues grew 11%; and wholesale brokerage operations rose 20%, Mr. Wieczynski reported.

Rollins Burdick Hunter

For the first time, the results of Hudig-Langeveldt Group bv will be recorded throughout the fiscal year of Chicago-based RBH.

As a result, first-quarter revenues for the Aon Corp. unit grew 78.2% to $176.4 million from $99 million in 1991.

First-quarter pretax income rose 167.7% to $34.8 million from $13 million in 1991. Aon does not break out net income figures for its operating units.

"Historically, Hudig-Langeveldt earns a larger percentage of its revenues in the first quarter, but incurs a more even level of expenses throughout the year, thus making its first quarter significantly more profitable than other quarters," said Patrick G. Ryan, Aon's chairman and CEO, in the company's earnings release.

According to Mr. Ryan, 11.8% of Aon's first-quarter earnings per share—13 cents of $1.10—can be attributed to the acquisition of Hudig-Langeveldt.

Still, Mr. Ryan said, "while ahead of last year, brokerage earnings continue to be impacted by the soft property/casualty market and lower short-term interest rates."

Frank B. Hall

Hall turned an 0.5% gain in gross revenues and a 1.6% reduction in operating expenses into a 77.8% gain in net income during the first quarter.

Revenues for the New York-based broker rose to $122.3 million from $121.7 million during the first quarter of 1991. While net commissions and fees rose 2%, a 20.5% decline in investment income held down the revenue increase.

Net income, meanwhile, rose to $6.5 million from $3.7 million.

"Our expense control is starting to pay off," observed Mr. Bell. At the very least, "we are mitigating the normal expense creep."

Profit gains, though, cannot be made solely through expense control, Mr. Bell stressed. "You still have to sell business and keep business," he said. "We are trying to remain competitive. . .and take care of the company's performers."

Arthur J. Gallagher & Co.

First-quarter revenue at Gallagher rose 4.3% to $58.3 million from $55.9 million in 1991, despite a precipitous drop in investment income due to falling short-term interest rates.

While investment income fell 34.6% and commissions rose just 2.9%, fees rose 15.1% during the first quarter.

But the 6.4% rise in expenses—as well as increased taxes—lowered net income by 25.9% to $3.2 million from $4.3 million.

Despite these factors, Mr. Cloherty said the broker is operating "favorable to our plan."

And "the rest of the year, hopefully we are going to remain on our plan," he added.

Several recent acquisitions not only increased its tax bill but its headcount as well. Even after restating employment levels last year to reflect the acquisitions, Gallagher's staff grew 1.7%, partially accounting for the rise in expenses.

While Mr. Cloherty said the company does see some signs of both economic improvement and hardening in rates for some lines of insurance, the broker isn't counting on either factor having a significant impact this year.

But, he added, "anything different than that will be gravy."

Hilb, Rogal & Hamilton Co.

HRH posted the third-largest income gain among the publicly traded brokers despite lackluster revenue growth.

During the first quarter, HRH's net income rose 20.7% to $2.9 million, up from a restated $2.4 million in 1991. Revenues, meanwhile, rose a mere 1.3% to $32.4 million, up from a restated $32.0 million in 1991.

"The expense controls we've been working on the past five or six months have come home to roost. That's really the only reason why our results improved," explained Mr. Hilb.

HRH trimmed its total operating expenses 1.1% during the first quarter.

Mr. Hilb noted that pockets of economic improvement provided some kick to revenues as clients' payrolls grew. "The economy was cutting into us in '91. It's having no negative impact in '92 and, in some places, such as Texas, it's having a positive impact," he said.

Looking ahead, Mr. Hilb—who believes a the market could begin to turn later this year—said the brokerage will continue to focus on expense controls and increased sales efforts to boost its results, even if property/casualty rates do not rise.

Poe & Associates Inc.

Acquisitions made in 1991 helped to boost Poe & Associates' first-quarter revenues 2.8% to $12.8 million from $12.5 million in 1991. However, expenses associated with these acquisitions also contributed to 13.6% decline in net income to $1.1 million from $1.3 million in 1991.

According to Robert P. Cuthbert, senior vp and chief financial officer of the Tampa, Fla.-based brokerage, both revenues and expenses would have fallen in the first quarter of 1991 without the accounted for.

"We are controlling expenses as well as we can," said Mr. Cuthbert. But, he added, "cutting into the bone" will only hurt over the long term.

"We're managing our business to make money in our core business," said Mr. Cuthbert. "We see the need to become more specialized, which helps us produce a greater return." ■

First-quarter 1992 broker results

In thousands of dollars

Broker	Gross revenues	% change	Net income	% change
Marsh & McLennan	$768,800	3.3%	$101,700	5.3%
Alexander & Alexander	321,200	–3.4	20,800	994.7
Rollins Burdick Hunter	176,400	78.2	34,800[1]	167.7
Frank B. Hall	122,283	0.5	6,524	77.8
Arthur J. Gallagher	58,278	4.3	3,186	–25.9
Hilb, Rogal & Hamilton	32,358	1.3	2,938	20.7
Poe & Associates	12,810	2.8	1,127	–13.6

[1] Pretax

Source: Company reports

GRAPHIC BY JOHN HALL

Medical spending accounts

Continued from page 2

ment for small claims, he said.

Patients, not employers or others, would then be scrutinizing the bills for errors and unreasonable charges, he noted.

And patients would have an interest in finding good values because money not spent on medical care would ultimately belong to them.

Employees could use accumulated funds to buy long-term care coverage or to pay insurance premiums if they lost their jobs, Mr. Scandlen suggested. While funds could be withdrawn for other uses the individual would then have to pay a penalty and taxes, as with IRAs.

The plan would eliminate disputes between employers and employees over whether particular procedures would be covered, Mr. Scandlen said. As long as the patient receives a medical service from an IRS-approved list, which, he said, would be very broad in scope, money in the account could be used.

Also, the group is lobbying to secure for individuals the same tax advantages businesses have when buying insurance.

Medical spending accounts would make workers better consumers, an insurer group says.

For instance, "All it costs an employer is $4,000 to pay for a $4,000 premium," Mr. Scandlen said. However, individuals must purchase insurance with after-tax dollars, so it actually costs them much more.

The council also advocates forming risk pools for those who cannot obtain insurance through the regular routes.

