

Business Insurance

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Claims of deliberate pollution don't trigger defense cover: Court

NEW YORK—An insurer is not required to defend a policyholder under comprehensive general liability insurance policies when the policyholder faces claims of deliberately polluting the environment, the 2nd U.S. Circuit Court of Appeals has ruled.

The court ruled on May 17 that three insurers have no duty to defend EAD Industries Inc. of Townawanda, N.Y., against lawsuits filed by the state of New York and the U.S. Environmental

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California candidates pledge to resolve Prop. 103 problems

By LOUISE KERTESZ

LOS ANGELES—Many of the candidates attempting to become California's first elected insurance commissioner say they would move swiftly to resolve problems that have stymied the implementation of Proposition 103.

Several of the dozen candidates running for the Democratic and Republican nomination for insurance commissioner pledge to work to modify Proposition 103 and focus on provisions they believe would effectively stabilize the California insurance marketplace. However, none of the candidates have publicized any detailed plans to accomplish these goals.

Meanwhile, other candidates are criticizing the controversial law, which was approved in a November 1988 voter referendum.

But each of the seven Democrats and five Republicans running in the June 5 primary says his approach as commissioner would help resolve uncertainty over implementation and reduce volatility in the state property/casualty insurance market.

Several candidates said they believe securing coverage for the 6 million Californians without health insurance should be a priority for the new commissioner, but only one candidate has made a detailed proposal.

Business Insurance earlier this month interviewed nine of the 12 Democratic and Republican candidates in the June 5 primary.

Bill Press, who is endorsed by the state Democratic Party, and Democrat Conway Collis, the endorsed candidate of Proposition 103 author Harvey Rosenfield, did not respond to requests for interviews. Both were interviewed in December, shortly after they entered the race.

And John Garamendi, who along with Mr. Press leads other Democrats in polls, was unavailable for an interview, though his staff provided a position paper and other campaign literature.

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IRS rules to force pension changes

Offset plans targeted for tests

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service's new pension non-discrimination rules will force most employers that integrate pension benefits with Social Security benefits either to redesign their plans or face complex and expensive testing procedures.

For decades, most large employers that integrate pension and Social Security benefits have used a method known as primary insurance amount offsetting—or PIA offsetting for short—to coordinate the benefits.

Under this widely used method, an employer calculates a participant's pension benefit based on the defined benefit plan's formula. Then, the company subtracts a portion of the participant's Social Security benefit—typically 50%—from the calculated pension benefit. The difference is the actual benefit paid by the defined benefit plan.

The IRS rules, which comprise more than 300 pages, will allow

companies to continue to use PIA offset plans. However, the cost may be more than employers will want to pay, benefit experts say.

"The regulations will be a disappointment for those companies with PIA offset plans," said Frederick Rumack, director of taxes and legal services at Buck Consul-

tant Inc. in New York. offset plans will have to run very complex mathematical tests to determine whether the plan is discriminatory.

In addition, the tests would have to be conducted every year, even if the design of the pension plan does not change. And, the accrued benefits of every plan participant would have to be tested.

Plus, if the "adjusted accrual rate"—which is the rate at which an employee earns benefits in a year—of just one highly compensated participant exceeds that of a non-highly compensated employee, the employer would have to run yet another series of tests.

Highly compensated plan participants generally are those who earn more than \$54,000 annually.

The testing burden would be massive, benefit experts agree.

"This puts a tremendous cost and administrative burden on employers. You have to test employee by employee. I venture to say that it will be quite costly," said Edward J. Davey, a principal with A. Fos-

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The IRS rules put 'a tremendous cost... burden on employers,' says Edward Davey.

tants Inc. in New York.

The new IRS pension non-discrimination rules, for example, do not include a safe harbor for PIA offset plans. Under such a safe harbor, an employer could tell from the design of its plan whether its plan was non-discriminatory.

Instead, all employers with PIA

No news is bad news for insurer bottom lines

By JUDY GREENWALD

Commercial property/casualty insurers peering ahead to the rest of 1990 are finding themselves facing a financial mirror image of 1989.

With rates still not rising significantly, 1990 insurer results are shaping up remarkably similar to last year's results, observers say. And that's bad news for most insurers.

"I really see 1990 looking very much like 1989," said Marvin Shulman, a senior analyst with Moody's Investors Service Inc. in New York.

Any changes in rates at this point in 1990 would come too late to have a significant impact on this year's results, he added.

"It's going to be a very difficult year. It's going to look like 1989,"

agreed Bob Riordan, director of investor relations for Novato, Calif.-based Fund American Cos., the parent of Fireman's Fund Insurance Co.

There has been a "slight improvement" in the pricing environment, he added, but "nothing significant."

"There's not much news—nothing really new or different or unexpected" occurred in the first quarter, commented Gloria Vogel, associate director at Bear Stearns & Co. Inc. in New York. And, the rest of the year will be "more of the same."

"It doesn't seem as if too much is happening right now," agreed David Anthony, an analyst with Fox-Pitt, Kelton in New York. While the commercial property/casualty market may be in a transition period, "the transition may

take a while," he said.

Meanwhile, "I really don't look for such a hot year in terms of operating earnings performance," Mr. Anthony said.

The so-far pallid year is reflected in property/casualty insurers' results. The 30 commercial property/casualty insurers surveyed by *Business Insurance* posted a 110.2% combined ratio for the first quarter, a significant jump from 107.9% for the comparable period a year ago. However, insurers' first-quarter 1990 combined ratio is a slight improvement over the 110.7% combined ratio posted for year-end 1989.

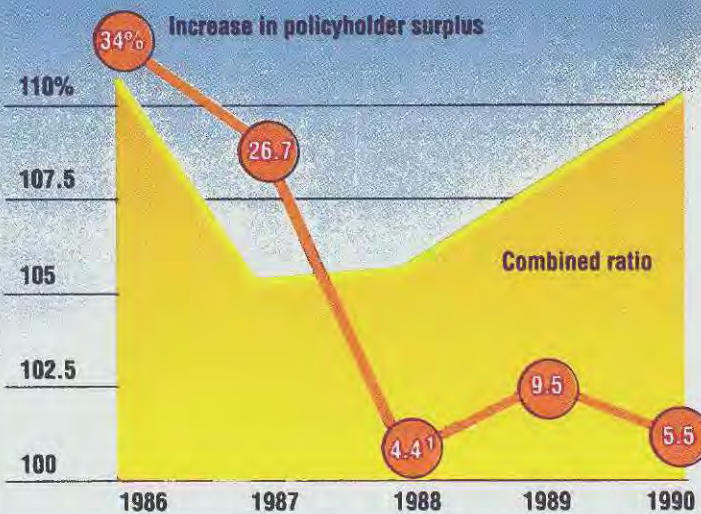
Indeed, the insurers surveyed by *Business Insurance* reported dreary results across the board in the first quarter:

- Underwriting losses increased

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Insurers stuck in doldrums

The major commercial property/casualty insurers continue to report higher first-quarter combined ratios, while policyholder surplus is still rising—albeit at a slower rate.



¹ Includes losses from October 1987 stock market crash

Source: BI survey of insurers' first-quarter results

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Update

Insurers' duty to defend limited

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Protection Agency seeking that EAD clean up radioactive substances the company has dumped into the New York sewage system. The court found that because the complaints allege EAD was an intentional polluter, the insurers are not required to defend EAD under the pollution exclusion clause in the company's CGL policies, which bars coverage for all pollution that is not "sudden and accidental."

"Within the 2nd Circuit this case will have a dramatic impact," said insurer attorney Thomas Brunner of Wiley, Rein & Fielding in Washington, D.C., who said the decision contrasts with an earlier ruling by the court that the costs of responding to a government order to clean up pollution are insurable (BI, Oct. 23, 1989).

But, in that case, the court also ruled that an insurer could be "excused from its duty to defend only if it can be determined... there is no possible basis in law or fact upon which the insurer might be held to indemnify" its policyholder.

EAD has not decided whether it will ask the court to reconsider its decision or seek review from the U.S. Supreme Court. EAD attorney James J. Duane of Connors & Vilardo in Buffalo, N.Y., noting that the complaints against EAD also allege the pollution was accidental, said insurers have a duty to defend policyholders when such complaints raise claims covered by insurance.

Tort reform bill clears panel

WASHINGTON—Time could soon run out on federal product liability reform legislation—cleared by a Senate committee—that would limit manufacturers' liability and the size of awards against them, says an insurance company lobbyist.

S. 1400, introduced last year by Sen. Robert W. Kasten, R-Wis. (BI, July 31, 1989), cleared the Senate Commerce, Science and Transportation Committee by a 13-7 vote last week.

Only one of nine Republicans on the committee voted against the bill. Democrats were split, with six of 11 members, including Chairman Sen. Ernest F. Hollings, D-S.C., voting against the bill.

But many observers say time is the bill's greatest enemy.

The legislation has been referred to the Judiciary Committee, but "there is not much time left" in the session for it to get through the Senate, said Peter Lefkin, assistant v.p.-federal affairs for Fireman's Fund Insurance Co. in Washington, D.C.

Among other things, the bill would eliminate joint and several liability for non-economic damages in product liability cases, create a 25-year statute of limitations and encourage use of an alternative dispute resolution mechanism for product disputes.

Universal health care fight seen

BOSTON—A legislative battle may be brewing in Massachusetts over the future of the state's universal health care plan.

The Massachusetts House has preliminarily approved an amendment to its 1991 budget bill that would repeal the portion of the state's universal health care program that, beginning in 1992, will require employers with six or more workers to either provide each employee health care benefits costing \$1,600 or pay \$1,680 per employee into a state fund that will provide that coverage (BI, Sept. 4, 1989).

But, if the House approves the repeal amendment, the state will attempt to find a Senate sponsor of a bill that only would delay the provision's implementation until 1993, said Laurence Collins, director of external affairs at the state Department of Medical Security, which is in charge of the universal health care program.

The state Senate traditionally has shown stronger support for the controversial health care program.

Gov. Michael Dukakis "would be amenable to a one-year delay but would veto any repeal," Mr. Collins said.

Equal parental leaves ordered

PITTSBURGH—Employers with at least 15 workers must offer their male workers the same unpaid leave of absence benefit to care for newborns that is offered to female workers, the 3rd U.S. Circuit Court of Appeals ruled.

While the May 17 decision is binding only in the 3rd Circuit—Pennsylvania, New Jersey, Delaware and the U.S. Virgin Islands—it could influence other cases in which male workers claim employers offer discriminatory unpaid leave benefits, observers say.

The 3rd Circuit case centers around Gerald Schafer, a public school teacher in Pittsburgh from 1978 to 1981 who resigned his position after he was denied leave to care for his newborn son.

Last September, a U.S. District Court in Pittsburgh granted summary judgment for the Pittsburgh school board after interpreting the leave as maternity, rather than child-rearing, leave.

But, in overturning that ruling, the 3rd Circuit said an employer cannot give benefits to one sex and not the other.

The 3rd Circuit remanded to the district court the issue of whether Mr. Schafer is entitled to back pay.

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Errors and omissions

• Aneco Reinsurance Underwriting Ltd. Chief Executive Officer Jonathan J. Crawley and two other Aneco executives that resigned from Aneco's board in anticipation of forming a new successor reinsurance company continue as executives of Aneco pending the formation of the new reinsurer. An article in the May 21 issue could have been misunderstood to suggest they had also resigned as officers of Aneco.

• An incorrect limit for financial institution bond coverage was reported for American Bankers Professional & Fidelity Insurance Co. Ltd. in the April 30 issue of *Business Insurance*. The correct limit is \$6 million. Readers wishing more information on the facility should contact Joanna Totani, Progressive Insurance Co., 3401 Enterprise Parkway, Beachwood, Ohio 44122; 800-274-5222.

Embattled LUI secures protection from creditors

By CAROLYN ALDRED

LONDON—London United Investments P.L.C., parent company of H.S. Weavers (Underwriting) Agencies Ltd., is operating under court-ordered administration after attempts to raise new capital failed.

LUI says it hopes the administration order—which is similar to U.S. Chapter 11 reorganization—will allow broker-led attempts to "rescue" its insurance subsidiaries to continue.

The order—which appoints two London-based partners of the accounting firm Price Waterhouse as joint administrators—will protect

the company from actions by creditors for at least three months.

Creditors include banks and other financial institutions that made loans to the company as well as others who are owed money for goods and services. Policyholders of LUI insurance units are not included.

An administration order is a means of "holding the fort" for up to three months while an administrator can decide how best to deal with a company's problems, according to one accountant.

Walbrook Insurance Co. Ltd., the principal insurance subsidiary and the leading insurer on the Weavers line slip, is continuing to pay

claims, the British Department of Trade and Industry confirmed last week.

Walbrook suspended underwriting in late March. At the same time, six other LUI insurance subsidiaries, all of which are being run off, suspended claims payments following concerns about the adequacy of the insurers' reserves (BI, April 2).

Appointment of the LUI administrators does not extend to LUI's insurance company subsidiaries, including Walbrook, since an administrator cannot be appointed to manage an insurance company under British insolvency laws.

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Obligation ends at policy limit: 2nd Circuit

Reinsurers' liability capped

By STACY ADLER

NEW YORK—A reinsurer is obligated to "follow the fortunes" of its ceding insurers only up to the limits of the reinsurance policy, the 2nd U.S. Circuit Court of Appeals ruled.

Affirming a lower court decision, the court held the "follow-the-fortunes" clause contained in nearly all reinsurance policies does not override specified policy limits.

Lawyers say they expect the May 18 decision to significantly influence reinsurance litigation because the 2nd Circuit is a very prominent court and because very few other judicial decisions interpret rein-

surance contracts.

In addition, the decision may have a chilling effect on ceding insurers' willingness to make settlements with policyholders for losses that may not be covered by the policy or that exceed policy limits, they say.

"This is a landmark decision," said reinsurer attorney Frank M. Nicoletti, noting that it marks the first time a federal appellate court interpreted the follow-the-fortunes clause in this manner.

"This decision will be a guiding principle for a lot of other cases," said Mr. Nicoletti of Ober, Kaler, Grimes & Shriver in New York who represented the reinsurers in

the litigation. "The 2nd Circuit is one of the most prominent courts in the country."

The court ruled that six reinsurers of Aetna Casualty & Surety Co. do not have to contribute beyond their policy limits to a \$72 million settlement between Aetna and A.H. Robins Co. Inc. of Richmond, Va. That settlement exceeded the insurer's reinsurance limits by \$5 million.

Aetna has not decided whether to appeal or ask the 2nd Circuit to reconsider its decision, said Deborah Cohen, an Aetna attorney.

The insurer wrote primary general liability insurance for Robins

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Texas physicians file suit over comp payment cuts

By MICHAEL BRADFORD

AUSTIN, Texas—Texas workers compensation insurers and medical claims review firms are unfairly reducing work comp medical payments, physicians allege in a series of lawsuits.

Three suits filed in state courts charge insurers and claim review firms arbitrarily reduced claims payments by \$130,000.

Additional litigation against some of the same defendants could be filed late next month, said the attorney who filed the first round of claims, adding that "millions of

dollars" could be at stake.

While all three suits were filed by individual plaintiffs, the Texas Medical Assn. is underwriting part of the cost of bringing the suits, said the attorney, David F. Bragg of Bragg, Chumlea, McQuality, Smithers & Curry in Austin, Texas.

The three suits charge that insurers and review firms reduced payments on claims that were submitted by physicians in accordance with fee guidelines that are part of Texas' workers comp system.

Mr. Bragg said physicians in Texas "worked with other interested parties in establishing

those guidelines and they are satisfied with those guidelines." Physicians are billing at those amounts, but insurers continue to cut payments, he added.

The guidelines have been in effect since September 1988.

Defendants changed codes that determine the size of payments "without authorization or justification," resulting in the "downgrading of the services and fees," according to the suits.

The suits also say that defendants changed "the date of the service in order to unlawfully 'bundle'"

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✓ Employers and insurers concerned with the rising cost of workers compensation must lobby for substantive changes in the system, says this week's editorial. **PAGE 8**

✓ Crisis management provides an effective, coordinated response to accidental loss or disaster, says Dr. George L. Head of the Insurance Institute of America in Perspectives. **PAGE 39**

✓ Members of Outhwaite syndicate 317/661 must pay an additional \$129 million cash call, although total estimated liabilities dropped in 1989. **PAGE 57**

✓ The Marville Personal Injury Trust is expected to respond this week to an unusual court order to explain why it is running out of money. **PAGE 60**

✓ The surety industry faces an uphill battle even though it posted a profitable year in 1989, says the president of the Surety Assn. of America. **PAGE 64**

✓ Employers in Oregon are hoping that two new laws will result in stable or possibly reduced workers compensation insurance rates. **PAGE 67**

✓ Brokers' first-quarter results have had a sobering effect on investors, says analyst Leonard M. Wilson. **PAGE 71**

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Property loss control

Computers may one day fight fire damage

By MICHAEL BRADFORD

A new technology is emerging that will give risk managers a sophisticated weapon in the war against fire losses.

Computer modeling is a still-developing technology used to predict how a fire will spread and the property damage it is likely to cause. Modeling programs using mathematical formulas will enable risk managers to estimate fire intensity and behavior.

However, high prices and other factors will limit risk managers' use of this technology for several years, experts agree.

John Davenport, director of research at Industrial Risk Insurers in Hartford, Conn., points out that the complexity of modeling limits its use in risk management.

"I don't know of anyone who is using it as a risk management tool," he noted. "It's mainly a research tool."

That may change.

The day is coming when risk managers will routinely use modeling to design loss prevention systems for manufacturing plants or configure building layouts to minimize fire losses, says Richard Bukowski, manager of the Office of Technology Transfer at the National Institute of Standards & Technology's Center for Fire Research in Gaithersburg, Md.

For now, most affordable modeling programs are not sophisticated enough to handle all the factors that would influence a fire in large industrial and manufacturing operations, he said.

Feeding all those factors into a program is possible, but would take an enormous amount of time on an enormously expensive computer system, experts agree.

Current modeling programs are limited to tracking the behavior of smoke and fires once they have started.

IRI's Mr. Davenport said modeling tries to "take all the parameters and variables that go into the combustion process and plug them into the computer models. Then you can calculate things like the flame spread, time for flashover,

the time for sprinklers to activate and the amount of time before it becomes untenable for human occupancy." A flashover is the point at which material bursts into flames.

Such modeling is a "very complex problem," he said. "We've been able to do fairly good work on small compartments like living rooms, bedrooms, hotel and motel rooms. But we haven't carried it too far. The bigger it gets, the more factors are involved."

Modeling for large settings is much too cumbersome for risk managers to install on an in-house risk management information system, according to Mr. Davenport. Those computations can't be done

on a personal computer, he said.

Modeling is now being used to determine the spread of potential fires. But full-scale modeling that would be useful for risk management and loss control is unavailable, said Ron Alpert, manager of the basic research department at Factory Mutual Research Corp. in Norwood, Mass., a unit of the Factory Mutual System.

"We're a long way from that," he said.

Programs now in use, he explained, are able to deal only with "how the fire affects the building or compartment it is in. You have to describe the fire and the heat and the program calculates how it affects the building, where the

smoke goes, toxicity.

"None of the models have been researched to the point where they can be used for risk assessment," Mr. Alpert noted.

"We don't know everything about the combustion process in a fire," he said. "It's not easy to simulate on a computer."

Mr. Alpert said FM Research is

working on a model that "looks at the growth of the fire and how it is affected by the materials that are burning."

Research is still "in its infancy and the first generation of software looks only at a case involving a fire along a vertical wall," he said.

However, such a program even-

Continued on next page



SCHILLERSTROM

Halon limits near, but substitute still distant

By LINDA J. COLLINS

Loss control engineers and chemists are searching for a substitute for a common and extremely reliable fire suppressant: halon.

When halons were first introduced as fire suppressants, they were touted as the most safe and effective products available for fighting fires in their early stages.

Not only are halons extremely effective in suppressing fires, they are also non-corrosive and electrically non-conductive. Halons—which come in both gas and liquid forms—dissipate quickly, do not leave a residue and are non-toxic when used correctly, according to loss control engineers, insurers and fire safety experts.

But, from the mid-1970s to the mid-1980s, scientists began to link the use of halons—along with other chlorofluorocarbons, or CFCs, used in refrigerants, aerosols and polystyrene—to a depletion of the atmospheric ozone layer.

The ozone layer shields the Earth

from harmful ultraviolet rays. Its deterioration is expected to greatly increase the incidence of skin cancer and cataracts in humans, as well as interfere with the Earth's ecological balance (BI, Feb. 12).

Now, in light of forthcoming restrictions on halons, chemists and loss control experts are attempting to replace halon systems with other types of fire suppressants. However, in many cases suitable replacements still must be found.

For example, the three types of systems currently available to replace halon systems—sprinkler systems, carbon dioxide systems and dry suppressant systems that use substances like sodium or potassium bicarbonates—all have serious drawbacks when used in certain applications.

The United States, the European Community nations and 23 other countries in 1987 signed the Montreal Protocol to address the issue of CFCs. The agreement was effective in January 1989.

Currently, at least 39 countries—representing more than 85% of the

global consumers of CFCs—are parties to this agreement, which restricts the production and use of CFCs by its participants.

Because of a lack of acceptable alternatives, halon restrictions will be implemented at a later date and are less stringent than those for other CFCs. But, after February 1992, the protocol limits production and use of halons in nations that signed the protocols to 1986 levels.

If adopted, various technical amendments to the Montreal Protocol proposed by the United States, the EC nations and other countries would further phase down or phase out the use of all CFCs, including halons.

In addition, the U.S. Omnibus Budget Reconciliation Act of 1989 placed an excise tax, effective Jan. 1, on the sale or use of CFCs, including imports. However, the tax exempts halons in 1990 and offers them favorable treatment through 1993.

As a result of these environmental, political and public issues,

halon users, insurers, fire safety engineers and loss control consultants have re-evaluated their use of or recommendation of halons as fire suppressants.

But, "we're really 20 years behind in finding substitutes for halon because we all thought halon was the answer. It's really only in the last three to four years that we realized the gravity of the situation," explained Michael F. Burke, vp and chief engineer at Allendale Mutual Insurance Co. in Johnston, R.I.

When halon was first introduced to the market, "given the fact that it did not leave a residue or harm people or animals, it caught on quickly," said Stanley J. Couvillon, vp-loss prevention for Industrial Risk Insurers in Hartford, Conn.

But experts note halons are designed to suppress fires in their early stages. And, heat from a fully developed fire will quickly transform halon into a poisonous gas, they say.

Today, "the biggest message we are giving to people who ask us is

that we feel it is very important that they are aware of the problems surrounding halons and that they select the fire suppressant system that is right for them and use it properly," said John B. McNamee, manager of loss control/Houston office of the national loss control division of Alexander & Alexander Inc.

Mr. McNamee noted that when halons were first marketed, they were so well-accepted that they were used in more firefighting applications than necessary.

"They forgot, back in the early '70s, that there is no miracle solution to anything," Mr. McNamee observed.

Compounding this problem, a recommendation by the National Fire Protection Assn., fire officials and insurers to test halon fire suppressant systems involved dumping all the halon in the system to see if it was operating properly.

In fact, "approximately 30% of the halon discharged into the atmosphere in 1985 came about as a

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Models

Continued from previous page
tually could lead to other software that could teach researchers more about the flammability of certain materials, Mr. Alpert said.

Richard Custer, professor of fire protection engineering at Worcester Polytechnic Institute in Worcester, Mass., pointed out that modeling is most often being used "to a considerable extent to get a handle on how big a fire is likely to get. You can determine how it will extend from one building to the next."

The computer programs are not yet widely used in risk management settings, he noted, because they don't include information like potential losses from a "low probability fire with a high impact vs. a high probability fire with a low impact," or the cost of disruptions like lost production from downtime and fire damage.

Dave Lucht, president of the Society of Fire Protection Engineers, says risk managers are not heavily involved in modeling because the programs are geared more toward solving engineering problems.

Models track "physical events that perhaps risk managers do not commonly deal with as engineers would," said Mr. Lucht.

"A risk manager probably would not deal with the question of how fast a sprinkler head reacts to a fire. That's an engineer-type problem," he said.

Still, Mr. Lucht maintains, "the risk manager of the future will be using models. I don't have any question about that."

Though most risk managers are not yet familiar with modeling, some companies now use modeling in loss prevention.

"We use modeling to determine which solutions will work," said Kenneth Dungan, president of Oak Ridge, Tenn.-based Professional

Loss Control Inc., a unit of The Hartford Steam Boiler Insurance & Inspection Co.

Computer modeling could be used, for example, when a fuel storage tank is situated near a school, said Mr. Dungan.

"Short of torching the tank," modeling is the only way to determine whether it would damage the school or harm people inside, he said. A model could reveal the size of a potential tank fire and the amount of heat it would radiate.

The results would be used to decide whether the space between the school and tank is sufficient or whether a barrier should be erected to protect people in the school from a potential fire, Mr. Dungan explained.

Such modeling also frequently is used in manufacturing, he added. One Chicago-area manufacturer, for example, used it to show fire officials that a plant's layout included enough open space to mini-

mize damage if a fire began.

Mr. Dungan said his company's long-term goal is "to use fire modeling as a means of doing loss potential assessments" to answer questions like: "What is the loss expectancy if everything works?"

Or, researchers could model the potential for losses if, say, the sprinkler system fails, he added.

Mr. Custer of the Worcester Polytechnic Institute said modeling is used often "in trying to backtrack the growth and spread of fires after occurrence. It's used in trials and litigation and is often used to prove or disprove arson."

Fire departments also are using modeling for training and preplanning, according to Mr. Bukowski of the Center for Fire Research.

A department can survey a plant or warehouse, for example, and factor in where hazardous material is stored, the number and location of windows and doors and other

variables. Firefighters can then plan what kind of entry to make, how many hoses to use and other tactics, Mr. Bukowski said.

"This was done in the past through experience," he noted. "A fire officer with 20 years experience would come in and say, 'This is what we expect to happen and this is what we'll do.'"

Among the modeling software available is SuperChems from Arthur D. Little Inc. This program will allow risk managers to predict damage caused by fires as well as the result of the release of hazardous materials, dispersion of harmful vapors and explosions, said Paul Croce, a director of the Cambridge, Mass., company.

Risk managers with a knowledge of modeling can use the package to get "very good information on fires and their consequences," he said.

The \$15,000 software package can be run on a personal computer with at least an 80286 microprocessor, said Mr. Croce. A math coprocessor is helpful but not necessary.

The menu-driven software allows users to select "whatever scenario they are interested in," Mr. Croce explained. For example, the user can identify a tank and its contents and then "postulate any number of release modes" for a fire or explosion to occur, he said.

The program then computes details like how fast the release occurs and whether it is vapor or liquid, Mr. Croce said.

"It does not do anything in terms of the probability of ignition," he noted, but a user can find out what kind of fire or explosion could occur and what the resulting damage would be.

SuperChems is aimed at helping engineers and risk managers identify hazardous situations and prepare solutions for "complicated release scenarios," or fires and explosions, Mr. Croce explained.

A simpler Arthur D. Little program—ChemsPlus—provides less detailed modeling of fires and explosions and is marketed to local emergency response planners and other agencies.

ChemsPlus costs \$500 and also runs on an 80286-based PC.

Mr. Bukowski of the Center for Fire Research also has helped develop modeling software—Hazard 1, a \$200 program that runs on PCs and has several pieces. "One piece predicts the impact of a fire on a building," he said.

The program allows users to factor in features like room furnishings, other objects and exits. Users obtain details like the temperature of a fire, smoke density and gas concentrations, "all as the fire spreads and develops," he said.

An evacuation module allows researchers to predict how people in the building would react to fire. "It predicts when they would move and how fast," said Mr. Bukowski. "It incorporates how people behave under fire conditions."

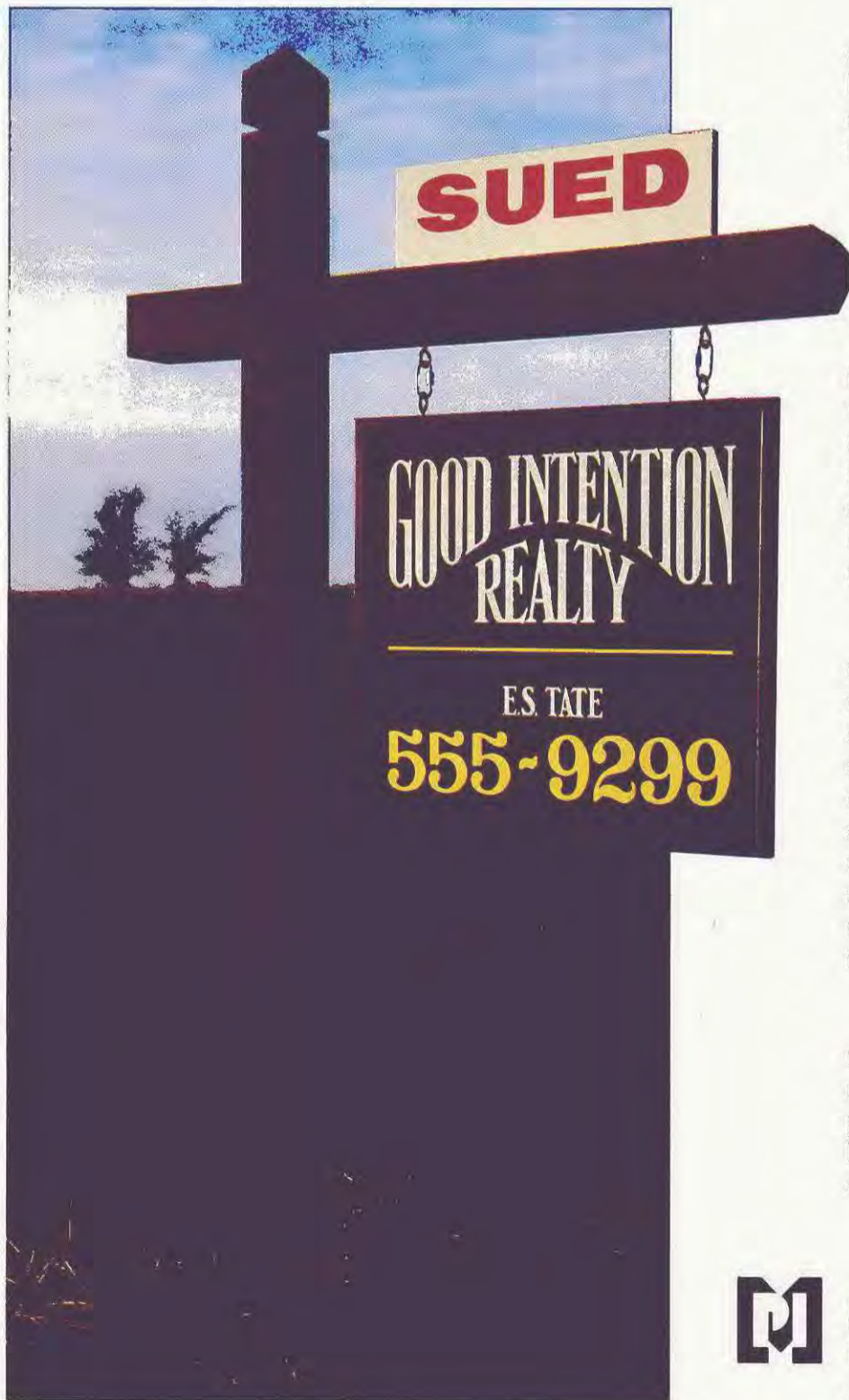
The software evaluates "what happens as they move through the room or building in terms of what they are exposed to," he said, explaining that the program would determine whether the occupants would escape or be overcome by smoke or flames.

The software also can measure a building's compliance with fire codes, Mr. Bukowski said.

"An architect or engineer may want to do something that's not explicitly written in the building code or something the code says can't be done," he explained. In such a situation, modeling could persuade regulators to allow the design and change the code, he said.

Mr. Bukowski said a new version of Hazard 1 should be completed in 1992. New features will include an interface with computer assisted design programs commonly used by architects. ■

Sign of the times.



There's more to selling a home these days than meets the eye. "Beware of the buyer" sums it up. Hidden structural damage, contract errors, environmental problems, financial difficulties. All part of a heavier burden of disclosure imposed by the courts on today's real estate professional.

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Smoke, corrosives damaging in fires

By MICHAEL BRADFORD

Risk managers face a complex problem when trying to minimize property damage from smoke and corrosives released by fires.

"It's an area that a lot of (risk managers) don't fully recognize because there's not been a lot of bad losses," said John Davenport, director of research at Industrial Risk Insurers in Hartford, Conn.

Non-thermal damage during a fire can come from compounds like carbon monoxide, hydrogen chloride and hydrogen cyanide. Smoke may also contain carbon, metals or salts that can cause damage.

Non-thermal damage poses a particular threat to food, said Mr. Davenport. "A very, very small fire that seemingly does no damage can

condemn an entire warehouse because of a slight taste problem."

He points out that advances in technology have heightened awareness of such damage.

"Our ability to measure minute bits of contamination is getting better and better," he remarked, explaining that contaminants that would have escaped detection years ago are now traced with more sensitive equipment.

Electronic equipment manufacturers and communications companies are also very susceptible to non-thermal fire damage.

"Smoke movement is a serious concern to many industries that are automated," said Kenneth Dungan, president of Professional Loss Control Inc. in Oak Ridge, Tenn.

He cites a May 1988 fire at an Illinois Bell Telephone Co. switching station in Hinsdale, Ill., as an example of non-thermal damage (BI, June 13, 1988; May 16, 1988).

to light some problems associated with minimizing such losses, said Mr. Dungan.

Computer modeling programs can track the movement of smoke

'A very, very small fire that seemingly does no damage can condemn an entire (food) warehouse because of a slight taste problem,' says John Davenport, director of research at Industrial Risk Insurers in Hartford, Conn.

The corrosive nature of the smoke and gases released when wiring in the switching station caught fire contributed to the severe property damage, and brought

to some degree, but "there are some challenges there," he said (see story, page 3).

For example, integrating all the factors that could influence smoke

movements in a large area into a computer program is time-consuming and expensive, he noted. "The more input data you need, the more time and money it takes."

Brec Woodbridge, risk manager at Advanced Micro Devices Inc. in Sunnyvale, Calif., said that "in the semiconductor industry, soot and smoke is extremely damaging."

Advanced Micro Devices has not used computer modeling to assess fire risks at its facility but has incorporated several loss control measures involving ventilation systems.

If a major fire breaks out, "the air-handling system will shut down and reverse itself," pulling smoke out of the area, Mr. Woodbridge explained.

Advanced Micro Devices has experienced only small fires that were quickly doused and caused no damage to semiconductors, said Mr. Woodbridge.

Minimizing non-thermal damage in a telecommunications or electronics setting involves techniques used after the fire is out, said Mr. Dungan.

"The biggest emphasis is on the post-fire cleanup," he explained. "First, you get in and get the sensitive equipment cleaned up so that it is less likely there will be damage from corrosion."

Mr. Davenport said compartmentalization—storing various products in separate rooms—can help reduce damage to equipment or food.

Proper ventilation will draw smoke out of the compartments and reduce fire damage, he pointed out.

"It's something that has to be thought of ahead of time," Mr. Davenport said.

Blaze study helps predict fire behavior

Risk managers do not need sophisticated computer modeling to chart the probable course of a fire in a building when the real thing will do, one company finds.

Marriott Corp. doesn't rely on computer modeling to assess fire risks, even though it accurately predicts fire behavior in small settings like hotel rooms (see story, page 3).

To reduce fire risks, the Washington, D.C.-based hotel chain uses a 1983 study it co-sponsored with the San Francisco Fire Department and the International Assn. of Fire Chiefs on the effects of fire on hotels and other housing units.

The study involved burning a building in San Francisco that was slated to be torn down and replaced with a new hotel.

Rooms in the building were converted into mock-ups of settings including hotel rooms, condominium rooms and even prison cells, says Arnold Davenport, vp of risk management for Marriott. The building was set ablaze and fire and smoke behavior was extensively recorded and subsequently published in reports.

The reports provided Marriott with data like the amount of smoke generated by different materials and the time it takes for sprinkler heads to activate.

"We use it in our current construction," Mr. Davenport said of the information gained from the study.

"Our philosophy is to sprinker it and control the smoke," he said of the company's property loss control.

—By Michael Bradford

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Opinions

Solution still needed

EMPLOYER ACCEPTANCE of the new experience rating formula for workers compensation insurance that is being adopted by state regulators around the country certainly will be divided.

Those employers whose workers compensation premiums go down under the new formula—small employers with good loss experience and large employers with poorer loss experience—clearly will applaud the new formula.

However, employers whose workers compensation premiums go up—small employers with bad loss experience and large employers with good loss experience—are not going to be too pleased about the implementation of the new formula, to say the least.

However, from what the National Council on Compensation Insurance says, the new formula more fairly calculates experience-rated workers compensation premiums. From its research, the NCCI decided that large employers were receiving too much credit for good loss experience and too large of a debit for bad loss experience, while smaller employers' loss experience wasn't given enough credibility in the rating formula (*BI*, May 21).

Modern computer technology has helped the NCCI better analyze loss data and test rating formulas to arrive at one that better predicts an employer's future losses.

Just how much application of the new rating formula will increase or decrease an employer's premium can only be determined on a case-by-case basis because it will depend not only on the employer's overall losses, but also on the severity of the losses.

But those employers that pay more under the new rating formula have options. Large employers with good loss experience can self-fund. On the other hand, small employers with bad loss experience can adopt effective loss prevention programs to reduce their losses and thus their insurance premiums.

Our only criticism of the new NCCI experience rating formula is that employers should have been given earlier and more substantial notice that the change was coming so that they could prepare for the possible hits to their insurance budgets.

While the application of a new experience-rating formula after 25 years is an important change in the system, the change should be kept in perspective.



The new rating formula only reallocates the cost of the workers compensation losses; it does nothing to control rising workers compensation costs, which we consider one of the most important risk management challenges of the 1990s.

Employers and insurers concerned with the rising cost of workers compensation have to lobby for substantive changes in the system that will more efficiently compensate injured workers and prevent abuse of the system, not only by claimants, but also by those who serve them: doctors and lawyers.

And change can be accomplished, as the overhaul of the workers compensation law in Oregon proves (see story, page 67).

Reforming workers compensation laws is not easy, as employers and insurers and labor leaders anywhere who have tried can testify. It is difficult to eliminate the differences among the various parties participating in the work comp system, as recent legislation filed by Texas medical providers against work comp insurers and claims review firms shows (see story, page 2).

As a result, in addition to making system changes, employers and insurers must continue to develop new and more effective loss prevention programs to keep claimants out of the system in the first place, and more effective return-to-work programs to get employees out of the system as soon as possible.

Letters

Maine no longer a troubled comp market

To the editor: It has taken me a few weeks to verify my information on the 1988 workers compensation combined ratios listed in the Feb. 26 Perspective article by John C. Morrison and Catherine Dorris Bennett.

The article showed Maine as the worst state in the nation measured by a 1988 workers compensation combined ratio of 170%.

While this figure is accurate as a calendar-year statistic, it has no relevance to the current situation in Maine and, in

fact, is destructively misleading.

Most of the losses incurred in the 1988 calendar year resulted from the extraordinarily expensive system operational in Maine prior to the landmark reform legislation passed in November 1987. The full effects of that work comp reform law will not be felt for some time yet, but it is quite clear that the costs of the system have been considerably reduced by the reforms.

Moreover, there have been three workers compensation rate increases in Maine since the beginning of 1988. Even the National Council on Compensation Insurance believes the Maine system is in general rate-cost equilibrium since the NCCI rate increase requests for the period 1987-1990 have been, in order, 290%, 125%, 45% and 26%.

Finally, calendar-year results have probably been adversely impacted by insurers increasing reserves and lump-sum payouts on older cases.

The 170% combined ratio for 1988 is

accurate if one is only considering workers compensation costs for that particular year.

However, here in Maine, we are engaged in a lengthy process of healing a badly damaged system. Now that the job is almost complete, it is vital that people around the country understand that costs have come down, premiums have been brought into line with expenses and Maine is no longer a drain on the national workers compensation insurance marketplace.

Insurers that write workers compensation coverage in Maine now have the opportunity to make a fair profit. Employers that seek to locate or expand in Maine will not be faced with unavailability of workers compensation coverage. To the extent that the Perspective article suggested otherwise, it was not fair to Maine.

Joseph A. Edwards
Maine Superintendent of Insurance
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Insurer sets fire testing ablaze

Center takes great pains to duplicate 'real' conditions

By MARK A. HOFMANN

WEST GLOCESTER, R.I.—Successful fire suppression testing is considerably more difficult than lighting a match, setting something ablaze and turning a hose on it.

Different materials ignite at different temperatures and emit different gases. Fires igniting different materials spread at different speeds.

The physical configuration of stored materials also helps determine how quickly and in which direction a blaze will move.

To replicate real-life conditions, engineers at the Factory Mutual Test Center in West Glocester, R.I., often spend weeks setting up tests. Sometimes, trailer loads of building materials or other substances to be tested are trucked to the remote 1,500-acre wooded site straddling the Rhode Island-Connecticut border.

The test center's main building alone covers more than an acre in a remote wooded area near West Glocester. The center opened in 1967 as a replacement for a testing facility constructed at Factory Mutual Engineering Organization's research and engineering headquarters in Norwood, Mass., in 1942.

The Norwood site replaced a facility built in Everett, Mass., in 1922. That site had replaced the organization's first test site—a shed in the middle of an apple orchard in Woburn, Mass.

The current facility is built into a hillside. It has two primary test sections—one with a 30-foot ceiling, the other twice as high. Each section has a 3,600-square-foot fire test pad. The ceiling above the pads is crisscrossed with pipes that can be fitted with sprinkler heads of varying designs.

Not all testing is done in these

facilities.

An explosion facility with several test enclosures is also located on the property. The remote explosion center is used to evaluate the explosive potential of gases, vapors and dusts, and is not open to the public.

A smaller dust explosion gallery is built into a slight rise of land just outside the main building. Visitors here witness a test designed to illustrate "the explosive power of finely divided dust particles when suspended in the form of a cloud and exposed to an ignition source," said Carl E. Miller, senior vp and chief operating officer of Factory Mutual Research Corp.

Mr. Miller said the demonstration is designed "to bring home the point that it doesn't take a huge amount of dust" to cause an explosion.

A tray is suspended in the middle of a chamber. On the tray rests a pile of plastic dust, "just about the amount that it would take to fill a hard hat," said Mr. Miller.

A flame below the tray forces dust into a cloud, which then explodes, sending a ball of smoke and flame from the end of the buried facility.

Mr. Miller said actual dust explosion tests are done in the laboratory and in structures built specifically for the tests. Dust explosions in grain elevators are among the best known, but flour and even confectioners sugar can also be the culprits.

On the 60-foot section of the test center building, FMC engineers measure both the amount of water needed to suppress a fire of certain characteristics and the amount of water actually delivered to control a fire.

The required delivered density test is used "to determine the quantity of water that's required to

be delivered to the top of a burning fuel array to suppress a fire in that particular fuel," said Mr. Miller.

Under this test, eight pallet loads of test goods are arranged in a cube on a metal rack. The pallets are about 42 inches on each side, and are 5 to 6 inches high. Each pallet contains eight boxes.

Just above the test material is an array of pipes and a funnel. When the goods are ignited, the engineers collect fire gases in the funnel. This allows them to measure heat and flame velocity and identify the composition of particles given off by the fire.

Mr. Miller said that once the density of water required to control a specific type of fire has been determined, engineers can run an actual delivered density test. That test measures the effectiveness of a particular automatic sprinkler design in delivering water to a rapidly rising fire plume, he said.

Water is released through sprinklers and gathered in specially designed funnels atop the burning boxes to determine how much water actually reaches the fire.

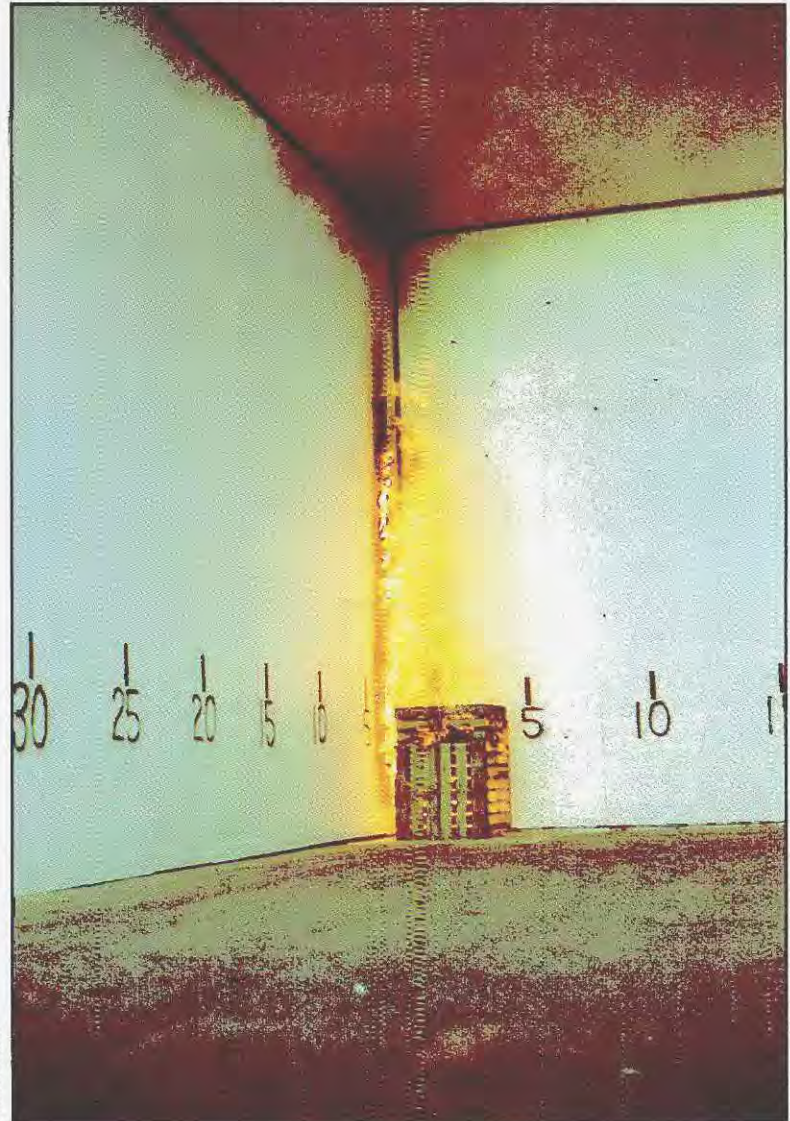
A third fire test—the "corner test"—is "intended to test building construction materials in an as-used or real-world condition," Mr. Miller explained.

In this test, a 25-foot high simulation of a building corner is covered with a material such as freezer insulation or a sandwich wall panel, which, for example, might consist of an outer skin such as a sheet of aluminum, a layer of insulation and an inner skin such as a sheet of foil. The material is ignited and the spread monitored.

"By using this full-size corner test, we can identify structure materials that would not need to have automatic sprinklers just for the protection of the structure," Mr. Miller said.



A complex apparatus gathers sprinklered water in an actual delivered density test in one of the center's test chambers.



Flames lap toward the ceiling as building materials undergo the 25-foot-high corner test at the test center.



Only a wisp of smoke remains after a dust explosion test at the fire test center in West Glocester, R.I.

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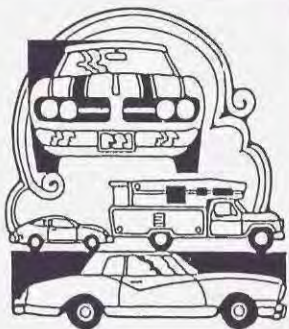
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European growth fuels interest in loss control

By CAROLYN ALDRED

Property loss control—like other aspects of risk management—is becoming an increasingly important part of corporate philosophy to European and U.S. companies expanding throughout Europe, experts agree.

Companies, of course, need to protect expanded operations. Legislative and social pressures also are forcing them to examine their loss control activities far more vigorously, risk management consultants and insurers agree.

But loss control regulations that

vary among regions hinder corporations that want to standardize loss control practices for their subsidiaries, observers say.

And loss control testing procedures also vary, depending on where a company's operations are located, though the European Community is attempting to create common standards.

"In general, risk management—in its widest sense as a management policy—is starting to be given a lot more credence" in Europe, said Jan Eglitis, an engineering manager for European Risk Management Ltd. in Weybridge, En-

gland.

As a result, "there will be increased use of loss prevention" measures, he predicts. Multinationals already are adopting loss prevention measures more widely, he said.

"There's an increasing understanding among larger operations about the value of protecting their assets," agreed Jack Woods, director of engineering and underwriting for Factory Mutual International in London.

"There's an appreciation that if a major loss occurs, competitors can step into the company's market," Mr. Woods said.

"We see a tremendous increase in demand for risk management services in Europe," noted Ken Davey, international sales manager for Arkwright Mutual Insurance Co. of Waltham, Mass.

Meanwhile, observers say, property insurers in Europe are beginning to adopt the concept of highly protected risks: property risks that meet certain standards insurers require to obtain lower rates.

That philosophy "is going to grow more and more in importance, particularly with 1992 approaching," said Fred Deacon, vp and HPR engineering manager for American Protection Insurance Co., a Kemper Group unit, referring to the elimination of insurance trade barriers among EC countries.

Long Grove, Ill.-based Kemper recently formed UAP Kemper HPR Co., a joint venture with French insurer L'Union des Assurances de Paris, to provide loss control engineering services for HPR business, Mr. Deacon noted. The company is located near Paris.

Mr. Deacon explained that until recently, European companies' approach to fire protection has been "passive"—for example, installing fire doors and walls—rather than "active"—for example, installing sprinkler systems.

European firms "do not tend to install sprinkler systems" like U.S. companies do, agreed Julie Bond, a loss control manager for Chubb Insurance Co. of Europe Ltd., a Chubb Corp. unit in London.

She explained that U.S. risk managers for years have been used to insurers "recommending the installation of sprinkler systems" and then reducing premiums.

European insurers, however, historically have not cut premiums significantly for policyholders that adopt loss control measures, she noted.

"What the U.S. insurers did do was to create an interest in loss control by talking about HPR risks," said Tim Gould, regional manager of the U.K. technical division of American International Underwriters (U.K.) Ltd., an American International Group unit.

He urged underwriters to work with loss engineers and rate property according to the loss control report, rather than base ratings on the state of the insurance market.

With the current soft market and level of competition among insurers in Europe, "it's going to be very difficult for (insurance) companies to reduce premiums further because of loss control" improvements made by policyholders, said Bob Bebon, assistant vp of loss control services of CIGNA Worldwide Inc., a CIGNA Corp. unit in Philadelphia.

However, it still is important for insurers to "help companies identify their risks and protect them,

Continued on page 18



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European losses

Continued from page 14

particularly as more and more companies are growing beyond their national borders, dealing with risks they have never dealt with before," Mr. Bebon said.

"It's the whole aspect of trying to get people to look beyond insurance to the true risk management approach," he said.

Industry in Europe already is moving "from the insurance buyer mode to risk management," said Arkwright's Mr. Davey. "There's a greater acceptance at the board level of the risk management philosophy with an increasing number of companies recognizing the importance of loss control to protect their balance sheet."

AIU's Mr. Gould says property loss control has a much broader role than merely protecting corporate assets because most "business interruption claims these days average at about three times the size of a property loss."

Property loss control should be broadened to encompass health and safety concerns and the environment, said Rodney Meere, chairman of Hinton & Higgs Ltd. in Abingdon, England, which is 33% owned by Willis Faber P.L.C. and is one of the largest U.K. consultants on health and safety and property loss issues.

Although "the traditional ways of looking at property loss still are very important, there's a need to look at the effects of what is being done by a company on the environment and on the health of its employees," he said.

For example, companies increasingly must be aware that containing a fire and explosion may be worse for the environment than the fire and explosion themselves, Mr. Meere said.

A case in point was a 1986 fire at a Swiss chemical plant.

A mixture of toxic chemicals washed down the River Rhine when water used to douse a fire at a Sandoz A.G. warehouse in Basle, Switzerland, drained into the river (BI, Nov. 27, 1986).

"A fire surveyor nowadays has to look beyond just the fire angle and has to examine the liability and pollution angle," said Brian Street, a marketing manager for AIU in London.

Increasing public and media "discussion about environment and health and safety issues is raising awareness of companies and expanding the role of risk management to include those risk control measures beyond those linked just to insurance," said Brady Young, a consultant in London with Tillinghast, the insurance and risk management consulting unit of Towers, Perrin, Forster & Crosby Inc.

Indeed, both issues are high on the agenda of the European Community, observers point out.

Companies in EC countries whose waste products damage the environment would face increased liability and greater chances of detection under two proposed EC directives (BI, Nov. 27, 1989).

Many European countries already have passed more stringent pollution and health and safety laws, observers note.

And increased criminal prosecution of managers for acts that endanger the health of employees and the public is encouraging companies to change their attitudes about loss control in all areas, Mr. Gould said (BI, Nov. 14, 1988).

But varying regulations and cultures can hinder multinationals that want to standardize loss prevention for European operations, according to observers.

For example, sprinkler system standards vary from region to region. Local operations are often reluctant to comply with parent company standards if they are

more stringent than local rules.

Testing procedures also vary between regions for loss control products and procedures.

However, in preparation for a single trading market among the 12 member nations, the EC is attempting to standardize certification of loss control systems and products, said John Rennie, vp of Factory Mutual Research Corp. in Norwood, Mass.

Proposed testing standards would cover, among other things, construction products, personal protective equipment, machine safety equipment, measuring instruments, gas appliances and lifting and loading equipment, according to FMRC.

One proposal, which was published last year and is due to take effect June 27, 1991, is intended to ensure that all construction products and construction sites in EC countries adhere to uniform safety standards.

That directive includes standards for fire safety, environmental damage, noise protection and efficient energy and heat use.

Construction products standards still have to be finalized by the European Committee for Standardization and the Committee for Electrotechnical Standardization. The standards will be finalized on a product-by-product basis.

But standardization is likely to proceed slowly, most experts agree.

"There's a lot of work being done to harmonize testing procedures and standards," said Stanley Couvillon, vp of loss prevention for Industrial Risk Insurers in Hartford, Conn.

Loss control standards in Europe "were built up over many years, and I can't see the barriers being dropped at a given date," said Hugh Loader, group insurance manager for Tetra Pak, in Saffron Walden, England.

"Harmonization will come—but in what time frame is uncertain," agreed Jack Woods, director of engineering and underwriting for Factory Mutual International in London.

"A general harmonization is being worked at by the EC, but it will be long before there is a common standard in Europe," predicted Tom Newark, a European loss control manager for Chubb in London.

Moreover, some observers say they are concerned that standards may not be flexible enough to cope with ever-changing technology.

"All the time there are new changes and new hazards. Any standard has to move with the time quickly," Mr. Woods said.

"The concern is that by creating a common European standard it will not be flexible enough for changes to be encompassed," Mr. Woods said.

And loss control experts fear

they will not have enough of a say in the new standards, said Mr. Rennie of FMRC. "Our concern is not with the concept of harmonization but with our ability to provide technical input to standards and how the EC will vote."

FMRC recently reached agreements with several testing laboratories in Europe under which each will recognize the others' results in an effort to learn new techniques of loss control, according to Mr. Rennie.

The agreements are with: Le Centee National de Prevention de Protection, CNPP, in Paris for products and systems for fire and intrusion detection; Physikalisch-Technische Bundesanstalt, PTB, in Brunschweig, West Germany, for electrical equipment used in hazardous locations; product certification laboratory Verband der Sachversicherer in Cologne, West Germany, for fire protection equipment. ■



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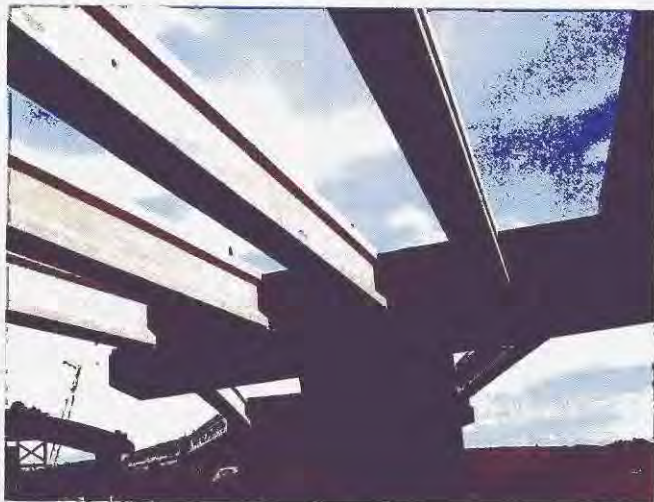
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Business prepares for disasters

By DEBORAH SHALOWITZ

Plans called 'vital' to save lives, money

Preparing for a disaster can save a company resources, money and, most importantly, lives, according to a new report.

"Company preparedness planning (for a disaster) is vital both to save lives and to assure the survival of the business," said the report from the Manufacturers' Alliance for Productivity & Innovation, a business policy research group in Washington, D.C.

Furthermore, "in terms of costs, preparedness planning is often less a matter of money than foresight, training and careful attention to good industrial safety practices," says the report.

Many companies already have basic structures that help them

make disaster plans, said Richard Lykes, MAPI's director of research information. "So, (often) it's not a lot of extra effort" to put a full-scale emergency preparation plan in place, he added.

A company with an emergency plan likely will be able to resume operations more quickly than if it had not established such a plan, says the report, titled "Are You Ready for Disaster? A Corporate Guide for Preparedness and Response."

The report, which was released in late April, recommends general guidelines for any disaster and specific corporate guidelines for

earthquakes, hurricanes, floods, tornadoes and fires.

Companies should take several steps to prepare for a disaster, according to the report.

First, a top-level executive should be appointed coordinator of a planning committee that will draft a disaster preparation plan.

"A company's risk manager would certainly be at the top of the list" of candidates to coordinate the planning committee, Mr. Lykes said. However, he added that an executive "at the very top level," such as the president or a vp, also must be involved in the planning committee to ensure that the group

gets the appropriate company support.

Early involvement by senior management "is considered vital to the success of the effort," the report says.

The emergency coordinator also should have "sufficient authority and legitimacy to make critical decisions in an emergency, including the ability to commit adequate resources to effectively carry out the assignment, without the limitations of budget considerations or normal corporate red tape," the report adds.

According to the report, the basic objectives of an emergency

preparation plan are to: protect the life, safety and health of employees and visitors; protect company property and assets; establish priorities for accomplishing these goals utilizing internal resources and personnel; assure self-sufficiency in the critical first 72 hours after a disaster; and resume operations as soon as possible to minimize business interruption exposure and financial loss.

The basis for a successful disaster preparation plan is good, solid research about a company's resources and vulnerabilities, the report says.

A company's resources include workers and equipment that are available in emergencies; community emergency services; local hospitals; neighboring businesses with emergency capabilities; and local contractors available for rescue, cleanup and reconstruction.

A company's vulnerabilities would include environmental factors, such as a location in a disaster-prone area; technological factors, such as failures in equipment design, supplies or improper maintenance; human factors, such as poorly trained personnel; indigenous factors, such as hazardous materials; economic factors, such as the loss of a critical supply; and lifeline risks, such as the loss of electric, water, sewage, gas, telecommunications or transportation service.

"Not only is it necessary to identify and quantify a potential crisis or disaster, but it also is crucial that senior management understand and respond to warnings that come to its attention," the report states. "This basic precept cannot be overstated and should not be underestimated."

"If you have a good basis... of research in terms of what vulnerabilities your company faces, then other things just fall in line," Mr. Lykes added.

However, "merely identifying the hazards is not sufficient; one must also analyze and prioritize the potential impact of the identified hazards on the company or facility," the report recommends.

But it further cautions that successful recovery does not follow automatically from a plan. "Research shows that successful disaster efforts arise primarily from the activities of emergency organizations."

Therefore, a "key initial decision" is the selection of an emergency response team that will operate immediately before and after a disaster, but before outside assistance is called or required, the report notes.

The size of emergency response groups will vary by company size.

In the event of a disaster, emergency response group members would provide emergency services for security, firefighting, rescue or evacuation, first aid, communications and initial damage assessment.

Establishing an emergency operations center is also a factor in successful planning, says the report.

"The command post can be the existing corporate security facility, the office of the plant manager, or any other suitable location in an area of minimum risk," the report states. "It should have adequate numbers of telephones (for both internal and external use) as well as radio communications and access to safety and emergency supplies."

Once a preparation plan is drawn up, it should be printed and distributed throughout the company and, if appropriate, to local police, fire and emergency officials.

Continued on next page



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Disaster plans

Continued from previous page

That plan should be updated each year "unless something unusual happened," Mr. Lykes added.

Employees should be trained, tested and retested in emergency preparation, says the report.

Mr. Lykes recommends training new employees promptly after hiring and retraining others "no less than once a year."

The report recommends conducting mock drills under simulated emergency conditions.

Setting up a communications network to operate during or after a disaster is another facet to a successful preparation program.

According to the report, a functional communications network should involve: UHF radios and cellular telephones; two-way portable radios with batteries; arrangements for additional tele-

phone services—for public relations and the press—during emergencies; and a strategy for communication between emergency personnel.

Companies also should establish adequate warning and evacuation systems, emergency response and rescue systems, plant shutdown procedures, alternate headquarters if necessary and insurance coverage, says the report.

Companies "cannot spare the resources to prepare for and guard against all possible contingencies," and should establish a "systematic and rational approach" to potential crises where a company believes itself to be vulnerable, says the report.

Therefore, hazard mitigation plans often deal with specific hazards, such as earthquakes, floods, hurricanes, tornadoes and fires, the report noted.

Mr. Lykes said that "earthquakes are probably more terrify-

ing as an experience, but floods are the most costly of all the disasters."

According to the Federal Emergency Management Administration, 70% to 80% of all natural disasters involve floods.

'A company's risk manager would certainly be at the top of the list' of candidates to coordinate the planning committee, says Mr. Lykes. However, an executive 'at the very top level' also must be involved in the planning committee.

To mitigate flood damage, companies were advised to:

- Have someone set up a river stage information service to alert people to move critical files and materials if necessary.

- Construct levees and put sandbags around the facility.

- Move equipment, records, poisonous and toxic materials and company vehicles.

- Install water pumps and emergency power sources.

- Make plans to shut down utilities at the main lines if necessary.

- Assign supply coordinators responsible for preparing lists of equipment and supplies that may be needed in a flood.

Hurricane preparations should begin before the National Weather Service issues a hurricane watch, the report recommends. Companies

in disaster-prone areas should make sure that sewers, drains, battery-powered equipment and backup power sources are in working order.

Once a hurricane watch is issued, a company should:

- Secure outdoor equipment and remove drums of raw materials to safer, indoor locations.

- Evacuate trailer offices and cut their utility services.

- Shut down all operations except the powerhouse.

- Board up windows or protect them with tape.

- Arrange for a communications system, food, drinking water and dry clothing for employees designated to remain at or near the site after the hurricane.

The report also warns that "special cautions are in order after the hurricane has passed."

For example, many injuries and accidents—such as electrocution and fires caused by burning candles, chain saws or emergency generators—occur after storms pass.

Because tornadoes usually occur without much warning, a different hazard mitigation response is warranted, according to the report.

Specific areas in the facility—such as underground rooms and interior hallways on low floors—should permanently be designated as tornado shelters.

Employees who work outside and do not have time to get indoors should lie flat in the nearest ditch, ravine or culvert with their hands shielding their heads.

Being prepared for an earthquake "involves programs and actions which should be developed and implemented on a non-emergency basis," the report says.

A comprehensive earthquake preparedness plan should involve structural analysis of buildings, awareness campaigns, employee training, communications and warnings systems, emergency response and evacuation plans and emergency food and shelter for employees who are evacuated or who remain in the building.

Effects of an earthquake can be mitigated several ways, including:

- Bracing and anchoring a building's contents, including furniture, mechanical equipment, hazardous materials and other nonstructural items. Also, suspended ceilings should be properly secured. These efforts would prevent injuries and damage from falling objects.

- Improving building codes, regulations and inspections.

- Retrofitting existing buildings, when possible.

In the event of a fire, employers can instruct employees to respond in one of several ways, including:

- Immediately evacuating the premises following an alarm.

- Training every employee to use a fire extinguisher, so that employees in the immediate vicinity of a fire first attempt to control the fire before setting off an alarm.

- Assigning only certain employees to fight fires and evacuating the rest.

- Training a fire brigade to fight fires using fire extinguishers, protective clothing and breathing equipment.

"Consideration also should be given to post-fire operations," the report says. Assessing the damage, contacting insurance brokers, customers and key suppliers and determining whether or not to resume operations are easier when a disaster preparation plan has been established, the report continues.

The report also covers specific steps for disasters involving hazardous materials and terrorism.



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Current technology used new ways in loss control

By ADRIENNE C. LOCKE

While technological advances have long been the focus of improved loss control, some loss control consultants also are developing loss control tools using existing technology.

Along with developing new loss control products—like thermographic scanners to detect fires or high-powered sprinklers to put them out—loss control firms also are developing tools to uncover potential losses that apply existing knowledge in new ways.

For instance, The Hartford Steam Boiler Inspection & Insurance Co. uses acoustic equipment familiar to the nuclear and petrochemical industries to test storage tank integrity.

And long-term research at the Factory Mutual Engineering Corp. is designed to determine how to evaluate which particular explosion suppression techniques and equipment are best suited to various applications (see story, page 10).

When an explosion begins, the suppression systems should signal a control box that triggers the release of a fire suppressant.

All this must occur instantly to be effective and the challenge increases in areas where explosions can form more quickly, said Francesco Tamanini of Factory Mutual's applied research department.

So many factors can influence how quickly an explosion can be detected and extinguished—size of the area, equipment used, the flammable liquid or gas involved—that it is difficult to know whether one protection system will be effective in different settings, said Mr. Tamanini, who is manager of the explosion section for the Norwood, Mass., company.

"Very often, the perception one might have of the challenges of a particular system may be different than the manufacturer's," he said.

A manufacturer can offer guidance, but cannot foresee all possible applications of its product, he said. "As the situation becomes more complex, the data from the manufacturer is really not applicable because they have never tested that particular situation."

The goal of explosion suppression research is to measure more accurately whether the system a company has installed or wants to install is most appropriate for a given location, he said.

If a system were found to be unsuitable, Factory Mutual says it would work with a company to design an effective alternative.

Making such an evaluation now requires more detail and information "than people currently know how to handle," he says.

Factory Mutual, he said, evaluates several factors in an explosion suppression system:

- The explosion detection device and its response time.
- The explosion suppressant and what amount is needed.
- How far will an explosion develop before suppression, and how high will the pressure get. Rapidly rising pressure from the chemical reaction that starts an explosion is what causes most damage, he said. The explosion must be suppressed before the rise in pressure overcomes the contained space, be it a piece of machinery or a building, he said.

- Whether the rise in pressure before suppression will do any damage.

"It's the difference between having a suppression and the piece of

equipment standing, or a suppression where you have some damage," Mr. Tamanini said.

Factory Mutual says it takes a similar approach to dust explosions, which occur when settled dust particles become airborne, form a cloud and come into contact with an ignition source.

Preventive measures have long been taken in to reduce the chance of a dust explosion, but there never been a way to measure a specific location's potential for such an explosion, Mr. Tamanini said.

Although more common where dust collectors are used, such as in the grain industry or where an air filter is used to collect dust and

dirt, dust explosions can occur where large quantities of dust are allowed to settle before being removed, he said.

For example, a site at which a lot of wood cutting is done can be at risk, Mr. Tamanini said.

In addition, an explosion in one area of a building could kick up dust, so that instead of settled dust, the spreading fire hits a dangerous and very ignitable dust cloud, he said.

Laboratory equipment recently developed by Factory Mutual may offer some help. Preliminary work was completed last year on a system that seeks to measure how sus-

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Technology

Continued from previous page
ceptible different types of dust are to being suspended in the air by examining how quickly the dust settles and how much wind is needed to pick up the dust, said Mr. Tamanini. Technicians are now working on a portable version of this system, he said.

Factory Mutual also used the new equipment to confirm the prudence of a long standing loss control technique: spraying a light coating of oil on grain to reduce dust formation.

That technique very effectively controls dust, but some people were concerned that the oil was creating a hazard by making a potential dust cloud more ignitable.

Factory Mutual's tests found that oil not only helped prevent dust from forming, but actually weighted down the grain, making development of a dust cloud much less likely, he said.

Factory Mutual also is conducting research into non-thermal fire damage. Factory Mutual is trying to determine how to assess a location's potential for smoke damage, its maximum exposure to smoke damage and possible preventive measures, said Archibald Tewarson, manager of the flammability section in the applied research center.

At one time, planning loss control for fires involved only the heat damage and water damage from a sprinkler system, Mr. Tewarson

says. But smoke damage can be just as extensive and costly to repair and there is no standard way to determine a work site's risk for such damage, he said.

Several properties make smoke threatening, he says: It can conduct electrical current, making it a danger if it comes in contact with electrical circuits; and it can carry and spread corrosive materials like acetic acid and hydrogen chloride generated from burning fire retardants, Teflon and wood.

Computer field models now in the works will examine how different materials generate smoke, how that smoke is distributed, its concentration and the amount of corrosive material distributed, he said. That research recently yielded one result: a three-level grading system that rates electrical cables according to how fast they burn, said Mr. Tewarson.

He says he hopes to expand that standard to include cables that give off large amounts of smoke and corrosive material when burned and those that give off smaller amounts.

Non-thermal fire damage researchers also seek to improve smoke filtration and are examining the highly sensitive air filtration systems used at nuclear plants and by makers of computer chips.

Developing a system of comparable effectiveness is impractical—and nearly impossible—Mr. Tewarson says, but variations on the techniques would be very useful in fire protection.

"We don't want to re-invent the wheel—the technology is there. We only want to learn from them and build on that knowledge," he said.

Other companies also successfully apply existing loss control technologies to new uses.

Hartford Steam Boiler uses acoustic emissions technology—used for years in the petrochemical and nuclear industries—to inspect

he said.

It is especially useful for pulp and paper manufacturers, where even a small leak within certain areas of the recovery boilers would cause an explosion, Mr. Selig said.

Hartford Steam Boiler also has developed a scanner that listens for leaks and cracks in above-ground storage tanks, he said.

A tank is emptied, then stressed by filling it with water. Then the scanner, dubbed WallScan, is attached to listen for signs of erosion. "Tanks are made of plates welded together. Usually it's the welds that fail," Mr. Selig said.

If a crack or leak is found, the area is pinpointed for closer examination and repairs, he said.

To inspect tank floors, the company devised a product called—not surprisingly—FloorScan, he said.

Available commercially for the last two years, FloorScan measures floor thickness, looking for signs of pitting, corrosion or severe cracking on the underside of the tank bottom, he said.

Looking much like a lawn mower, the scanner is placed on the floor of an empty tank and pushed by an operator who scans the area of the tank, said Mr. Selig. When FloorScan finds something, it tells the operator what the approximate location is from the scanner so it can be marked for later inspection, he said.

Depending on the extent of damage, the area can be cut out and patched, or the entire floor replaced, Mr. Selig said. ■

'We don't want to re-invent the wheel—the technology is there,' says Mr. Tewarson.

in boiler and above-ground storage tanks, said Bernd J. Selig, second vp of the engineering department.

Hartford Steam Boiler of Hartford, Conn., and boiler manufacturer Babcock & Wilcox in Berton, Ohio, developed an acoustic leak locator that finds cracks and leaks in different types of boilers.

The locator, which has been available commercially for the last year, is attached to the operating boiler, where it can "listen" for leaks, he said.

"Leaks make noises in a certain frequency range, and the locator listens for that," Mr. Selig said.

The locator can tell how severe a leak is, letting owners know whether it needs immediate repair,

Halons

Continued from page 3
result of discharge testing, and another 30% was discharged through unwanted discharge or service and leakage," said Mr. McNamee.

So, probably the two most important steps to limiting the use of halon are to eliminate all system discharge testing and make sure that fire suppressant systems release halon only when absolutely necessary, he said.

And, while they might not be as effective as discharge testing for ensuring that a system is working properly, other methods have been developed to test both the integrity of an enclosure and the functioning capabilities of a halon system, said Mark Conroy, a NFPA fire protection engineer.

However, in some areas of the country, "fire officials still require system dumping. We get calls all the time from people asking us to explain to these officials what other alternatives are available to them," Mr. Conroy said. Thus, it is important to educate "the misinformed or uninformed" as to the other testing options available, he added.

Besides trying to limit the amount of halons released into the atmosphere, researchers also are trying to discover other fire suppressants that are as effective but do not damage the environment.

Halons are "still the most safe and effective" fire suppressants on the market, except for their environmental impact, noted Donald Dunn, mar-

Continued on next page

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Continued from previous page
ket manager-halons for E.I. du Pont de Nemours & Co. in Wilmington, Del., the world's largest producer of CFCs.

But, Mr. Dunn noted that while halon's usage volume, compared with that of other CFCs, "is relatively small, it still has a significant impact on the ozone layer" because halons have three to 10 times more ozone-depleting potential, with Halon 1301—the most widely used halon—at the top of the list.

In response to environmental concerns, Du Pont announced in March 1988 it would phase out its CFC production as soon as possible, but by no later than 2000, Mr. Dunn said.

"Consistent with our position on CFCs, we decided to look for alternatives to halons," Mr. Dunn said.

But, according to Mr. Dunn, certain criteria must be met for a compound to be considered a suitable substitute for halons, including:

- Minimum or zero ozone-depleting potential.
- Safe for use around humans.
- Clean and effective in its fire-fighting performance.
- Cost-effective and compatible with existing fire suppressant systems, minimizing the amount of total overhaul necessary.
- Available quickly and in sufficient quantities to satisfy customer needs and sustain interest in those types of fire suppressants.

A Du Pont spokeswoman said the company is now forming or operating 10 facilities dedicated to the development of alternatives to CFCs.

Du Pont will have invested more than \$240 million on research, development and capital for the program by the end of 1990, she said.

"The alternative concepts we are now pursuing are HFCs and HCFCs," Mr. Dunn said, referring to hydrofluorocarbons and hydrochlorofluorocarbons. He said while HFCs do not deplete the ozone layer—and thus the more desirable of the two—they also require more research.

But while HCFCs, like CFCs, contain ozone-damaging chlorine, they also contain hydrogen, which makes the compound more unstable and shortens its life cycle. Few, if any, HCFCs would survive long enough to reach and damage the ozone layer, Mr. Dunn explained. "HCFCs are already being used as interim products to CFCs in some areas, such as refrigeration," he added.

However, Mr. Dunn explained that even after Du Pont identifies a suitable alternative compound to replace halon, it will have to undergo four to five years of testing before it can be released to the marketplace.

No engineers, consultants and property insurers contacted now recommend to their clients that they install a new halon fire suppressant system because of the threat to the ozone layer.

However, they still consider halons without equal in protecting certain types of property where other fire suppressants might severely damage or destroy the contents.

IRI's Mr. Couvillon said that, for example, halon fire protection systems are extremely useful in satel-

lite manufacturing, specialized robotics, highly sensitive government computer installations and other "very high-tech equipment where you can't afford to have the thermal shock cooling effect of a carbon dioxide system, water damage (from sprinklers) or the mess of dry suppressants," such as sodium or potassium bicarbonates.

And, until manufacturers come up with and market a new alternative, these are the only three alternatives to halon systems, experts said.

James T. Lang, senior risk control consultant for Gallagher Bassett Services Inc. in Rolling Meadows, Ill., also noted that halon systems offer unparalleled protection for high-value, irreplaceable museum items, such as artwork; or for graphic, photography, or video materials.

Carbon dioxide would crack these items, sprinkler systems would ruin them and sodium or potassium bicarbonates would corrode them, he said.

In addition to its thermal shock properties, carbon dioxide also is fatal to humans in the concentration needed to fight a fire. Thus, most people are reluctant to install these systems if people could be present when they are triggered.

Since water is electrically conductive, sprinkler systems can also pose the risk of electrocution or of shorting out electrical equipment.

However, a preactive sprinkler system—the most expensive sprinkler system to install and maintain—is designed to cut off a power supply before the sprinkler heads are activated, eliminating some of this expo-

sure, said Micheline Marcantonatos, senior property consultant for AIG Consultants Inc. in New York, a unit of American International Group.

And, while "we don't have that many options or alternatives to halon" for some fire exposures, "halon is going to be phased out and it will be harder and harder to get," Ms. Marcantonatos stressed.

Furthermore, halon fire suppressant systems are also limited in their application, experts noted.