Members of the council include: AEGON USA Inc. of Cedar Rapids, Iowa; American Republic Insurance Co. of Des Moines, Iowa; Equitable Life & Casualty Insurance Co. of Salt Lake City; Gem Insurance Co. of Salt Lake City; Golden Rule Insurance Co. of Lawrenceville, Ill.; Guarantee Trust Life Insurance Co. of Glenview, Ill.; Insurance of America Agency of Carrollton, Texas; Life of America Insurance Co. of Houston; MEGA Life Insurance Co. of Oklahoma City; National Group Life Insurance Co. of Rockford, Ill.; National Health Insurance Co. of Grand Prairie, Texas; QED Consulting Group of Northbrook, Ill.; The Universe Life Insurance Co. of Lewiston, Idaho; and World Insurance Co. of Omaha, Neb. ■

Riot damage

Continued from page 1

enough to harden the market (see story, page 38).

And businesses and insurers say they do not expect property rates to rise in California in the wake of riot losses.

The insurer with the biggest exposure from the Los Angeles riots is Farmers Group Inc., which "conservatively" estimates claims of $70 million, though that could increase to more than $100 million, a spokesman said.

Other major losses were reported by State Farm Group, which estimated $41 million in losses from claims on 1,100 small business owner package policies.

Other major national insurers, as well as several smaller local insurers, are racking up losses.

A portion of riot-related claims is expected to filed with the state's Fair Access to Insurance Requirements plan, which covers property in economically depressed areas and is funded by all property insurers in the state. As of last week, claims totaled about $25.8 million, according to a FAIR plan spokesman.

Rioters, who targeted primarily commercial structures, destroyed or damaged about 3,000 buildings, said Richard Welch, risk manager for the city of Los Angeles.

The violence also resulted in 59 deaths and about 2,400 injuries. More than 12,000 arrests have been made.

Businesses hard hit by the rioting were mostly retail operations, including liquor, video rental, convenience and grocery stores, real estate offices, gas stations, restaurants and pharmacies.

Los Angeles-based Atlantic Richfield Co. estimates losses of between $5 million and $10 million to 41 company-owned gas stations that were burned, damaged or looted. Five were destroyed. ARCO does not have damage estimates for 11 contracted stations that were torched, a spokesman said.

At the height of the rioting, another 33 ARCO stations were closed and 30 ran out of gas, knocking 25% of ARCO's stations in Los Angeles out of service, a spokesman said.

Four Thrifty Corp. drugstores burned to the ground and 19 were looted, said Christian Bement, executive vp-human relations for Thrifty, which is owned by Los Angeles-based Pacific Enterprises. No damage estimates were available.

Thrifty is insured for the property damage, Mr. Bement said.

Practicing risk management during a riot is "very difficult" in the absence of adequate police protection, he said. "There's not much security guards can do when you have hundreds of people coming at you. We instructed our people not to take a stand, to close the door and leave. As a result we had only one injury."

Twenty-eight Radio Shack stores were completely looted, and six were destroyed by fire, said Lowell Duncan, vp-marketing at the electronics store's parent, Fort Worth, Texas-based Tandy Corp. Another six were vandalized.

In addition, five Radio Shack stores were vandalized in San Francisco.

Most of the affected properties are leased. Tandy purchases property and business interruption coverages from Insurance Co. of North America, a CIGNA Corp. unit, Mr. Duncan said.

A department store in West Los Angeles operated by Santa Fe Springs, Calif.-based Fedco Inc. sustained about $10 million in damage, said Fedco Risk Manager Nathaniel Lord. "There was substantial looting and the tire center burned to the ground."

Fedco buys property coverage from Arkwright Mutual Insurance Co, while inventory is insured by London underwriters, Mr. Lord said. "We will recapture most of our loss through insurance."

Fedco executives closed the store quickly when the disturbance began. "Not a single employee or customer was injured."

Five J.J. Newberry stores owned by McCrory Corp. were destroyed in the rioting. Two more were looted and heavily damaged, said a spokeswoman for York, Pa.-based McCrory.

However, "very little damage" was caused to "a couple" of Target stores, said Mark Anderson, manager of risk control at Target, a unit of Dayton Hudson Corp. in Minneapolis.

"We came out very well. We give our employees a lot of credit. They reacted very quickly" and boarded up windows very rapidly when the disturbances began, he said.

Regional building service staff assisted in boarding up stores to prevent looting, he explained.

Most of Target's loss will result from store closings required by the curfew. Target purchases property and business interruption coverage from Industrial Risk Insurers.

Frederick's of Hollywood's flagship store lost $200,000 in lingerie to looters, said John Hatfield, executive vp and chief financial and administrative officer. In addition, "priceless" items—including a bra worn by Madonna and other celebrity lingerie—were stolen from the store's lingerie museum, some of which was later anonymously left at a church.

Looters also broke plate glass windows.

The store's inventory—including the museum pieces—is "fully covered" by Continental Insurance Co., he said.

Three Vons supermarkets were damaged by rioters, one of which was substantially looted and the others partially looted, forcing all three to close temporarily, said a spokeswoman for Arcadia, Calif.-based Vons Cos. Inc.

Vons has business interruption coverage, she said.

Southern California Edison Co. facilities and equipment incurred "relatively minimal damage" said Gilbert Gould, Edison's insurance manager in Rosemead. Edison has a $2 million retention for property damage and losses "will be well below that," he said. Edison purchases property coverage from several insurers.

Korean merchants in South Central Los Angeles and in Koreatown were especially targeted by the rioters, reporting huge losses to the Korean Bar Assn. and to a Radio Korea hot line, said Jong Han Kim, an attorney with Paul, Hastings, Janofsky & Walker in Los Angeles.

Radio Korea and the bar association are reporting that about $350 million in riot-related damages have been incurred by Korean merchants, Mr. Kim said.

Much of that damage will not be insured, he said.

African-American-owned businesses also were hard-hit.

Many small "Mom and Pop" operations that were destroyed were not insured, said Geoff Thomas, a partner with Paul, Hastings, which specializes in disaster recovery.

Besides property damage, "a great deal of business interruption won't be insured," he added. Many small businesses that were burned probably didn't purchase business interruption coverage because it would have increased premiums significantly, he explained.

And businesses throughout the city that were forced to shut down during the rioting and curtail their hours during curfews might not be covered for business interruption losses if they did not sustain actual property damage, he said.

Riot-related losses to the city of Los Angeles amounted to an estimated $35 million as of last week, including $22.6 million for overtime pay for police, firefighters and other personnel, and $12.1 million in property damage, said the city's Mr. Welch. Los Angeles self-insures its property exposures, as well as any liability exposures arising from its response to the rioting.

Two branch libraries in leased space in shopping centers burned to the ground and five others were vandalized. A City Council field office, also in a leased structure, was torched.

Several other city-owned buildings were vandalized and sustained fire and smoke damage. There also was damage to street lighting, police vehicles and city-owned telecommunications equipment, Mr. Welch said.

A city emergency management staff was "on standby prior to the jury decision and came to full alert status" afterward, he explained. The staff's command center is "one of the most highly developed" in the United States as a result of the area's earthquake exposure.