For example, "halon is only really good" when used before a fire is fully ignited, she said. "When used in a situation where there is already a hot fire burning, it turns quickly from a harmless gas to a poisonous gas."

"One area where halon does not work well at all is with electrical switching equipment or in any situation where you would have extremely hot metal surfaces. It breaks down when exposed to extreme heat, forming phosgene gas, which is highly toxic," A&A's Mr. McNamee agreed.

Then, not only does it not put out the fire, it also "creates an extremely hazardous situation for anyone trying to fight the fire," Mr. McNamee explained.

Furthermore, "in order to be effective, halon needs a soaking period of 10 minutes in a concentration of from 5% to 7%," which means that it must be contained in a sealed area with minimal or no leakage for at least that length of time, Ms. Marcantonatos added.

To limit the use of halon systems, "we are going to each of our cus-

tomers to see what their potential loss exposure is without halon systems—their unprotected loss expectancy and expected frequency," said Allendale's Mr. Burke.

He said that very often Allendale will find that, totally unprotected, the loss expectancy is acceptable to the insurer.

"If, just on a business basis, it is acceptable to us and the customer, we may simply go without protection and try to minimize the potential for losses," Mr. Burke said.

And, if the size of the loss is such that a client would no longer be considered a highly protected risk without some form of fire protection system, Allendale will look for alternatives such as sprinkler systems or carbon dioxide systems, he said.

And, when clients decide to use a halon system, Allendale encourages them to install more than one detection system to guard against accidental discharge and abort mechanisms to halt the release of halon if an employee brings the fire under control quickly or the system is triggered accidentally, Mr. Burke said.

"We are also working with customers to subdivide their exposures into smaller and smaller compartments, or to get the halon system down to where it is contained within the equipment itself as opposed to the room," Mr. Burke pointed out.

And, all of the Factory Mutual System insurers, including Allendale, are working together to "develop less-combustible materials for equipment. We see this as a long-term solution to the problem," he stressed. ■

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Directory of consultants specializing in loss control

A

AIG Consultants Inc.

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

Year founded: 1970, incorporated 1979.

Parent company: American Inter-

national Group Inc.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews; occasional loss prevention publications, client training; property surveys. Other services include casualty loss control, environmental risk assessments, medical professional liability risk management, in-

dustrial hygiene evaluations, loss control for heavy construction industry.

Staff: 200 total; 50 professionals, including four ARMs, four ALCMs, 30 ASSEs, 28 CSPs, six PEs, 30 SFPEs, one CIH, two attorneys.

Clients: 10% with gross revenues \$200 million-\$500 million, 90% exceeding \$3.5 billion.

Region served: Nationwide.

Continued on page 26

Explanation of directory

The fourth annual directory of property loss control consultants and engineers lists companies that provide loss control services such as on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research and client training. Many companies list additional specialty services they offer to clients.

Companies included in the directory must provide these services on an unbundled basis directly to employers; companies that provide loss control services only in conjunction with other services, such as brokering insurance, are not listed.

Following the names, address, telephone and facsimile machine numbers of the company, the **year founded** and **parent company** (if any) are given.

Next, details on loss control **services provided** are noted. Information on total **staff** members as well as the number of professionals assigned to property loss control consulting and engineering are provided. Professional designations and memberships held by staff members at year-end 1989 follow.

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, **1989 gross revenues** are provided; names and titles of **principal officers** follow. For readers wanting more information on the company's services, the name of a **contact** person is provided. If the location and telephone number of the contact are different from those of the main office, they are also noted.

Business Insurance publishes the directory as an editorial service; there is no charge for companies to be included. Listings are based on each company's response to a *Business Insurance* questionnaire. There are no public documents available to allow *BI* to verify the information provided.

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

AAIH is member, American Academy of Industrial Hygiene; **AICE** is member, American Institute of Chemical Engineers; **AIHA** is member, American Industrial Hygiene Assn.; **ALCM** is Associate in Loss Control Management; **ANSI** is member, American National Standards Institute; **ARM** is Associate in Risk Management; **APA** is Associate in Premium Auditing; **ASCE** is member, American Society of Civil Engineers; **ASE** is Automotive Safety Engineer; **ASME** is American Society of Mechanical Engineers; **ASP** is Associate Safety Professional; **ASQC** is member, American Society of Quality Control; **ASPE** is member, American Society of Plumbing Engineers; **ASSE** is member, American Society of Safety

Continued on page 26

AVIATION SAFETY SERIES NO. 4

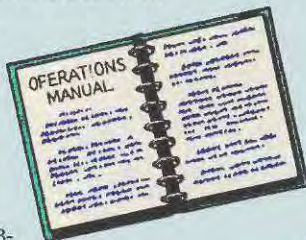


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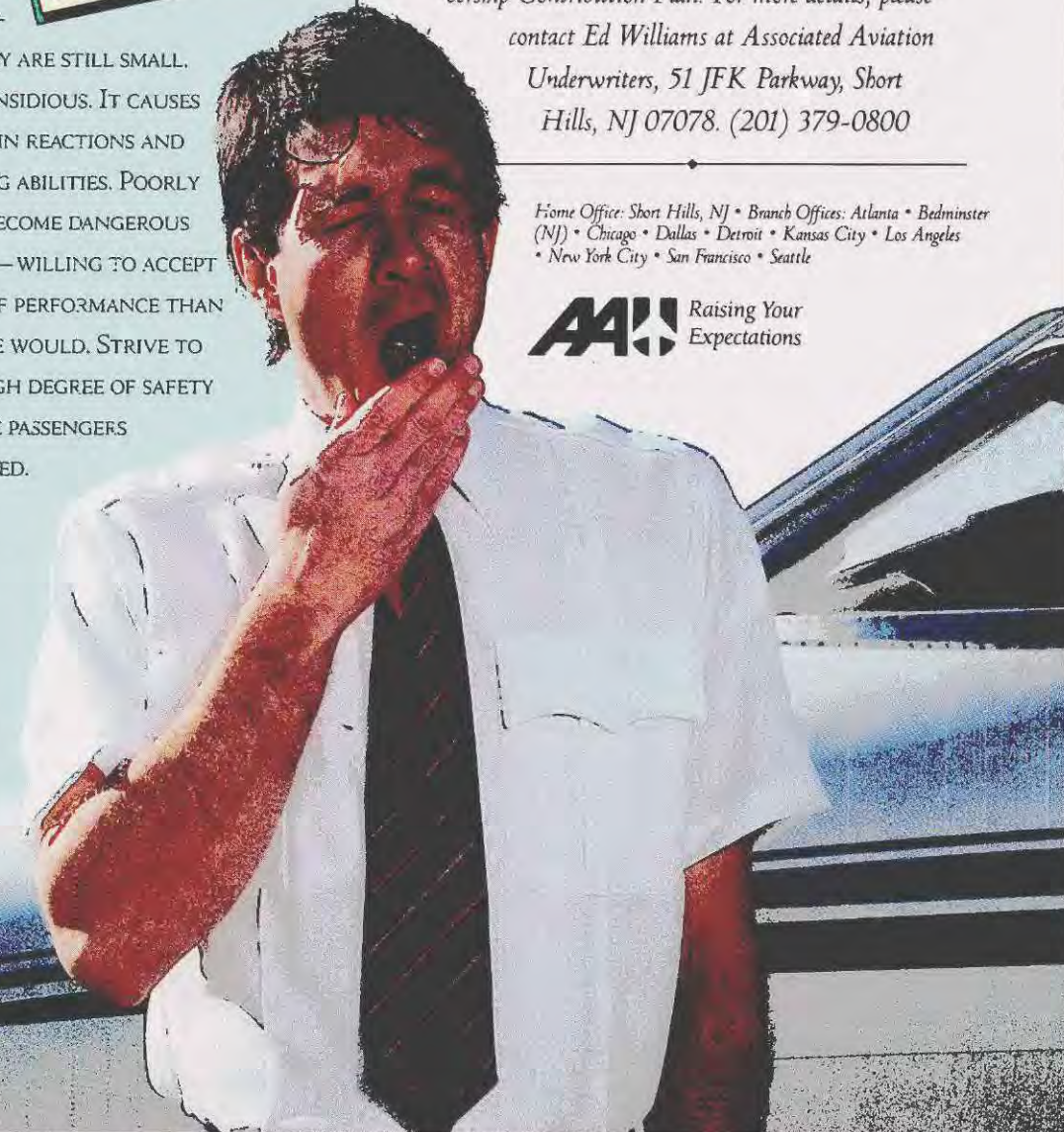


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Spotlight report

Continued from page 24

Branch offices: Atlanta; Charlotte, N.C.; Tampa, Fla.; Syracuse and Jericho, N.Y.; Chicago; St. Louis; Cleveland; Detroit; Dallas; Houston; Los Angeles, San Francisco and San Jose, Calif.; Denver; Cedar Knolls, N.J.; Philadelphia; Pittsburgh; Washington, D.C.; Seattle; Honolulu; Toronto; Montreal; Vancouver, British Columbia.

1989 gross revenues: Approximately \$20 million total; 10% from unbundled property loss control consulting and engineering, 90% from other services.

Principal officers: Arnold Goldberg, president; Jack Leonard and Robert Blaunstein, vps; Jan Andrew Young, assistant vp.

Contact: Jan Andrew Young.

Paul Alamar, P.E., C.S.P.

P.O. Box 134, Scranton, Pa.
18501; 717-347-8665

Year founded: 1972.

Services provided: Frequent hazard identification; occasional general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, building plan reviews, client training; post-accident analysis.

Staff: One who is a professional and holds ASSE, CSP and PE designations.

Clients: 20 total.

Region served: Eastern Pennsylvania.

Principal officers: Paul Alamar, president.

Alexander & Alexander Services Inc.

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

Year founded: 1899.

Services provided: Frequent general on-site plant loss prevention surveys, fire prevention surveys, hazard identification, building plan reviews, loss prevention research, client training; occasional plant security surveys, loss prevention publications; analysis of sprinkler

Directory guide

Continued from page 24

Engineers; **CAI** is Certified Asbestos Inspectors; **CEM** is Certified Energy Manager; **CET** is Certified Environmental Trainer; **CFEI** is Certified Fire and Explosion Investigator; **CFI** is Certified Fire Investigator; **CFII** is Certified Fire Investigator Instructor; **CHCM** is Certified Hazard Control Manager; **CHMM** is Certified Hazardous Materials Manager; **CIH** is Certified Industrial Hygienist; **CHSP** is Certified Healthcare Safety Professional; **CIHT** is Certified Industrial Hygiene Technologist; **COST** is Certified Occupational Health and Safety Technician; **CPCU** is Chartered Property/Casualty Underwriters; **CPSM** is Certified Product Safety Managers; **CSE** is Certified Safety Executive; **CSM** is Certified Safety Manager; **CSP** is Certified Safety Professional; **CSS** is Certified Safety Specialist; **CSSP** is Certified Safety and Security Professional; **CST** is Certified Safety Technician; **FCII** is Fellow, Chartered Insurance Institute; **IA** is Insurance Administrator; **IEA** is member, Institute of Engineers (Australia); **IEEE** is Institute of Electrical and Electronic Engineers; **IES** is member, Institute of Environmental Sciences; **MBA** is Master of Business Administration; **MD** is Medical Doctor; **NAAI** is member, National Assn. of Arson Investigators; **NAFE** is member, National Academy of Forensic Engineers; **NBBPA** is member, National Board of Boiler and Pressure Vessels; **NFPA** is member, National Fire Protection Assn.; **NICET** is member, National Institute for Certification of Engineering Technologies; **NSC** is member, National Safety Council; **NSMS** is member, National Safety Management Society; **NSPE** is National Society of Professional Engineers; **PE** is Professional Engineer; **PhD** is Doctor of Philosophy; **PI** is Private Investigator; **REA** is Registered Environmental Assessor; **RME** is Registered Mechanical Engineer; **RN** is Registered Nurse; **RPSE** is Registered Professional Safety Engineer; **RSO** is Radiation Safety Officer; **SFPE** is member, Society of Fire Protection Engineers; **SME** is member, Society of Manufacturing Engineers; **SSS** is member, System Safety Society; **VOS** is Veterans of Safety; **WSO** is World Safety Organization.

and other fire protection systems, water supply testing and analysis, estimation of loss potential, business interruption studies.

Staff: 173 total assigned to property loss control consulting; 127 professionals, including 19 ARMs, two ALCMs, 56 ASCEs, 30 ASSEs, 30 CSPs, 27 PEs, 40 SFPEs, five CHCMs, three CPSMs, 55 NFPA, 11 NSMS.

Branch offices: Located in the U.S., Canada and other countries.

Principal officers: Tinsley H. Irvin, chairman/chief executive officer; Michael K. White, executive vp.

Alexsis Risk Management Services

41000 W. Seven Mile Road,
Northville, Mich. 48167;
313-348-2202

Year founded: 1932.

Parent company: Alexander & Alexander Services Inc.

Services provided: Frequent general on-site plant loss prevention surveys, fire prevention surveys, haz-

ard identification, client training; occasional building plan reviews, loss prevention research. Other services include claims administration, excess insurance placement, bundled loss control services.

Staff: 1,250 total; 12 professionals assigned to property loss control consulting/engineering, including 12 ASSEs, four CSPs, three NFPA, one CFPS.

Clients: 14 total; 79% with gross revenues less than \$200 million, 7% with \$200 million-\$500 million, 7% with \$500 million-\$1 billion, 7% with \$1 billion-\$3.5 billion.

Branch offices: Livonia, Grand Rapids and Saginaw, Mich.; Louisville, Ky.; Lakeland, Fla.; Baton Rouge, La.; Philadelphia; St. Louis; Chicago.

1989 gross revenues: \$65 million total; 1% from unbundled property loss control consulting and engineering; 99% from other services.

Principal officers: John A. Malasky, national director; M. Ollie Parker, senior vp; R.F. Proffer, president-CSI division; Joseph A. Giampetro, executive vp-Eastern division;

Timothy Ermatinger, executive vp-Western division.

American Risk Management Corp.

Suite 500, 4807 Rockside Road,
Cleveland, Ohio 44131;
216-447-1600; 216-642-4381

Year founded: 1988.

Parent company: Swiss Reinsurance Co./International Risk Management Group Ltd.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews; occasional plant security inspections, loss prevention publications, loss prevention research, client training; boiler and machinery risk evaluations, predictive maintenance consulting, tank and pressure vessel evaluations, infrared thermographic services, room integrity testing. Other services include captive management services and risk management consulting.

Staff: 350 total; 70 professionals, including 30 ARMs, one ALCM, one CSP, four PEs, 35 SFPEs, 30 CPCUs.

Clients: 200 total; 10% with gross revenues less than \$200 million, 15% with \$200 million-\$500 million, 25% with \$500 million-\$1 billion, 40% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Region served: National and international.

Branch offices: Bridgewater, N.J.; Louisville, Ky.; Itasca, Ill.; Minneapolis; San Francisco; Atlanta; Seattle; Detroit; Dallas; Houston; Nashville, Tenn.; Kansas City, Mo.; West Brookfield, Mass.; Toronto; London; Mering, West Germany.

1989 gross revenues: 10% from unbundled property loss control consulting and engineering, 90% from other services.

Principal officers: Arthur R. Deters and Tom G. Grilli, chief executive officers; Bryan D. Murphy, group executive vp; C.D. Wharton, vp-engineering.

Contact: Jim Armstrong, Len Sli-zewski or Pete Johnson.

Continued on next page

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Industrial Risk Insurers, 85 Woodland Street, Hartford, Connecticut 06102

Continued from previous page

Anti Fire, P.E. Phillips & Associates

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

Year founded: 1974.**Services provided:** General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training. Other services include fire detection, fire suppression, fire code compliance, fire loss investigations.**Staff:** One staff member who holds ASSE, CSP, PE, SFPE, NAFI, 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

Year founded: 1985.**Services provided:** Frequent general on-site plant loss prevention in-

spections, fire prevention inspections, plant security inspections, hazard identification, loss prevention publications, client training; occasional building plan reviews, loss prevention research. Other services include risk management consulting.

Staff: 15 total; two professionals assigned to property loss control consulting/engineering, including two ARMs, three CSPs, one PE.**Clients:** 10 total; 50% with gross revenues less than \$200 million, 50% with \$200 million-\$500 million.**Region served:** Nationwide.**Branch offices:** Atlanta, Los Angeles.**Principal officers:** Harry P. Mirjanian, president.**ASK Safety Consultants Inc.**

8195 E. Isabella County Line Road, Coleman, Mich. 48618; 517-465-6724; call for connection to fax machine

Year founded: 1976.**Services provided:** Frequent loss prevention research; occasional general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; legal consulting, research services, expert witness testimony. Other services include training and development services.**Staff:** Three total; one professional who holds a SFPE designation.**Clients:** 22 total; 80% with gross revenues less than \$200 million, 12% with \$200 million-\$500 million, 8% with \$500 million-\$1 billion.**Specialties:** Construction, oil and gas drilling and servicing, timber and lumber harvesting, sand and gravel surface mining, cement manufacturing, heavy industry iron and steel manufacturing.**Region served:** Nationwide.**1989 gross revenues:** \$32,800 total; 12% from unbundled property loss control consulting and engineering, 88% from other services.**Principal officers:** Alpheus R. Klashak, president/chief executive officer.**B****W.A. Bateman, P.E., C.S.P.**

P.O. Box 10196, Midland, Texas 79702; 915-697-1243

Year founded: 1979.**Services provided:** Occasional general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training. Other services include forensic engineering.**Staff:** One staff member who is a professional and holds ARM, ASSE, CSP, PE and NAFE designations.**Specialties:** Petroleum industry.**Region served:** Nationwide.**Principal officers:** W.A. Bateman.**Biehl Engineering Inc.**

NGGW 12G5A Ravine Dr., Menomonee Falls, Wis. 53051; 414-251-8251

Year founded: 1960.**Services provided:** Frequent haz-

ard identification, building plan reviews; occasional general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, loss prevention publications; insurance casualty investigation, forensic engineering testimony. Other services include building design, general safety consulting, special engineering studies.

Staff: Five total; two professionals, including one ASCE, one ASSE, one CSP, two PEs, one NFPA, one ASPE, one ASE.**Specialties:** Insurance, industrial, commercial, international companies.**Region served:** Primarily Wisconsin and Midwest.**1989 gross revenues:** Approximately \$200,000 total.**Principal officers:** Francis W. Biehl and Steven F. Biehl.**Bigler Ketchum Inc.**

1030 Fifth Ave., Pittsburgh, Pa. 15219; 412-391-5525; fax: 412-391-2424

Year founded: 1976.**Services provided:** Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; occasional plant security inspections, building plan reviews, loss prevention publications, loss prevention research. Other services include insurance brokerage, risk management consulting, casualty loss control, employee benefit consulting.**Staff:** 35 total; two professionals, including one ARM, two ASSEs, one CSP, one SFPE, two CPCUs, one CPA, one CIC.**Clients:** 12 total; 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 40% with \$1 billion-\$3.5 billion.**Region served:** Pennsylvania, Maryland, Virginia, West Virginia, New York, Ohio, Michigan, New Hampshire, Delaware.**Principal officers:** Harold S. Bigler, president; Chandler G. Ketchum, chairman; David J. Hickey and Carlton Ketchum, vps.**Contact:** Thomas F. Pegg, manager-engineering services.**Biotechnics Inc.**

7607 Eastmark Drive, Suite 260, College Station, Texas 77840; 409-696-3871; fax: 409-696-2143

Year founded: 1981.**Services provided:** General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, analysis of hazardous chemical environments and property loss, quantitative risk assessment and management.**Staff:** Five total; four professionals, including two ASSEs, two CSPs, two PEs, one SFPE, two SMEs, two AAHs, one ASME.**Clients:** Nine total; 22% with gross revenues less than \$200 million, 78% exceeding \$3.5 billion.**Specialties:** Petroleum, chemical, metal and wood products.**Region served:** Nationwide.**1989 gross revenues:** \$200,000 total, 100% from unbundled property loss control consulting and engineering.**Principal officers:** Ralph J. Vernon, chief executive officer/president; Lee Blank, vp-engineering; B.J. Vernon, secretary/treasurer.**Contact:** Ralph J. Vernon.**Bonatus & Associates Inc.**

6292 Lambda Drive, San Diego, Calif. 92120-4606; 619-582-9429

Year founded: 1979.**Services provided:** Frequent loss prevention research, client training; occasional general on-site plant loss prevention inspections, fire prevention inspections. Other services include hazardous waste programs, hazardous waste programs.**Staff:** One staff member who holds ASSE, CSP, PE, SFPE, CEM and CHCM designations.**Clients:** 95% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million.**Specialties:** Food service and construction industries.**Region served:** Nationwide.**1989 gross revenues:** \$75,000 total; 10% from unbundled property

Continued on next page



Overview

A Total Management Program
for Loss Prevention and Control.

**A Manual for the Protection of
Property, Production and Profits**

Industrial
Risk
Insurers

3rd Edition

Spotlight report

Continued from previous page
loss control consulting and engineering; 90% from other services.

Principal officers: Kenneth R. Bonatus, president.

Joseph F. Boxmeyer-Safety Consultant
P.O. Box 143, Laurelton, Pa.
17835-0143; 717-922-4216

Year founded: 1982.
Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, client training, static electricity consulting; occasional hazard identification.
Staff: Professional designations held by staff include one ASSE, one CSP, one NFPA.
Clients: 14 total; 29% with gross revenues less than \$200 million, 7% with \$200 million-\$500 million, 21% with \$500 million-\$1 billion, 7% with \$1 billion-\$3.5 billion, 36% exceeding \$3.5 billion.
Specialties: Chemical, pharmaceutical, printing, textile, tape man-

ufacturing.
1989 gross revenues: 100% from unbundled property loss control consulting services.
Principal officers: Joseph F. Boxmeyer, safety consultant.

Bragg & Morse
P.O. Box 41528, 4811 Chippendale Drive, Suite 707, Sacramento, Calif. 95841; 916-348-6650; 800-422-7244; fax: 916-344-2932

Year founded: 1986.
Parent companies: Gregory B. Bragg & Associates and DMA Claims Management Inc.
Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, loss prevention research, client training; occasional building plan reviews, loss prevention publications. Other services include claims administration, adjusting and investigations of workers compensation, general liability and fleet claims.
Staff: 124 total; professional designations held by staff include two ARMs, one ALCM, one ASSE, one CSP.

Clients: 73 total, 100% with gross revenues less than \$200 million.
Region served: California, Nevada, Oregon.
Branch offices: Sacramento, Chico, Fairfield, Stockton, Redding, Glendale, Orange, San Diego, San Bernardino and Santa Barbara, Calif.
1989 gross revenues: \$6 million total; 2% from unbundled property loss control consulting and engineering; 98% from other services.
Principal officers: Gregory B. Bragg and David Morse, managing partners; Lee Collins and Tom Reitze, regional managers; Jamie Christensen, client relations manager.
Contact: Risk Control Department, 916-344-8035.

Frank J. Breitsameter (P.E.) & Associates
1005 E. Cardinal Lane, Mount Prospect, Ill. 60056; 708-259-8304
Year founded: 1982.

Services provided: Frequent hazard identification; occasional general on-site plant loss prevention inspections, fire prevention inspections, building plan reviews, client training. Other services include accident investigation.
Staff: One staff member who holds CSP, SFPE, ASME and NSPE designations.
Clients: 50% with gross revenues \$1 billion-\$3.5 billion, 50% exceeding \$3.5 billion.
Specialties: Construction, railroad and general industry.
1989 gross revenues: Approximately \$35,000 total, 100% from unbundled property loss control consulting and engineering.
Principal officers: Frank J. Breitsameter.

Morley Brickman & Associates Ltd.
5240 Galitz, Skokie, Ill. 60077; 708-674-2664
Year founded: 1986.
Services provided: General on-site plant loss prevention inspections, hazard identification, client training. Other services include forensic engineering.
Staff: One staff member 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
Year founded: 1957.
Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training; safety performance audits. Other services include safety training courses.
Staff: 120 total; 12 professionals, including two ASSEs, eight diplomas in safety management.
Region served: 27 countries.
1989 gross revenues: \$9 million total; 30% from unbundled property loss control consulting and 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
Year founded: 1976.
Services provided: Frequent 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; review and design of sprinkler systems. Other services include appraisals, litigation support.
Staff: Three total; two professionals, including one ASSE, one PE, one SFPE.
Clients: 10% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million, 30% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.
Specialties: Consumer electronics, roll paper, plastic storage and processing.
Region served: Nationwide.
1989 gross revenues: 100% from unbundled property loss control consulting and engineering.
Principal officers: Kenneth Buhler, president; Randy Buhler, vp; Sandy Relkin, treasurer.
Contact: Ken Buhler.

CPI Consultants Inc.
P.O. Box 90226, Columbia, S.C. 29290-1226; 803-776-6015
Year founded: 1983.
Services provided: Occasional general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training; loss investigations, flood studies, business interruption studies.
Staff: One staff member who holds SFPE, AICE and NFPA designations.
Specialties: Chemical and food processing industries.
Region served: International and nationwide.
1989 gross revenues: 100% from unbundled property loss control consulting and engineering.
Principal officers: Donald W. Baxter Jr., managing director.

Paul Chamberlain International
9701 Wilshire Blvd., Suite 1201, Beverly Hills, Calif. 90212; 213-276-2601; fax: 213-276-4504
Year founded: 1981.
Services provided: Frequent general on-site plant loss prevention inspections, plant security inspections; occasional fire prevention inspections, hazard identification, building plan reviews, loss prevention publications.

Continued on page 30

HOW MANY UNDERWRITERS DO YOU NEED

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Spotlight report

Continued from page 28

cations, loss prevention research, client training; trade secret protection, electronic countermeasures, security guard/escort service. Other services include executive protection programs, crisis management programs, drug free workplace programs, insurance fraud investigations, kidnapping and extortion response consulting, due diligence for venture capital companies, risk analysis for travel.

Staff: 23 total; 4 professionals.

Clients: 75% with gross revenues less than \$200 million, 23% with \$200 million-\$500 million, 2% with \$500 million-\$1 billion.

Specialties: High-technology industries, museums.

Region served: Nationwide.

Branch offices: McLean, Va.; White Plains, N.Y.; London.

1989 gross revenues: \$4 million total; 10% from unbundled property loss control consulting and engineering; 90% from other services.

Principal officers: Paul Chamberlain, president; Herbert Clough, vp-international operations; Daniel Sullivan, vp-operations; Stephen Rybar, vp-financial investigations; John Morrison, manager-investigations.

Contact: Herbert Clough.

Clayton Environmental Consultants Inc.

41650 Gardenbrook Road, Suite 155, Novi, Mich. 48050; 313-344-8550; fax: 313-344-0229

Year founded: 1954.

Parent company: Marsh & McLennan Cos. Inc.

Services provided: Hazard identification, client training, asbestos management, worker exposure monitoring, indoor air quality studies, underground tank management, hazardous materials management, air pollution monitoring and control.

Staff: 421 total; 241 professionals, including three CSPs, 12 PEs, 18 CIHs.

Clients: 210 total; 20% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Specialties: Property developers, lending institutions, real estate brokers, building owners, asset management firms.

Region served: Nationwide.

Branch offices: Pleasanton and Cypress, Calif.; Kennesaw, Ga.; Wayne, Pa.; Edison, N.J.; Windsor and Willowdale, Ontario.

1989 gross revenues: \$32 million total; 60% from unbundled property loss control consulting and engineering; 40% from other services.

Principal officers: Robert G. Uhler, president; Jaswant Singh, senior vp; Bob Lieckfield, Lisa Simkins and Kirit Vora, vps.

Contact: Doug Robbins, Assistant Vp; P.O. Box 9019, Pleasanton, Calif. 94566; 415-426-2600.

Cohen & Associates

4790 Mount Helix Drive, LaMesa, Calif. 92041; 619-464-4427

Year founded: 1988.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, loss prevention research; occasional building plan reviews, loss prevention publications, client training. Other services include safety engineering, ergonomics.

Staff: Five total; three professionals, including two ASSEs, two CSPs.

Region served: Nationwide.

1989 gross revenues: \$350,000 total.

Principal officers: H. Harvey Cohen, principal.

Contact: MaryLou Roskamp, office manager.

Cohen-Seltzer Inc.

520 Pennsylvania Ave., Fort Washington, Pa. 19034; 215-542-0600; fax: 215-542-1282

Year founded: 1926.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification; occasional plant security inspections, building plan reviews, loss prevention research, client training. Other services include risk management, brokering insurance, casualty loss control, property valuations.

Staff: 40 total; one professional

assigned to property loss control consulting/engineering. Professional designations held by staff include two ARMs, one SFPE, one CST.

Region served: Nationwide.

Principal officers: Robert S. Seltzer, president/chief executive officer Arthur C. Hanebury, John J. Bogansky, B. Daniel Seltzer, Walter G. Butterworth and James C. Anthony, vps.

Contact: Timothy R. Weir, Loss Control Manager, 215-542-0600, extension 205.

Construction Technology Laboratories Inc.

5420 Old Orchard Road, Skokie, Ill. 60077-1030; 708-965-7500; fax: 708-965-6541

Parent company: Portland Ce-

ment Assn.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, building plan reviews; occasional fire prevention inspections, loss prevention publications, loss prevention research, client training. Other services include non-destructive testing, field investigations, failure analysis and restoration, expert witness testimony.

Staff: 123 total; 60 professionals, including nine ASCEs, 33 PEs, two MEs.

Clients: 317 total; 60% with gross revenues less than \$200 million, 32% with \$200 million-\$500 million, 3% with \$500 million-\$1 billion, 3% with \$1 billion-\$3.5 billion, 2% exceeding \$3.5 billion.

\$1 billion-\$3.5 billion, 2% exceeding \$3.5 billion.

Region served: Nationwide.

Branch offices: Santa Rosa Beach, Fla.; Federal Way, Wash.; Irving, Texas.

1989 gross revenues: \$11.5 million total; 28% from unbundled property loss control consulting and engineering; 72% from other services.

Principal officers: Henry G. Russell, president; W. Gene Corley, vp; Marion Szczech, vp-finance; Hans Kosel, director-structural engineering; Ronald G. Burg, director-materials/technical services.

Contact: Diane M. Kubaitis, Director-business development, 708-965-7500, extension 217.

Consultant Services Institute Inc.

651 W. Mount Pleasant Ave., Livingston, N.J. 07039; 201-992-3811; fax: 201-992-2727

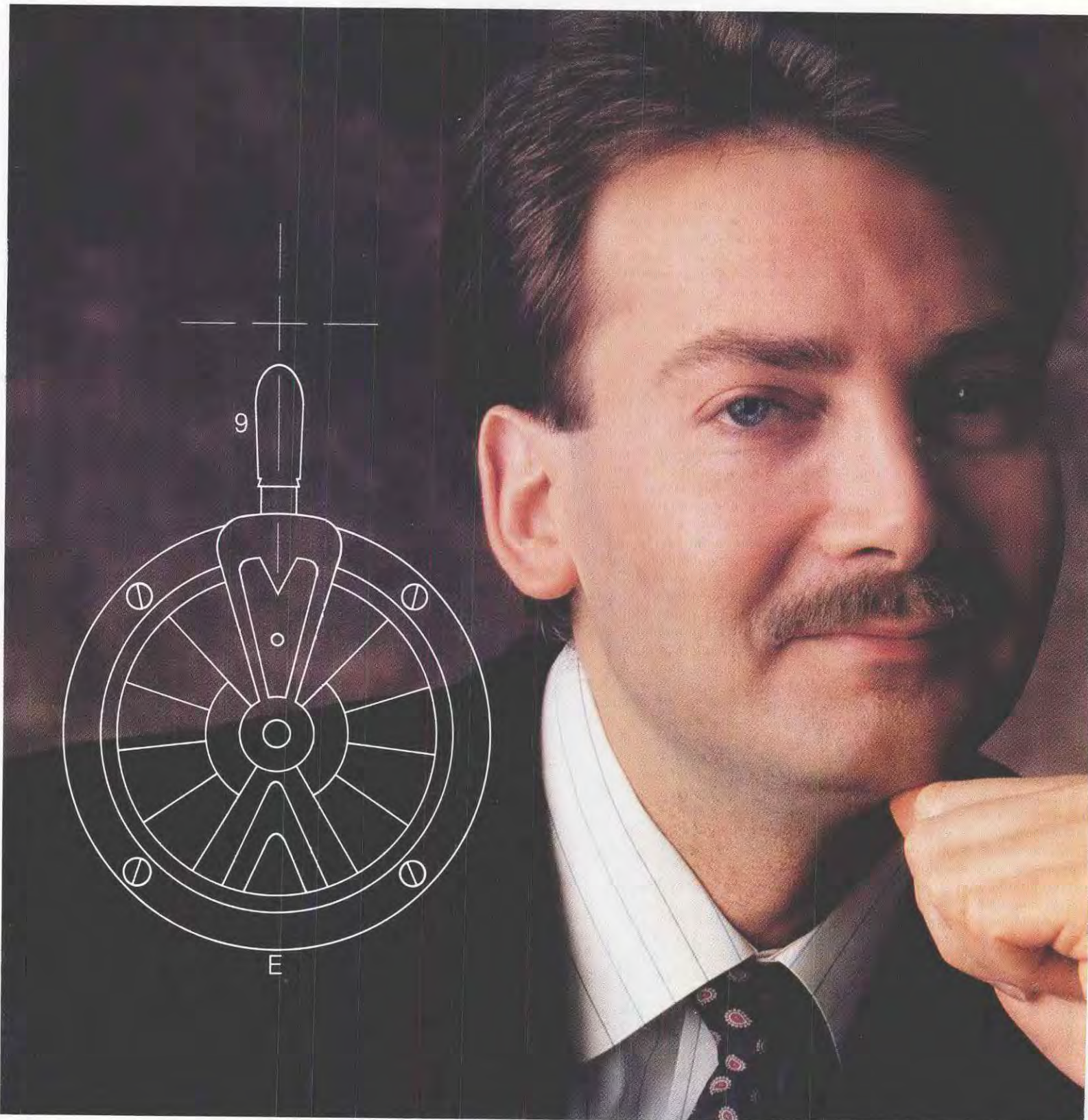
Year founded: 1969.

Services provided: Frequent hazard identification; occasional general on-site plant loss prevention inspections, fire prevention inspections, client training; accident reconstruction. Other services include litigation and arbitration.

Staff: 73 total; including five ASCEs, three ASSEs, three CSPs, five PEs, one SFPE, 15 ASQCs, company membership in ANSI, five SSSs, 25 ASMEs, 20 IEEEEs.

Continued on next page

THE H O M



OLD PROSON

Continued from previous page

Region served: Nationwide.
Branch offices: Palm Beach, Fla.; St. Louis.

1989 gross revenues: 100% from unbundled property loss control consulting and engineering.

Principal officers: Richard M. Jacobs, president.

Consulting Services

12 Jerrys Drive, Burlington, N.J.
08016; 609-386-3788

Year founded: 1980.

Services provided: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, environmental audits, hazardous ma-

terials and oil spill clean-ups, regulatory training. Other services include management consulting, expert witness testimony.

Staff: Two total; one professional, including one CHMM, one REA, one COHST.

Clients: 10 total, all with gross revenues less than \$200 million.

Specialties: Chemical and petrochemical industries, cleanup contractors.

Region served: Nationwide.

1989 gross revenues: \$150,000 total; 20% from unbundled property loss control consulting and engineering; 80% from other services.

Principal officers: Thomas F. Dalton, president; Thomas F. Dalton II, vp; Sarah M. Dalton, treasurer.

Coopers & Lybrand-Risk Management Consulting Group

1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-2000

Year founded: 1898.

Parent company: Coopers & Lybrand.

Services provided: Frequent hazard identification; occasional fire prevention inspections, plant security inspections, building plan reviews, loss prevention publications, client training. Other services include analysis of insurer recommendations.

Staff: 25 total; one professional assigned to loss control consulting/engineering; designations held by

staff members include six ARMs, one ASSE, one SFPE.

Branch offices: Atlanta; Boston, Chicago; Newport Beach, Calif.; Philadelphia; San Francisco; Seattle; Hamilton, Bermuda; Toronto.

Principal officers: James A. Hall III, regional partner in charge; Frederick O. Kist and Richard E. Sherman, partners in charge; Oakley Van Slyke, partner.

Crawford & Co.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-256-0830; fax: 404-847-4028

Year founded: 1941.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspec-

tions, hazard identification, building plan reviews, loss prevention research, client training, single site business interruption analyses, fire loss potential estimates, fire growth profiles, fire spread profiles, risk control management studies, analyses of severe natural phenomena, loss control audits; occasional loss prevention publications. Other services include claims administration, health care management, risk management information systems.

Staff: 44 total; 36 professionals, including two ARMs, two ALCMs, one ASCE, 34 ASSEs, 16 CSPs, four PEs, eight SFPEs.

Clients: 40 total.

Region served: Nationwide.

Branch offices: Chicago; Detroit; St. Paul, Minn.; Mahwah and Trenton, N.J.; New York and Syracuse, N.Y.; Boston; Hartford, Conn.; McLean, Va.; Philadelphia; Winston-Salem, N.C.; Cleveland; Orlando, Fla.; Memphis, Tenn.; Dallas; Houston; San Francisco; Los Angeles; Seattle; Washington, D.C.; Oklahoma City.

1989 gross revenues: \$374 million total; 2% from unbundled property loss control consulting and engineering; 98% from other services.

Principal officers: Forrest Minix, president/chief executive officer; Don Chapman, Frank Semancik, Paul A. Bollinger and C.C. Lefler, executive vps.

Contact: James G. Sybert.

E T O D A Y



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Dynamac Corp.

11140 Rockville Pike, Rockville, Md.
20852; 301-468-2500; fax:
301-468-2581

Year founded: 1970.

Services provided: General on-site plant loss prevention inspections, hazard identification, building plan reviews, loss prevention publications, client training, environmental engineering. Other services include health and safety engineering, logistics support, database management.

Staff: 500 total; 250 professionals, including five ARMs, five ASCEs, one CSP, 10 PEs, 40 CAIs, two CIHs.

Region served: Nationwide.

Branch offices: Westlake Village, Sacramento, San Diego, Sonora and Santa Clara, Calif.; Fort Lee, N.J.; Research Triangle Park, N.C.; Arlington and Dahlgren, Va.; Ada, Okla.; Atlanta; Philadelphia; Randolph Air Force Base, Texas.

1989 gross revenues: \$45 million total; 20% from unbundled property loss control consulting and engineering; 80% from other services.

Principal officers: Diana MacArthur, chief executive officer; Jack Silvey, manager-engineering; Wayne Tusa, manager-eastern operations; Will Perry, manager-western operations; John Lyons, risk manager.

Contact: Wayne Tusa, Environmental Risk Management Division, Two Executive Drive, Fort Lee, N.J. 07024; 201-944-1177.

E

ESIS Inc.

1600 Arch St., Philadelphia, Pa.
19103; 215-523-2100

Year founded: 1955.

Parent company: CIGNA Corp.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training; occasional loss prevention publications, loss prevention research; highly-protected risk consulting, pre-emergency planning. Other services include claims administration, workers compensation loss control, fleet loss control, health care loss control, marine and aviation loss control, industrial hygiene, ergonomics, product liability loss control, statistical research services.

Staff: 540 total; 152 professionals, including 26 ARMs, five ALCMs, nine ASCEs, 130 ASSEs, 74 CSPs, 28 PEs, 49 SFPEs.

Specialties: Petrochemical industry, utilities, heavy construction.

Region served: Nationwide.

Branch offices: Atlanta, Boston,

Continued on next page

A N E W T E A M

Spotlight report

Continued from previous page
Chicago, Dallas, Houston, Los Angeles, New York, San Francisco.

Principal officers: Edward P. Holleran, president; George W. Putnam, vp; Brian P. O'Hara, director-product lines; Robert F. Bruce, manager-loss control.

EnviroMed Services Inc.

25 Science Park, New Haven, Conn. 06492; 800-727-5580; fax: 203-786-5579

Year founded: 1985.

Services provided: 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, environmental site assessments, laboratory analysis, SARA Title III compliance, underground storage tank management. Other services include occupational medicine, environmental consulting, asbestos inspections and management plan preparation, OSHA-related services, respirator

and asbestos training.

Staff: 50 total; six professionals assigned to property loss control consulting. Professional designations held by staff include one CSP, one PE, three MDs, two CIHs, 23 ASPs.

Clients: 100% with gross revenues less than \$200 million.

Region served: Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont, Maine, eastern New York.

Branch offices: Needham, Mass.

Principal officers: Lawrence J. Cannon, president; Dr. Ronald T. Suski, vp; John F. Able, principal engineer.

Contact: Frank T. Russo.

F

The FPE Group

3667 Mount Diablo Blvd., Suite 200, Lafayette, Calif. 94549; 415-283-8860; fax: 415-283-5727

Year founded: 1974.

Parent company: Sedgwick James

Inc.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews; occasional plant security inspections, loss prevention publications, loss prevention research, client training. Other services include boiler and machinery loss control, fire detection, design of fire suppression systems.

Staff: 78 total; 59 professionals, including two ARMs, one ALCM, one ASCE, seven ASSEs, five CSPs, two CPCUs, 16 PEs, 18 SFPEs, two ASMEs, five AIHAs, three RNs, two COHNS, six CIHs.

Clients: 375 total; 61% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 15% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion, 4% exceeding \$3.5 billion.

Branch offices: Naperville, Ill.; Torrance, Calif.; Plainsboro, N.J.; Wichita, Kan.; Springfield, Mo.

1989 gross revenues: 70% from unbundled property loss control consulting and engineering, 30% from

other services.

Principal officers: Kenneth E. Berg, president; Robert A. Lapidus, Joseph H. Talbert, Daniel D. Cox and B.J. Walker, senior vps.

Contact: Phil DiCarlo, vp-marketing.

Farinacci & Associates Inc.

4676 Lakeview Ave., Suite 211, Yorba Linda, Calif. 92686; 714-779-0071; fax: 714-779-7240

Year founded: 1981.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; occasional loss prevention publications, loss prevention research. Other services include hazardous materials management, inspections, inventories, consulting, regulatory compliance assistance.

Staff: Five total; four professionals, including four ASSEs, one PE, one MBA, one NBBPV.

Specialties: Public entities, educational institutions.

Region served: California, Ari-

zona, Nevada.

Principal officers: John J. Farinacci, president.

FIRECON

P.O. Box 231, East Earl, Pa. 17519; 717-354-2411; fax: 717-354-7233

Year founded: 1980.

Services provided: Frequent hazard identification, client training, emergency plan development, emergency response training; occasional general on-site plant loss prevention inspections, fire prevention inspections, building plan reviews, loss prevention publications, loss prevention research.

Staff: One who is a professional and holds ASSE, CET and CHCM designations.

Region served: Nationwide.

1989 gross revenues: 100% from unbundled property loss control consulting and engineering.

Principal officers: R. Craig Schroll, president.

Flex Fire Protection Design

201 Naperville Road, Wheaton, Ill. 60187; 708-668-8998; fax: 708-653-5260

Year founded: 1986.

Services provided: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews. Other services include flow tests, loss control engineering, sprinkler system and fire suppression system adequacy reports, cost estimates, hydraulic work.

Staff: Six total; two professionals, including 2 NICETs.

Clients: Nine total; 100% with gross revenues less than \$200 million.

Region served: Kansas, Missouri, Minnesota, South Dakota, Iowa, Illinois, Michigan, Pennsylvania, Wisconsin, Ohio, Oklahoma, Nebraska, Indiana.

Principal officers: Mark Bromann, president.

Friedman, Fuller & Hudson Inc.

6120 Executive Blvd., Eighth Floor, Rockville, Md. 20852; 301-468-6946; fax: 301-468-3915

Year founded: 1986.

Parent company: Friedman & Fuller Group.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, insurance replacement cost appraisals, loss experience analysis; occasional building plan reviews, loss prevention publications, client training. Other services include risk management consulting, insurance audits and bidding.

Staff: 12 total; two professionals, including two ARMs, one CST.

Clients: 110 total; 80% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million.

Specialties: Real estate development, wholesalers, associations, high technology industry.

Region served: Nationwide.

1989 gross revenues: \$1 million total; 25% from unbundled property loss control consulting and engineering; 75% from other services.

Principal officers: Peter M. Hudson, president; Arthur G. Methvin, vp; Tony A. Bennett, director-loss/safety control department.

Contact: Peter M. Hudson, Tony A. Bennett.

Fysafe Engineering Inc.

240 Howard Ave., Des Plaines, Ill. 60018; 708-397-7233

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, client training; occasional hazard identification, building plan reviews, loss prevention publications, loss prevention research; fire and explosion investigations, fire protection and safety engineering, expert witness testimony.

Staff: Five total; three professionals, including three ASSEs, two CSPs, two PEs, two SFPEs, three NFPAs, one NSC, one IAAI.

Clients: 80 total.

Region served: Nationwide.

Principal officers: John M. Mertens, president.

Continued on next page



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Continued from previous page

G

Gallagher Bassett Services Inc.

2550 W. Golf Road, Rolling Meadows, Ill. 60008; 708-640-8555; fax: 708-640-6971

Year founded: 1962.

Parent company: Arthur J. Gallagher & Co.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training; occasional loss prevention publications, loss prevention research. Other services include claims management, information management, property appraisals, program administration.

Staff: 761 total; 48 professionals assigned to property loss control consulting/engineering, including seven ARMs, 20 ASSEs, three PEs, one SFPE, two AIHAs, two ASPs, four CHCMs, 10 CSPs, six NSMSs, three CFPSS.

Clients: 372 total.

Specialties: Manufacturing, food, services, printing, institutional, municipal, commercial and religious.

Region served: Nationwide.

Branch offices: Miami, St. Louis, Los Angeles.

1989 gross revenues: \$5.4 million total; 40% from unbundled property loss control consulting and engineering, 60% from other services.

Principal officers: Jack Campbell, chairman; Peter Durkalski, president; Rich McKenna, Fred Potenza and Rick Rothman, executive vps.

Contact: Fred Potenza.

Dave Goodwin & Associates

P.O. Drawer 54-6661, Surfside, Fla. 33154; 305-531-0071; fax: 305-531-5490

Year founded: 1963.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification; occasional building plan reviews, loss prevention research, client training; publication of disaster manuals.

Staff: Three total, one professional.

Clients: 90% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million.

Region served: Nationwide.

1989 gross revenues: 10% from unbundled property loss control consulting and engineering, 90% from other services.

Principal officers: Dave Goodwin, owner.

Gow Management Services Inc.

344 Delaware Ave., Buffalo, N.Y. 14202; 716-856-1100; fax: 716-856-6179

Year founded: 1982.

Parent company: S.H. Gow & Co. Inc.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention research, client training; occasional loss prevention publications; environmental regulatory compliance. Other services include third party claims administration, workers compensation claims adjusting, claims consulting, risk management.

Staff: Four total; all professionals, including one ARM, two ASSE, one CIC, one AIC.

Clients: 80% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion, 2% with \$1 billion-\$3.5 billion, 3% exceeding \$3.5 billion.

Specialties: Heavy industry, construction, municipalities, high technology and aerospace industries.

Region served: Nationwide.

Branch offices: Rochester, Syracuse and Albany, N.Y.

1989 gross revenues: \$475,000 total; 60% from unbundled property loss control consulting and engineering; 40% from other services.

Principal officers: Jeffrey Gow,

president; Michael Gow, senior vp; Richard Mason, executive vp; Steven D. McCullough, assistant vp/manager.

Contact: Steven D. McCullough.

H

The HDH Group Inc.

Suite 3200, One Oxford Center, Pittsburgh, Pa. 15236; 412-391-7300; fax: 412-391-7322

Year founded: 1983.

Parent company: Formed as a joint venture with Old Republic International Corp.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification; occasional plant security inspections, building plan reviews, client training.

Staff: 37 total; one professional assigned to property loss control consulting/engineering. Professional

Continued on next page

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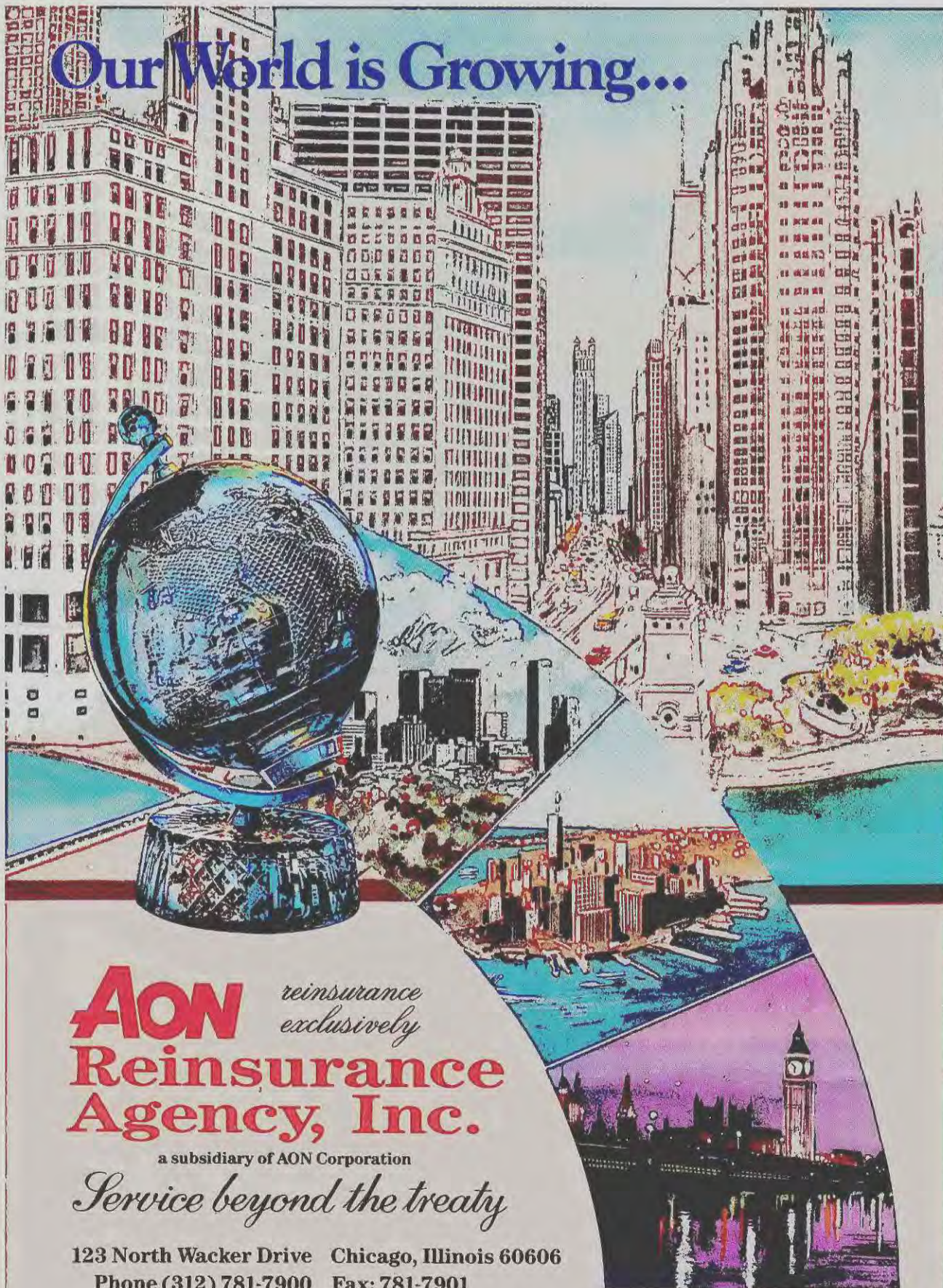


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Spotlight report

Continued from previous page
designations held by staff include one SFPE.

Clients: 60% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion.

Specialties: Municipalities, steel industry and related manufacturers.

Region served: Nationwide.

Principal officers: Bryan Hondru, president; Joe Deutsch, senior vp; Mark Horan Jr., vp; Kay Turnbull, vp/office manager; Wallace Merrell, vp-engineering/loss control.

Contact: Wallace Merrell.

Harrington Group Inc.

3732 Highway 78, Suite 104,
Snellville, Ga. 30278;
404-985-1272; fax: 404-985-1282

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, Halon testing, fire alarm testing, water supply testing and analysis, supervision of systems design and installation, evaluation of insurer recommendations, development of written property conservation programs; occasional loss prevention publications, loss prevention research, client training, inspection of nuclear power plants. Other services include property replacement cost valuations.

Staff: Four total; two professionals, including two PEs, two SFPEs.

Clients: 15 total; 50% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion.

Region served: Nationwide.

Branch offices: Hickory, N.C.

1989 gross revenues: \$153,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Jeff L. Harrington, president; James M. Rucci, executive vp.

Contact: Jeff Harrington.

Hartford Specialty Co.

155 Pitkin St., East Hartford, Conn.
06108; 203-275-1351;
fax: 203-275-1396

Year founded: 1981.

Parent company: Hartford Insurance Group/ITT Corp.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; occasional plant security inspections, building plan reviews, loss prevention publications, loss prevention research; fire training laboratory, flow tests, rate and value appraisals. Other services include employee training and management, ergonomics, machine guarding, industrial hygiene, fleet evaluation, driver training, aviation safety, construction exposure evaluation, physical security and asset protection, health care services.

Staff: 450 total; 35 professionals, including 15 ARMs, 13 ALCMs, 70 CSPs, three PEs, 24 SFPEs, three CPCUs, five CIHs, 10 CHSPs.

Region served: Nationwide.

Branch offices: 78 offices in the United States.

Principal officers: Ramani Ayer, president; Phil Griffin, senior executive vp; Don Walker, executive vp; Don Eldridge and John A. MacDonald, senior vps.

Contact: Billy R. Boguski, assistant vp.

Daniel J. Hartwig Associates Inc.

P.O. Box 80, Oregon, Wis.
53575-0080; 800-837-4411;
fax: 608-835-5781

Year founded: 1978.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, client training; occasional building plan reviews; accident analysis, expert witness. Other services include product safety, air testing, emission inventories, industrial hygiene surveys, engineering, human factors evaluations, asbestos identification, project design, air quality monitoring.

Staff: 25 total; four professionals, including two CSPs, one CIH, one CHCM.

Region served: Nationwide.

1989 gross revenues: \$5 million

total; 30% from unbundled property loss control consulting and engineering, 70% from other services.

Principal officers: Daniel J. Hartwig, president; Kenneth K. Iverson, vp.

Contact: Robert C. Bucci, director-marketing.

Hastings-Tapley Services Inc.

60 Gore St., P.O. Box 240,
Cambridge, Mass. 02141;
617-876-7510; fax: 617-494-1608

Year founded: 1987.

Parent company: Hastings-Tapley Insurance Agency Inc.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research; occasional plant security inspections, building plan reviews, loss prevention publications, client training, building cost evaluations. Other services include claims administration.

Staff: 18 total; two professionals

assigned to property loss control consulting/engineering, including three ARMs, one ALCM, two ASSEs, two SFPEs.

Clients: 100% with gross revenues less than \$200 million.

Specialties: Municipalities.

Region served: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont.

1989 gross revenues: \$1.5 million total; 10% from unbundled property loss control consulting and engineering; 90% from other services.

Principal officers: David J. Lane, chairman; Frederick J. England Jr., president; Marsha K. Burrige and E. Donald Lewis, executive vps; Ralph Gemelli, director-operations.

Contact: Ralph Gemelli.

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fax: 803-232-8824

Year founded: 1923.

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Staff: 10 total; five professionals, including one ARM, one CSP, three CSMS, one ASP.

Specialties: Municipalities, textiles, lumber manufacturing, surface mining, construction, health care.

Region served: Southeastern United States, Colorado, Nebraska.

Branch offices: Raleigh, N.C.; Atlanta; Orlando, Fla.; Birmingham, Ala.; Denver.

Principal officers: Charles R. Warne, president; Willard L. Quinn Jr., senior vp; J. Wesley Sexton, vp-loss control.

Contact: J. Wesley Sexton, vp-loss

control.

J.J. Hischar & Associates

P.O. Box 741, Woodbridge, N.J.
07095; 201-272-2155

Year founded: 1986.

Services provided: General on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research, client training. Other services include computer security and disaster recovery planning.

Staff: Eight total; including one ASCE, one CSP, one CSFR, one IHA.

Clients: 15 total, 100% with gross revenues less than \$200 million.

Specialties: Petroleum and construction industries.

Branch offices: Miami; Kenilworth, N.J.; Philadelphia.

1989 gross revenues: \$180,000 total; 70% from unbundled property loss control consulting and engineering, 30% from other services.

Principal officers: J.J. Hischar,
Continued on next page

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Continued from previous page president; Deborah Higgins, vp/hygienist.

Information Security International Inc.

9086 Junction Drive, Suite 2, Annapolis Junction, Md. 20701; 301-498-8453; fax: 301-498-0125

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, plant security inspections, loss prevention publications, loss prevention research, client training; occasional hazard identification, building plan reviews.

Staff: 20 total; 15 professionals.

Clients: Six total; 83% with gross revenues less than \$200 million, 17% exceeding \$3.5 billion.

Specialties: Financial institutions, law firms, insurance companies, accounting firms, government

agencies, manufacturing.

Region served: Nationwide.

Branch offices: New York.

1989 gross revenues: \$1 million total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Gerard P. Burke, chief executive officer; William H. Jenkins, president/chief operating officer; Thomas A. Prugh, vp-science/technology; Michael J. Burke, chief financial officer; Robert A. Fisher, vp.

Contact: Kathy Cernogorsky.

Inservco Insurance Services

341 Market St., Suite 201, Camp Hill, Pa. 17011; 717-761-7735; fax: 717-763-5732

Year founded: 1980.

Parent company: Pennsylvania National Insurance Co.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client

training, safety management consulting, studies and programs for developing loss control programs; occasional plant security inspections, building plan reviews, loss prevention publications, loss prevention research. Other services include claims management and adjusting, risk management consulting.

Staff: Professionals include five ARMs, eight ALCMs, five ASSEs, three CSPs, one PE, three CPCUs, one APA.

Specialties: Government, institutions, association programs.

Region served: Primarily Pennsylvania, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina.

Branch offices: Harrisburg and Pittsburgh, Pa.; Trenton, N.J.; Baltimore, Nashville, Tenn.; Birmingham, Ala.; Greensboro, N.C.

Principal officers: Marlin T. Wilbert, president; S. Geoffrey McDowell, vp; Robert L. Conrad, executive vp; Kenneth R. Shutts, secretary; Kenneth L. Shaffer, treasurer.

Contact: Joseph M. Boslet, manager-loss control/premium auditing;

P.O. Box 2361, Harrisburg, Pa. 17105; 717-234-4941.

Insurance Control Systems Inc.

1118 N. La Brea, Inglewood, Calif. 90302; 213-678-7115; fax: 213-673-3350

Year founded: 1989.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training; occasional plant security inspections, building plan reviews; underwriter risk assessment report preparation for agents, brokers and insurers. Other services include actuarial audits and analysis of insurance claims losses.

Staff: 10 total; four professionals, including one ARM, three ASSEs, two PEs, one IA.

Clients: At least 50; 100% with gross revenues less than \$200 million.

Region served: Nationwide.

Branch offices: Los Angeles and Menlo Park, Calif.; Atlanta.

1989 gross revenues: \$1.5 million total; 25% from unbundled property loss control consulting and engineering; 75% from other services.

Principal officers: Alfred Kirkpatrick, Frank Paganelli, Valeta Paganelli, Laura Patten and Horatio Cruz.

Contact: Laura Patten.

Insurers Technical Services Inc.

8600 N.W. 36th St., Seventh Floor, Miami, Fla. 33166; 305-599-7410; fax: 305-599-7424

Year founded: 1983.

Parent company: Skandia Group.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification; occasional plant security inspections, building plan reviews, loss prevention research, client training; insurance underwriting surveys, accident analysis. Other services include insurance appraisals.

Staff: 10 total; seven professionals, including four ASSEs, two CSPs, one SFPE, one OHST, one CST.

Clients: 15 total; 60% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Specialties: Insurance industry.

Region served: Florida.

Branch offices: Maitland, Fla.

1989 gross revenues: \$300,000 total; 70% from unbundled property loss control consulting and engineering; 30% from other services.

Principal officers: Louis Forster, president; John Marshall, vp; Martin Lerner, manager.

International Loss Control Institute

4546 Atlanta Highway, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208; fax: 404-466-4318

Year founded: 1974.

Services provided: Frequent loss prevention publications, client training; occasional general on-site plant loss prevention inspections, loss prevention research. Other services include safety training, auditing and consulting.

Staff: 70 total; 30 professionals, including one ARM, 15 ALCMs, 15 ASSEs, five CSPs, two PEs, 25 ASAs.

Region served: National and international.

Principal officers: Frank E. Bird Jr., president.

Contact: Susan B. Arnold, executive director, 800-554-6001.

International Loss Control Services Ltd.

FBD House, Bluebell, Dublin 12, Ireland; 353-1-504800; 353-1-503266; fax: 353-1-783108

Year founded: 1983.

Parent company: FBH Holdings P.L.C.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections; occasional hazard identification, client training; loss control audits. Other services include risk management programs, serving as agents for the international safety rating system, claims administration.

Staff: Six total; two professionals, including one ACII, one GIFE.

Clients: 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 60% with \$500 million-\$1 billion.

Region served: Europe.

1989 gross revenues: \$450,000 total; 10% from unbundled property loss control consulting and engineering; 90% from other services.

Principal officers: Patrick J. O'Reilly, executive director; Eamonn Bergin and Martin Carr.

Contact: Patrick J. O'Reilly.

Investigative & Loss Control Services Inc.

6028 150th St. S.E., Prior Lake, Minn. 55372; 612-447-1234

Year founded: 1988.

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Continued on page 42

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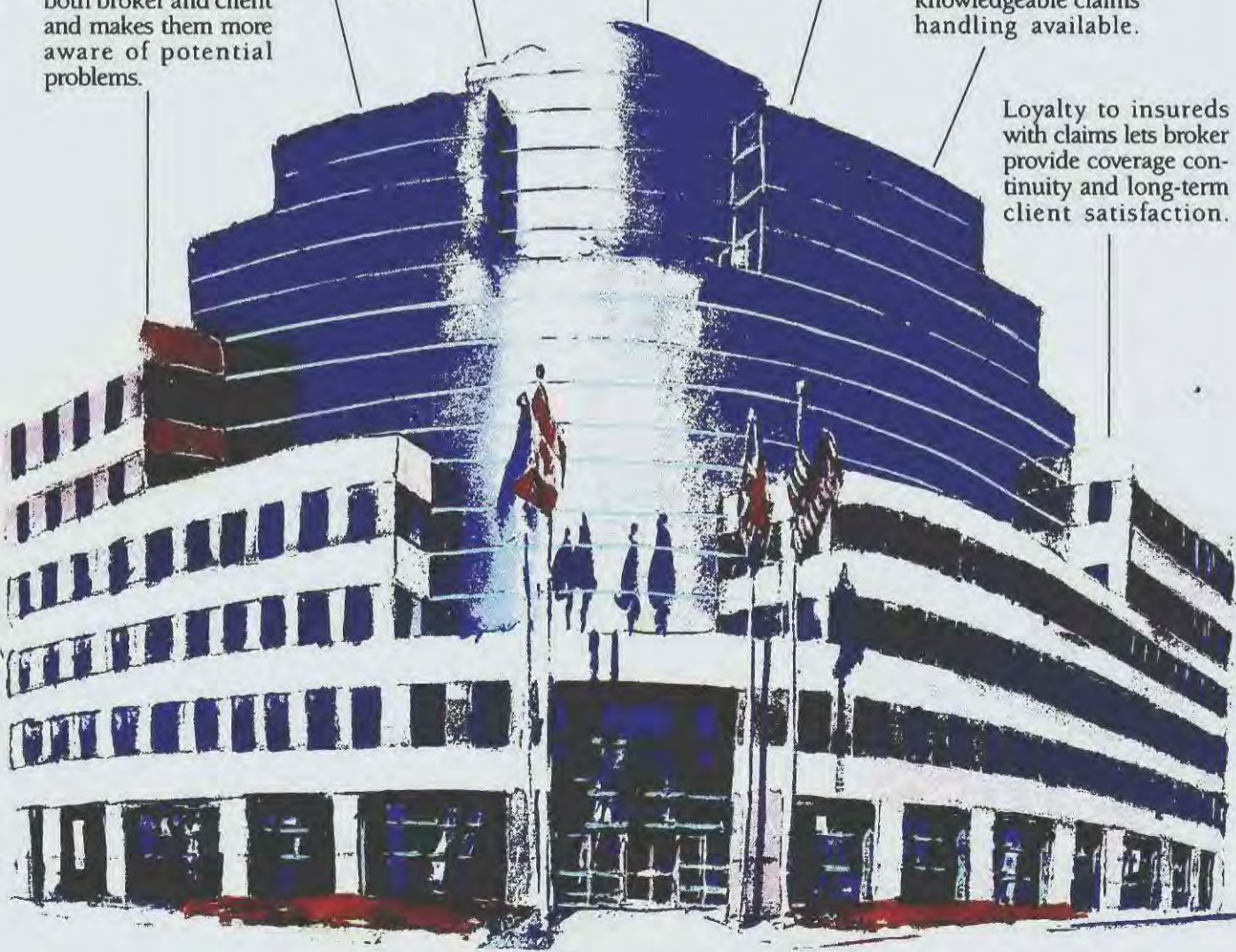
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Crisis plans ensure companies' future

By George L. Head

WHEN A CATASTROPHE STRIKES or is impending, an organization's response is critical to its survival and future strength.

Crisis management provides for a coordinated, effective response through planning, organizing, leading and controlling an organization's activities and assets immediately before, during and just after such an accidental loss to preserve the resources the organization needs for the fullest feasible long-term recovery. Safeguarding these resources requires that certain actions be taken promptly and efficiently to meet the demands of each type of crisis within the available time.

All sound crisis management plans should contain plans to safeguard the following elements that define the resources of any organization—its structure, personnel, production facilities, operating funds and markets for its products and services—as the basis for restoring normal operations after a crisis.

For an organization, as well as for an individual, crises are unsettling, stressful events. Responding constructively to such events requires structure, order and discipline among its personnel. To achieve these, an organization must develop a crisis management procedures manual and educate appropriate personnel in its content.

A crisis management manual should be a portion of the overall risk management manual, though the need for greater dissemination of crisis management procedures to front-line operating employees often calls for separate publication and wider distribution of crisis-related material. For example, every member of any crisis management team must know at least the procedures appropriate to that team, and all personnel need to know and practice evacuation procedures and be familiar with overall crisis management procedures.

The following information is often included in crisis management procedure manuals:

- The purpose, scope and organization of the manual.
- The structure of the crisis management organization, including the chain of command and the composition and general responsibilities of the emergency teams appointed to deal with crises stemming from various perils.
- Evacuation instructions, including explanations of alarm signals and diagrams of exit routes that give top priority to the people's safety.
- Loss prevention and loss reduction procedures, organized by peril and separated into pre-event and post-event measures.
- Addresses and telephone numbers for contacting outside fire, police, medical, pollution control departments and other sources of help, including the organization's senior management.
- Communication procedures to be followed during and after the emergency, especially for notifying employees of progress toward resuming operations.

An organization's response to a crisis may be compared to a community's response to a military attack. Normal activities usually must be put aside and often the usual procedures of civil government must be suspended, replaced by some degree of martial law until the crisis has passed. The military may be in charge temporarily since the military authorities, rather than the usual civilian authorities, know best how to cope with an attack.

Similarly, when some peril confronts an organization, other more qualified personnel may step in to deal with the emergency. They should be given special authority and responsibility to see the organization through the crisis.

Typically, a crisis management team is relatively small, only a minor fraction of the total personnel at any given facility. The people selected for a crisis management team should have the following characteristics:

Preparation required to survive disaster

- Physically able to carry out emergency duties so that the organization is protected as planned and those having the crisis management duty will not be injured or harm anyone else.
- Normally available on the premises when a crisis may occur.
- Trained in the duties of several members of the team, thus able to assume the duties of any team member who is unavailable.
- Willing to follow orders and respected by their fellow employees who will, in turn, be more willing to accept any emergency directives from a team member.
- Able to function well under stress.

Survival and eventual full recovery from any crisis requires not only effective procedures, but also resilient personnel to keep that structure viable. Sound crisis management planning calls for protecting all employees from any foreseeable physical danger. This typically entails evacuation procedures for both the injured and the uninjured, as well as appropriate alarm systems and training procedures to carry out evacuation plans.

Every crisis management plan must give top priority to life safety for all persons on the premises. When a crisis warning occurs, and throughout the crisis, the director of the crisis management team, or another responsible person, should evaluate the need to evacuate the premises.

Evacuation is not always necessary; indeed, for some crises like those caused by earthquake or the escape of pollutants, leaving the shelter of buildings may only increase danger to lives. Moreover, exiting the premises is not appropriate for some people such as the hospitalized, the disabled, those incarcerated, or occupants of the upper floors of high-rise structures. For them, reaching shelter in a previously designated, well-protected, accessible portion of the building they occupy is their best form of "evacuation."

In the language of fire safety, such specially protected areas within a building are known as "horizontal exits," because they are typically on the same floor as the occupants they are designed to protect (fires often making stairwells or elevators impassible).

Any organization's value to its owners and those whom it serves stems from its continuing ability to produce a valued product or service. Therefore, a fundamental objective of crisis management is to preserve this ability, which depends not only on organizational structure and personnel, but also on the physical production facilities. Preserving productive capability must encompass both the individual processes performed at any location and the "going concern" interrelationships among an organization's processes.

Crisis management efforts to safeguard physical production facilities should be based on flow charts of the activities normally performed at those facilities. The crisis plan would do this by:

- Projecting how any given type of crisis could adversely affect each operation, or connective link between operations shown in the flow chart.
- Developing and testing plans for restoring or finding a temporary substitute for that operation or connective link.

This substitution or restoration may be achieved by drawing on equipment, personnel or other resources within the facility itself, or it may be necessary to rely on temporary substitute facilities elsewhere.

An organization must maintain its ability to collect revenues and pay expenses, particularly any unforeseen expenses that may arise during a crisis.

Consequently, crisis management plans should provide emergency funds and a means to safeguard the organization's ability to maintain normal cash inflows and outflows.

Most risk financing techniques—such as insurance, contractual transfer for risk financing and internal funds—are called on to finance long-term recovery from a major accident in the weeks and months after the immediate crisis has passed. Crisis management, however, should recognize the additional need for immediate funds to cover surprise expenses related to a crisis.

Emergency funds may be needed to purchase unanticipated "last minute" supplies, hire casual labor as security guards or to stack sandbags in a dike, buy food for members of the public who unexpectedly happen to be stranded on the organization's premises or many other possible unforeseen needs.

The crisis management plan should anticipate that the organization's normal sources of cash may not be available. For example, a crisis may strike on a Saturday night when all the banks are closed or the same peril that placed the organization in crisis—for example, a flood or hurricane—also may create a crisis for local banks, thus making them unable to meet customers' needs.

It is unlikely that a crisis will temporarily disrupt an organization's normal flow of funds, such as its revenues from sales and its routine disbursements for normal operating expenses. However, the organization probably can survive this disruption if it maintains the ability to resume these normal cash flows after the crisis has passed.

Therefore, every crisis management plan should safeguard accounting records and related documents. These include data on customers and on payments due to and from each of them, as well as a supply of documents (checkbooks, deposit slips and the like) for the organization's accounts at its banks and other financial institutions, like investment firms or loan companies.

During a crisis, an organization needs to preserve its standing in the markets in which it sells its products and services, buys raw materials, hires personnel or obtains funds. To do so, the organization needs to communicate with employees, customers, suppliers, the media, stockholders and bondholders and regulatory officials. The relative importance of these groups will vary among organizations and with the type and public awareness of the crisis.

Crisis management plans should inform personnel and describe their involvement in:

- The extent of losses caused by the crisis.
- The organization's short- and long-term recovery plan.
- How the crisis can be expected to affect the members of each constituency in their dealings with the organization.

Coordinating communications with employees and outside constituencies requires maintaining a delicate balance between communication and the need for at least some confidentiality. To protect this balance, and to ensure that communications with these various groups meet the needs of the organization, a committee of executives often manages this element of a crisis management plan. Their task is made much simpler if they can report or forecast results that reflect the fact that the crisis has been soundly managed. ■



George L. Head is vp of the Insurance Institute of America in Malvern, Pa. Mr. Head holds a Ph.D., in addition to the Chartered Property & Casualty Underwriter, Associate in Risk Management, Certified Safety Professional and Chartered Life Underwriter designations.

Risk management's impact on cash flow

By The Insurance Institute of America

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of question asked—and the possible answers—in one of the three examinations for the A.R.M. designation.

This month's exercise, taken from a recent examination in ARM 54—Essentials of the Risk Management Process, focuses on the importance of expected cash flows as a crucial criterion in making risk management decisions.

Q: Sound risk management often calls for using the expected value of aftertax net cash flows as a basis for selecting the risk management technique or techniques to apply to a given loss exposure:

• Two alternative methods for evaluating the expected value of the net cash flows from any risk management technique are the net present value method and the time-adjusted rate of return method. Describe, or explain the logic of, one of these methods.

• An organization is currently fully retaining a liability loss exposure. If it chooses to insure this exposure subject to a \$1,000 per-claim deductible, how are its net cash flows from this exposure likely to change? Explain.

Selecting best techniques

ARM exercises

• Explain why the expected value of aftertax net cash flows often provides a better basis than accounting profits for selecting the risk management technique or techniques to apply to a given exposure.

A: • Both methods for evaluating the expected value of net cash flows from a risk management technique recognize that the expected present value of future cash inflows (net of cash outflows)—that is, cash for carrying out the organization's activities, not paper accounting profits that may or may not generate cash—contributes most directly to an organization's productivity and success. Therefore, both methods require projecting changes in the cash flows into and out of an organization that can be expected from an organization's use of a particular risk management technique to deal with a particular exposure to a given asset or activity.

These cash inflows and outflows should be projected for each future year and expressed as present values in order to properly compare cash inflows and outflows that occur at different times.

Both the net present value method and the time-adjusted rate of return

method evaluate the present values of net cash flows projected for a given asset or activity of an organization coupled with various risk management techniques to either prevent or pay for losses. The combination of a given asset/activity and the risk management technique that generates the highest expected net present value of cash flows is the preferable combination.

The present value method establishes a given "hurdle" discount rate (usually the organization's cost of capital) at which to discount to present values both the cash inflows and cash outflows from each feasible combination of asset/activity and risk management alternative. The combination that has the greatest excess of expected cash inflows over cash outflows—the greatest net present value—is deemed the best under this method.

Alternatively, the time-adjusted rate-of-return method finds the discount rate at which the expected present value of the cash inflows from an alternative equals the expected present value of its cash outflow. Under this method, the combination of a given asset/activity and a risk management technique for which this equalizing rate of return is highest is

considered to be the best. In most circumstances, the two methods choose the same combination as best but this is not always the case.

(This answer describes both methods, although describing either one earned full national examination credit.)

• The switch from full retention to full insurance with \$1,000 per-claim deductible would create a cash outflow for insurance premiums, while limiting cash outflows for retained losses to \$1,000 per claim instead of the current full amount of each claim.

• Cash flows measure the availability of cash to an organization at various times, thus determining its ability to then purchase other productive resources with cash.

In contrast, accounting profits may reflect only numbers in a record-keeping system, not real usable resources. Indeed, an organization that reports a loss on its accounting records may well have more cash available for truly productive uses than does an otherwise comparable cash-poor organization whose accounting profits are large. ■

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

Risks of merger/acquisition detailed on tape

"Merger, Acquisition & Divestitures—Risk Management Concerns" (audiocassette)

By the Society of Chartered Property & Casualty Underwriters

Published by Society of CPCU, 720 Providence Road, CB No. 9, Malvern, Pa. 19355 \$9.95

By Kevin M. Quinley

At the 1989 annual meeting of the Society of Chartered Property & Casualty Underwriters in Anaheim, Calif., not all risk managers headed for nearby Disneyland. Instead, some attended a risk management seminar on mergers and acquisitions. Those who did were well rewarded. For those who toured the Magic Kingdom, though, the Society of CPCU has made the valuable seminar available on audiocassette.

Risk managers must learn to cope with mergers and acquisitions because chances are, at least once during a risk manager's career, his company will either acquire a firm, merge with one or be gobbled up. Such is the current corporate feeding frenzy.

This handy tape is a good introduction for risk managers wondering how to cope when their companies plan mergers, acquisitions and divestitures.

Panelists at the seminar offer four different perspectives on the risk management implications of M&As:

• That of the risk manager, presented by A.H. Seiple Jr., risk manager of Cleveland-based TRW Inc.