Damage to state property was estimated at $3.2 million, most of it the result of arson and vandalism to six Department of Motor Vehicle facilities. The state also self-insures property exposures.

Most businesses and insurers do not expect rate increases to follow the disaster.

"I don't anticipate a real radical change at all" in insurance rates, even in Los Angeles, Fedco's Mr. Lord said. "I think insurers will see this is a once in a 25-year event and won't abandon a very positive and good market."

Whether rates will rise in Los Angeles "depends on the nature of the property and the location," said Southern Cal Edison's Mr. Gould.

But Thrifty's Mr. Bement said there's "a strong possibility the market will harden" in Los Angeles as a result of the riots, though he added Los Angeles could still be viewed as "a good risk. It took over 25 years for this to happen" since the Watts riots of 1965.

"We're not seeking rate increases in relation to this," said the Farmers spokesman.

"We're not even thinking of that at this point," said a spokesman for Allstate Insurance Co.

Allstate had 63 claims totaling $12 million as of last week. The insurer's main concern is adjusting and settling claims as quickly as possible, he said.

"There's no point in overreacting," said a spokeswoman for AIM Insurance Co. of Anaheim, Calif., which has incurred $2.2 million in losses, almost all of which is reinsured.

A spokeswoman for the California Insurance Department indicated that rate hikes would not be welcomed. "By the very nature of commercial insurance, the rates include potential losses."

Insurers had few firm estimates of their losses last week.

The Farmers spokesman said while it now has a "conservative' estimate of $70 million in losses from 200 claims stemming from commercial multiperil policies, it could eventually receive more than 1,000 claims and gross losses could hit $100 million.

He noted that unlike some catastrophes, where claims are filed quickly, "we just don't know when they're going to get in here."

Some claims have been valued at $3 million, he said, with several others in the $500,000 range.

He said also that Farmers and other insurers have moved rapidly to pay claims, noting Farmers wrote one $350,000 check as early as last Monday.

The FAIR plan had received 291 claims as of last week said the spokesman. "We anticipate we have received about 85%" of the claims that will be filed, he said. About 95% of the claims were from commercial policyholders.

The FAIR plan's policies cover looting, fire and smoke damage, but do not cover business interruption losses, said the spokesman.

California insurers will be assessed to cover riot losses if the plan's total payout exceeds $30 million.

Smaller insurers affected by the rioting include Crusader Insurance Co. of Woodland Hills, Calif., which had a "substantial number of claims and expects many additional claims," said President Erwin Cheldin. He said these claims are expected to have a "material impact" on the insurer.

Crusader has written a significant amount of business in the Korean business community. "They're real good customers and they believe in insurance," he said.

Other insurers and their prelimi-

Continued on next page

Chicago flood losses at $300 million

CHICAGO—Insured damage from the Chicago flood will total at least $300 million and could go higher, according to a preliminary estimate by the Property Claim Services division of the American Insurance Services Group Inc.

The industry-supported group surveyed 103 insurers that may have received claims, but only 47 responded. Many insurers have not yet decided whether losses are considered "water damage" or "flood" damage (*BI*, May 4; April 20).

The estimate represents only those claims that insurers reported as paid or anticipate will be paid, noted Eugene P. Esposito, senior counsel for the American Insurance Assn in Skokie, Ill. Antitrust laws prevent the AISG from determining how many claims were related to flood damage and water damage, he said.

"I expect that the figures might go up slightly," Mr. Esposito said, noting that future surveys will be made.

—By Sara J. Harty

Hailstorm damage could hit $450 million

DALLAS—Insurers expect claims could total more than $450 million from severe hailstorms that battered the Dallas-Fort Worth area late last month.

"We're reserving the right to go higher," warned Jerry Johns, president of the Southwestern Insurance Information Service, an insurer-funded public relations group in Austin, Texas. "Generally in storms like this, the more severe claims come in first. There's still a number of them out there."

The Property Claim Services division of the American Insurance Services Group estimates the storm system that hit Dallas and other parts of Texas and Oklahoma, will produce $460 million in insured losses.

Most claims are for damage to personal property, though some commercial policyholders, like auto dealers, were hit hard.

Damage from the storm, the costliest in Texas history, may approach the $600 million caused by a July 1990 hailstorm in Denver, said Mr. Johns. "It's conceivable that the loss from this storm could get that high."

Texas storms often cause damage of $200 million to $250 million, usually to areas further west of the Dallas-Fort Worth metropolitan area with fewer residents and businesses, said Mr. Johns. "But this storm struck a heavily populated area."

Hundreds of claims adjusters have arrived to handle of claims. Insurers and property owners last week were still compiling damage estimates.

Mr. Johns said the number of claims is expected to reach into the hundreds of thousands, most for damage to personal property.

State Farm Group last week reported about 65,000 claims totaling $145.5 million as a result of the storm. Of the total, $94.75 million was related to damage to dwellings and buildings and $50.75 million to automobiles.

State Farm had some claims from small businesses, but all were under $100,000, said Richard Shellito, a deputy vp in Dallas. About 90% of the claims are from personal lines policyholders.

The "baseball-size" hail pulverized wood roofs "like matchsticks," he said.

Los Angeles-based Farmers Group Inc. reported 25,000 property and auto claims from the hailstorm totaling around $70 million, nearly all of which were from personal lines policyholders.

A spokesman in Farmers' Austin office said auto claims had yet to be totaled.

The Home Insurance Co. continued to tally claims that could reach $100 million, said Pam Buescher, claims superintendent in the insurer's Maitland, Fla., territorial office.

Although no estimates were available, Ms. Buescher said, "I wouldn't be surprised" if claims totaled $100 million. Affected policyholders included owners of expensive homes and some businesses, especially car dealerships in the Arlington area.

The hail blasted windshields and pocked the bodies of around 1,000 vehicles on the lot at Buzz Post Pontiac, GMC, Isuzu Inc. in Arlington, said Sales Manager Steve Sennikoff.

Adjusters last week were still tabulating the damage.

Nearby, between 600 and 700 vehicles at Hilcher Ford were damaged. About 70 of those lost windshields or other glass, said Larry Balkum, new car manager. Damage had not yet been totaled.

Motors Insurance Corp., a Detroit-based unit of General Motors Corp., could receive $5 million in claims from GM dealerships, said Ron McAndrews, claims manager in the insurer's Irving, Texas, office.

Mr. McAndrews said as many as 8,000 vehicles were damaged at area dealerships insured by Motors.

Damage to automobiles at a distribution facility called The Auto Park is expected to reach into the millions, said Randy Denton, president of Midtexas International Center Inc., the parent of the Midlothian, Texas, facility.