• The broker, presented by Robert D. Hughes of Alexander & Alexander Services Inc. in Chicago.

• The attorney, presented by Carter Emerson of Kirkland & Ellis in Chicago.

Books & ideas

• The underwriter, presented by George T. Van Gilder of Chubb & Son Inc. in New York.

Moderating the panel was Patricia S. Benedick, risk manager for American Information Technologies Inc. in Chicago.

The cassette provides an excellent overview of the "due diligence" risk managers must conduct before acquiring a firm or being acquired. A few panelists also offer checklists of items to examine before merging with or acquiring another business.

While a tape like this can only skim the highlights, it is an excellent survival guide for risk managers facing mergers and acquisitions. One weakness, though, is that any in-depth treatment of a topic is nearly impossible in such a limited time frame. For instance, it is one thing to say, "check out the pollution exposures of an acquisition target," and quite another to say *what* to check on, or what to do if a due diligence investigation uncovers liabilities.

Risk managers' nightmares about mergers and acquisitions probably fall into three categories:

• A risk manager's worst M&A nightmare: Riding the 7:50 a.m. commuter train and reading in *The Wall Street Journal* that his or her firm the day before acquired a company that manufactures airplane parts.

• Nightmare No. 2: A merger is complete, but 18 months later the chief executive officer realizes the company has absorbed tons of unanticipated liabilities. This exposes the company to a directors and officers liability suit for negligently conducting due diligence. This is also what risk managers euphemistically call a "career-altering experience."

• Nightmare No. 3: A merger is over and one risk

manager is unemployed. This is an often unspoken concern of many risk managers involved in mergers and acquisitions. It also is a concern unaddressed by this seminar.

One theme throughout the seminar is that risk managers need to be in on the management team planning a merger or acquisition. Management must get their risk manager involved very early for the risk manager's involvement to be of any benefit. So often, risk managers are on the "outside," perhaps because few people understand what they do.

Among the risk management tips offered:

• Start as early in the process as possible to check out hidden liabilities.

• Use a team approach in the due diligence process, involving the interdisciplinary skills of, for example, a broker and an attorney.

• Focus on uninsurable as well as insured exposures.

Doubtless, some within any corporation view risk managers as naysayers and deal killers. Risk managers are often bearers of bad news: claims, calamities and costs. They don't normally generate revenue for the organization. Yet they can help the organization avoid disaster by knowing what to look into during the due diligence process.

For those who spent their time at Disneyland during the latest Society of CPCU meeting, this audio tape lets you in on some very useful information you may have missed. ■

Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Risk Retention Group Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

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Spotlight report

Continued from page 35

sulting in management of emergency situations, regulatory compliance. Other services include property and equipment loss investigations.

Staff: Three total; two professionals, including one SFPE, one CFI, one ARM.

Clients: Five total; 10% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million, 50% with \$500 million-\$1 billion.

Specialties: Lodging and hospitality industries, manufacturing.

Region served: Nationwide.

1989 gross revenues: \$250,000 total; 70% from unbundled property loss control consulting and engineering; 30% from other services.

Principal officers: G. Crawford Wiestling, president; Jeffrey J. Washington, vp.

J

William L. Jacobs Enterprises Inc.

P.O. Box 7333, Fort Lauderdale, Fla. 33338; 305-766-9910

Year founded: 1987.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, loss prevention research; occasional fire prevention inspections, loss prevention publications, client training. Other services include risk management.

Staff: Four total; three professionals, including one CSP, one PE, one SFPE, one CHCM.

Clients: 100% with gross revenues less than \$200 million.

Specialties: Retail, supermarkets, municipalities.

Region served: Florida, Alabama, Georgia.

Branch offices: Osteen, Fla.

1989 gross revenues: 100% from unbundled property loss control consulting and engineering.

Principal officers: William L. Jacobs, president.

Jardine Insurance Brokers

333 Bush St., Suite 500, San Francisco, Calif. 94104-2878; 415-391-2600

Parent company: Jardine Insurance Brokers Group.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification; occasional building plan reviews, loss prevention research, client training. Other services include engineering for highly protected risks, chemical safety reviews, analysis of boiler and machinery exposures.

Staff: 1,027 total; 10 professionals, including four ASSEs, three PEs, two SFPEs, one AIHA, four NFPAs, three NCSs, three NSMs, one IES, one CHMM, one CHCM, one ASP.

Branch offices: New York and Schenectady, N.Y.; Los Angeles and Orange County, Calif.; Boston; Houston.

1989 gross revenues: \$96 million total.

Principal officers: George W. Brown, president/chief executive officer; Richard A. Archer, chairman; Leonard P. Lawrence, executive vp.

Jarry Associates

108 Commonwealth Drive, Basking Ridge, N.J. 07920; 201-647-9031

Year founded: 1980.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, loss prevention research, client training; occasional plant security inspections, building plan reviews, loss prevention publications.

Staff: Three total. Professional designations and memberships include one ARM, two CSPs, two PEs, one SFPE.

Clients: 95% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million.

Specialties: Industrial manufacturing.

Region served: Nationwide.

1989 gross revenues: \$80,000 total; 90% from unbundled property loss control consulting and engineering; 10% from other services.

Principal officers: Harry J. Eiermann.

Jerico International Ltd.

203 Gibbons Building, 10 Queen St., Hamilton HM11, Bermuda; 809-295-0850; fax: 809-292-3704

Year founded: 1986.

Services provided: Occasional general on-site plant loss prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training. Other services include investigations.

Staff: Five total; three professionals.

Clients: 12 total; 67% with gross revenues less than \$200 million, 25% with \$200 million-\$500 million, 8% exceeding \$3.5 billion.

Specialties: Insurance, law, accounting and financial firms.

Region served: United States and international.

Branch offices: Cambridge, Md.

1989 gross revenues: More than \$1 million total; 20% from unbundled property loss control consulting and engineering; 80% from other services.

Principal officers: Gerard P. Burke, president; Andrew Sinclair, director/operations manager; Ann M. Burke, director-marketing.

Contact: Gerard P. Burke.

Johnson & Higgins-Loss Control Services

125 Broad St., New York, N.Y. 10004; 212-574-7000; fax: 212-574-7676

Year founded: 1845.

Parent company: Johnson & Higgins.

Services provided: Frequent building plan reviews, loss prevention publications, client training, loss control program administration coordination, consulting and evaluation, property loss control database systems, loss prevention program insurance impact studies, business interruption studies, earthquake loss control and disaster planning, boiler and machinery loss control consulting; occasional general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification. Other services include brokering insurance and employee benefit consulting.

Staff: U.S. only: 72 total; 52 professionals, including two ASCEs, 10 ASSEs, nine CSPs, 23 PEs, 42 SFPEs, one ABBA, one ACS, nine AICHEs, one AISE, one ASA, one ASIE, two ASISs, three ASMEs, one CPCU, one CPP, one CSSP, two IEEEs, one NBBI, 45 NFPAs, five NFSAs, four SSAs.

Clients: 1,600 total.

Region served: Nationwide.

Branch offices: Atlanta; Baltimore; Boston; Charlotte, N.C.; Chicago; Cleveland; Costa Mesa, Los Angeles, San Diego and San Francisco, Calif.; Dallas; Detroit; Hartford and Stamford, Conn.; Honolulu; Houston; Minneapolis; Nashville, Tenn.; Parsippany, N.J.; Philadelphia; Phoenix; Pittsburgh; Portland, Ore.; Richmond, Va.; St. Louis; Seattle.

Principal officers: Richard J. Rice, director/senior vp; William F. Ramonas, national manager-property loss control; Glenn H. Giles, James C. Deaton, Ralph P. Dellinger, Michael E. Gerdt, Paul F. Helweg Jr., Stephen M. Stuart, property loss control regional managers.

K

Kendall Insurance Inc.

95 S. Main St., Rochester N.H. 03867; 603-332-5800; fax: 603-332-3481

Year founded: 1867.

Parent company: Corroon & Black Corp.

Services provided: Frequent general on-site plant loss prevention inspections, building plan reviews, client training; occasional fire prevention inspections, hazard identification, loss prevention publications, loss prevention research. Other services include design and administration of workers compensation loss control programs.

Staff: Six total; three professionals, including two PEs.

Specialties: Ski industry, county fairs, private schools, manufacturing.

Region served: Nationwide.

Branch offices: Salt Lake City.

Principal officers: Kennett R. Kendall Jr., chief executive officer; David G. Hampson, vp.

Contact: Kenneth F. Hoyt, claims/loss control manager.

L

Las Vegas Audit & Inspection Service

1050 E. Flamingo Road, Suite 333, Las Vegas, Nev. 89119; 702-369-7475; fax: 702-796-7475

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections; occasional building plan reviews. Other services include premium audits, replacement cost appraisals.

Staff: Two total. Professional designations include one MBA.

Region served: Greater Las Vegas.

1989 gross revenues: 90% from unbundled property loss control consulting and engineering; 10% from other services.

Principal officers: Brenda A. Atwood, president; K. Steven Kawa, executive officer.

Contact: K. Steven Kawa.

Collin A. Lewis

P.O. Box 11792, Santa Rosa, Calif. 95406; 707-522-9617; fax: 707-528-1363

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, building plan reviews; occasional fire prevention inspections, hazard identification; fire suppression system specifications.

Staff: One professional staff member who holds an ARM designation.

Region served: California, Oregon, Washington and Nevada.

Contact: Collin A. Lewis.

Loss Control Associates Inc.

172 Middletown Blvd., Suite 204(B), Langhorne, Pa. 19047; 215-949-0670; fax: 215-750-6845

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, process hazards analysis; occasional loss prevention publications, loss prevention research, expert witness testimony. Other services include development and modification of safety procedures, emergency preparedness procedures, prefire planning, fire protection system design.

Staff: Five total; three professionals, including one ASSE, two PEs, two SFPEs, three NFPAs, one AICHE.

Clients: 60 total; 5% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 15% with \$1 billion-\$3.5 billion, 60% exceeding \$3.5 billion.

Specialties: Petroleum, petrochemical and chemical industries; hazardous materials industry.

Region served: National and international.

1989 gross revenues: \$310,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Orville M. Slye Jr., president.

Loss Prevention Consultants Inc.

P.O. Box 54012, Jackson, Miss. 39288-4012; 601-878-2138; fax: 601-878-2394

Year founded: 1984.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training; occasional plant security inspections, building plan reviews, loss prevention publications; accident investigations, expert witness testimony. Other services include casualty loss control.

Staff: Two total; one professional who holds ASSE, VOS and ASIS designations.

Clients: 25% with gross revenues

less than \$200 million, 75% with \$200 million-\$500 million.

Specialties: Chemical manufacturing, transportation.

Region served: Nationwide.

Branch offices: Terry, Miss.

1989 gross revenues: \$125,000 total; 50% from unbundled property loss control consulting and engineering; 50% from other services.

Principal officers: John R. Eubanks, president.

M

Management Services Inc.

2 E. Main St., Suite 208, Danville, Ill. 61832; 800-252-5059; fax: 217-443-0927

Year founded: 1976.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; occasional plant security inspections, loss prevention publications. Other services include casualty loss control, claims management.

Staff: 180 total; two professionals assigned to property loss control consulting/engineering. Designations held by staff include three ARMs, one ALCM, 10 ASSEs, five CSPs.

Clients: 24 total, 100% with gross revenues less than \$200 million.

Specialties: Government entities.

Region served: Nationwide.

Branch offices: St. Louis, Indianapolis, Chicago.

Principal officers: Sam P. Cannon, chief executive officer; Gary J. Schirmer, president; Robert Cowgill, senior vp; Jerry Kats, vp.

Contact: Karen Bailey Maynard, marketing coordinator, 1420 Kensington Road, Suite 202, Oak Brook, Ill. 60521.

Donald Mayo-Fire Protection Consultant

2300 Contra Costa Blvd., Suite 430, Pleasant Hill, Calif. 94523; 415-685-3733; fax: 415-676-8780

Year founded: 1987.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, fire protection systems design specifications, field quality control inspections of fire protection systems; occasional loss prevention research, client training.

Staff: Three total; two professionals, including two SFPEs, one CPCU.

Clients: Four total; 1% with gross revenues less than \$200 million, 9% with \$1 billion-\$3.5 billion, 90% exceeding \$3.5 billion.

Region served: Nationwide.

1989 gross revenues: \$252,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Donald Mayo, president/treasurer; Linda Mayo, vp/secretary.

Contact: Donald Mayo.

Mead Loss Control Consultants Inc.

Courthouse Plaza N.E., Dayton, Ohio 45463; 513-495-7200; fax: 513-495-6299

Year founded: 1972.

Parent company: The Mead Corp.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training; occasional plant security inspections, loss prevention publications, loss prevention research; fire brigade training (on-site and in seminars), infrared thermographic inspections. Other services include infrared surveys for energy conservation, roof moisture surveys.

Staff: 21 total; nine professionals, including two ARMs, one PE.

Clients: 11 total; 9% with gross revenues less than \$200 million, 18% with \$200 million-\$500 million, 18% with \$500 million-\$1 billion, 18% with \$1 billion-\$3.5 billion, 37% exceeding \$3.5 billion.

Region served: National and international.

Branch offices: Buford, Ga.

1989 gross revenues: \$1.9 million total; 56% from unbundled property loss control consulting and engi-

neering, 44% from other services.

Principal officers: Chet Richards, president; Jim Howell, vp-finance; Walter Luker, vp/manager; Larry Jones, vp-engineering; Curtis Doyle, vp-extended services.

Contact: Walter Luker.

Michigan Hospital Assn. Service Corp.-Loss Prevention Services

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

Year founded: 1979.

Parent company: Michigan Hospital Assn.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, client training; occasional building plan reviews, loss prevention research; asbestos training, inspection, management planning and abatement supervision; indoor air quality services, industrial ventilation services, chemical spill prevention. Other services include industrial hygiene monitoring, regulatory consulting, hazardous waste management.

Staff: Nine total; six professionals, including one PE, one CHSP, one CHSP.

Specialties: Health care.

Region served: Michigan, Indiana, Illinois, Wisconsin.

Branch offices: Southfield, Mich.

1989 gross revenues: \$4 million total; 12.5% from unbundled property loss control consulting and engineering, 87.5% from other services.

Principal officers: Spencer Johnson, president-Michigan Hospital Assn.; Fritz Kellerman, executive vp-MHA Service Corp.; Kathleen Dickenson, senior vp-workers compensation fund; Lois Yardley, director-claims/loss prevention.

Contact: Pier-George Zanoni, manager-loss prevention services.

Mosely & Associates Inc.

232 Genesco Park, Nashville, Tenn. 37217; 615-399-1016; fax: 615-399-1052

Year founded: 1987.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, loss prevention research, client training; occasional fire prevention inspections, building plan reviews; environmental assessments, asbestos assessments. Other services include hazardous waste site management, industrial hygiene services, ergonomics research and services.

Staff: Five total; three professionals, including three ASSEs, one CSP.

Clients: 48 total; 30% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 30% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion.

Region served: Nationwide.

1989 gross revenues: \$230,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Ralph E. Mosely, president.

Contact: Ann Bridges, administrative assistant.

N

NATLSCO

K-3 Route 22, Kemper Drive, Long Grove, Ill. 60049-0075; 708-540-2400; fax: 708-540-4330

Year founded: 1968.

Parent company: Kemper Corp.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, client training; occasional loss prevention research. Other services include claims management, ergonomic consulting, industrial hygiene and consulting and laboratory.

Staff: 88 total; 35 professionals, including four ARMs, 30 ASSEs, 22 CSPs, five PEs, 19 CIHs, two CIHTs, two CHCMs.

Clients: 580 total.

Specialties: Industrial fire and explosion; emergency planning, life safety, expert witness.

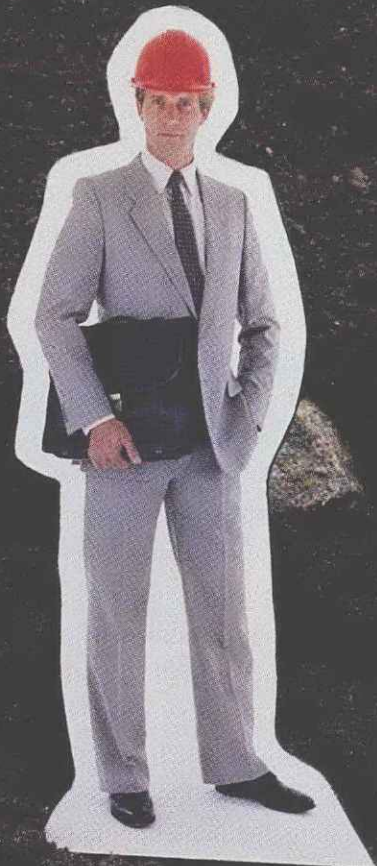
Region served: Nationwide.

Branch offices: Summit, N.J.; Akron, Ohio; Fairfax, Va.

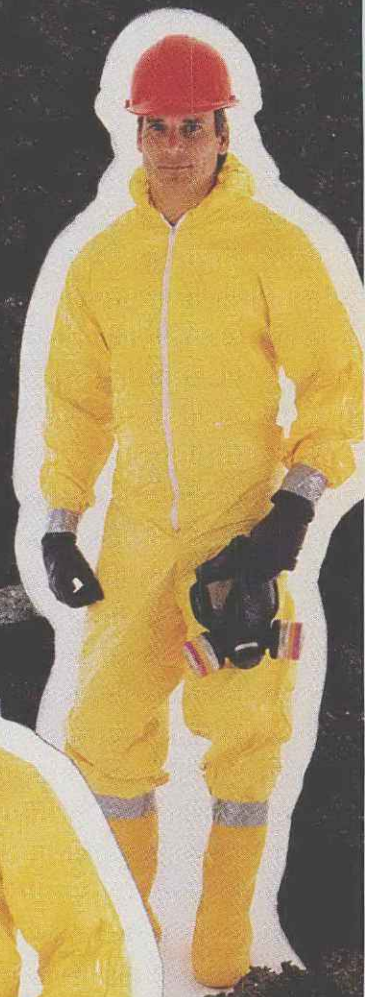
1989 gross revenues: \$65 million-

Continued on page 44

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Spotlight report

Continued from page 42

total.

Principal officers: R.W. Satterfield, president; F.G. Minchik, D.F. Benevich, A.D. Odom and G.J. Kraf-cisin, vps; D.G. Stahoviak, treasurer.

Contact: L. Paul Herman, 708-540-3465.

O

Occupational & Environmental Health Consulting Services Inc.

635 Harding Road, Hinsdale, Ill. 60521; 708-325-2083; fax: 708-655-9457

Year founded: 1984.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, client training; occasional fire prevention inspections, building plan reviews, loss prevention publications, loss prevention research; flammable liquid handling. Other services include EPA and OSHA compliance, industrial hygiene, risk management, expert witness testimony.

Staff: Five total; two professionals, including two CSPs, one PE, one CIH, one REA, one RSO, one Ph.D.

Clients: 88% with gross revenues less than \$200 million, 7% with \$500 million-\$1 billion, 5% with \$1 billion-\$3.5 billion.

Specialties: Health care and health care manufacturing industries.

Region served: Nationwide.

1989 gross revenues: \$170,000 total; 25% from unbundled property loss control consulting and engineering, 75% from other services.

Principal officers: Robert C. Brandys, president; Gail M. Brandys, director-training/technical services.

Contact: Robert C. Brandys.

Omni Tech International Ltd.

2715 Ashman St., Suite 100, Midland, Mich.; 48640; 517-631-3377

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification; occasional plant security inspections, client training. Other services include environmental reviews.

Staff: 10 professionals.

Clients: Gross revenues of clients range from less than \$200 million-\$1 billion.

Specialties: Chemicals, plastics and petroleum industries.

Branch offices: Lake Jackson, Texas.

1989 gross revenues: \$500,000 total; 15% from unbundled property loss control consulting and engineering, 85% from other services.

Principal officers: R.W. Belfit Jr., president/chief executive officer; R.L. Heiny, vice chairman; R.K. Avitabile, executive vp-marketing; J.H. Hanes, executive vp/secretary; W.C. Zacharias, executive vp/treasurer.

Organizational Safety Services Inc.

11831 Rothbury Drive, Richmond, Va. 23236; 804-794-0691

Year founded: 1987.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; occasional plant security inspections, loss prevention research. Other services include safety management training, safety program development, development of audio-visual programs

Staff: Four total; two professionals, including two CSPs, two PEs, two SFPEs.

Clients: 15% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 75% with \$500 million-\$1 billion.

Region served: Nationwide.

Branch offices: Huntington, W. Va.

1989 gross revenues: 35% from unbundled property loss control consulting and engineering; 65% from other services.

Principal officers: Keith E. Barenklau, president; LeRoy V. Abbott and Linda C. Abbott, vps; Eric

E. Barenklau, secretary.

Contact: Keith E. Barenklau, 809-794-0691 or 304-696-3071.

P

The Parvus Co.

1299 Lambert Drive, Silver Spring, Md. 20902; 301-649-6920; fax: 301-649-6364

Year founded: 1984.

Services provided: Occasional general on-site plant loss prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research, client training. Other services include investigation of fraud, collection of security-related information, training and orientation of security personnel, consulting regarding security problems.

Staff: Six total; all professionals.

Clients: 40% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 12% with \$1

billion-\$3.5 billion, 8% exceeding \$3.5 billion.

Specialties: Security consulting in hostile areas.

Region served: National and international.

Branch offices: New York.

1989 gross revenues: More than \$1 million total; 25% from unbundled property loss control consulting and engineering; 75% from other services.

Principal officers: Gerard P. Burke, chairman/chief executive officer; James M. Potts, president; Lawrence Laser, senior vp.

Contacts: Patti Thomas or Gerard P. Burke.

Penrim Ltd.

16 Oaken Gateway, North York, Ontario; 416-733-3100; fax: 416-733-3519

Year founded: 1984.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, building plan reviews; occasional hazard identification. Other services

include risk and insurance management consulting.

Staff: Two total; one professional, including one CRM, one PE, one SFPE, one FIIC.

Clients: Four total; 100% with gross revenues less than \$200 million.

Specialties: Chemical industry, high-hazard plastics and explosives industries, hotels, museums, art galleries, jewelry stores, manufacturers and retailers.

Region served: Primarily southern Ontario.

1989 gross revenues: 25% from unbundled property loss control consulting and engineering, 75% from other services.

Principal officers: Owen Kurin, president.

Glenn D. Peterson, P.E.

2651 Carisbrook Drive, Oakland, Calif. 94611; 415-482-2704

Year founded: 1983.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspec-

tions, hazard identification, building plan reviews; occasional loss prevention publications, loss prevention research, client training. Other services include loss investigations, design of fire protection systems, fire safety plan reviews, fire code consulting.

Staff: One staff member who holds PE, SFPE and NSPE designations.

Clients: 100% with gross revenues less than \$200 million.

Specialties: Wineries, shopping centers, high-rise buildings, offshore oil platforms, hospitals, schools, warehouses.

1989 gross revenues: Approximately \$500,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Glenn D. Peterson, principal.

Professional Loss Control Inc.

P.O. Box 446, Oak Ridge, Tenn. 37831-0446; 615-482-3541; fax: 615-483-7341

Year founded: 1976.

Continued on next page

It's Our View

Factory Mutual System

Continued from previous page

Parent company: Hartford Steam Boiler Inspection & Insurance Co.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, client training; occasional general on-site plant loss prevention inspections, loss prevention publications, loss prevention research, risk assessments. Other services include fire protection design, fire brigade training, life safety surveys, expert witness testimony, computer fire modeling.

Staff: 55 total; 40 professionals, including two ASSEs, 23 PEs, 30 SFPEs.

Clients: 225 total; 15% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 30% with \$1 billion-\$3.5 billion, 40% exceeding \$3.5 billion.

Region served: Nationwide.

Branch offices: Philadelphia; Chicago; Houston; University City, Calif.; Frederickton, New Brunswick; Toronto; Hong Kong.

1989 gross revenues: \$3.2 million

total; 100% from unbundled property loss control consulting and 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;
fax: 904-694-3232

Year founded: 1975.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, loss prevention research, client training; occasional fire prevention inspections, plant security inspections, building plan reviews, loss prevention publications. Other services include safety inspections, safety training, accident investigation and reconstruction, safety program and management evaluation and consulting, litigation support safety and security expert witness testimony.

Staff: One staff member who holds

ASSE, CSP, PE, SFPE, CPSM, CHCM, CHSP, CHMM, CSE, CSM, CSS and CSSP designations.

Clients: 100% with gross revenues less than \$200 million.

Region served: Nationwide.

Principal officers: Herbert T. Bogert, president/consulting safety engineer.

Public Entities National Co.

309 Plus Park Blvd., Nashville, Tenn. 37217; 615-361-4065;
fax: 615-360-8007

Parent company: Corroon & Black Corp.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training; occasional plant security inspections, loss prevention publications, loss prevention research. Other services include loss control programs for workers compensation, law enforcement, and fleet safety.

Staff: Four total, all professionals who hold ASSE designations.

Clients: More than 100 total, 100%

with gross revenues less than \$200 million.

Specialties: Government entities.

Region served: Nationwide.

Branch offices: Columbus, Ohio.

1989 gross revenues: \$400,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Ken Pinkston, president; Dan Lee, chief operating officer; Dave Ritch, senior vp; Gene Roche and Anita Bourke, regional vps.

Contact: David Brawner, loss control manager.

R

RM/QA Systems Inc.

21 W. Broad St., Columbus, Ohio
43215; 614-469-0480

Year founded: 1987.

Parent company: The Ohio Hospital Insurance Co.

Services provided: Frequent general on-site plant loss prevention in-

spections, fire prevention inspections, hazard identification, loss prevention research, client training, hazardous waste management program evaluation and training, loss control software development; occasional plant security inspections, building plan reviews. Other services include professional liability claim management and investigation, captive insurance company formation and management.

Staff: 15 total; seven professionals, including two ARMs, one ASSE, one CSP, six attorneys, three RNs.

Clients: 160 total; 70% with gross revenues less than \$200 million, 25% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion.

Specialties: Health care industry.

Region served: Nationwide.

Branch offices: Annapolis, Md.; West Frankfort, Ill.; Cleveland.

Principal officers: Richard P. Fogo, chairman; Ronald D. Wade, president; Gary D. Schneidmiller, vp-marketing; Howard Baumwell, vp-claims; Ralph Burnheimer, secretary/treasurer.

Contact: Robert B. Meyers, general manager.

RPF Associates

300 Motor Parkway, Suite 100,
Hauppauge, N.Y. 11788;
516-231-1285; fax: 516-231-0361

Year founded: 1985.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training; occasional plant security inspections, building plan reviews, loss prevention publications; training in the use of fire extinguishers, developing fire prevention plans, training for plant self-inspections. Other services include industrial accident prevention, regulatory consulting, fleet accident prevention, emergency evacuation planning, expert witness testimony.

Staff: Four total; two professionals, including one ARM, two ASSEs, two CSPs, one SFPE.

Clients: 65% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 15% with \$500 million-\$1 billion.

Specialties: Printing, retail store, warehouse truck terminals, liquor industry, electronics, computer industry.

Region served: Nationwide.

Branch offices: Dix Hills, N.Y.

1989 gross revenues: \$185,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Robert P. Firmbach, president.

Contact: Robert P. Firmbach

Rahn & Co. Inc.

Healthcare Risk Management Services
1809 Seventh Ave., Seattle, Wash.
98010; 206-624-7917;
800-426-5223; 800-437-7717
in Washington

Year founded: 1928.

Parent company: Rahn & Co. Inc.
Services provided: Environmental impairment liability audits; hazardous chemical surveys; evaluation of use, storage and disposal of hazardous chemicals; loss control surveys and consulting. Other services include safety surveys and consulting, newsletters, occupational health exposure evaluations, policy and procedure reviews, risk management process evaluations.

Staff: Six total; four professionals, including one ASSE, one CIH, one ASP, one CPCU.

Clients: 22 total.

Specialties: Health care.

Region served: Primarily Washington, Oregon, Alaska and California.

Branch offices: Gold Beach, Ore.

Principal officers: Frederick J. Rahn, president; David L. Bosworth, vp.

Frederick Rauh & Co.

3300 Central Parkway, Cincinnati,
Ohio 45225-2384; 513-559-0500;
fax: 513-559-7093

Year founded: 1870.

Parent company: American Business Insurance.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building

Continued on next page

Word.



Insurance should be more than a contract. The risk of property losses puts the future of your business on the line. You need to know that your insurance company will perform 100% when you need it most.

An insurance policy from Protection Mutual represents our pledge of partnership, sharing with you the responsibility for protecting your business against commercial property hazards. We design your coverage to provide the protection you need cost-effectively. We engineer loss control into your daily operations. In the event of a loss, you can count on our 100+ years of market stability. You'll see why we have earned a reputation for fair settlements made without undue delay.

It comes down to one word... protection. With physical and financial protection, we will secure the future of your business.

DE Johnson

Dean E. Johnson
Chairman of the Board, President
and Chief Executive Officer

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Protection Mutual

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Spotlight report

Continued from previous page
plan reviews; occasional plant security inspections, client training; preparation of design specifications for fire protection, detection and supervisory systems; inspections of construction sites (including new water supply, testing and analysis); fire insurance rate reduction analyses, fee inspections for insurance companies. Other services include property appraisals, video contents inventories, safety consulting, safety program design, development, implementation and auditing, brokering insurance.

Staff: 71 total; three professionals, including one CSE, two CSS, one CSP, one CAS, one SFPE, two ASSE.

Clients: 21 total; 55% with gross revenues less than \$200 million, 25% with \$200 million-\$500 million, 15% with \$500 million-\$1 billion, 5% with \$1 billion-\$3.5 billion.

Specialties: Theme and water parks, apparel manufacturers and uniform rental firms, contractors and developers.

Region served: U.S. and Canada.

Branch offices: Chicago; Minne-

apolis; Grass Valley, Los Angeles and San Francisco, Calif.; Overland Park, Kan.; Tampa, Fla.

1989 gross revenues: 3% from unbundled property loss control consulting and engineering, 97% from other 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 service manager.

Contact: Robert J. Stone.

Related Insurance Services of Kentucky

P.O. Box 909, Louisville, Ky.
502-584-2193; fax: 502-581-0648

Parent company: Harris & Harris of Kentucky Inc.

Services provided: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, client training, building appraisals. Other services include in-

spections related to casualty insurance, insurance consulting services, risk management consulting.

Staff: Six total; one professional who holds a PE designation.

Region served: Kentucky, Indiana, Tennessee.

Principal officers: Mike Sheehan, president; John Beam, Pam Wessell, Jeff McGowan and Cliff Elgin, vps.

Contact: Eugene C. Ensor, manager.

Republic Hogg Robinson Inc./Penn General Service Corp.

20 Custom House St., Boston, Mass. 02110; 617-330-5100; fax: 617-330-6940

Year founded: 1970.

Parent company: Hogg Robinson P.L.C.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention research, client training; occasional loss prevention publications. Other services include claims administration.

Staff: 850 total; eight professionals assigned to property loss control consulting/engineering, including five ASSEs, two CSPs, three PEs.

Clients: 20 total; 15% with gross revenues less than \$200 million, 50% with \$200 million-\$500 million, 15% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion.

Specialties: Retail, wholesale, manufacturing, food industry, hotels, hospitals, contractors, airlines.

Region served: Nationwide.
Branch offices: Atlanta; Southfield, Mich.; Cleveland; Irving, Texas.

1989 gross revenues: \$67 million.

Principal officers: Arnold Bergson, chairman; Charles Keller, president; Donald Benyas, regional vp/president-Penn General Service Corp.; Don Bercu, Louis Kohn and Eugene Oberdorfer, regional vps.

RISC Inc.

8008 Corporate Center Drive, Charlotte, N.C. 28226;
800-826-0005; fax: 704-541-3264

Year founded: 1983.

Parent company: Royal Group Inc.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training; occasional plant security inspections; code interpretation, sprinkler system and water supply analysis, testing of sprinkler systems and pumps, replacement cost estimates. Other services include industrial safety, construction safety, ergonomics, industrial hygiene, fleet safety.

Staff: 236 total; 54 professionals, including four ARMs, five ALCMs, 125 ASSEs, 30 CSPs, six PEs, six SFPEs.

Clients: 10% with gross revenues less than \$200 million, 60% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion.

Specialties: Light manufacturing, municipalities, hospitality industry, retail, bottling and beverage industries.

Region served: Nationwide.

Branch offices: Albany, Elmsford, Jericho, Getzville, New York and Syracuse, N.Y.; Atlanta, Aurora, Ill.; Baltimore; Bedford, N.H.; Boston; Charlotte, N.C.; Cincinnati and North Olmsted, Ohio; Dallas, Houston and San Antonio, Texas; East Hanover, N.J.; Englewood, Colo.; Farmington Hills and Grand Rapids, Mich.; Glastonbury, Conn.; Glendale and San Francisco, Calif.; Indianapolis; Little Rock, Ark.; Minneapolis; Nashville, Tenn.; Omaha, Neb.; Overland Park, Kan.; Philadelphia, Pittsburgh and Wilkes-Barre, Pa.; Phoenix; Richmond, Va.; Salt Lake City; Seattle; St. Louis; Tampa, Fla.

1989 gross revenues: 35% from unbundled property loss control consulting and engineering, 65% from other services.

Principal officers: Richard Liersaph, chief operating officer; Vickie Gron, Robert Bieber and Roger Burns, vps.

Contact: Roger Burns or Vickie Gron.

Risk Engineering Inc.

2500 City W. Blvd., Suite 2105, Houston, Texas 77042;
713-952-3334; fax: 713-952-3337

Year founded: 1985.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews; occasional plant security inspections, loss prevention publications, loss prevention research, client training; underwriting risk analysis, evaluation and implementation of highly protected risk loss control programs, business interruption assessments, review of automatic extinguishing systems, water supply testing and analysis. Other services include casualty loss control services.

Staff: Six total; three professionals, including one ASSE, one CSP, one PE, two SFPEs, two NFPAs, one ASME, one SSS, one NSPE, one NSMS, one ASSE, one VS.

Clients: 20 total.

Region served: Nationwide.

1989 gross revenues: 80% from unbundled property loss control consulting and engineering, 20% from other services.

Principal officers: Peter Rolinger, president.

Risk Engineering Ltd.

Surrey Lodge, Hop Gardens, Henley-on-Thames, Oxfordshire, England RG9 2EH;
44-0491-573101; fax: 44-0491-410526

Year founded: 1982.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, building plan reviews; occasional hazard identification, cli-

Continued on next page

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Continued from previous page
ent training; design and bid specifications for fire prevention systems, fire protection project management. Other services include computer simulation of inter-plant business interruption dependencies.

Staff: Six total; five professionals, including three PEs, three SFPEs, one FCII, one MIEAs.

Clients: 93 total; 47% with gross revenues less than \$200 million, 36% with \$200 million-\$500 million, 16% with \$500 million-\$1 billion, 1% exceeding \$3.5 billion.

Specialties: General manufacturing, European subsidiaries of U.S.-based companies.

Region served: Europe, Australia, New Zealand, Asia.

1989 gross revenues: \$425,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: John Rayner, managing director; Ralph Kendrick, chairman/director; James Rayner, director; Colin Schofield, senior design engineer.

Contact: John Rayner.

Specialties: Construction and manufacturing.

Region served: Washington, D.C.; Virginia; Maryland.

1989 gross revenues: \$150,000 total; 80% from unbundled property loss control consulting and engineering, 20% from other services.

Principal officers: Richard C. Knapp.

Safety & Loss Control Associates

P.O. Box 440, Prospect Heights, Ill. 60070; 708-296-5989

Year founded: 1984.

Services provided: Frequent plant security inspections, hazard identification, loss prevention publications, client training; occasional fire prevention inspections, building plan reviews, loss prevention research.

Staff: Two total, including one CSE.

Clients: 100% with gross revenues less than \$200 million.

Specialties: Heavy industry, con-
Continued on next page

1989 / 1990

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Risk Science International Inc.

1101 30th St. N.W., Washington, D.C. 20007; 202-342-2206; fax: 202-342-6491

Year founded: 1981.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, environmental assessments for insurance and property acquisitions; occasional building plan reviews, loss prevention publications, client training. Other services include underground tank management, environmental consulting.

Staff: 20 total; 15 professionals, including two ARMs, three PEs.

Region served: Nationwide.

Branch offices: Sydney, Australia.

Principal officers: Robert M. Kube, senior vp; John Haines and Michael Quinn, vps; Andrew Marr, managing director-Sydney office.

Contact: Michael Quinn.

Roth Asbestos & Environmental Consultants Inc.

1900 W. 47th Place, Westwood, Kan. 66205; 913-831-4795; fax: 913-831-0138

Year founded: 1985.

Services provided: Hazard identification, building plan reviews, client training. Other services include environmental assessments and audits, hazardous materials inspections and training.

Staff: 65 total; 12 professionals, including two SFPEs, one CIH.

Clients: 20 total; 70% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 10% exceeding \$3.5 billion.

Specialties: Industry, power plants, pulp and paper industries.

Region served: Nationwide.

Branch offices: St. Louis, Dallas, Denver.

1989 gross revenues: \$3.1 million total; 84% from unbundled property loss control consulting and engineering, 16% from other services.

Principal officers: E. Allen Roth, president; Richard Erickson, vp-operations; T.I. Maupin, vp-finance; Don Palmer, vp-business development.

Contact: E. Allen Roth or Don Palmer.

S

Safety & Hazard Associates

P.O. Box 249, Annapolis, Md. 21404; 301-267-7171; fax: 301-544-5126

Year founded: 1984.

Services provided: General on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, pre-construction surveys.

Staff: Two total; both professionals, including one ASSE, one CSP, one PE, one CHCM, one OHST.

Clients: Eight total; 50% with gross revenues less than \$200 million, 50% with \$200 million-\$500 million.

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If you're interested in learning how loss control services can help increase operational efficiency, call a J&H office or Bill Ramonas at 201-292-5230.

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Spotlight report

Continued from previous page
struction.

1989 gross revenues: 100% from unbundled property loss control consulting and engineering.

Principal officers: Donald A. Neslund, owner.

Safety Management Associates

P.O. Box 693, Springfield, Va.
22150-0693; 703-978-3000

Year founded: 1981.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss prevention research, client training; other services include accident reconstruction.

Staff: Three total; two professionals, including two CSPs, one CHCM.

Clients: 10 total, 100% with gross revenues less than \$200 million.

1989 gross revenues: 30% from unbundled property loss control consulting and engineering, 70% from other services.

Principal officers: Neil R. Temple, president.

Safety Management Services Inc.

P.O. Box 51927, Lafayette, La.
70505; 318-235-6524;
fax: 318-232-8641

Year founded: 1981.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, loss prevention research, client training. Other services include safety consulting, training and research.

Staff: Two total; both professionals, including two ASSEs, one CSP, one SFPE.

Specialties: Airfield-related businesses.

Region served: Nationwide.

Principal officers: Jack Barnidge, president/owner.

Safety Management Services of Texas

13647 Purple Sage, Dallas, Texas
75240; 214-351-1446

Year founded: 1985.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training; occasional fire prevention inspections, plant security inspections, building plan reviews. Other services include industrial hygiene sampling, radon testing and mitigation, radiation surveys, hazardous waste management, hazardous materials training.

Staff: Two total; both professionals who hold ASSE, CSP and PE designations.

Clients: 15 total; 67% with gross revenues less than \$200 million, 33% with \$200 million-\$500 million.

Specialties: Semiconductor manufacturers and related industries.

Region served: Nationwide.

1989 gross revenues: \$150,000 total; 90% from unbundled property loss control consulting and engineering; 10% from other services, including expert witness testimony.

Principal officers: Dr. Roy H. Kinslow, president; Dennis Donegan, principal associate.

Contact: Dr. Roy H. Kinslow.

Safety Management Systems

250 Honey Jane Drive,
Beavercreek, Ohio 45385;
513-429-2943

Year founded: 1985.

Services provided: Frequent hazard identification, loss prevention publications, loss prevention research, client training; occasional fire prevention inspections, plant security inspections, building plan reviews. Other services include safety consulting services.

Staff: One staff member who holds ASSE, CSP and CHCM designations.

Clients: 40 total; 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion, 20% exceeding \$3.5 billion.

Principal officers: Jack Truitt, president.

Safety & Risk Control Services Inc.

395 Main St., Suite 4, Metuchen,
N.J. 08840-1806; 201-906-2244;
fax: 201-906-2045

Year founded: 1989.

Services provided: Frequent general on-site plant loss prevention surveys, fire prevention surveys, hazard identification; occasional building plan reviews, loss prevention research, client training. Other services include safety consulting, safety training, safety auditing, program development, risk assessments.

Staff: Four total; one professional. Designations held by staff include one ARM, one ASSE, one CSP.

Specialties: Commercial and in-

dustrial.

Region served: Nationwide.

1989 gross revenues: 10% from unbundled property loss control consulting and engineering; 90% from other services.

Principal officers: Harvey S. Staple, president.

Schirmer Engineering Corp.

707 Lake Cook Road, Deerfield, Ill.
60015-4997; 708-272-8340;
fax: 708-272-2639

Year founded: 1939.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, building plan reviews, client training, building and fire code consultation, fire suppression system de-

sign, fire and security alarm system design; occasional plant security inspections, hazard identification, loss prevention publications, loss prevention research, litigation support services.

Staff: 121 total; 71 professionals, including two ARMs, four ASSEs, nine CSPs, 27 PEs, 33 SFPEs, 53 NFPAs, two AICES.

Specialties: Commercial, industrial, public entities.

Region served: Nationwide.

Branch offices: San Francisco; Los Angeles; Dallas; Washington, D.C.

1989 gross revenues: \$8 million total; 50% from unbundled property loss control consulting and engineering, 50% from other services.

Principal officers: Chester W.

Schirmer, president; Richard R. Osman, executive vp; Raymond G. Weigand, Gary L. Jordan and Carl F. Baldassarra, vps.

Contact: Raymond G. Weigand.

Scott Wetzel Services Inc.

500 Pacific Ave., Suite 700,
Bremerton, Wash. 98310;
800-426-5990; fax: 206-479-8297

Year founded: 1941.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, loss prevention research, client training; occasional

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Appleton, Wis.



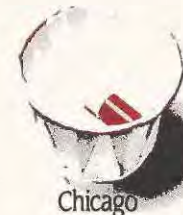
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Continued from previous page
building plan reviews, loss prevention publications. Other services include safety program development, occupational health program assistance, regulatory compliance, industrial hygiene and asbestos management, accident investigations, claims administration.

Staff: 340 total; nine professionals assigned to property loss control consulting/engineering, including one ARM, one SFPE, five ASSEs.

Clients: 86% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million, 6% with \$500 million-\$1 billion, 3% with \$1 billion-\$3.5 billion.

Specialties: Municipalities, construction, manufacturers, retail, agricultural and food processing in-

dustries, health care facilities.

Region served: Washington, California, Texas, Illinois, Michigan, Utah, Idaho, Oregon, Alaska, Florida, Georgia, New Hampshire, Arizona, Colorado, Maryland, Arkansas, Kansas, Ohio, Indiana.

Branch offices: Seattle and Spokane, Wash.; Concord and Orange, Calif.; Portland, Ore.; Atlanta; Chicago; Denver; Houston; Rockville, Md.; Tampa, Fla.

Principal officers: John Harrold, president/chief executive officer; Ed Kocott, vp-operations; Terry Neal, executive vp-finance; Warren Zimmerman, vp-corporate services; Vic Teti, vp-information systems; Doug Alsop, vp-marketing.

Contact: Valerie Williams, 206-479-0200.

Sedgwick James Inc.- Risk Control Services

830 Morris Turnpike, Short Hills, N.J. 07078, 201-564-7200; 1285 Ave. of the Americas, New York, N.Y. 10019, 212-333-8900; fax: 201-564-7282

Year founded: 1858.

Parent company: Sedgwick Group P.L.C.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, client training, computerized contingency planning, loss estimates, rate analysis, property valuations, build-

ing code review and analysis; occasional loss prevention research. Other services include chemical hazard control, construction safety, driver and fleet safety, publication of safety manuals and videos, regulatory compliance, ergonomics studies, product liability research.

Staff: 102 total; 86 professionals, including 17 ARMs, two ALCMs, 38 ASSEs, 26 CSPs, seven PEs, 22 SFPEs, one ACS, two AICEs, five AIHAs, one ASME, two ASPs, four CHCMs, four CPCUs, one CSE, one CSM, one CST, one IIE, one NBBM, 27 NFPAs, one NFSA, 27 NSCs, five NSMSs, two NSPEs, one SSA, two WSOs.

Clients: 300 total.

Region served: National and international.

Branch offices: Atlanta; Boston; Chicago; Columbia, S.C.; Dallas; Darien, Conn.; Detroit; Fort Lauderdale and Orlando, Fla.; Harrisburg, Philadelphia and Pittsburgh, Pa.; Irvine, Calif.; Kansas City, Mo.; Little Rock, Ark.; Memphis and Nashville, Tenn.; Minneapolis; Omaha, Neb.; Phoenix, Ariz.; Portland, Maine; Portland, Ore.; Rochester, N.Y.; St. Louis; Seattle.

1989 gross revenues: 40% from unbundled property loss control consulting and engineering; 60% from other services.

Principal officers: William G. Lauffer Jr., vp; Steven Galeotti, manager.

Contact: William G. Lauffer Jr., 201-564-7272.

Self Insured Services Co.

300 Security Building, P.O. Box 28, Dubuque, Iowa 52001; 319-583-7301; fax: 319-583-7339

Year founded: 1981.

Services provided: 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, regulatory compliance. Other services include regulatory compliance, claims handling procedures, industrial hygiene needs, noise control, respiratory compliance and protection, workplace ergonomics, loss trend and job safety analysis.

Staff: Three total; two professionals, including one ASSE, one SFPE.

Clients: 75 total; 90% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million.

Region served: Nationwide.

1989 gross revenues: 10% from unbundled property loss control consulting and engineering; 90% from other services.

Principal officers: John E. Butler, president; Timm G. Johnson, senior vp; Willy Schuller, vp/manager-benefits division.

Contact: Doug Eckermann, manager-property/casualty services division.

Sigma Associates Ltd.

105 Timber Ridge Blvd., Pass Christian, Miss. 39571; 601-452-4866; fax: 601-452-7202

Year founded: 1978.

Services provided: Frequent hazard identification; occasional general on-site plant loss prevention inspections, fire prevention inspections, plant security inspections, building plan reviews, loss prevention publications, loss prevention research, client training. Other services include risk management, claims management, surveys, valuations, risk assessments, risk financing, industrial accident reconstructions, forensic investigations, training, accident reconstructions, illustrative modeling, underwriting surveys.

Staff: Five total; two professionals, including one ASSE, one CHCM, one CSSP, one Ph.D., two CFEIs, two CFIs.

Clients: 60% with gross revenues less than \$200 million, 15% with \$200 million-\$500 million, 25% exceeding \$3.5 billion.

Specialties: Construction, marine, petroleum, insurance.

Region served: Nationwide.

1989 gross revenues: 60% from unbundled property loss control consulting and engineering, 40% from other services.

Principal officers: A.J. Scardino Jr. and Don J. Godlewski.

Contact: A.J. Scardino Jr.

System Engineering & Laboratories Corp.

Route 7, Box 917, Tyler, Texas 75707; 214-566-1980; fax: 214-566-4504

Year founded: 1984.

Services provided: Frequent hazard identification; occasional general on-site plant loss prevention inspections, fire prevention inspections, building plan reviews, loss prevention publications, loss prevention research, client training; product liability consulting, personal injury and accident reconstruction consultants, building inspections, ergonomic services, system safety consulting, fire cause analysis, oilfield safety services. Other services include product

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Continued from previous page testing, testing of mechanical and electrical systems, vehicle dynamics.

Staff: 20 total; 10 professionals, including one ASSE, three CSPs, seven PEs, three NAFEs.

Specialties: Attorneys, insurance, railroad and oil industries, engineers.

Region served: Nationwide.

Branch offices: Amarillo, Houston and Dallas, 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

Year founded: 1984.

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, client training; occasional fire prevention inspections, plant secu-

rity inspections, loss prevention research. Other services include safety consulting, management and employee training, insurance surveys, development of safety programs, seminars.

Staff: Two total, including one ASSE.

Clients: 35 total.

Specialties: Insurance, concrete block, pipe and ready-mix concrete industries.

Region served: Minnesota, Wisconsin, Illinois.

1989 gross revenues: More than \$70,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Frank J. Szymanski, principal.

T

Tiller Consulting Group Inc.

2833 N. Geyer Road, St. Louis, Mo. 63131; 314-567-7480; fax: 314-567-4199.

Year founded: 1984.

Services provided: Frequent hazard identification; occasional general on-site plant loss prevention inspections, plant security inspections, building plan reviews, loss prevention publications, loss prevention research, client training. Other services include environmental risk assessments.

Staff: Two total; including two ARMs, one ASCE, one FCAS, one AIHA, one AICE, one SRA, one ACS, one ASA, one MAAA, one CAPP, one IAA, one CPCU.

Specialties: Chemical industry, waterfront operations.

Principal officers: Margaret Wilkinson Tiller, president; Michael H. Tiller, principal.

W

W4 Group Consultants

P.O. Box 2554, Niagara Falls, New York, N.Y. 14302; 716-282-4177; fax: 716-282-4178

Year founded: 1986.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, environmental audits, special hazard studies; occasional plant security inspections, client training. Other services include fire rate analysis, forensic accounting, building valuations.

Staff: Seven total; five professionals, including two ASSEs, three PEs, one SFPE, one CSS, one CHMS.

Clients: 70% with gross revenues less than \$200 million, 30% with \$500 million-\$1 billion.

Specialties: Pharmaceutical, communication, printing, data processing, electronic industry, restaurants, dry goods, dry cleaning, boating and clothing manufacturing.

Region served: New York, New Jersey, Pennsylvania, Ohio, Maryland, Delaware, Connecticut, Rhode Island, Massachusetts, Ontario.

Branch offices: Mississauga, Ontario.

Principal officers: S. Carr Jenkins, president; James C. Sheppard, vp.

Contact: In the U.S.: S. Carr Jenkins. In Canada: 55 Village Centre Place, Suite 220, Mississauga, Ontario, L4Z 1V9; 416-287-6322.

Waite Hill Services

1063 Technology Park Drive, Glen Allen, Va. 23060; 804-261-7041; fax: 804-266-4458 or 804-266-4051

Parent company: Figgie International Inc.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, client training, industrial hygiene evaluations and training, environmental evaluations and training; occasional plant security inspections, building plan reviews, loss prevention publications, loss prevention research. Other services include claims services, underwriting.

Staff: Six total; five professionals, including five ASSEs, two AIHAs, one CHCM, one ASP.

Clients: 60% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 10% exceeding \$3.5 billion.

Specialties: Health care, truck and tractor manufacturers, sporting goods manufacturers, instrumentation manufacturers, brass foundries.

Region served: Nationwide.

Branch offices: Cleveland; Richmond, Va.

1989 gross revenues: \$18 million total; 2.5% from unbundled property loss control consulting and engineering; 97.5% from other services.

Principal officers: J. David Klaitz, president; Mac Simpson, senior vp-marketing/sales/underwriting; Gene Tetreault, vp-claims; Geoff Cahill, vp-marketing; Grace Cashman, vp-data processing; Dennis Miller, vp/controller.

Contact: Joseph S. Black Jr.

Webb, Murray & Associates Inc.

P.O. Box 58250, Houston, Texas 77258; 713-335-1668; fax: 713-335-1682

Year founded: 1974.

Services provided: Frequent general on-site plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, client training; occasional plant security inspections, loss prevention research; available 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. Other services include safety engineering, safety training, accident and fire investigations, model vapor cloud dispersions, qualitative and quantitative system safety analyses.

Staff: 94 total; 29 professionals, including eight ASSEs, eight CSPs, seven PEs, 12 SFPEs, one MBA, one IHIT, two ASMEs, four SSSs.

Clients: 10% with gross revenues less than \$200 million, 15% with \$200 million-\$500 million, 15% with \$500 million-\$1 billion, 35% with \$1 billion-\$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: National and international.

Branch offices: Nassau Bay, La Porte and Freeport, Texas.

1989 gross revenues: \$6.5 million total (for fiscal year ended September 30); 35% from unbundled property loss control consulting and engineering, 65% from other services.

Principal officers: Robert M. Webb, president/treasurer; Robert W. Murray, senior vp/secretary; Billy C. Magee, vp.

Contact: Robert W. Murray or Kevin O'Neill.

X

Xordium Inc.

12465 Lewis St., Suite 104, Garden Grove, Calif. 92640; 714-748-9291; fax: 714-748-9294

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Property Loss Control
Risc Inc.
- Arkansas**
- Little Rock**
Risc Inc.
Sedgwick James Inc.
(Risk Control Services)
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- Concord**
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- Newport Beach**
Coopers & Lybrand-Risk
Management Consulting Group
- Oakland**
Glenn D. Peterson P.E.
- Orange**
Scott Wetzel Services Inc.
- Orange County**
Jardine Insurance Brokers
- Pleasant Hill**
Donald Mayo-
Fire Protection Consultant
- Pleasanton**
Clayton Environmental
Consultants Inc.

Directory

Continued from previous page

Services provided: Frequent general on-site plant loss prevention inspections, hazard identification, client training; occasional fire prevention inspections, plant security inspections, building plan reviews, loss prevention research. Other services include a computer data base management program for maintenance of risk control programs, regulatory compliance.

Staff: Six total; three professionals, including three ASSEs, two CSPs, one PE.

Clients: 100% with \$500 million-\$1 billion in gross revenues.

Region served: California.

1989 gross revenues: \$270,000 total; 10% from unbundled property loss control consulting and engineering; 90% from other services.

Principal officers: Karen Gillett, president; Fred Gillett, executive vp; Dale Bush, manager-consulting group; Mark Weiner, vp-operations/marketing; Teresa Green, operations manager; Salvador Ordaz, Spanish services division.

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Professional Loss Control Inc.

Ireland

Dublin
International Loss
Control Services Ltd.

West Germany

Mering
American Risk Management Corp. ■

Smetana named president of AI Global

Joseph C. Smetana has been named president of AI Global, the newly created American International Group Inc. division that underwrites property/casualty, life and group benefits coverage for multinational companies.

Mr. Smetana will give up his current title of president of AIG Risk Management Inc., although he also has been named chairman and chief executive officer of that division.

Responsibility for day-to-day operations of AIG Risk Management will be taken over by **John G. Gantz Jr.**, who was named president and chief operating officer.

Both promotions are effective June 1.

In other insurer changes:
Gerald L. Maatman, president of Kemper Group's national insur-

Comings & goings: industry

ance companies in Long Grove, Ill., was given the additional title of chief executive officer. He succeeds **Joseph E. Luecke**, who remains chairman of the board. Kemper also announced that **Alfred K. Kenyon** was appointed executive vp and will head a new Insurance Services Group.

Frank J. Lynch retired as chairman and chief executive officer of United States Aviation Underwriters Inc. in New York. **John V. Brennan**, the company president, has taken on the additional duties.

Jeanne H. Eddy elected executive vp of United States Fidelity & Guaranty Co. of Baltimore.

J. Robert Coffin promoted to vp for American States Insurance Co. of Indianapolis and its subsidiaries. **Charles Mansfield** promoted to Dallas division vp and vp of American States' agency companies.

Henry Krizl Jr. named vp of Pacific Compensation Insurance Co. of San Bruno, Calif.

Roger J. Fries promoted to executive vp-insurance for the Accident Fund of Michigan, the state workers compensation insurer in Lansing, Mich.

Sylvester Green named senior vp and New York zone officer for Chubb & Son Inc., a wholly owned subsidiary of Chubb Corp. of War-

ren, N.J.

Kenneth W. Davey named regional vp and regional sales manager for Arkwright Mutual Insurance Co. He will be based in Shelton, Conn., headquarters of the company's international operations.

Rhonda Ijams hired as vp-claims for Western International Insurance Co. of Huntington Beach, Calif.

Rick A. Silas promoted to vp with Union Labor Life Insurance Co. of Washington, D.C. **Linda A. Shepherd** appointed second vp of Ulico Casualty Co., a subsidiary of Union Labor Life.

Daniel F. Hunger elected vp and corporate internal auditor for Aon Corp. of Chicago.

Charles V. Giuffra, chief executive officer of USLICO Corp., was also named chairman of the insurance holding company. He replaces **Leslie P. Schultz**, who retired. Also at USLICO subsidiaries: **James G. Cochran** elected senior vp and actuary at United Services Life Insurance Co. of Arlington, Va.; and **Anthony P. Cimaglia** promoted to vp in underwriting with United Services Life.

Lowell Tornow has retired as executive vp-field operations with Wausau Insurance Cos., a Nationwide Mutual Insurance Co. unit in Wausau, Wis. He joined Wausau in 1956.

Robert S. Johnson promoted to executive vp from senior vp with Provident Mutual Insurance Co. of Philadelphia. He will remain chief marketing officer.

Phillip R. Hooper named vp-operations manager in the Stamford, Conn., office of Allendale Mutual Insurance Co.

Sharon Jurado promoted to vp at SourceOne Insurance Co., a liquor liability insurer in Troy, Mich.

William H. Graves appointed president in Dallas of the south central division of Progressive Corp., an auto insurer in Mayfield Heights, Ohio.

James Garrison named president of Pacific Federal Insurance Corp. of Glendale, Calif. He previously had been vp-group insurance services with Marsh & McLennan Inc.

Agents/brokers

Edward A. Schirick was promoted to senior vp at Rhulen Agency Inc. in Monticello, N.Y.

Carl S. Baldey promoted to vp in Seattle with Aviation Insurance Services Inc., a Los Angeles-based brokerage.

Brian Francis named senior vp-marketing with Combined Services Inc., a brokerage in Concord, N.H.

Vincent H. Trapani promoted to executive vp at American Business Insurance Inc. of San Francisco. He will continue as chief financial officer.

Michael Willard, a vp with Sedgwick James in San Francisco, was named regional controller.

Corroon & Black Corp. of New York announced two promotions to vp in San Francisco: **Denis J. Loiseau** in commercial risk management division; and **David M. Van Dyke** in construction industry division.

Excess/surplus lines

William Homewood promoted to vp and **Owen Hakes** promoted to vp and manager of workers compensation services with Sherwood Insurance Services, an excess and surplus lines broker and managing general agent in San Francisco.

Joe Nelligan joined Alexander Howden North America as a vp in Chicago. ■

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INTERNATIONAL

Outhwaite announces new cash call

By CAROLYN ALDRED

LONDON—Members of Lloyd's of London syndicate 317/661, underwritten by Richard Outhwaite, must pay a further 76 million pounds (\$128.7 million) this year to meet losses from runoff reinsurance policies written by Mr. Outhwaite in 1982.

Including the latest cash call, the largest sought so far by the syndicate, the 1,614 members of the syndicate's 1982 year have been asked to pay almost 170 million pounds (\$287.8 million at current exchange rates) since 1987. In addition, two cash calls of 13.1 million pounds (\$22.2 million) each are projected for 1991 and 1993.

However, for the first time since 1985, syndicate estimates for known and unknown outstanding liabilities have dropped, "suggesting a glimmer of light at the end of the tunnel," said Mr. Outhwaite.

Syndicate 317/661, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd., wrote more than two dozen runoff reinsurance policies in 1982 for other Lloyd's syndicates and insurance companies. Many were not capped. As a result, syndicate 317/661 faced unquantifiable—and potentially huge—claims stemming from ceding underwriters' past liabilities.

The Outhwaite agency disputed many of the runoff contracts, claiming ceding underwriters

failed to disclose and misinterpreted facts.

So far, the syndicate has settled with 16 cedants, of which 13 have agreed to cap the liabilities reinsured under the Outhwaite runoff contracts. Another contract is unlikely to produce further liabilities for the syndicate, according to the Outhwaite agency.

As a result of the settlements, "there are fewer contracts which can impact future years," said Mr. Outhwaite, referring to future claims provisions.

Syndicate losses for 1982 underwriting accounts grew by 26.2 million pounds (\$42.2 million at applicable exchange rates) in 1989, compared with loss deterioration in 1988 of 76 million pounds (\$137.6 million), Outhwaite reported. Also, only 10.8 million pounds (\$17.4 million) of 1989's deterioration represented underwriting losses, the remainder being mainly currency exchange losses.

"We see this as a very hopeful sign," but it will take several more years to be certain that deterioration of past liabilities is on the wane, said Mr. Outhwaite.

Losses mainly relate to North American liability exposures incurred by the insurers that ceded their prior underwriting liabilities to syndicate 317/661. According to Outhwaite, 39.1% of outstanding claims on the unsettled runoff contracts relate to environmental pol-

lution exposures; 30.6% to asbestos bodily injury claims; 7.1% relate to asbestos property damage; 4.7% relate to DES and 7% relate to liability claims filed by Shell Oil Co. to clean up hazardous waste sites (BI, Jan. 9, 1989).

About half the syndicate's 1,614 members for the 1982 year are suing the Outhwaite agency and the members' agents that placed them on the syndicate, claiming negligence and reckless underwriting (BI, Dec. 25, 1989).

However, Lloyd's requires members to pay all losses, even those they dispute, or risk being barred from underwriting at Lloyd's. Only 2 million pounds of last year's 64.8 million pound (\$100.5 million) cash call was not paid by members.

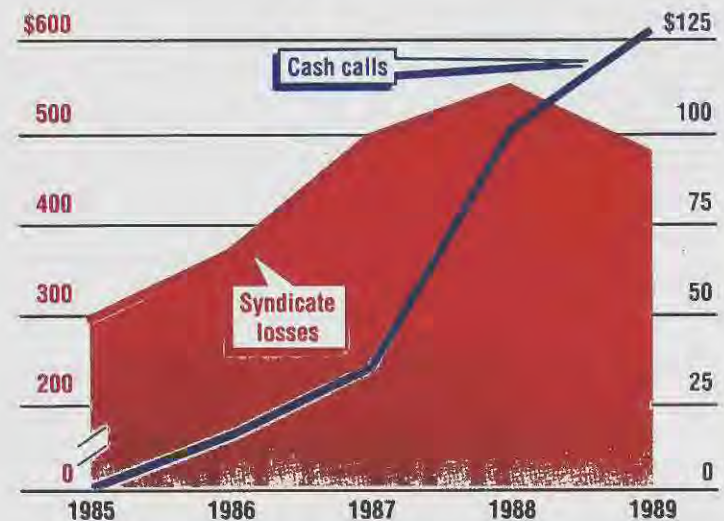
Lloyd's, meanwhile, is considering 23 "hardship" applications from Outhwaite members, made after last year's cash call, said Lloyd's chief executive Alan Lord.

Under a Lloyd's rule introduced last year, members facing financial hardship as a result of a cash call may apply for help—such as loans or an extended deadline—to meet any loss.

Lloyd's also is seeking to ensure that Outhwaite syndicate members obtain any stop-loss insurance payments and tax relief for losses "at the earliest opportunity." However, Lloyd's still is refusing to provide a rescue package for Outhwaite syndicate members that

Outhwaite cash calls growing

Although estimated total losses for syndicate 317/661's 1982 account declined last year, members are being asked to contribute more in another cash call. Figures are in millions of dollars.*



*Converted at applicable exchange rates.

Source: RHM Outhwaite (Underwriting Agencies) Ltd.

BI/HOLLY SEGUINE

involves any form of "mutualization" or transfer of the syndicate's liabilities to other Lloyd's members, Mr. Lord said.

"The Council (of Lloyd's) is sympathetic to (the Outhwaite) names and is doing everything possible to

help them (besides) transferring the liabilities to the membership as a whole," he said.

Lloyd's will begin to take action early this fall against members who fail to meet the Outhwaite cash calls, said Mr. Lord.

Other syndicates asking members for cash

By CAROLYN ALDRED

LONDON—Several Lloyd's of London syndicates are asking members for cash to help pay for the 1988 Piper Alpha oil rig explosion that cost insurers about \$1.4 billion.

Some cash calls relate to the 1987 underwriting year, the year now closing under Lloyd's three-year accounting system, and some

LONDON

to 1988, which will not close for another year.

Meanwhile, uncertainty over 1987 storm losses in Europe is keeping at least one marine syndicate from closing its 1987 underwriting year.

Claims from that windstorm—

dubbed 87J in the market—primarily hit non-marine syndicates, but the losses are starting to spin into the London marine excess-of-loss reinsurance (LMX) market.

Syndicate 540, managed by Feltrim Underwriting Agencies Ltd., is asking 1,457 members of its 1988

underwriting year to pay almost 28 million pounds (\$47.3 million) to cover losses mainly from Piper Alpha, said Martin Cosens, Feltrim's company secretary.

The loss represents 75% of the syndicate's 1988 premium capacity of 37.3 million pounds (\$67.5 million).

Syndicate 540 also is asking 985 members of the 1987 underwriting year to pay a total of about 10.5

million pounds (\$17.7 million)—50% of the year's 21 million pound (\$39.5 million) premium capacity.

The 1987 year "is being kept open because of uncertainty surrounding the quantity of 87J losses that have spun into the marine (LMX) spiral," said Mr. Cosens.

Syndicate 540 was reinsured for the 87J loss but "we now forecast the loss will go out the top (of the

Continued on page 60

Unifying laws throughout E.C.
Court attunes pension benefits

By DENISE CLAVELoux

LUXEMBOURG—A recent European Court of Justice ruling could cost many corporations in six European nations billions of dollars in new pension expenses.

The court ruled May 16 that a private pension plan must provide the same level of benefits for men and women retiring at the same age. It was first time the European Court has ruled in favor of men in a sex discrimination case.

In the case before the European Court, Douglas Barber sued his former employer, Guardian Royal Exchange Assurance P.L.C. of London, alleging discrimination. Mr. Barber was forced to retire at the age of 52, but under company rules was ineligible to receive pension benefits until age 62. A woman retiring at the same age would have been entitled to full pension benefits immediately, the suit charged.

This judgment, which sets legal precedent throughout the European Community, applies only to private pension plans and does not affect state pensions.

The court reasoned that unlike

the benefits awarded by national social security plans, a retirement benefit paid under a private pension constitutes consideration paid by the employer to the worker in respect to his employment and consequently falls within the scope of Article 119 of the E.C.'s Treaty of Rome, which guarantees equal pay for men and women.

The ruling could cost billions of dollars for E.C. companies that have funded their pension plans on the assumption men will be entitled to full pension benefits at a later age than women.

Only six of the 12 member nations currently permit offering women full retirement benefits at an earlier age than men: Belgium, Greece, Italy, Portugal, the United Kingdom and West Germany (BI, Oct. 9, 1989).

In the United Kingdom, for example, the Sex Discrimination Act of 1986 required employers to have equal retirement ages for unemployment purposes, but did not discuss equal retirement ages for pension plan purposes, according to benefit consultant William M. Mercer Inc. of New York.

Retirement ages for pension pur-

poses in the United Kingdom are 65 for men and 60 for women, a pattern followed by most companies, Mercer said in a recent bulletin.

The London-based National Assn. of Pension Funds Ltd. says it is too early to assess the effects of the judgment. The group is currently meeting with British government officials to determine the scope of the court's ruling.

About 10.5 million U.K. workers are members of private pension plans—called "contracted out plans"—that replace the government's earnings-related pension program, according to the NAPF. About a third of those are women.

However, other consultants have predicted that offering men private pension benefits at the earlier age would cost U.K. companies up to \$85 billion.

The court apparently realized the extreme financial implications of its decision. It took the unusual step of saying that its decision could not be used retrospectively, so employers would not be faced with an avalanche of claims from retired workers seeking pension benefits.

Panel debates impact of product directive

By ISABELLE BERGLAS

PARIS—Adoption of the European Community's product liability directive will not eliminate differences between individual countries' product liability laws as hoped, an insurance scholar contends.

Another impediment to standardizing product liability law is the strength of existing product liability laws in some countries, that have not yet adopted the directive, according to Jean Bigot, director of the Insurance Institute at the University of Paris.

Mr. Bigot spoke at a seminar on product liability risk management sponsored by Management Centre Europe of Brussels, Belgium, in Paris May 17-18.

The E.C. product liability directive, which was passed by the European Council in July 1985 and was to be implemented in all member states by July 1988, changes the burden of proof in product liability litigation to producers from consumers and makes producers strictly liable for damage and injury caused by their products.

However, so far only seven member states—Denmark, Greece, Italy, Luxembourg, Portugal, the United Kingdom and West Germany—have introduced the directive into their national legislation.

And, numerous differences remain between these seven countries' laws due to loopholes contained in the E.C. product liability directive, according to Mr. Bigot.

For example, he noted that the directive leaves to the discretion of

Continued on next page

INTERNATIONAL

Liability directive

Continued from previous page
the member state:

- Whether to subject producers of agricultural raw materials to strict liability.

Among the countries that have adopted the directive, all but Luxembourg exclude natural produce that has not been subjected to any industrial transformation.

- Whether to cap compensation for serial damages—when identical products with the same defects cause injury.

Only Greece, Portugal and West Germany now cap serial damages.

- Whether to allow the developmental risks—or state of the art—defense in product liability cases.

Except for Luxembourg, all of the E.C. countries that have implemented the directive accept the developmental risks defense.

Under British law, though, a pro-

ducer is liable only if it was possible for another manufacturer of the same product to have detected the defect.

However, the state-of-the-art defense permissible in the United Kingdom is less strict than that suggested by the directive, "and has been criticized by the commission in Brussels, which may ask the U.K. to amend the language of its text," Mr. Bigot said.

The E.C. earlier this year sued the United Kingdom and Italy for the way they implemented the product liability directive (*BI*, March 26).

Francois Chaumet, secretary general of insurer Preservatrice Fonciere Assurances Vie of Puteaux, France, said at the seminar that he welcomes this debate over implementation.

"Great Britain has the merit of compelling Brussels to face up to its responsibilities with regard to the wording of the directive," he said.

Mr. Chaumet said the attempted standardization of E.C. product liability laws "is a failure" because of

Article 13 of the directive, which states that "the directive does not affect any rights that a victim of an injury may have as a result of the law on contractual or extra-contractual responsibility or any other special system of responsibilities in existence" when the directive was introduced in 1985.

Mr. Bigot agreed.

According to Mr. Bigot, one problem with the directive is "the disparity between rights in different countries, as a result of the options left to member states, and of the residual role left by the directive to national common law, which may, as in France, reveal itself to provide more protection than the directive."

He said product liability law in France, which has not yet incorporated the E.C. directive into its legal system, provides victims greater protection than the E.C. directive would.

For example, French law prohibits

"manufacturers from attempting to prove that the fault was undetectable given the knowledge and techniques of the time," according to Mr. Bigot, referring to the optional developmental risks defense allowed under the E.C. directive.

In addition, whereas the E.C. directive states that legal action generally must be taken within three years from the time a defective product was supplied, France has no statute of limitations for product liability claims, he said.

Currently, a second version of the bill to implement the E.C. directive in France is in the draft stage, Mr. Bigot said. The French government minister responsible for consumer protection has asked that the development risks defense be integrated into the national laws, but the government has not given any indication about its final decision, Mr. Bigot explained.

He said the draft bill would:

- Apply to all natural, non-trans-

formed produce in addition to manufactured goods.

- Subject distributors, vendors or suppliers to the same responsibilities as the manufacturer, unless they could establish that, in the case of a defect or danger that manifests itself after the goods have been put on sale, they took all proper precautions to prevent injury.

- Not hold a manufacturer responsible for developmental risks.

- Relieve manufacturers from liability when the an injury occurred because the the product was used under conditions that the manufacturer could not have foreseen.

- Allow plaintiffs to seek damages after the 10-year statute of limitations if they can show gross negligence on the part of the defendants.

An attorney at the meeting argued that the E.C. product liability directive was issued prematurely.

A proposed directive on general product safety currently being reviewed by the E.C. Council (*BI*, April 2; Nov. 27, 1989) should have been introduced before the product liability directive, contends Paul Storm, a partner in Nauta Dutilh, a law firm in Rotterdam, The Netherlands.

"The product liability directive deals with the consequences of a failure to observe the general product safety requirement," he said.

Under the product safety directive, two situations may arise, he said.

First, if there are national or community rules on product safety, the product would be presumed to comply with those regulations, he said.

Second, in the absence of such rules, "one has to look at the state of the art, the state of scientific and technical knowledge, to determine if the product provides the safety one is entitled to expect," Mr. Storm said.

Mr. Storm said that because the state-of-the-art defense is optional under the product liability directive, he worries that "there seems to be a dichotomy between the concept of safety in the general product safety directive and that of the product liability directive."

Another speaker said it is becoming more difficult for European insurers to assess the risks covered by product liability insurance.

Since what is foreseeable in the eyes of insurers depends on the past, "the insurer has no way of assessing the risk of a new activity," said Antoine Leytens, associate director of the Brussels office of Zurich Insurance Co.

This is a "serious disadvantage in the context of the technical development we live in, because the gap that exists between risks of the past and risks of the future is becoming wider and wider," he said. "This will mean insurers will be more and more disconnected."

As an example, Mr. Leytens cites the the liability insurance crisis in the United States, where "insurers were placed in front of risks that went beyond their worst scenarios."

Another speaker looked at the inadequacy of insurance to meet product recall risks.

"The Perrier case served as a detonator, highlighting the fact that the amount of the guaranty offered for product recall insurance was minimal compared to the damages incurred," said Denise Forest, head of liability and construction brokerage for Paris-based insurer Groupe des Assurances Nationales.

Source Perrier S.A. recalled 72 million bottles of its trademark mineral water after discovering it contained benzene (*BI*, Feb. 19).

Perrier had 5 million francs (\$890,000) in product recall coverage, but the company suffered 200 million francs (\$35.6 million) in losses related to the recall, she said.

He said in the wake of the Perrier recall, "more and more (French) enterprises are asking for coverage for loss of earnings due to a product recall. This constitutes a serious departure from the traditional concept of product recall insurance." ■

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BERMUDA

Captive issues record dividend

By ROGER SCOTTON

HAMILTON, Bermuda—Heddington Insurance Ltd., Texaco Inc.'s Bermuda-based captive, reports underwriting income of \$20.3 million in 1989 and a record dividend of \$50 million paid to its oil company parent.

The figures reflect the company's "outstanding results" in 1989, noted President and Chief Executive Officer Robert Golden in Heddington's annual report.

Heddington in 1988 reported an underwriting loss of \$17.2 million, which Mr. Golden said was "attributable almost entirely to the Piper Alpha (oil rig) disaster in the North Sea." The \$1.4 billion loss of the Piper Alpha North Sea oil rig is the largest insured disaster (BI, July 11, 1988).

Mr. Golden also noted that 20-year-old Heddington, which derives three-quarters of its premium volume from insuring the property and casualty risks of Texaco and its affiliates, achieved the 1989 results despite continued low insurance prices worldwide.

Total written premiums last year fell 31.5% to \$143.4 million from \$209.2 million, and net earned premiums dropped by more than half to \$72.9 million from \$150.2 million in 1988.

However, total underwriting expenses, including a \$45 million provision for losses and related expenses, plummeted more than two-thirds to \$52.6 million from \$167.4 million in 1988.

"Heddington reduced its premiums written primarily as a result of a structural change in Texaco's U.S. insurance requirements and rationalization of underwriting opportunities in light of continued price weakness in the worldwide insurance markets," Mr. Golden wrote in the annual report.

But he observed that the Alaskan oil spill, Hurricane Hugo and the San Francisco Bay area earthquake last year "did not materially affect" Heddington because the company was able to "maintain superior and flexible insurance products which satisfied the need" of the Texaco organization.

Heddington's investment income climbed 22% last year to \$92.2 million from \$75.5 million in 1988. Mr. Golden attributes this increase to higher interest rates and "aggressive repositioning of the investment portfolio in the U.S. dollar fixed-income markets."

"Our net income of \$114.9 million, up from \$60.8 million in 1988, set a new record," he notes in the report. "Consequently, Heddington increased its dividend in accordance with shareholder expectations. The company declared and paid a \$50 million dividend... a significant return on share capital and an increase over 1988."

In 1988, the company, which is a wholly-owned subsidiary of Texaco Panama Inc., whose ultimate parent is Texaco Inc., paid its parent a \$34 million dividend. The 1987 dividend was \$12 million.

Heddington's British underwriting subsidiary, Heddington Insurance (U.K.) Ltd., has "expanded its business to include specific marine liability coverages during the year," noted Mr. Golden, who attended the company's annual general meeting in Bermuda on May 21.

In addition, the British company and its agencies are positioning themselves to respond to changes in Europe, he said.

Mr. Golden also said that Heddington Brokers Ltd., the Ber-

muda-based joint venture between Heddington and London broker Willis Faber P.L.C., increased brokerage income last year 11.25% to \$8.9 million from \$8 million and has paid a \$10 million dividend.