Mr. Denton said adjusters were totaling damages last week for insurers of the cars owned mostly by Japanese manufacturers. Hail damaged around 12,000 vehicles at the 150-acre site.

Insurance purchased by the cars owners will pay damages related to the storm, he said.

—By Michael Bradford

Riot damage

Continued from previous page
nary loss estimates as of last week include:

- Transamerica Insurance Co., which received 79 claims totaling more than $12 million. After reinsurance, Transamerica will suffer a net loss of $4 million, plus 5% of any claims exceeding that amount, a spokesman said.
- ITT Hartford Group Inc., which received 150 claims worth $10 million before reinsurance.
- Prudential-LMI Commercial Insurance Co., a Mansfield, Ohio, unit of Prudential Insurance Co. of America, which received 30 to 35 claims totaling $7 million.
- Scottsdale Insurance Co., which received 31 claims totaling $6 million to $8 million. Some of that loss will be covered by reinsurance, said President Rolland Wiegers.
- Arkwright Insurance Co., which insures Fedco Inc. and which anticipates $5 million in net losses.
- Western International Insurance Co., which received 55 claims totaling about $4.5 million in gross losses. More claims are expected, said Alfred H.L. Hui, president and chief executive officer.
- Reliance National Insurance Co., which anticipates paying "several" million dollars in net losses stemming from a liquor store program, a spokesman said.
- Fireman's Fund Insurance Co., which received 142 claims, at least 25% of which were $100,000 and "some significantly more," said a spokesman.
- CIGNA Corp., which reported about 85 claims last week but could not yet estimate losses.
- Aetna Life & Casualty Co. The insurer has 40 customers in 180 different locations, with claims reflecting damage as well as business interruption losses, a spokesman said.
- Travelers Corp., which received about 20 claims but has not estimated losses. "We don't really have a very big exposure there," a spokesman said.
- Protection Mutual Insurance Co., which received some claims, though "it's not looking like it'll be very significant," a spokesman said. ■

Disaster losses still may not be enough to turn market

LOS ANGELES—Riot and other disaster losses alone will not be the straw that breaks the soft property/casualty insurance market's back, industry analysts say.

"In terms of this being an unusual set of claims, many of which will be immediate payments, I think it's just one more ingredient to the bottoming-out process," said David Seifer, vp with Donaldson, Lufkin & Jenrette in New York.

But, "it certainly is adding to our laundry list as to why nobody should be surprised if we see better pricing over the next 12 months," said Ira Malis, an analyst with Alex. Brown & Sons in Baltimore.

Disaster losses could have a cumulative impact on the market in combination with other factors, like reserve deficiencies and lower investment income, he said.

"Cumulatively, we've seen a number of catastrophes over the past couple of weeks, which should add up to a meaningful amount," added Harry Fong, an analyst with Conning & Co. in Hartford, Conn.

Thes Chicago flood, London bombings and Texas hailstorm could produced insured damage of $2.5 billion.

However, Mr. Fong said, aside from the Los Angeles riots, "it seems to me catastrophes are skewed against European players rather than domestic insurers," and because of that it may not cause any domestic insurers to raise rates.

Sean F. Mooney, senior vp and an economist with the Insurance Information Institute in New York, agreed. Total losses from the string of catastrophes will still be less than 1989's total of $7.6 billion in insured catastrophe losses, "and that didn't turn the market."

"If we're to see a turn in the cycle, the most logical indicator would be a decline in the surplus" of $10 billion to $20 billion, Mr. Mooney said. "It's hard to see how you could get that large a loss from the catastrophes alone," he said.

—By Judy Greenwald

Executive outlook

Continued from page 3
viate an administrative burden on states, allowing them to focus on protecting consumers. And since large commercial risks would be removed from state guaranty funds, consumers would have access to more money if a state-chartered insurer went under, he said.

Such a program would save money, too. At worst, it would be "revenue-neutral"; at best, premium tax revenues would rise as companies now using captives return to a less-regulated conventional market, Mr. Holbrook said.

He called on the industry to make that case to state legislators.

In a subsequent discussion with *Business Insurance*, Mr. Holbrook said that M&M had been working with RIMS corporate members that have a lobbying presence in Washington to try to increase membership of the Insurance Solvency Coalition.

Six companies now comprise the ad hoc lobbying group: Marsh & McLennan, Alexander & Alexander Inc., Sedgwick James Inc., American International Group Inc., Dow Chemical Co. and United Technologies Corp.

"The task that we have is to get solvency on (corporate) legislative agendas," Mr. Holbrook said.

State regulation still should protect personal lines and small commercial lines policyholders, but it has become "a burden rather than a benefit" for big companies, said Maurice R. Greenberg, AIG's chairman and chief executive.

Just as multinational corporations are better served by the single-market system of the European Community, corporations that cross state borders need an alternative to the "morass of regulation" they now face, he said.

Unless this "bizarre" regulatory patchwork is standardized, corporations will avoid it by going to the non-admitted market or through London, he said.

Requiring U.S. multinationals to work "through an apparatus designed for personal lines" could place them at a great disadvantage against foreign competition, said James J. Meenaghan, chairman, president and CEO of The Home Insurance Co. in New York.

As much as the executives advocated a federal role in solvency regulation, they also agreed any measure should be carefully considered.

They were critical of a plan unveiled last month by Rep. John D. Dingell, D-Mich., to allow insurers to choose between state and federal solvency regulation. However, only federally chartered insurers with more than $50 million in net worth writing coverages for companies with more than $10 million in net worth would be exempt from state rate, form and market conduct rules.

While attractive on its face, this is "the worst of both worlds for us," said Gerald L. Maatman, chairman and CEO at Kemper National Insurance Cos. in Long Grove, Ill.

In some states, he argued, insurers need protection against what he called "arbitrary rate suppression" in lines like auto and workers compensation. Such moves, Mr. Maatman argued, are "irresponsible."

To ensure that any federal solvency regulation is effective, M&M's Mr. Holbrook said, Congress should avoid creating a federal guaranty fund, which could end up in trouble like the Federal Deposit Insurance Corp.

Rather, it should look to the Securities and Exchange Commission as a model of federal regulation that works well, he added.

Next to solvency, the issue that commanded the most attention during the panel discussion was the workers compensation crisis.

At Kemper, which derives about 40% of its revenues from workers comp coverage, it is "causing us a lot of pain," Mr. Maatman said.

Kemper's workers comp combined ratio "held pretty even" in 1991, while industry averages were up sharply, he said. But Kemper's ratio is still too high, he added.

Kemper plans to advocate legislative changes in states like Rhode Island and Maine, where huge losses have "actually put the (workers comp) system into a death spiral," he said.

Internally, it is tightening underwriting controls, limiting premium growth in unprofitable states and emphasizing medical cost containment in workers comp, Mr. Maatman said.

The company saved its corporate clients $105 million last year by performing workers comp audits on medical bills, troubleshooting duplicate billing and unnecessarily high charges levied by PPO networks, and using case management, Mr. Maatman said.

But the workers comp crisis has yielded opportunities as well. Kemper has seen big increases in revenues from risk management services, which it has been offering since 1968, he noted.

Kemper is far from alone in seeing workers comp as a big problem.

AIG's Mr. Greenberg bemoaned the "tragic condition" of the workers compensation marketplace, citing regulators' refusal to allow adequate rates and the influence of trial attorneys.

Still, the insurance industry itself hasn't helped, he said. "We didn't do a very good job. . .of meeting the challenges externally."

In the future, workers comp insurers must become more "proactive in the political process," Mr. Greenberg said.

But a "silver bullet" solution seems unlikely because "it's a 50-state issue," and some states are more troubled than others, he said.

While the insurance industry can play a role in workers comp reform, employer groups must be the "point man," Mr. Maatman said.

Texas is a good example of a state that had a seemingly "hopeless" workers comp problem before the passage of a 1989 reform law promoted by agents, brokers and employer groups (*BI*, May 20, 1991; Dec. 18, 1989.)

Despite legal challenges by labor unions, the law will probably remain intact because the AFL-CIO and other groups are "starting to realize that trial lawyers are not their friends," Mr. Maatman said.

The panel also discussed the alternative market, which now accounts for 30% of the property/casualty market and is growing.

Willis Corroon Group P.L.C. has been providing studies and reinsurance for clients in the alternative market for more than 20 years, said Richard M. Miller, chief executive of Willis Corroon in New York.

And this is a trend that will continue to grow, he predicted, noting that corporations have been seeking higher retentions. Since 1976, even Corroon & Black assumed higher errors & omissions limits, "just like our clients," he said.

And since captives are especially popular in the United Kingdom, he predicts an increase in client interest in the alternative market.

Mr. Maatman pointed out that when Kemper affiliate Lumberman's Mutual Casualty Co. was founded in 1912, it was a form of a "captive." Similarly, over the next 50 years, today's captives may come back into the commercial marketplace in a "natural evolution."

"The 'alternative market' no longer is," said Peter T. Pruitt, president and chief operating officer of Frank B. Hall & Co. Inc. He predicted even more growth by the turn of the century.

Both insurers and brokers can benefit from this shift. The former can offer administrative services, and the latter can unbundle services for delivery to clients. The profits from these services may not be as large as for traditional insurance policies, but they are more "constant," Mr. Pruitt added.

For M&M, working with clients to establish captives and organizing new facilities is a "good source of new business," even in the soft market, Mr. Holbrook said.

Mr. Greenberg added that alternative markets were a "natural outgrowth" of large corporations seeking to assume more risk.

Moderating the panel was Philip F. Petronis, a managing director of M&M Inc. ■

Update

Regulators settle Reserve suits

Continued from page 2
ruling allowing regulators to allege violations of the Racketeer Influenced and Corrupt Organizations Act in civil insurance litigation (*BI*, Dec. 5, 1983). Illinois regulators sought $100 million in damages, which may have been trebled under the act.

However, subsequent court rulings limited the damages regulators could seek (*BI*, June 11, 1990). Other rulings permitted reinsurers to offset monies due Reserve by amounts Reserve owed them (*BI*, May 20, 1991; July 30, 1990; Sept. 21, 1987).

PCB cleanup not covered

DENVER—Another federal appellate court has ruled that the pollution exclusion clause in comprehensive general liability policies bars coverage for all pollution that does not occur abruptly.

The pro-insurer ruling was issued April 30 by the 10th U.S. Circuit Court of Appeals. It involved El Paso Natural Gas Co.'s claim against Hartford Accident & Indemnity Co. to recover $6.6 million it spent to clean up polychlorinated biphynels, or PCBs, along its gas transmission system that traverses seven states. El Paso dumped waste lubricating oil containing PCBs into unlined earthen pits from 1959-1974. Therefore, the court concluded that the pollution did not occur abruptly.

The court rejected the policyholder's argument that the pollution exclusion, which bars coverage for all pollution that is not "sudden and accidental," should be construed to bar coverage only for expected or intentional pollution.

Briefly noted

The full Senate is expected to begin debate this week on **federal product liability reform legislation,** S. 640 (*BI*, Feb. 3). Earlier bills have died before reaching the full Senate. . . .The U.S. Supreme Court refused to review a ruling by the U.S. Circuit Court of Appeals for the District of Columbia that under Missouri law, **cleanup costs are "damages"** under comprehensive general liability policies (*BI*, Sept. 23, 1991). The decision conflicts with a decision by the 8th U.S. Circuit Court of Appeals that cleanup costs are not "damages" under Missouri law (*BI*, March 7, 1988). . . . Standard & Poor's Corp. has placed **American Re-Insurance Co.**'s AA+ claims-paying ability rating on CreditWatch over concerns about a proposed buyout by Kohlberg Kravis Roberts & Co. (*BI*, April 20). . . .**North Carolina Insurance Commissioner James E. Long** won the Democratic nomination for re-election Tuesday with 73% of the vote. He will face Republican Mike Causey, an insurance agent, in November. State Rep. Harry Payne defeated **Labor Commissioner John Brooks** in the Democratic primary for the labor post. Mr. Brooks was criticized for his oversight of the state workplace safety program after a fire at a poultry processing plant last year. The federal Occupational Safety and Health Administration is in the process of revoking the state's safety plan (*BI*, May 4). . . .**Bernard H. Mizel**, formerly president and CEO at American Business Insurance Inc. (*BI*, March 2), has joined Poe & Associates Inc. as executive vp in San Francisco. . . .American International Group Inc. will change the name of its European property/casualty operations to **AIG Europe** on June 1. . . .William R. Coleman has been elected president of **Alexander Reinsurance Intermediaries Inc.** He will remain chief operating officer. Robert T. Mobyed, formerly senior vp, will become executive vp. . . .Some 150 women who claim they were injured because their mothers took the **anti-miscarriage drug DES** have settled litigation in U.S. District Court in Brooklyn against 30 manufacturers of the drug. Terms were not disclosed. . . .California Insurance Commissioner John Garamendi on Friday ordered Woodland, Hills, Calif.-based **20th Century Insurance Co.** to pay more than $100 million in Proposition 103 rollback refunds.

NAIB proposal

Continued from page 3

committee spent a year crafting a specific approach to solvency regulation, said outgoing NAIB President Robert J. Murphy, a senior vp and director of Alexander & Alexander Inc.