Heddington Insurance, which writes non-related reinsurance business in addition to its Texaco risks, increased its capital and surplus to \$761.2 million last year from \$696.3 million.

Meanwhile, the company's reserve for outstanding losses was reduced last year to \$420.7 million from \$478.6 million.

Assets grew to \$1.19 billion in 1989 from \$1.18 billion in 1988. ■

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LONDON

Continued from page 57

reinsurance program), and because of the immaturity of the loss in the marine market we are unable to assess where it will go," he said.

Syndicate 1097, managed by Secretan (Underwriting Agencies) Ltd., also cites Piper Alpha losses as the main reason for cash calls for its 1987 and 1988 underwriting years.

A spokesman said the syndicate is asking members for nearly 2.9 million pounds (\$4.9 million) for 1987, or 32% of its 8.94 million pound (\$16.8 million) premium capacity that year.

Members of the syndicate's 1988 underwriting year—which will not be closed until 1991—must pay 6 million pounds (\$10.14 million) this year, or half the syndicate's 12 million pounds (\$21.7 million) premium capacity for 1988.

Pulbrook cash calls

Lloyd's of London agency Pulbrook Underwriting Management Ltd. is asking members of two of its syndicates for more than 45 million pounds (\$76.1 million) to mainly pay for North American liability losses from previous underwriting years.

Members of syndicate 334's 1985 underwriting year must pay 29.4

million pounds (\$49.7 million) this year and members of syndicate 90's 1982 underwriting year must pay about 17 million pounds (\$28.7 million), said David Robson, chairman of Pulbrook, a subsidiary of Merrett Holdings P.L.C.

The cash call for syndicate 334 follows a February arbitration panel ruling that syndicate 418/417, managed by Merrett Underwriting Agency Management Ltd., could void a runoff reinsurance policy it wrote for syndicate 334 (BI, March 5).

London's High Court this month dismissed syndicate 334's application to appeal that award.

Meanwhile, syndicate 334's 1985 underwriting year—which should have closed in 1988 under Lloyd's accounting system—will remain open. Mr. Robson added that the agency hopes to close the year "in the foreseeable future."

Syndicate 90's 1982 year, meanwhile, will not be closed in the foreseeable future, he said.

Syndicate 90 last year settled a runoff policy dispute with syndicate 317/661, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd., which reinsured 50% of the syndicate's liabilities from the 1974 and previous underwriting years excess of \$27 million (BI, Nov. 13, 1989).

Under the settlement, syndicate 317/661 paid \$64 million—and may have to pay up to \$37.5 million more—toward syndicate 90's \$250 million in outstanding losses, members estimated.

However, the previously unlimited runoff policy also was capped under the settlement.

E&A pretax profits fall

London-based underwriting and

insurance services group English & American Group P.L.C. reports a drop in pretax profits for 1989 to 8.7 million pounds (\$14.01 million at year-end 1989) from 9.3 million pounds (\$16.83 million at year-end 1988) in 1988.

E&A has subsidiaries involved in several underwriting and insurance service functions, including underwriting management for unrelated insurance companies; underwriting and management services for captive and offshore insurers; insurance training; runoff administration services; computer services; and investment management.

Total profit includes management fees and commissions less expenses totalling 3.07 million pounds (\$4.94 million), compared with 3.49 million pounds in 1988, (\$6.32 million); investment income of 1.87 million pounds (\$3.01 million), compared with 2.17 million pounds (\$3.93 million) in 1988; and underwriting profit of 4.23 million pounds (\$6.81 million), compared with 4.48 million pounds (\$8.11 million) in 1988.

The group's two largest operations are underwriting manager English & American Underwriting Agency Ltd. and underwriter English & American Insurance Co. Ltd., which "are inevitably affected by conditions in the international insurance and reinsurance market and are currently suffering from the effects of excess capacity and over-competitive pricing,"

said E&A Chairman John W. Ramplin in the company's annual report.

E&A Insurance Co. wrote net premiums totaling 11 million pounds in 1989 (\$17.71 million), down from 14.78 million pounds (\$26.75 million) in 1988, largely as a result of sharp rate reductions in the aviation insurance market, according to the insurance company's chairman, Philip D. Evans.

Tokio forms subsidiary

The Tokio Marine & Fire Insurance Co. Ltd. has formed an underwriting subsidiary in Europe to act as Tokio's sole agent in Europe.

Tokio Marine Europe Ltd. was formed last month with capital of 10 million pounds (\$16.7 million) to start operation for January 1991.

Tokio Marine Europe will, among other things:

- Control and supervise the continental European operations of the Tokio and its principal U.K. subsidiary, Tokio Marine & Fire Insurance Co. (U.K.) Ltd.

- Accept sub-agents.

- Arrange reinsurance in the London market and with Tokio.

- Underwrite Japanese business in the United Kingdom and supervise the handling of U.K. claims.

Ichiro Ueda, Tokio's general manager for Europe, will be chairman of Tokio Marine Europe. Yukihiro Komada, Tokio's chief London representative, will be

managing director.

Tokio Marine & Fire, together with Tokio (U.K.), will continue to underwrite in the London market on various line slips through underwriting agency Willis Faber (Underwriting Management) Ltd.

Comings & goings

Henry Lumley, chairman of London broker Edward Lumley Holdings Ltd., will become chairman of the British Insurance & Investment Brokers' Assn. on June 6. He succeeds **David Palmer**, former chairman of Willis Faber P.L.C., who was chairman for three years.

David Beresford Jones was named chairman of London broker Steel Burill Jones Group P.L.C. following the retirement of **Derek Steel**. Mr. Beresford Jones was one of SBJ's three founding directors in 1977.

Valentine Powell is succeeding **Raymond Nottage** in June as chief executive of the Assn. of Lloyd's Members. Mr. Powell, an accountant who has been finance director of a stock brokerage in London, became a member in 1986. **Roger Pascall**, who has worked for the ALM since May 1987, was appointed administrative director.

Richard A. Lay was appointed deputy chairman of Heath Fielding LMX Ltd.

B.W. Bolton was appointed a director of Bowring Marine & Energy Ltd. ■

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By STACY ADLER

NEW YORK—The Manville Personal Injury Trust is expected to respond this week to an unusual court order to explain why it is running out of money and why tens of thousands of asbestos claimants will not receive any payments until well after the year 2000.

Two judges supervising nearly 500 asbestos claims against the trust are questioning whether to once again allow asbestos victims to sue Manville Corp. and whether to force the manufacturer to increase its contributions to the trust.

The order marked the first time a court has questioned administration of the trust for asbestos victims, the centerpiece of Denver-based Manville's reorganization plan, although plaintiffs' attorneys have criticized trust administration (BI, Nov. 6, 1989).

Among other things, the court-approved plan specifies that asbestos-related awards and settlements must be paid by the trust rather than Manville Corp.

The trust fund was initially financed with \$155 million from Manville and \$631 million from its insurers. By making larger-than-expected payments to claimants in its first few years, the trust has quickly depleted its cash. During 1990 the trust expects to have only \$100 million to pay more than 100,000 claims (BI, Jan. 22).

Marianna Smith, director of the trust, said it is "not likely" the reorganization plan would be altered. "When there has been substantial compliance with a reorganization plan, it is not changed," she said.

An attorney representing many plaintiffs with claims against Manville agreed. "It would be very unusual" for the courts to adjust the reorganization plan, said Stan Levy of Levy, Phillips & Konigsberg in New York.

"Clearly the court is just trying to get enough information to determine if the trust's position with regard to settlement is appropriate," he said.

In a May 15 order, U.S. District Judge Jack B. Weinstein and New York Supreme Court Justice Helen E. Freedman said: "The courts would like an explanation of why the trust has placed itself in this position of having inadequate funds—if this is the case—and what it intends to do to extricate itself."

Ms. Smith told *Business Insurance* early this year that the trust depleted its cash by making significantly higher-than-expected payments to claimants.

As of March 31, the trust had settled or paid 22,000 of the 152,000 claims it received. The average payment was \$42,000, while organizers of the trust envisioned payments averaging \$25,000.

In addition, about a third of the \$935.4 million the trust has paid out has gone to plaintiffs' attorneys, said Ms. Smith.

As a result, the two judges suggested altering the Manville reorganization plan. One change suggested by the judges was amending the reorganization plan to lift the injunction barring suits against Manville Corp.

However, Manville said in a statement that allowing such suits would "dramatically reduce the value of all assets provided to the trust, including the value of trust stock." Under the reorganization plan, the trust owns up to 80% of Manville common stock.

The judges—who are supervising 483 personal injury cases stemming from asbestos used at the Brooklyn Navy Yard—also suggested amending the reorganization plan to give the trust more than 20% of Manville's current and past profits.

Manville said it already stepped up its payments to the fund last

Court asks Manville trust to explain cash-flow woe

December by prepaying \$50 million, plus interest, in notes that originally were due in 1991 and 1992.

In their order, the judges also hinted that the fund is mismanaged by suggesting that courts could seize trust fund assets and appoint a receiver.

Ms. Smith—who said it is premature to consider appointing a receiver—contends trust organizers had expected occasional cash shortfalls.

Trust assets are valued at more than \$2 billion, but the fund may have only \$100 million in cash and an additional \$166 million in marketable securities to pay claimants in 1990. As of Dec. 31, 1989, the trust had only \$253 million in cash and marketable securities to pay claims.

The only cash the trust expects to receive in 1990 is interest of about \$13 million stemming from its portfolio of marketable securities.

Manville Corp. will not begin making payments of \$75 million a year to the trust until 1991, and the trust fund will not share Manville's profits until April 1992, under the reorganization plan.

Some \$30 million must be set aside this year in a security fund. In addition, the trust expects to pay \$68 million to settle claims that were filed before the reorganization. Operating expenses—including litigation costs—will eat up another \$68 million.

Combined, these expenses will leave the trust with only \$100 million this year to pay claims filed since its bankruptcy filing.

An onslaught of asbestos personal injury claims forced Manville to file for reorganization in 1982 under Chapter 11 of the Federal Bankruptcy Act. The company at that time faced more than 17,000 claims, with more than 400 new ones being filed each month (BI, Sept. 6, 1982). ■

Commissioner race

Continued from page 1

Messrs. Press, Collis and Garamendi also declined to participate in a May 14 candidate debate sponsored by the Los Angeles Chapter of the Risk & Insurance Management Society.

"It just goes to show you, they see it as a (personal lines insurance) consumer vote," commented Kemba Olabisi, risk manager for the Pasadena Unified School District and secretary of the RIMS chapter.

Yet, despite their emphasis on personal lines insurance issues, most candidates said they understand risk managers' concerns and would work to stabilize the commercial property/casualty insurance marketplace in California.

"I think Proposition 103 has created a real problem because of the uncertainty" of its implementation, said Democrat Michael Blanco, a trust attorney.

Administrative Law Judge William J. Fernandez has recommended exemptions from the law's one-time 20% insurance "charge" rollback for property/casualty insurers that did not exceed a 13.2% rate of return on their overall book of business from Nov. 8, 1988, to Nov. 7, 1989.

The recommendation, if adopted by current Insurance Commissioner Roxani Gillespie, could effectively kill the rollback (BI, May 14).

The commissioner could also modify the recommendation or set her own standards.

Judge Fernandez also recommended that from Nov. 7, 1989, insurers be allowed an 11.2% to 19% rate of return on their overall book of business.

The fair rate of return issue stems from a May 1989 California Supreme Court ruling that upheld most of Proposition 103 but found unconstitutional a provision exempting property/casualty insurers from the rollback only when threatened with insolvency (BI, May 8, 1989).

Insurers are "either pulling out or thinking of pulling out" of the California market because "they don't know what the rules are," Mr. Blanco said.

He said he sees "the opportunity to come in and sit down with consumer groups and with insurers, without going through the courts" to resolve disputes.

"It's a real mess, and as long as we rely primarily on the courts, there will be a longer delay period before Proposition 103 is implemented," he said.

The cornerstone of Mr. Blanco's platform is no-fault auto insurance.

Democrat Ray Bourhis said California is such a lucrative market that risk managers "shouldn't worry about insurers leaving."

Instead, he said, they should be concerned that "everyone associated with insurance is painted with the same skeptical brush" because of insurers' rampant violations of the insurance code and the "ludicrous process" the Department of Insurance chose to implement Proposition 103.

"We need to restore the credibility of the Department of Insurance, the insurance commissioner and insurance companies," said Mr. Bourhis, an attorney who represents policyholders in coverage disputes. He won a court order last November requiring the department to hold show-cause hearings against insurers whenever there is "reason to believe" an insurer used unfair practices.

A state judge said last year that thousands of complaints about statutory violations have been filed with Ms. Gillespie over the past five years, but that she has issued only three show-cause orders—none against major insurers (BI, Dec. 4, 1989).

The ruling is being appealed.

Mr. Bourhis said that, if elected, he would focus on the Proposition 103 provision that allows organizations with diverse risks to form insurance purchasing groups. Encouraging formation of these groups would stimulate competition among insurers, he said.

Such groups would also lower insurers' marketing and underwriting costs, allowing them to pass on savings to policyholders, Mr. Bourhis said.

Republican Wes Bannister, a property/casualty insurance broker, also believes "we need to get on the stick and do something" about the Proposition 103 charge rollback, though he did not elaborate.

"But the majority (of Proposition 103's provisions) are in effect and working," Mr. Bannister said. For example, "banks are in insurance" in California, he said.

And commercial property/casualty insurance rates should become less volatile "now that Proposition 103 created the prior approval of rates," he said.

As commissioner, Mr. Bannister "would scrutinize rate increases above the Consumer Price Index," he said.

In soft markets, Mr. Bannister said, "you'll see more conservative rate reductions as companies compete more through better services and better policies."

He also predicted that auto insurance premiums would drop if a no-fault system, including caps on liability, were introduced. Mr. Bannister said no-fault coverage, which insurers in California suggested as a rival proposal to Proposition 103 in the November 1988 election, should appeal to risk managers because "when the company name is on the side of a car, people think they can go after a million dollars."

Republican Tom Skornia said he would end the "turmoil" surrounding Proposition 103 by issuing "definitive regulations faster and defending them immediately."

However, Mr. Skornia stressed, "the heart" of the newly elected insurance commissioner's "authority" would be using Proposition 103's prior approval process to "dampen the volatility of the market."

That means "not only on the upside but on the downside," said Mr. Skornia, an attorney and vice chairman of the Assn. for California Tort Reform. He said that had "a responsible commissioner" deterred insurers from drastically cutting rates to expand market share in the early 1980s—when insurers could invest premiums at 21% interest—rates would not have soared as much as they did during the hard market of the mid-1980s.

"The consumer looks at the commissioner's job as capping rates, but from the industry and the risk manager's point of view, just simple stability" is desirable, Mr. Skornia said.

He says he believes tort reform also would bring insurers' costs and rates down, and he supports basic no-fault auto legislation.

Democrat Walter Zelman agrees that "the toughest decision for any insurance commissioner is not to tell insurers when not to raise rates but when they can't lower them."

"Business would prefer gradual increases rather than radical changes," he said.

Mr. Zelman, who formerly was executive director of the California Common Cause public interest lobby, contends that the Proposition 103 rate of return question "has been over-debated."

He says the new commissioner should instead encourage "flexibility" in insurance regulation, focusing on the two central concerns of policyholders: prices and quality of service.

Regulations should encourage insurers "to do a better job and

provide a good product and a good price," Mr. Zelman said. And if insurers do both and "are making a high return, so what?" he asks.

Democrat Mr. Collis—who is backed by Proposition 103 author Mr. Rosenfield—said in December that when considering rate proposals filed by insurers, he would use efficiency standards and disallow certain insurer expenses factored into rates.

"There's no question that 103 is workable," Mr. Collis said. "Essentially what it does is create a regulated industry in California similar in many ways to the utilities."

Mr. Rosenfield predicted that implementation of the Proposition 103 insurance charge rollback provision would be speeded up when the new commissioner takes office.

Democrat Larry Murphy, a former insurance company executive, agrees that insurer stockholders—not policyholders—should pay for "million-dollar bonuses to officers and Caribbean trips."

Several candidates are critical of Proposition 103.

Democratic candidate Mr. Garamendi, a state senator, called Proposition 103 "amateurish" in a recent New York Times Op-Ed piece. But in a position paper he says he is pledged to "the implementation of the intent of Proposition 103."

"If it cannot be enforced as written,"

Continued on next page

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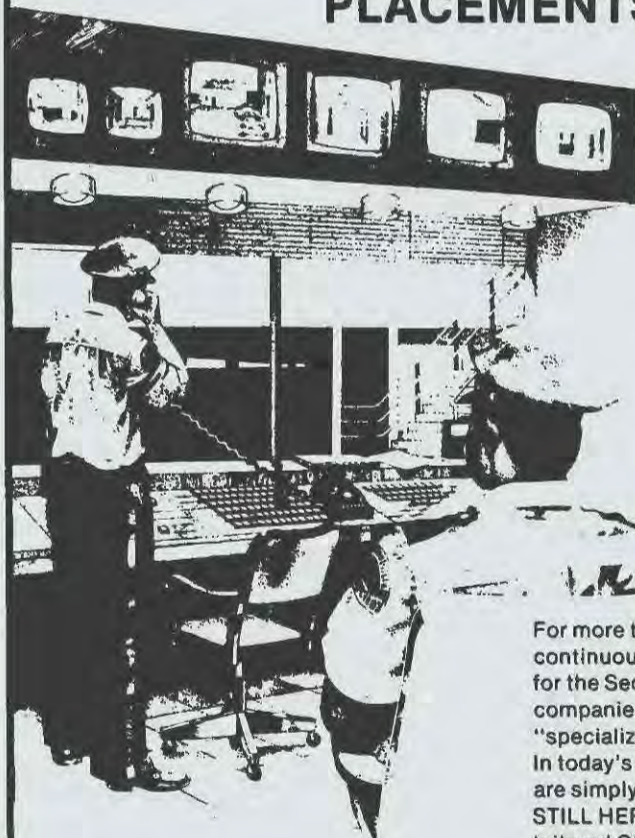


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Commissioner race

Continued from previous page
ten, then current policy must be revised," Mr. Garamendi says in campaign materials.

Stressing his experience as a state senator, Mr. Garamendi told the Los Angeles Times that "the first elected insurance commissioner must be capable of developing, advocating and working with the Legislature and the governor to change insurance laws."

Republican Joseph Dunlop says "people feel cheated" because insurance costs have not been lowered by Proposition 103.

"It was bad legislation, filled with lies and hollow promises that never could have been met," he asserts.

"I'm going to fight the emotional issue with common sense and facts and a program" to bring more insurers into California, said Mr. Dunlop, a retired insurance company executive.

"I guarantee rates will fall" and the market will stabilize under that program, he said.

Mr. Dunlop said he would "rewrite the insurance code to relax reserve requirements and other qualifications, to encourage more (insurance) companies to come to California."

Since "we are decades away

from controlling the costs" of auto repair, medical care and litigation, only increased competition will bring rates down, Mr. Dunlop said.

Republican John Harden also believes that Proposition 103 "was written in haste, hysteria and without the knowledge of how big business or insurance companies are structured, let alone operate."

Rates will drop and stabilize only when claims costs are reduced by controlling widespread fraud, argues Mr. Harden, the retired president of a claims investigation firm.

Polls show Messrs. Harden and Bannister have a narrow lead over other Republicans. The state Republican Party has not endorsed a candidate.

"The scope of tort liability... has been extended beyond common sense limits by courts, lawyers, psychiatrists, etc., to the extent that it has become 2.5% of our GNP. I would work for a rollback of the tort system to an earlier day when it was only 1% of our GNP and there was no volatility, and insurers would cover everything and anything for a reasonable price," Mr. Harden said.

Republican John Parise says he believes establishing a fair rate of return for stock insurance companies may be unconstitutional.

"I think it will go to the U.S. Supreme Court and be stricken

down," he said.

Mr. Parise, a retired attorney and insurance broker, also calls the 13.2% rate-of-return benchmark for insurers recommended by Judge Fernandez "arbitrary and capricious," and says "there's no rationale to it."

Mr. Parise said that, if elected, he would work to create "a more hospitable atmosphere" for insur-

Mr. Parise says he would 'like to see more open and free competition in the state.'

ers. At the same time, he said he would encourage the breakup of what he calls insurer "oligopoly": dozens of a parent company's subsidiaries writing coverage in the state.

Mr. Parise said he also would attempt to make risk managers' jobs easier by encouraging the formation of "a Lloyd's-type exchange" in the state that would write "most anything, without the constraints of the standard policy."

He added that he would "like to see more open and free competition in the state" among insurance

companies.

However, he opposes allowing banks to sell insurance, which Proposition 103 allows.

Both Mr. Parise and Mr. Murphy charge that allowing banks to sell insurance could lead to loan officers "coercing" borrowers into buying insurance as a prerequisite for loan approval.

Several candidates also offered tentative solutions to provide health care coverage to the 6 million uninsured Californians, but they generally oppose any state mandate that employers provide health care coverage to workers.

Only Mr. Zelman supplied a position paper detailing plans for resolving the health care coverage problem.

His plan for a "a publicly funded universal health care system" for Californians is an endorsement of a proposal by a coalitions of health care and other consumers that was introduced in the Legislature early this month.

The plan outlined by Mr. Zelman would be financed in part by state general revenues and by an approximate 10% payroll tax to be paid by employers. The tax would equal what most employers pay in health insurance costs, according to Mr. Zelman. "Consumers would have full freedom of choice among health care providers," according to his plan.

Several other candidates, who did not have full-blown health care proposals, expressed strong concerns about providing health care coverage for those currently uninsured.

For example, Mr. Bannister and Mr. Dunlop said that the Insurance Department or another state agency should control all health insurance in California.

Health maintenance organizations and group policies written by out-of-state insurers are out of the department's control, Mr. Bannister explained.

Mr. Parise says "there should be an opportunity to merge worker compensation and group health insurance into a single policy," thus avoiding disputes over whether an injury is work-related.

Mr. Press and Mr. Collis pledged to end insurers' refusal to write health care coverage for people believed susceptible to AIDS.

Mr. Collis also wants to form a joint underwriting authority "to force companies to provide pools of affordable insurance for health facilities which provide care for AIDS victims," according to campaign materials.

Mr. Garamendi told the Los Angeles Times this month that he would establish a program requiring "insurers to pay claims as quickly as consumers must pay premiums"—within 30 days. ■

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12 major candidates seek regulator's post

By LOUISE KERTESZ

LOS ANGELES—Seven Democratic and five Republican candidates each will be vying for his party's nomination for insurance commissioner in the June 5 California primary.

Five candidates hold law degrees, five have held positions in the insurance industry and several have been consumer or political activists.

California voters will elect the state's insurance commissioner for the first time on Nov. 6. Proposition 103 mandated that the post be changed to an elected position in 1990.

Insurance Commissioner Roxani Gillespie is not seeking re-election. The Democratic candidates for commissioner are:

• **Michael Blanco**, 40, a partner in the law firm of Francis, Blanco & Coco of Alhambra, Calif. He has been an attorney since 1976, practicing in the area of trusts and wills.

Mr. Blanco currently is president

of the San Gabriel Valley Cities Assn. He served two terms as mayor of Alhambra and was a seven-year member of the city council.

He also served two terms as director of the Los Angeles County



Mr. Blanco



Mr. Bourhis

Sanitation District.

• **Ray Bourhis**, 47, a partner with the law firm Bourhis & Hamilton in San Francisco, who represents policyholders in claims disputes with insurance companies.

Mr. Bourhis, who has been in private practice since 1972, has written numerous articles and publications concerning insurance code enforcement.

He also founded the California Public Interest Research Group, sponsored by Ralph Nader; was a member of the Domestic Peace Corps in 1968 and 1969; and was a member of Sen. Robert F. Kennedy's staff from 1967 to 1968.

• **Conway Collis**, 42, an attorney from Santa Monica.

Mr. Collis is chairman of the State Board of Equalization. During his tenure, he drafted legislation providing state tax incentives for employers offering child care programs for workers.



Mr. Collis

He founded the Proposition 103 Intervention Team, which disputed Ms. Gillespie's interpretation of the voter-approved initiative on several occasions.

Mr. Collis, backed by Proposition 103 author Harvey Rosenfield,

presents himself as the chief proponent of Proposition 103 among the candidates. He is the only candidate to endorse a follow-up initiative proposed by Voter Revolt, the group that pushed Proposition 103 in the November 1988 election. That proposal would establish a non-profit, state-run auto insurance fund that would replace commercial auto insurers (BI, Dec. 25, 1989).

Mr. Collis was an aide to U.S. Sen. Alan Cranston, D-Calif., from 1976 to 1982.

• **John Garamendi**, 45, a state senator from Walnut Grove since 1976. Mr. Garamendi was named "Legislator of the Year for 1989" by the League of California Cities.

Mr. Garamendi, Senate majority leader from 1980 to 1984, currently is chairman of the Senate Revenue and Taxation Committee and the Joint Committee on Science and Technology.

Mr. Garamendi served in the



Mr. Garamendi



Mr. Murphy

Peace Corps from 1967 to 1969.

• **Larry Murphy**, 67, a retired insurance executive from Temecula.

Mr. Murphy said he "has spent 37 years in the enemy camp": He worked for Hartford Insurance Co., a unit of Hartford Insurance Group of Hartford, Conn., for 21 years, beginning as a claims investigator in Chicago and then as a special agent supervising other agents in several Midwestern states. He was later transferred to the West Coast.

When he was nearing pension eligibility in 1971, Hartford terminated him along with 40 other executives. All but one of the executives filed a class-action suit

Continued on next page

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Business Insurance

Candidates

Continued from previous page

against the company, but lost. Mr. Murphy, though, received his pension, he said.

Mr. Murphy next joined Fireman's Fund Insurance Co. of Novato, Calif., where he also was an agent supervisor. Sixteen years later, on his 65th birthday, he was offered a severance package but declined. His job then was eliminated and he was given a severance package and his pension, he said.

Mr. Murphy is an active member of the Screen Actors Guild. He recently starred in a General Motors commercial.

• **Bill Press**, a former Emmy award-winning newscaster and commentator for KABC-TV and Radio in Southern California.

Before joining the media, Mr. Press spent four years working for former California Gov. Edmund G. Brown Jr. as director of the California State Office of Planning & Research, where he was involved in policy development.

Previously, as chief of staff for former State Sen. Peter Behr, Mr. Press was involved in the passage of such legislation as the California Wild & Scenic Rivers Act.

He began his career in public service as an administrative assis-

tant to San Francisco County Supervisor Roger Boas.

Mr. Press' staff failed to answer inquiries about his age.

• **Walter Zelman**, 45, of Los Angeles, the former executive director of the 50,000-member California Common Cause public interest lobby for political reform and consumer protection. Mr. Zelman had held that post for 13 years until he resigned earlier this year to run for insurance commissioner.

Mr. Zelman was commissioner of the Los Angeles Department of Water and Power from 1984 until earlier this year.

The Republican candidates for insurance commissioner are:

• **Wes Bannister**, 53, the owner of Bannister & Associates, an independent property/casualty insurance brokerage in Huntington Beach, which he founded in 1974.

He sold his first policy 32 years ago while still in college and has since been involved in insurance.

Mr. Bannister, who has been active in Republican Party politics in

Orange County since 1972, also is a former mayor of Huntington Beach.

• **Joseph Dunlop**, 61, retired last March as vp of Western International Insurance Co., a property/casualty insurance company in Huntington Beach.

Mr. Dunlop is a veteran of U.S. Air Force.

• **John Harden** of La Habra, the retired president and chief executive officer of Inquires Inc., a claims investigation and adjuster he founded in the 1940s.

Mr. Harden's campaign literature says he has 44 years of experience combating "the negligent overpayment of false and exaggerated claims."

Mr. Harden volunteered in World War II, serving with the U.S. Navy and the Fourth Marine Division on Iwo Jima. He was awarded the Silver Star and Purple Heart.

• **John Parise**, 64, a retired insurance broker and attorney from Santa Ana. Mr. Parise was the president and owner of Commercial Insurance Brokers of Southern California from 1966 to 1990.

He also has

worked for several insurance brokerages in the Los Angeles area.

Mr. Parise has proposed a state-administered "basic limits auto insurance plan," which would provide drivers with \$15,000/\$30,000 in coverage for bodily injury and \$5,000 for property damage. The plan would be financed with a gasoline tax of 20 cents per gallon.

Mr. Parise was admitted to the California bar in 1971 and has had experience in real estate, insurance and other contract disputes.

• **Tom Skornia**, 56, of San Jose, an attorney and vice chairman of the Assn. for California Tort Reform.

Mr. Skornia also founded and was president of the California Legal Reform Institute, which merged with ACTR in 1988.

He was a delegate to the White House Conference on Small Business in 1986.

Mr. Skornia also was vp-corporate services, secretary, general counsel and director of Advanced Micro Devices Inc. of Sunnyvale from 1969 to 1982; was a lecturer in continuing education in busi-

ness at the University of California at Berkeley from 1969 to 1973; founded law firm Skornia & Rosenblum in San Francisco, Palo Alto and San Jose and

was a partner from 1967 to 1977; has been in private law practice since 1963; and was special assistant to the U.S. Attorney General Robert F. Kennedy from 1962 to 1963.

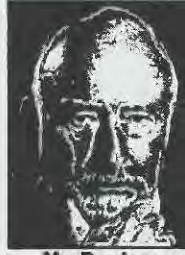
Candidates from two other parties will appear on the ballot:

• **Ted Brown** of Pasadena, who calls himself an "insurance client representative," is running unopposed for the Libertarian Party nomination.

• Two candidates are vying for the Peace and Freedom Party nomination: **Tom Conduit** of Berkeley, who calls himself a "wage slave," and **B. Kwaku Duren** of Compton, who says he is an "activist for Democracy."



Mr. Zelman



Mr. Dunlop



Mr. Harden



Mr. Bannister



Mr. Parise



Mr. Press

Risk Retention Act is puzzle for candidates

CULVER CITY, Calif.—Candidates for insurance commissioner elicited a groan from risk managers attending a candidate debate when the candidates attempted to answer a question regarding the federal Risk Retention Act.

Candidates vying for an office that regulates California's \$50 billion insurance industry displayed little awareness of the act, which allows the formation of risk retention groups and risk purchasing groups to write all forms of commercial liability insurance except workers compensation.

The candidates also appeared unaware of how important the act is to risk managers seeking alternative risk financing mechanisms.

At the May 14 debate, sponsored by the Los Angeles Chapter of the Risk & Insurance Management Society Inc., the six candidates present were asked their positions on "the state's involvement in regulating risk retention groups under the Risk Retention Act of 1986."

Following are some of the answers:

Republican Wes Bannister, a property/casualty insurance broker: "I have a real problem with the state getting involved in the insurance industry on a direct basis

in any way. I would be opposed, I think, to that."

Republican John Harden, the retired president of a claims adjusting and investigation firm: "I'm going to have to agree with Wes (Bannister) in the same vein. Any Risk Retention Act is going to have to be approved. I don't believe it will pass that easily."

Republican Tom Skornia, vice chairman of the Assn. of California Tort Reform: "Organizations that are in control of other people's money need to be answerable to some form of government oversight. I'm in favor of the concept (of risk retention groups) but I think there has to be accountability to the public and that would appropriately be done through state agencies."

Democrat Walter Zelman, former executive director of California Common Cause: "We live in a free enterprise society... but we have to regulate when an industry breaks down, when it fails to serve the larger public.

"I'm not sure I know exactly the act you're referring to, and I'm sure a number of people to the left didn't know either," he said, referring to other candidates.

—By Louise Kertesz

Accreditation programs to end

CHICAGO—The Joint Commission on Accreditation of Healthcare Organizations will begin phasing out separate accreditation programs for hospices and managed care organizations on July 1.

As of July 1, the JCAHCO will continue to ask that any health care organization with programs for the dying meet its hospice accreditation standards, established in 1983. But those facilities will not receive separate accreditation for the hospice program.

Meanwhile, the JCAHCO has accredited only 13 managed care programs since the managed care medical and quality standards went into effect last summer, a JCAHCO spo-

keswoman said.

"With the notable exception of PruCare and several independent HMOs, managed care organizations have appeared reluctant to accept accountability for the full range of quality care responsibilities," said Dr. Dennis S. O'Leary, JCAHCO president.

Managed care organizations seeking accreditation may seek the JCAHCO ambulatory health care accreditation program.

The JCAHCO accredits HMOs and other health care organizations based on their provider selection, benefit design, range and access to services, utilization review protocols and quality assurance guidelines.

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Surety industry faces challenge: SAA chief

By MICHAEL SCHACHNER

NEW YORK—The surety industry faces an uphill battle even though the industry recorded its second consecutive profitable year in 1989, according to the president of the Surety Assn. of America.

The surety industry posted "encouraging results" in 1989, according to Lloyd Provost, president of the Iselin, N.J.-based SAA. However, Mr. Provost said the nearly 100% combined ratio reported on \$1.9 billion in direct written premiums was "not as good as I had secretly hoped for."

Mr. Provost, speaking at the SAA's 82nd annual meeting held earlier this month in New York, said the results he reported were based on "fast-track" reports from the 25 leading writers of surety

and fidelity bonds as well as the annual statements of all 656 SAA member companies. He noted the results were only estimates and could change by a percentage point or two later in the year.

Direct surety premiums increased by about 9% over the \$1.7 billion reported for 1988. However, Mr. Provost said the industry's combined ratio slipped by about 4% to just under 100%, from just under 96% in 1988, but still a vast improvement from 125% in 1987.

Meanwhile, the loss ratio for the entire surety line dropped by five percentage points last year to 28%, from 33% in 1988.

"This result seems to confirm what most of us know for a fact. The cost of surety reinsurance has gone up," Mr. Provost said.

The industry's premium volume

for contract bonds—which guarantee the faithful performance of a construction contract and payment of bills by a contractor—increased by more than 8% last year to an all-time high of \$1.1 billion, up from slightly more than \$1 billion in 1988. He said the loss ratio on contract bonds fell to 30% last year, from 34% in 1988. The loss ratio on contract bonds was 67% in 1987.

"Overall, contract bonds were profitable in 1989. But the level of profitability, while better than in 1988, was still meager when compared to the money we lost from 1984 to 1987."

Between 1984 and 1987 the surety industry's combined ratio floated between 120.7% and 134.1% (BI, April 9).

Mr. Provost warned surety bond

underwriters not to sit back and expect the improved underwriting results of the past two years to simply continue. He advised insurers to concentrate on making a profit on contract bonds.

"It would be suicidal for us to accept the inevitability of underwriting cycles for the surety line of business. To survive in the '90s, our primary goal must be to make a reasonable profit on contract bonds each and every year," he said.

Mr. Provost also expressed concern about the difficulty surety underwriters will have in duplicating recent success in the contract bond market.

"The potential for higher interest rates and increased inflation is still with us. In more and more states, especially in the Northeast, we are finding that the price of real estate cannot go up forever and the demand for new construction is not infinite. It is very clear that private construction is overbuilt," said Mr. Provost.

The chance of another 8% increase in contract bond premium volume is "remote," he continued. And, "if we add to the equation the premiums that will be lost from the so-called peace dividend stemming from the reduction in military spending already under way... it is going to be very difficult to reach our primary goal of yearly profits over the next few years."

Meanwhile, the fidelity bond market posted a profit last year for the fourth consecutive year. And, while the fidelity bond combined ratio remained at 70% for the third straight year, premium volume decreased by more than 9%, to \$1.1 billion from \$1.2 billion in 1988, according to Mr. Provost.

Fidelity bonds reimburse an employer for losses caused by employee dishonesty.

The decrease in fidelity premiums was attributed by Mr. Provost to the overall soft property/casualty insurance market.

"If this phase continues, profits will soon be a thing of the past. The loss ratio for financial institutions has risen from 22% to 33% in just two years. The financial state of banks and savings and loan associations, together with the aggressive pursuit of bond claims by regulators, causes us to have a less than optimistic outlook for the continued success of the line in the immediate future," he said.

Improved underwriting on the part of all surety writers is the primary reason why the industry has been able to turn itself around from the losses of the mid-1980s, Mr. Provost said. He urged underwriters to maintain high underwriting standards at all costs.

Another speaker, George F. Thompson, president and chief executive officer with Bedminster, N.J.-based Seaboard Surety Co., said the surety industry must address two monumental issues if it is to prosper.

"The bonding of hazardous waste cleanup contractors and minority-owned construction contractors are continuing issues of great concern," said Mr. Thompson.

"The federal government must fix a surety's dollar amount of liability if waste removal projects are to be bondable. The surety industry cannot become a deep pocket for the third-party liability claims that will be generated by the hazardous waste removal effort—not now, not ever. For us, fixed liability is a critical issue," Mr. Thompson said.

Mr. Provost said the SAA, after years of trying to get through to federal legislators, has finally made some headway regarding bonding of hazardous waste

cleanup contractors.

"People in Washington are now admitting what we have been trying to tell them for three years. Bonds for these contracts are terribly difficult to obtain," he explained. "As a result, the General Accounting Office is now studying the matter, and the Environmental Protection Agency has just completed its own study."

Although Mr. Provost did not disclose the results of these studies, he said the SAA is working with the American Insurance Assn. to create a legislative proposal on bonding of Superfund cleanup sites. He said he hoped that a bill would be ready in 1991.

In addition, Mr. Thompson said the bonding of minority-owned contractors must be addressed by the SAA.

Past accusations that the surety industry has denied bonds to minority-owned contracting firms are unfair and wrong, he said. "We need to be cool-headed... not thin-skinned. We must continue to work for better understanding of the real issue here: the ethic of right and timely performance. Contractors—whether minority- or majority-owned—who successfully complete projects, build up financial strength and attract competent managers to run them, (should)

'It would be suicidal for us to accept the inevitability of underwriting cycles,' Mr. Provost says.

have no difficulty getting performance bonds."

Another issue of concern, according to Mr. Provost, is that fraudulent bonds continue to circulate through the industry.

"These forged, counterfeit or bogus bonds are foisted on unsuspecting obligees in a myriad of ways using a combination of valid and invalid company names and powers of attorney," he explained.

Mr. Provost said bond buyers should be more careful when purchasing surety bonds. "All too often these fraudulent bonds are being accepted by people who should know better. Part of the problem could be eliminated by the state insurance departments if they would take a firm stand against rogue companies that are writing contract bonds in their states yet are not licensed by any state."