"We have not written a detailed prescription for improving the industry's health; successful brokers have all learned that it is foolish and often expensive to be doctrinaires," Mr. Murphy said. "We are paid to focus on deal-making and deal-breaking issues, and that's precisely what we've done here."

The NAIB position is based on three principles:

- Insurers should have an option of choosing either federal or state regulation.

A key element of this principle, according to the NAIB, is that federally regulated insurers should be free from all state rate and form regulation. In addition, "the NAIB also opposes any role for the federal government in rate or form regulation of commercial business conducted by a federally chartered and regulated insurer."

"The insurance industry is highly competitive. Marketplace competition eliminates the need for rate regulation when there is strong solvency regulation," the NAIB contends.

- A national system is needed for liquidating insolvent insurers.

"One uniform set of rules governing liquidation will eliminate time-consuming and costly negotiations among the states and conserve the assets of the insolvent insurer for distribution to claimants," the NAIB says.

In addition, the NAIB recommends adoption of uniform standards for state guaranty funds and supports the establishment of a separate federal guaranty fund system for federally chartered insurers. That fund would be limited to protecting personal lines and small commercial lines policyholders.

"Insurers seeking a federal charter would gradually withdraw from the existing state guaranty fund system," the NAIB notes.

- The federal regulatory system must recognize the special nature of captives and other alternative risk financing mechanisms.

"Thus, the NAIB supports strong federal regulation of those vehicles which provide coverage to the general public but will oppose any regulation that unreasonably limits their formation and use."

In addition to proposing a federal regulatory system, the NAIB also recommends three steps to improve state regulation:

- Improve financial reporting.

For example, the NAIB recommends that all states establish automated reporting systems and require insurers to report quarterly. Quarterly reports would minimize delays in which "an already weak company may deteriorate significantly before it is removed from the marketplace."

States also should require assets to be reported at market, not book, value, while loss reserves generally should not be discounted for accounting purposes, the NAIB advises.

- Conduct on-site insurer examinations more often and target potentially troubled companies for more frequent exams.
- Recognize the nature of commercial insurance and regulate it accordingly.

"Insurance transactions between large commercial insureds and companies. . . should be exempt from rate and policy form regulations," the NAIB says.

The NAIB's position paper shared some features of a regulatory proposal unveiled last month by Rep. John Dingell, D-Mich. (*BI*, April 20; April 13).

Under the Dingell proposal, insurers would have a choice of obtaining a federal or state charter. However, only federally chartered insurers with more than $50 million in net worth writing coverage for "large insurance buyers" with net worths exceeding $10 million would be exempt from state rate and form regulation.

In addition, the Dingell proposal would establish a federal guaranty fund that all federally chartered insurers would have to join. Those insurers would not have to participate in state guaranty funds.

Barbara S. Haugen, NAIB's director of federal affairs, worked "early and often" with Rep. Dingell and the House Energy and Commerce Committee as they were putting together the bill.

The NAIB joins several other trade groups—including the American Insurance Assn.—in supporting a federal role in solvency regulation. The system outlined by the NAIB resembles a recent AIA proposal (*BI*, Feb. 3).

However, the NAIB's approach differs from a proposal by the Insurance Solvency Coalition—a group of insurers, brokers and policyholders—to allow only large commercial insurers to opt for federal regulation.

The Risk & Insurance Management Society Inc. supports mandatory federal regulation of insurers writing coverage for large commercial buyers (*BI*, April 6).

Despite the differences in approaches, Mr. Murphy noted that a "very large group of powerful interests (are) saying, 'It's time for a change,' and every facet of the business is represented in calling for change—consumers, suppliers, and intermediaries," Mr. Murphy said.

The solvency issue will lead the NAIB's list of priorities now and in the future, Mr. Murphy said. "The importance of insurer solvency cannot be overstated."

Meanwhile, the NAII contends that state solvency regulation, though plagued with problems, is more likely to protect insurance buyers than federal regulation.

An 18-month study released last month by a task force of NAII members endorses the current system. The study maintains that while the federal government has a role in overseeing state regulation, it should not be given responsibility for regulating insurer solvency.

"The task force determined that the federal government cannot add anything to the solvency program that is not already in place through state regulation," said NAII President Lowell Beck.

But, "don't make any mistake about it," he added. "The state system can be improved; the problems can be fixed."

Among the reasons the task force gave for preferring state oversight are:

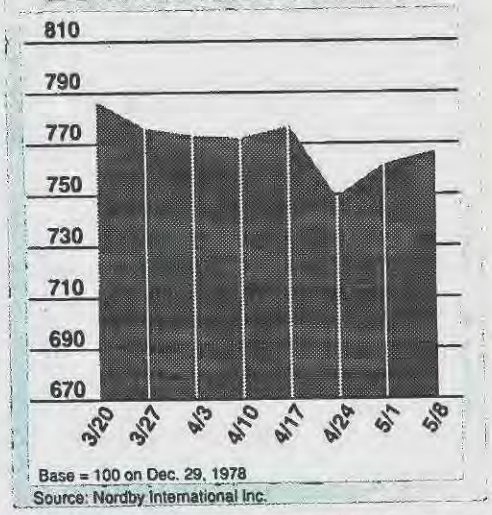
- A decentralized state system provides pluralism that benefits consumers.
- Federal regulators have a poor track record of regulating financial institutions, like savings and loan.
- Dual state and federal regulation could produce standards that have no relation to market realities.

If insurers are given a choice between parallel federal and state regulatory systems, one system will inevitably offer a more attractive regulatory environment and could provide a competitive advantage, the task force concluded.

•

Associate Editor Michael Bradford contributed to this story.

BI Insurance Index



Insurance industry stocks continued to rise last week, as the *Business Insurance* Index climbed 6.4 points to 767.5 on May 8 from 761.1 on May 1. Advancing issues for the week were led by FHP International, up 19.5%; Phoenix RE, up 12.2%; and Continental Corp., up 9.1%. Declining issues followed U.S. Healthcare, down 5.6%; Lawrence Insurance Group, down 4.6%; and United Healthcare Corp., down 4.1%. The most active issue was General RE Corp., 3.6 million shares traded. The *BI* Index was up 0.9%; the New York Stock Exchange Composite was up 0.9%; the Standard & Poor's 500 was up 0.9%; and the Dow Jones 30 Industrials rose 1.0%.

British Issues

May 7 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	497	N/M	31.5	6.3	497	481
Genl Accident	492	N/M	35.7	7.2	492	473
Gdn Royal Exch	154	N/M	10.0	6.5	154	145
Royal	232	N/M	15.0	6.5	233	224
Sun Alliance	313	N/M	19.0	6.1	313	298
Brokers						
Bradstock	145	16.3	6.3	4.3	145	145
CE Heath	398	26.3	34.5	8.7	398	391
Hogg Group	170	11.3	10.9	6.4	170	169
JIB Group	191	14.0	10.0	5.2	191	191
Lloyd Thompson	232	23.2	6.0	2.6	232	230
Lowndes Lmbrt	317	13.2	17.3	5.5	317	317
PWS Holdings	54	5.9	5.3	9.8	55	54
Sedgwick Grp	212	16.6	16.0	7.5	219	211
Steel Brrl Jones	281	14.1	17.7	6.3	281	267
Willis Corroon	261	16.5	17.6	6.7	268	261

Source: Philip Olsen, Insurance Industry Analyst, London

BI Industry Stock Report

MAY 4, 1992 THROUGH MAY 8, 1992

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	19.88	4.61	-3.05	23.38	18.00	212	1.00	5.03	124	9.77	2.03
Gallagher Arthur J. & Co.	NYS	24.00	7.26	7.26	25.25	19.00	80	0.64	2.67	19	5.88	4.08
Frank B. Hall	NYS	4.13	3.13	-2.94	5.50	3.13	72	0.00	0.00	-4	-5.24	-0.79
Hilb, Rogal & Hamilton	OTC	11.63	-1.06	-12.26	17.50	11.00	37	0.40	3.44	19	3.56	3.27
Marsh & McLennan	NYS	79.63	2.08	-2.15	83.75	70.00	283	2.60	3.27	19	14.77	5.39
Poe & Associates	OTC	14.75	0.85	22.92	16.00	9.50	22	0.40	2.71	17	2.52	5.85
BROKERS	AVERAGE		2.8	1.6					2.4	28		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	31.75	1.60	4.10	36.25	23.50	847	0.36	1.13	11	23.89	1.33
Berkshire Hathaway Inc.	NYS	9050.00	0.28	0.00	9200.00	8000.00	0	0.00	0.00	-33	4612.00	1.96
ITT (Hartford Group)	NYS	68.00	6.88	17.75	70.63	50.00	980	1.84	2.71	12	64.01	1.06
Sears (Allstate)	NYS	42.63	-1.73	12.54	48.00	32.50	3540	2.00	4.69	12	37.38	1.14
CONGLOMERATES	AVERAGE		1.8	8.6					2.1	0		
INSURERS/REINSURERS												
AEGON N.V.	NYS	67.25	-2.71	-3.93	71.75	54.75	15	2.30	3.42	6	N/A	N/A
Aetna Life & Casualty	NYS	41.38	-0.60	-5.97	47.00	31.88	1394	2.76	6.67	8	64.23	0.64
Allied Group Inc.	OTC	20.75	5.06	22.06	23.00	16.00	39	0.64	3.08	7	19.85	1.05
American General	NYS	46.38	1.92	4.21	46.38	36.38	837	2.08	4.49	10	37.14	1.25
American Heritage Life Ins.	NYS	27.38	0.46	-10.61	30.00	19.88	1	0.84	3.07	14	N/A	N/A
American Indemnity/Fin'l	OTC	7.75	0.00	63.16	9.25	4.50	81	0.08	1.03	6	12.93	0.60
American International	NYS	83.88	0.45	-14.74	99.38	78.63	2340	0.48	0.57	11	45.34	1.85
Aon Corp.	NYS	43.88	1.45	10.73	45.25	34.75	294	1.68	3.83	12	18.50	2.37
Argonaut Group	OTC	27.25	0.00	14.74	32.00	21.75	55	0.84	3.08	9	48.26	0.56
AVEMCO Corp.	NYS	25.13	1.52	0.50	28.00	19.63	9	0.40	1.59	22	9.55	2.63
Baldwin & Lyons Inc.	OTC	28.00	3.70	8.74	28.00	22.50	0	0.28	1.00	7	24.29	1.15
Belvedere Corp.	ASE	5.50	0.00	69.23	6.13	2.88	3	0.04	0.73	15	7.65	0.72
Chandler Insurance	OTC	5.63	0.00	73.08	6.00	2.13	21	0.00	0.00	70	5.95	0.95
Chubb Corp.	NYS	66.50	2.50	-13.64	78.00	60.75	1475	1.60	2.41	10	35.19	1.89
CIGNA Corp.	NYS	52.75	3.43	-13.70	61.75	41.25	334	3.04	5.76	11	73.15	0.72
CNA Financial Corp.	NYS	84.75	-1.17	-13.52	104.50	75.50	88	0.00	0.00	9	70.23	1.21
Continental Corp.	NYS	28.38	9.13	2.71	30.38	23.25	731	2.60	9.16	29	37.83	0.75
EXEL Ltd.	NYS	33.75	-0.74	-10.00	40.25	27.38	251	0.92	2.73	7	N/A	N/A
Fund American Corp.	NYS	64.50	0.78	-7.69	70.25	62.00	313	0.68	1.05	21	36.11	1.79
Fremont General Corp.	OTC	20.00	7.38	-17.95	26.00	17.00	116	0.88	4.40	5	19.13	1.05
Frontier Insurance Group	NYS	34.25	-0.72	26.85	34.88	20.47	35	0.60	1.75	13	11.20	3.06
Gainsco Inc.	ASE	14.13	3.67	0.89	15.00	8.38	48	0.04	0.28	15	3.37	4.19
General RE Corp.	NYS	81.50	3.66	-20.00	104.75	77.50	3592	1.80	2.21	11	37.50	2.17
Guaranty National Corp.	NYS	14.63	2.63	0.86	17.00	12.63	23	0.48	3.28	10	N/A	N/A
Hanover Insurance Co.	OTC	38.00	2.70	6.29	42.75	27.13	151	0.44	1.16	10	37.44	1.01
Harleysville Group	OTC	19.50	5.41	-8.24	23.25	16.75	324	0.64	3.28	8	22.99	0.85
Hartford Steam Boiler	NYS	52.63	3.19	-8.48	62.38	45.13	79	2.00	3.80	16	17.05	3.09
Kemper Corp.	NYS	27.38	1.86	-28.20	46.13	23.75	946	0.92	3.36	6	34.20	0.80
Lawrence Insurance Group	ASE	7.88	-4.55	-29.21	11.13	7.88	3	0.48	6.10	15	4.71	1.67
Liberty Corp.	NYS	25.63	3.02	15.82	25.63	19.50	109	0.48	1.87	12	23.86	1.07
Lincoln National	NYS	54.88	4.52	0.23	61.00	45.38	432	2.92	5.32	12	45.16	1.22
Markel Corp.	OTC	26.50	-0.93	20.45	28.25	14.25	25	0.00	0.00	13	3.22	8.23
Mutual Risk Mgmt. Ltd.	NYS	32.50	8.33	-7.47	37.75	17.00	82	0.12	0.37	24	-	-
NAC Re Corp.	OTC	25.50	-2.86	-19.05	33.00	21.75	224	0.16	0.63	11	18.90	1.35
National Re Holdings Corp.	NYS	18.00	0.00	N/A	23.63	17.00	64	0.12	0.67	9	N/A	N/A
Navigators Group	OTC	35.50	-4.05	-13.41	48.25	29.50	1	0.00	0.00	21	13.52	2.63
Nobel Insurance LTD.	OTC	5.00	2.56	25.00	6.00	3.38	28	0.00	0.00	4	7.76	0.64
NWNL Companies	NYS	37.00	0.68	18.88	38.50	18.63	504	1.48	4.00	10	42.73	0.87
Ohio Casualty Corp.	OTC	49.75	0.51	0.51	58.25	43.50	121	2.68	5.39	8	36.38	1.37
Old Republic Int'l	NYS	20.63	4.43	16.20	21.13	13.75	414	0.36	1.75	8	33.09	0.62
Orion Capital Corp.	NYS	31.13	4.62	-1.58	34.25	27.00	232	0.92	2.96	5	29.68	1.05
Phoenix RE Corp.	OTC	10.38	12.16	-1.19	11.75	8.50	41	0.20	1.93	42	13.30	0.78
Provident Life	OTC	22.88	3.98	-1.61	24.25	16.75	125	1.00	4.37	9	25.88	0.88
Re Capital Corp.	ASE	15.25	-0.81	6.09	18.63	13.13	33	0.24	1.57	12	15.05	1.01
Reliance Group Holdings	NYS	4.63	0.00	12.12	6.13	3.50	107	0.32	6.92	3	5.61	0.82
RLI Insurance Corp.	NYS	18.50	0.00	12.12	20.38	11.88	22	0.48	2.59	8	14.41	1.28
St. Paul Companies	NYS	70.00	0.90	-3.95	75.75	57.13	315	2.72	3.89	7	52.00	1.35
SAFECO Corp.	OTC	48.50	3.47	-0.51	50.00	35.50	456	1.48	3.05	11	31.50	1.54
SCOR U.S. Corp.	NYS	15.88	-0.78	3.25	18.88	11.63	84	0.28	1.76	9	11.19	1.42
Seibels Bruce Group	OTC	5.63	0.00	2.27	8.75	4.00	46	0.36	6.40	-3	7.35	0.77
Selective Ins. Group	OTC	20.00	3.23	19.40	20.00	13.75	195	1.12	5.60	8	18.91	1.06
Statesman Group Inc.	OTC	5.75	-2.13	0.00	6.88	2.63	681	0.00	0.00	4	2.48	2.32
Tokio Marine & Fire	OTC	39.50	6.40	-23.30	55.25	32.25	2	0.00	0.00	-	70.93	0.56
Torchmark Corp.	NYS	57.75	2.67	-0.22	61.50	46.50	204	1.60	2.77	12	16.70	3.46
Transamerica	NYS	44.63	2.29	11.91	46.75	31.25	685	2.00	4.48	30	36.56	1.22
Transatlantic Holdings	NYS	32.00	-1.92	-17.68	39.63	29.00	147	0.24	0.75	10	18.38	1.74
Travelers Corp.	NYS	20.13	-1.23	-6.94	25.13	17.25	1611	1.60	7.95	7	41.44	0.49
Trenwick Group Inc.	OTC	27.75	0.91	-2.63	30.75	23.00	9	0.72	2.59	10	21.71	1.28
United Fire & Casualty	OTC	59.50	0.42	32.22	62.00	42.00	0	1.32	2.22	12	35.39	1.68
USF&G Corp.	NYS	10.88	1.16	50.00	11.63	5.63	1651	0.20	1.84	-7	11.96	0.91
UNUM Corp.	NYS	36.75	0.00	-9.26	40.63	28.81	371	0.64	1.74	11	37.25	0.99
USLIFE Corp.	NYS	45.13	1.98	-5.74	47.88	38.25	75	1.68	3.72	9	60.34	0.75
Unitrin	OTC	34.13	-1.09	-4.55	39.25	31.00	762	1.00	2.93	14	30.70	1.11
USLICO Corp.	NYS	17.88	-2.05	-3.38	21.00	17.00	40	1.00	5.59	-14	29.44	0.61
Washington National	NYS	18.63	5.67	17.32	19.25	13.38	69	1.08	5.80	-32	26.86	0.69
Zenith National Ins.	NYS	17.00	3.82	0.74	18.50	13.75	127	1.00	5.88	8	13.14	1.29
INSURERS/REINSURERS	AVERAGE		1.7	3.6					3.4	12.5		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	16.13	19.44	13.16	27.00	9.88	857	0.00	0.00	15	5.44	2.96
HMO America Inc.	OTC	15.50	-3.13	-7.46	24.88	11.38	286	0.00	0.00	17	0.61	25.41
Pacificare Health Sys.	OTC	57.25	7.51	44.94	62.50	21.50	448	0.00	0.00	20	6.55	8.74
Safeguard Health Enter.	OTC	12.25	-3.92	30.67	14.75	5.13	62	0.00	0.00	18	3.53	3.47
Sierra Health Services	ASE	20.00	1.27	8.11	27.50	12.38	27	0.00	0.00	10	1.78	11.24
United Healthcare Corp.	NYS	73.50	-4.08	-1.34	90.00	40.25	431	0.30	0.41	28	3.76	19.55
United Medical Corp.	ASE	8.38	0.00	19.64	10.88	5.88	9	0.20	2.39	32	8.79	0.95
U.S. Healthcare	OTC	46.50	-5.58	12.05	57.75	21.25	3553	0.56	1.20	21	3.38	13.76
HMOs	AVERAGE		1.4	15.0					0.5	20		
ALL COMPANIES	AVERAGE		1.9	7.2					2.8	14		

System design: Nordby International Inc.

Webster wasn't kidding

Daniel Webster said, "The past at least is secure." But we know the future is another matter.

At Duncanson & Holt, we create innovative reinsurance products to meet the demands of an ever-changing world. Over the last 25 years, we've built a reputation for financial security, integrity and sound management. Our strength has made us the largest accident and health reinsurer in North America, with over $350 million in earned premium and a per occurrence capacity of $70 million. And that's security you can build your future on.

25th Anniversary

Duncanson & Holt Group

Atlanta, Chicago, Dallas, Hartford, London, New York, Philadelphia, Portland (Me), San Francisco, Seattle, Singapore, Toronto