Mr. Provost also noted that small businesses should have an easier time buying surety bonds in light of an agreement recently signed by the Fidelity & Deposit Co. of Maryland and the Small Business Administration, under which small companies can purchase bonds from the surety insurer.

"The program was developed in answer to a specific request made to us in 1982 by officials of the SBA to find some way to encourage major surety companies to increase their participation in the SBA's bond guarantee program. At least two other large companies are interested in joining in and I suspect others will be once they see how the program works," Mr. Provost said.

During the meeting, George W. McClellan, senior vp with Warren, N.J.-based Chubb Group of Insurance Cos., was elected chairman of the SAA.

William Sommerville, vp with Baltimore-based United States Fidelity & Guaranty Co., was elected vice chairman.

Mr. Provost was re-elected president of the SAA. ■

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Aetna suit

Continued from page 2

from 1968 to 1978. However, the litigation involved Aetna's reinsurance for policy years 1970 to 1977.

Aetna wrote \$1 million in primary limits in 1970 and \$5 million in primary limits each successive year.

Aetna also wrote excess coverage for Robins, including: \$34 million of liability insurance excess of \$1 million in 1970, and \$30 million of liability insurance excess of \$5 million in 1971 and 1972.

In succeeding years, the excess policies provided \$50 million in limits excess of \$5 million.

All of the excess coverage Aetna wrote for Robins was fully reinsured.

In the early 1970s, Robins was deluged with bodily injury claims from women injured by its Dalkon Shield intrauterine device.

Robins, which later filed for Chapter 11 reorganization because of the massive amount of claims it faced, claimed that Aetna should pay all of the company's defense costs on top of the policy limits. Aetna maintained that defense costs were included within policy limits.

Robins sued Aetna in 1978 in U.S. District Court in Richmond, Va., seeking a declaration that defense costs do not deplete its policy limits for the years 1970 to 1977.

But rather than litigate with Robins, Aetna settled the dispute and agreed to pay Robins \$72 million

above its primary and excess policy limits toward the defense and indemnification of Dalkon Shield claims.

Aetna sought support from its reinsurers during settlement talks and many, including Lloyd's of London syndicates, agreed to participate in the settlement.

However, seven reinsurers said they would not contribute beyond their contract limits. The reinsurers were Bellefonte Reinsurance Co., which was later merged with Universal Reinsurance Corp.; Mission Insurance Co., which now is in liquidation; The Insurance Co. of the State of Pennsylvania, an American International Group Inc. unit; North American Co. for Property & Casualty Insurance, now NAC Reinsurance Corp.; Constitution Reinsurance Corp., a Crum & Forster Inc. unit; Gerling Global Reinsurance Co.; and The Home Insurance Co., now a unit of AmBase Corp.

In 1983, six reinsurers sued Aetna in federal court in New York seeking a declaration that they were not obligated to contribute to the settlement beyond the limits of their facultative reinsurance contracts. A similar suit, filed by The Home in Pennsylvania, was transferred to New York and is now pending in federal court.

Last year U.S. District Judge John F. Keenan ruled that reinsurers were not obligated to contribute to the Robins settlement beyond their policy limits (*BI*, Sept. 25, 1989).

On appeal Aetna raised two ar-

guments:

- The follow-the-fortunes clause in the contracts obligates reinsurers to indemnify a ceding company for all expenses and costs, even when they exceed policy limits.

- The limits of liability contained in the reinsurance contracts cap only the reinsurers' liability for underlying losses, not for defense costs.

The 2nd Circuit rejected both arguments.

The court held that the follow-the-fortunes clauses in reinsurance policies only "burdens the reinsurer with those risks which the direct insurer bears under the direct insurer's policy." The clause does not "render a reinsurer liable for an amount in excess of the bargained-for coverage," the court said.

"To read the reinsurance certificates in this case as Aetna suggests—allowing the follow-the-fortunes clause to override the limitation on liability—would strip the limitation clause and other conditions of all meaning; the reinsurer would be obligated merely to reimburse the insurer for any and all funds paid," the court said.

"The follow-the-fortunes clauses in the certificates are structured so that they coexist with, rather than supplant, the liability cap," the court ruled.

"To construe otherwise would effectively eliminate the limitation on the reinsurers' liability."

In addition, the court reasoned that

the reinsurance policy limits apply to all payments by reinsurers, including defense costs.

"This monetary limitation is a cap on all payments under the certificate," the court said.

Mr. Nicoletti, the reinsurers' lawyer, said: "The court held the follow-the-fortunes clause is not to be read independently or to take precedence over other terms in the contract. Simply put, the follow-the-fortunes clause cannot expand the terms of the contract."

He and other attorneys predict the case will be cited frequently, noting that few court decisions interpret reinsurance contracts.

However, the 2nd Circuit decision is "consistent" with those prior rulings, said insurer attorney Jonathan Bank of Buchalter, Nemer, Fields & Younger in Los Angeles. "Almost all the case decisions talk of the limits of reinsurance contracts as being inviolable."

Reinsurance attorney Anthony Lanzone of New York said one area where the 2nd Circuit's decision is likely to be influential is in future disputes between reinsurers and ceding companies over whether defense costs are reinsured.

Both sides could bolster their arguments with this case, he said.

Ceding companies could argue the decision supports the proposition that reinsurers are obligated to pay all claims—even those that may not be specifically covered—within pol-

icy limits, he said.

And reinsurers could argue the decision supports their stance that the follow-the-fortunes clause burdens reinsurers only with those obligations that are within the ceding insurer's policy, Mr. Lanzone said.

However, Ms. Cohen, Aetna's lawyer, said "it is unlikely the decision will have widespread applicability" because the facts of this case were unique.

And, she noted that a federal district court in a similar case reached a contradictory decision that was not published.

Some attorneys predict the decision's influence will also extend to reinsurance arbitrations. However, they caution that reinsurance arbitrations are based more on custom and usage in the industry than on case law.

Insurer attorney Barry Ostrager predicted that the 2nd Circuit's opinion would have a chilling effect on ceding insurers' willingness to settle with policyholders.

"The 2nd Circuit failed to recognize that the ceding insurers are going to have disincentives to compromise contested coverage disputes with policyholders," said Mr. Ostrager of Simpson, Thatcher & Bartlett in New York.

Bellefonte Reinsurance Co. et al. vs. The Aetna Casualty & Surety Co.; 2nd U.S. Circuit Court of Appeals, No. 90-7009.

Texas lawsuits

Continued from page 2

services together so that there could only be one charge for the two separate services... and improperly 'unbundled' other services that were provided even though such services were properly charged separately."

Donald P. Wilcox, general counsel for the Texas Medical Assn., said, "We can't tell what the rationale was for them to cut the payments."

He said that in some cases a service would be paid in full, but a subsequent claim for the identical service would be cut by 50%. Then, the same type of claim submitted at an even later date might be cut only 30%, according to Mr. Wilcox.

Two of the suits were filed in state District Court in San Antonio on behalf of M&S X-Ray Associates Inc. in San Antonio.

One suit was filed against CIGNA Insurance Co. of Texas of Irving, Texas, and Accumed Inc., a claims

review firm in Hunt, Texas. Another names as defendants Texas Employers' Insurance Assn. in Dallas and Health Benefit Management Inc. in Austin.

TEIA, which had been the state's second-largest underwriter of workers comp coverage, was placed into conservatorship by the Texas State Board of Insurance in May (*BI*, May 7; March 12).

The third suit was filed in state District Court in Dallas on behalf of Dr. Jerome G. Naifeh of Dallas against PRNA Inc., a Dallas claims review firm. No insurer is named as a defendant.

Mr. Bragg said last week that insurers had not responded to the suits.

Bill Huff, executive vp and general counsel at TEIA, said that TEIA had not received any complaint from M&S X-Ray before the suit was filed. The medical association announced the lawsuits in a press conference be-

fore any papers were served, Mr. Huff said.

Health Benefit Management, which reviews claims for TEIA, combined some services that it felt were improperly "unbundled" by M&S X-Ray Associates, he said. The practice led to lower claims payments in some cases, according to Mr. Huff.

Officials at Health Benefit Management, CIGNA of Texas and PRNA were unavailable for comment. There is no phone listing for Accumed in Hunt.

Mr. Wilcox of the Texas Medical Assn. said the association tried to interest the State Board of Insurance and the Industrial Accident Board, which oversee the Texas workers compensation system, in the accusations of arbitrary fee cutting by the defendants. However, the state agencies told the medical group to appeal each case according to state workers comp law guidelines.

"You can't economically address each one of these cases," because individual claims are small, said Mr. Wilcox. "You have to do it in the aggregate," he said, explaining why the medical providers went to court.

Insurers' responses will determine whether more suits are filed, said Mr. Bragg. If "insurers get the point and change the way they're doing things and pay the claims as they are filed" while only disputing claims that are improper, "there won't be any more lawsuits," he said.

However, he added, "I suspect that there won't be any changes for quite some time."

If additional lawsuits are filed, the amount of disputed claims could pile up, said Mr. Bragg. "I think it's fair to say that there are millions of dollars involved."

Concern over insurers and review firms reducing workers compensation medical claims is not limited to

Texas. The American Medical Assn., for one, plans to take a closer look at those activities.

Ed Hirschfeld, vp for health law at the Chicago-based AMA, said a new AMA Office of Physician Negotiations will look into the denial and reduction of work comp medical claims nationwide.

Although some of the new AMA unit's staff members have already been hired, Mr. Hirschfeld said "we're still in an early stage of developing the office."

However, the office intends to develop a communications network among state and regional medical associations to collect information and complaints from physicians.

He said the office "will not be confrontational. We will gather the information about significant complaints and bring those to the insurance industry" in an attempt to solve the problems. ■



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Oregon work comp reform welcomed

By MEG FLETCHER

SALEM, Ore.—Employers in Oregon are hoping that two new laws will result in stable or possibly reduced workers compensation insurance rates.

The laws, which were enacted earlier this month following a special legislative session, contain about four dozen provisions that primarily go into effect July 1.

The laws stem from proposals made by a special employer-labor task force appointed by Democratic Gov. Neil Goldschmidt and endorsed by major employer groups, insurers and many labor unions representing private industry employees. Unions representing public employees opposed the proposals, observers say.

"This is the most significant reform in Oregon's workers compensation system since 1965," said Katherine Keene, director of public affairs for SAIF Corp. SAIF, the state's competitive workers compensation insurance fund, is the largest work comp insurer in Oregon with \$236 million in direct earned premiums in 1989.

"The legislation returns control of the workers compensation system to the people who directly receive the benefits—employees—and the people who pay for it—employers," said Ross Dwinell, risk manager for United Grocers Inc. in Portland.

"Previously, the system was controlled by special interests, particularly claimants' attorneys and chiropractors," who opposed the changes, he said.

"What we (labor) got in increased benefits and a quicker and fairer system was traded for overturning overly broad appellate court decisions," including some that allowed an employee's non-work-related health problems to become compensable if work merely aggravated them, said state Rep. Bob Shiprack, D-Beavercreek. He also is executive secretary of the Oregon State Building & Construction Trades Council.

Mr. Dwinell and Rep. Shiprack were the employer and labor representatives who co-chaired the Governor's Workers Compensation Labor Management Advisory Committee.

Besides enacting reforms, the laws establish a joint legislative task force that will explore the role of the workers compensation system in Oregon, which plans to adopt a statewide health insurance program in 1994. Sources say the task force is expected to discuss the feasibility of "24-hour" coverage proposals, which combine workers comp and group health care coverages.

The state Department of Insurance and Finance estimates the legislation will generate a net, systemwide savings of \$45 million to \$65 million in the first year, said Theodore Kulongoski, the department's commissioner.

"I believe it will bring about a reduction in rates in the future," he said. However, it is hard to estimate future cost savings because so much depends upon how insurers and managed care entities will utilize the new cost-saving provisions, he added.

Insurers may seek to lower their rates immediately, Mr. Kulongoski said, because the changes will generate a "one-time windfall" by freeing up reserves created for so-called palliative care, which merely makes an injured employee feel better, rather than curing him.

Such care will no longer be compensable in many cases. However, no insurance companies have yet filed to lower their rates, Mr. Kulongoski said.

"I think we will see no rate in-

crease and no rate decrease," said United Grocers' Mr. Dwinell. "If there is a decrease, it will be slight."

However, since inflation increases about 10% to 12% annually in Oregon, even to hold the line for two or three years is "significant," he said.

Among other major changes, the laws would:

- Establish limitations on workers' access to medical care to control costs and utilization.

This will allow insurers and self-insured employers to contract with independent, certified "medical care organizations," which are similar to preferred provider organizations, to provide medical services.

Employers can require an employee to use the MCO unless the employee has a physician who has treated the employee for the condition resulting in the claim.

The new laws also limit the types of health care providers that can be "attending physicians" and reduces the authority of non-physician providers, like chiropractors and nurse practitioners.

In addition, the new laws allow state officials to develop utilization and treatment standards.

- Increase the burden of proof injured workers must produce to obtain benefits in cases where the worker had previously sustained a similar injury or had a pre-existing disease or condition.

Under the new laws, a worker must prove that his or her most recent job was the "major" contrib-

uting cause—or more than 50% responsible—for an injury or disease, instead of a "material contributing cause."

This change in the definition of compensability should "significantly" reduce recoveries, said Annette Talbott, counsel to the Senate Labor Committee.

- Exclude compensation for injuries whose major contributing cause is found to be the injured worker's use of alcohol or controlled substances, unless an em-

However, the laws also give an insurer or self-insured employer 90 days—instead of 60 days—to determine if a work comp claim is compensable.

- Improve benefits for workers with some types of injuries and give most employees in the state the right to return to their jobs.

Weekly scheduled benefits for permanent partial disability claimants, like those who lost a toe or arm, were increased to \$305 per degree of impairment from \$145,

of Occupational Safety and Health.

- Establish a 14-member group, equally split between employer and labor interests, to oversee operation of the state workers compensation system.

These major reforms, and dozens of other changes, were needed because Oregon "had the eighth-highest rates and some of the lowest benefits because the system was being drained by those who were ostensibly helping employees," said a spokesman for the governor.

Employers were "very jaundiced" about the possibility of achieving meaningful reform this year, said Steve Beckham, government affairs manager for Liberty Northwest Insurance Corp. in Portland. Several changes enacted in 1987 did not reduce system costs and proposals considered in 1989 did not receive sufficient legislative support, he explained.

However, the reform movement gained new momentum last fall after SAIF launched plans for a phased withdrawal from renewing 4,100 small employers' workers compensation coverage, Mr. Beckham said.

SAIF made that announcement after state insurance officials rejected SAIF's proposal to establish a \$1,000 minimum annual premium, Ms. Keene said.

"Because of the legislation and our own improved experience," SAIF is no longer planning to withdraw from the small-employer market, she added.

'The legislation returns control of the workers compensation system to the people who directly receive the benefits—employees—and the people who pay for it—employers,' says Ross Dwinell, risk manager for United Grocers Inc. in Portland.

ployer permitted or had knowledge of such consumption.

- Streamline the processing and adjudication of work comp claims, including creating the post of "medical arbiter" to provide a final evaluation if an injured employee contests impairment levels assigned to his or her injury.

Previously, employees were given greater ability to contest their impairment ratings, even though medical providers based their evaluations on American Medical Assn. guidelines.

"This is designed to try and remove litigation from the system," Ms. Talbott said.

Mr. Shiprack said.

The laws for the first time allow some types of work comp claimants to obtain lump-sum settlements of indemnity benefits.

In addition, the new laws require that an employer with more than 20 employees must reinstate most injured workers for up to three years, even if the employer already has filled an injured employee's position.

This provision should affect about 75% of the workforce in the state, Mr. Shiprack said.

- Increase safety efforts by adding about 70 new full-time employees to the state's Department

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Summary of major property/casualty insurers' first-quarter results

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

Rank 1990	Corporate			Property/casualty operations										
	Consolidated revenues 1990	Net income 1990	Percent increase (decline) 1989-1990	Combined ¹ ratio 1990	Combined ¹ ratio 1989	Net premiums written 1990	Percent increase (decrease) 1989-1990	Pretax underwriting income (loss) 1990	Percent increase (decline) 1989-1990	Pretax investment income 1990	Percent increase (decrease) 1989-1990	Policyholders surplus 1990	Percent increase (decrease) 1989-1990	
1	USF&G Corp.	1,144,099	50,664	63.8	109.3 ²	107.2 ²	1,070,053 ²	2.2	(88,295)	(37.7)	150,812	(6.0)	1,331,400	(7.5)
2	Berkshire Hathaway Group	171,808	59,492	42.8	113.9	107.4	93,110	(38.9)	(12,881)	(12.8)	78,810	41.0	N/A	N/A
3	Old Republic Int'l	299,096	22,132	22.3	110.1	117.2	178,308	13.8	(15,729)	37.6	36,824	6.0	679,216	5.4
4	Transamerica Ins. Group	527,939	13,611	16.2	111.2	112.6	469,431	16.9	(52,107)	(1.4)	60,910	20.2	1,012,065	6.0
5	Fremont General Corp.	152,292	6,587	10.6	107.3	104.8	120,284	63.9	(8,226)	(148.4)	21,765	80.2	N/A	N/A
6	Chubb Corp.	1,022,000	111,100	5.9	102.1 ²	99.8 ²	659,400	4.6	(13,800)	(326.2)	115,500	12.0	1,318,724	(5.3)
7	Aetna Life & Casualty Co.	4,773,800	179,800	3.6	113.8	112.8	1,597,600	(0.7)	(220,700)	(7.5)	261,550	7.2	2,476,500	6.1
8	American International Group	3,654,838	355,657	3.5	99.3 ²	98.9 ²	2,235,051	0.2	21,961	(10.3)	250,345	11.5	3,241,695 ¹	13.9
9	Hartford Steam Boiler	133,800	20,365	3.1	84.4	80.8	73,850	3.1	11,357	(17.3)	9,148	(0.5)	335,350	19.9
10	Hartford Insurance Group	2,122,000	68,000	3.0	107.5	107.1	1,540,000	(2.3)	(142,000)	(8.4)	225,000	6.6	2,748,000	4.9
11	Argonaut Insurance Co.	129,680	18,050	2.3	103.2 ²	102.4 ²	109,412 ²	31.1	(6,003) ²	(123.7)	30,406 ²	12.4	399,268	27.4
12	Fireman's Fund Ins. Cos.	904,407	34,909	(4.3)	119.0	113.6	731,623	816	(130,345)	(43.7)	116,710	1.6	1,340,457	(6.5)
13	General Re Corp.	733,600	147,100	(5.6)	99.0 ²	98.9 ²	531,800	12.4	(8,100)	(178.6)	171,300	8.3	2,679,800	11.6
14	Travelers Corp.	3,221,000	91,600	(6.3)	113.9	109.7	1,241,200	(1.3)	(177,600)	(37.9)	187,500	8.9	2,117,400	14.8
15	Sentry Insurance Cos. ²	318,792	12,066	(9.7)	104.0	104.9	294,042	8.4	(18,449)	(17.8)	36,308	0.2	616,506	10.2
16	Reliance Ins. Co. & subs.	888,652	32,511	(12.8)	108.1 ²	105.5 ²	481,572	(2.4)	(26,152)	7.4	55,285	3.0	632,350	9.3
17	SAFECO Corp.	778,038	56,292	14.2	106.1	105.7	412,508	5.8	(24,801)	(12.5)	69,240	11.4	1,014,759	13.0
18	The St. Paul Cos. Inc.	946,955	76,914	(14.8)	105.6	103.5	725,338	7.0	(39,942)	(31.5)	156,895	4.9	1,486,680	9.9
19	Continental Corp.	1,414,100	32,200	(27.1)	114.9 ²	110.8 ²	1,119,000 ²	(5.7)	(169,100)	(51.0)	183,800	27.7	N/A	N/A
20	Lincoln National Corp.	1,970,500	26,200	(48.6)	107.8 ²	101.5 ²	618,500	6.9	(49,200)	(303.3)	82,400	9.1	1,485,000	8.9
21	CNA Financial Corp.	2,375,000	94,200	(47.9)	114.0 ²	111.6 ²	1,647,000 ²	13.9	(249,500) ²	(34.2)	266,300 ²	7.7	3,140,000	13.7
22	CIGNA Corp.	3,892,000	42,000	(50.6)	117.4	112.0	1,395,000	(5.6)	(241,000)	(40.1)	215,000	2.4	1,955,000	(7.0)
23	Crum & Forster Inc.	1,060,900	37,300	(55.3)	115.1	109.7	793,800	(6.0)	(125,600)	(47.6)	150,800	2.6	N/A	N/A
24	Royal Group (U.S. subs.) ²	N/A	(11,100)	3(56.3)	122.5	119.0	553,300	(0.3)	(125,000)	(22.2)	85,900	13.8	N/A	N/A
25	Ohio Casualty Corp.	401,627	16,377	(57.6)	106.8 ²	102.1 ²	374,790 ²	9.0	(27,179)	(179.5)	45,807	(1.3)	504,739	1.1
26	Home Insurance Cos.	777,200	(42,200)	(264.8)	108.4 ²	107.5 ²	566,000	4.3	(54,200)	(20.2)	85,800	(2.5)	791,500	(7.2)
	— Nationwide Mutual Ins. Co. ²	N/A	N/A	N/A	109.9	105.5	1,430,177	2.4	(112,961)	(85.2)	174,648	8.9	2,927,487	7.2
	— Commercial Union Ins. (U.S.) ²	N/A	N/A	N/A	110.3 ³	111.0 ³	362,600	12.1	(47,000)	(11.6)	44,700	16.4	571,400	4.5
	— Liberty Mutual Ins. Co. ²	N/A	N/A	N/A	112.3	117.2	1,672,739	(1.2)	(153,920)	30.9	264,826	7.3	N/A	N/A
	— Kemper National P/C Cos. ²	N/A	N/A	N/A	112.8	98.9	830,303	12.5	(119,383)	(255.5)	76,760	1.8	1,628,974	(8.6)
	Cumulative	33,814,123	1,551,827	(15.3)	110.2	107.9	23,927,791	2.3	(2,425,855)	(31.9)	3,711,049	7.2	36,434,270	5.5

¹ After dividends

² Statutory

³ Before dividends

N/A—Company did not provide data

Insurer results

Continued from page 1

31.9% to \$2.4 billion from \$1.8 billion in the first quarter of 1989.

- Net written premium volume increased just 2.3% to \$23.9 billion from \$23.4 billion.

- Investment income increased 7.2% to \$3.7 billion from \$3.5 billion. This compares with an 11.8% increase for all of 1989.

- Policyholder surplus among the 24 insurers reporting this data increased 5.5% to \$36.4 billion from \$34.5 billion. Surplus increased 6.7% in calendar year 1989.

Kemper Group's national property/casualty companies reported the biggest decline in policyholder surplus, down 8.6% to \$1.6 billion from \$1.8 billion.

Gerald Maatman, president of the Kemper Group's national insurance companies in Long Grove, Ill., said the decline is primarily attributable to the transfer of two subsidiaries from one of the national property/casualty companies to publicly held Kemper Corp. in the second quarter of 1989 (BI, Jan. 30, 1989).

- Net income among the surveyed insurers dropped 15.3% to \$1.6 billion from \$1.8 billion. Net income among the surveyed companies dropped 12.7% in all of 1989.

Fifteen of the 26 insurers that report net income to *Business Insurance* said their profits declined in the first quarter, compared with the comparable period of 1989. And two of these companies—Royal Insurance Group and Am-Base Corp.—reported losses in this year's first quarter.

USF&G Corp. reported the largest percentage increase in net income for the first quarter: a 63.8% increase to \$50.7 million from \$30.9 million.

The improvement, however, was primarily attributable to \$13 million in realized capital gains in this

year's first quarter, compared with \$39 million in realized capital losses for the comparable period a year ago.

Insurance industry analysts say they do not expect any immediate turn in the market. And, even if the market did turn soon, it would come too late to significantly improve insurers' 1990 results, they say.

"The year is slipping away" in terms of having the time to implement significant price increases, said Harry Fong, director of re-

'The year is slipping away,' says Mr. Fong, director of research at Conning & Co. in Hartford, Conn.

search at Conning & Co. in Hartford, Conn.

Although the degree of property/casualty price cutting is slowing down, "there's no reason to suppose the numbers are going to be better for another few quarters," agreed Kemper's Mr. Maatman.

"It's not going to be a great year for the industry, looking at bottom-line results for 1990," Mr. Maatman said.

"We see the rest of the year as a sort of status quo, just sort of floating along with no significant changes up or down," said Dennis Busti, president of Reliance National Insurance Co. in New York, a unit of Reliance Group Holdings Inc.

The market may not turn until 1992, Mr. Busti noted.

"We really thought the market was going to change significantly because of the catastrophes and all the problems last year," he said. "The industry blew it. It really blew it."

Alan Levin, senior vp at Stan-

dard & Poor's Corp. in New York said, "We're not too encouraged. We see a lot of (insurers) that seem to be willing to accept weak pricing."

Insurers should not necessarily be looking for the 50% rate increases that marked the turn in the market in 1985-1986, Mr. Levin said. But they should be saying, "We're not going to take it any more" and seek rate hikes of at least 10%, he said.

Instead, "we see people very willing to accept 0% or plus or minus 2% to 5%," he said.

"I don't think anything is going to happen in terms of prices turning up in 1989," said David Wells, an analyst with Fitch Investors Service in New York. With increases in loss costs exceeding rate increases, the property/casualty industry is "still digging a hole," he said.

"It doesn't seem to be coming, at least on the business we're writing right now," said George Yonker, assistant controller at SAFECO Corp. in Seattle.

"It's a very tentative market right now," added Robert A. Anker, president and chief executive officer of American States Insurance Co., a unit of Fort Wayne, Ind.-based Lincoln National Corp.

"I get the sense that everyone's looking for a signal, but nobody knows what signal they're looking for," said Mr. Anker, discussing a possible turn in the market.

"I think we'll have to wait at least until year-end" to see significant rate hikes unless there is a major catastrophic event that causes the industry to change direction sooner, said Herbert E. Goodfriend, an analyst with Prudential/Bache Securities in New York.

Analysts also point out that one impact of the low premium growth is tighter cash flows. Less money coming in, they note, means less money to invest and, in turn, lower investment income.

"Cash flow appears to be drying up and that appears to be one of the leading indicators in terms of a turn in pricing," said Conning's Mr. Fong, adding, "We're getting closer, but it just isn't here yet."

Mr. Luce said the companies he studies have experienced a sharp slowdown in investment income growth, which he attributed in part to a "very sharp decline" in cash flow over the past few quarters.

In addition, he noted, investments made in the early 1980s, when interest rates were relatively high, are now maturing and must be reinvested at the current lower rates.

"I think there's no question cash flow is being strained," said Reliance's Mr. Busti.

"It has to be because premium growth is virtually flat," while losses continue to come in, he said. "All of this will contribute to a hardening of the market," although not immediately.

Meanwhile, observers note that catastrophe losses during this year's first quarter exceeded those during the first quarter of 1989.

For instance, American International Group Inc.'s losses net of reinsurance stemming from cold weather-related claims in the Southeast and claims from the series of windstorms that swept Europe amounted to \$13 million on a pretax basis and approximately \$8.2 million on an aftertax basis during the quarter. This compares with only minimal catastrophe losses for the comparable period a year ago.

Likewise, the winter storms in Europe reduced CIGNA Corp.'s earnings by \$34 million on an aftertax basis.

"Virtually all the companies seemed to have worse catastrophe losses this year than last," commented Ms. Vogel. "European storm losses were significant and may still be reflected in the future."

Reinsurers' combined ratio rises to 107%

WASHINGTON—U.S. reinsurers posted a 107% combined ratio in the first quarter of 1990, compared with a 103.3% combined ratio reported by a comparable group of reinsurers during the first quarter of 1989, according to a survey by the Reinsurance Assn. of America.

The 67 reinsurers surveyed by the Washington, D.C.-based RAA posted a 76.7% loss ratio and a 30.2% expense ratio in this year's first quarter. Net premium volume increased 5.5% to \$2.6 billion from \$2.5 billion in the corresponding quarter of 1989.

The surveyed reinsurers reported \$11.6 billion in policyholder surplus as of March 31.

Loss and loss adjustment expenses totaled \$1.9 billion in this year's first quarter, while premiums earned totaled \$2.5 billion. The industry posted \$783 million in underwriting expenses.

The RAA also reported certain data for the first time, including underwriting losses, which totaled \$204 million in the first quarter. Net investment income came to \$652.2 million, while realized capital gains totaled \$46.6 million.

With other income totaling \$12.4 million, pretax income for the U.S. reinsurance industry amounted to \$500.5 million in the first quarter.

After \$128.9 million in federal and foreign income tax, the industry reported \$368 million in net income in this year's first quarter.

Pension rules

Continued from page 1

ter Higgins & Co. Inc. in New York.

"The good news is that you might be able to have a PIA offset plan. The bad news is that there is no safe harbor. If you want to keep a PIA offset plan, the IRS will make you first jump through a lot of hoops," said Steve Vernon, a Wyatt Co. consultant in Sherman Oaks, Calif.

"If an employer wants to keep a PIA offset plan, it will have to get used to an additional level of complexity," said John Woyke, a principal with TPF&C, a unit of Towers, Perrin, Forster & Crosby Inc. in Valhalla, N.Y.

Benefit experts are not sure why the IRS did not include a safe harbor for PIA offset plans.

"The government hasn't given me a convincing reason as to why there shouldn't be a safe harbor for PIA offset plans," Mr. Vernon said.

In its preamble to the non-discrimination rules, the IRS acknowledges receiving a substantial number of requests for a safe harbor for PIA offset plans from employers.

Those suggestions were rejected because "creation of a special safe harbor rule for PIA offsets would result in complexity due to the existence of an additional set of rules relating to PIA offsets," the IRS said.

Even without a safe harbor, some employers—especially large companies—may try to continue to offer a PIA offset plan, collect the voluminous data and go through the non-discrimination testing procedures.

"If a company is big enough, it is hard to imagine that it won't want to do a testing analysis at least once," said Thomas Butterworth, a consultant with Hewitt Associates in Rowayton, Conn.

Indeed, benefit experts say, employers will have to balance their commitment to PIA offset plans against the cost and expense of non-discrimination testing.

"Whether or not a company sticks with a PIA offset plan will depend on how important the plan formula is to

the company," said Marvin Greene, a vp with TPF&C.

Many small to medium-size companies will decide that the data collection and testing required of a PIA offset plan is not worth it and may jettison their plans, experts say.

In fact, the IRS seems to encourage this course of action.

Earlier regulations, which are somewhat modified in the latest IRS rules, provide a safe harbor for another Social Security integration arrangement, which uses a so-called excess formula.

Plans using an excess integration formula, unlike PIA offset plans, do not directly deduct a participant's Social Security benefits when computing the pension benefit.

Under an excess approach, an employer promises to pay a benefit based on:

- A certain percentage of the worker's salary up to a designated "breakpoint."

- A higher percentage of the worker's salary that exceeds that breakpoint.

By using a lower benefit formula up to the designated breakpoint, the employer is essentially taking into account Social Security benefits when calculating an employee's pension benefits.

An excess plan generally could qualify for an IRS safe harbor if the percentage applied to salary above the breakpoint is not more than 0.75 percentage points higher than the percentage applied to salary below the breakpoint or double the percentage applied to salary below the breakpoint, whichever is less.

For instance, if an employer used a pension formula of 1% of salary under the breakpoint, it could use a formula of up to only 1.75% of salary exceeding the breakpoint. But, if the employer used a pension formula of 0.5% of salary under the breakpoint, it could use only up to 1% of salary over the breakpoint when computing a pension benefit.

In addition, to meet the safe harbor, the breakpoint would have to equal to an employee's "covered

compensation." Covered compensation is the average of the Social Security wage bases for the 35-year period ending in the year an employee reaches Social Security retirement age, generally 65.

Covered compensation is derived from an IRS table based on an employee's age.

For example, the covered compensation for an employee born in 1925 and retiring this year would be \$18,000, according to the IRS table.

Under the safe harbor approach, an employer might offer an excess plan in which the benefit formula would be 1% of final average pay up to covered compensation, plus 1.75% of final average pay above covered compensation. Both of these amounts would be multiplied by years of service to derive the final benefit.

Take the case of a 65-year-old employee retiring this year after 10 years of service with a final average salary of \$40,000.

The employer would multiply \$18,000—the amount of final average salary below covered compensation—by 1%. This amount, \$180, would be multiplied by 10 years of service, which would equal \$1,800.

Then, the employer would multiply \$22,000—the employee's final average compensation exceeding covered compensation—by 1.75%. That amount, \$385, would be multiplied by years of service and equals \$3,850.

In this example, the employee would be entitled to an annual pension benefit of \$5,650.

If an excess plan does not meet the criteria for the safe harbor, the plan then must undergo a series of detailed tests.

Employers can use other types of plan design besides excess plans to qualify for a safe harbor under the IRS rules.

For example, employers can use an offset plan in which a percentage of covered compensation—rather than a percentage of the participant's actual Social Security benefit—is subtracted from the benefit payable by the employer's pension plan to ar-

rive at a final pension benefit.

Benefit experts say that employers with PIA offset plans that adopt an excess plan or another type of offset to qualify for the IRS safe harbor will pay a price.

Among other things, companies will have to explain to employees how the new benefit formulas will work.

"A concept like covered compensation will be harder for employees to understand," said Hewitt's Mr. Butterworth.

And, some companies will be able to achieve larger reductions in pension benefits by using a PIA offset plan than by using one of the alternatives, benefit experts say.

Some employers will decide, and some already have, to cut down on complications and no longer integrate their pension plans with Social Security in any way.

"The more frustrated employers will take integration formulas out of their plans. They may say integration just isn't worth it anymore," said Bill Mischell, a managing consultant in the Princeton, N.J., office of Foster Higgins.

But dropping Social Security integration from a pension plan also will cause problems.

Unless employers are prepared to accept big increases in pension plan benefit costs, they will have to change their pension benefit formulas if they drop Social Security integration.

"As a practical matter, unless a company doesn't care about money, it will need to change pension plan design if it no longer integrates pension benefits with Social Security," said Robert Heitzman, a partner with Kwasha Lipton in Fort Lee, N.J.

By dropping Social Security integration, plan costs—without adjusting the formula—would rise because pension benefits no longer would be reduced by a portion of a participant's Social Security benefit.

Adjusting the pension formula will hurt some employees. In general, if an employer wants to keep the cost of its non-integrated pension plan about

even with its old integrated plan, benefits probably will rise for lower-paid employees and decrease for higher-paid employees, experts say.

Benefit consultants, noting the complexity of the entire package of IRS rules, are suggesting that employers take their time in considering changes in pension plan designs.

"Time is needed to adequately review the regulations," said Ira Siegler, a partner with Kwasha Lipton.

Some experts say the integration rules, coupled with constant congressional tinkering with pension plans, especially defined benefit plans, may cause some companies to scrap their defined benefit plans in favor of defined contribution plans.

The IRS rules "means more testing and complexity. Employers are getting very fed up," said Gerald Uslander, a principal with William M. Mercer Inc. in Washington, D.C.

Still, no one is expecting an employer revolt similar to that against Section 89, the infamous section of the Internal Revenue Code that set complex non-discrimination rules for welfare plans.

Section 89 was repealed by Congress last year following employer outrage over the non-discrimination rules (BI, Nov. 13, 1989).

For example, unlike the integration rules, Section 89 did not offer a safe harbor.

"There was no escape hatch for Section 89 testing," said Mr. Davey of Foster Higgins.

The IRS is giving employers an opportunity to comment on the integration rules, which generally would go into effect next year.

Comments should be sent to: Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Attention: CC:CORP:T:R (EE-61-88), Room 4429, Washington, D.C. 20224. The deadline is July 13.

The IRS pension non-discrimination rules were published in the May 14 issue of the Federal Register, which is available at most public libraries. ■

Benefits retained in Cincinnati Bell pact

By MICHAEL SCHACHNER

CINCINNATI—Unionized employees of Cincinnati Bell will continue to receive fully paid, first-dollar health care coverage under a tentative contract agreement reached last week between the regional telephone company and two local affiliates of the Communications Workers of America.

The agreement brings to an end an eight-day strike by more than 3,100 members of the CWA who walked off the job demanding the company maintain a health care plan that provides first-dollar coverage within a network of preferred providers (BI, May 21).

Cincinnati Bell had proposed creating a flexible benefits pro-

gram that required weekly premiums of at least \$6 for family coverage during original negotiations, according to Dodie Ditmer, bargaining chairwoman for the union.

Under the new three-year contract, which is to be ratified June 19, employees and dependents will still receive free care through various health maintenance organizations and a preferred provider organization.

The union members, however, will pay higher deductibles and copayments for health care obtained outside the network.

Ms. Ditmer said the new contract calls for employees to pay 20% of costs above a \$300 individual deductible and a \$600 family deductible, up to \$1,200 per year for indi-

viduals and \$3,600 for families.

The expired contract called for employees using non-network providers to pay 10% of costs on top of a \$100 individual deductible and a \$300 family deductible, up to \$900 per year for an individual and \$2,700 for a family.

"We are very happy with the contract," said Ms. Ditmer. "And we're also happy to go back to work. I was expecting to be out at least three or four weeks."

The union also obtained improved vision and dental benefits, Ms. Ditmer said. The contract calls for the company to provide annual eye exams and lens replacements for eyeglasses. Under the expired contract, vision exams and lenses were only paid for biannually.

In addition, 40% of the cost of most complex dental work will be paid by Cincinnati Bell. The company paid only 30% of complex dental work under the old contract. Also, children of employees who are below the age of 19 will receive free preventive dental care.

To insulate employees from paying for health care inflation during the term of the contract, the company agreed to place \$400 in health care accounts for each employee on Jan. 1, 1992, and Jan. 1, 1993. Ms. Ditmer said the company will withdraw at least \$115 from the account of a single employee and at least \$301 from the account of an employee with family coverage during the year to pay for the employee's health care expenses. Cin-

cinnati Bell has agreed to rebate to the employee any extra money left in the account at the end of the year.

The new contract also calls for improved dependent life insurance. Employees can now obtain up to \$10,000 in spousal coverage and up to \$2,500 in coverage for children. Prior to the new contract, spousal limits were \$5,000 and limits for children were \$1,500.

A Cincinnati Bell spokesman declined to comment on the tentative agreement, saying the company was awaiting ratification. However, he did say the company was "happy the work stoppage was over."

The contract is retroactive to May 13. ■

Firm targets prescription drug costs

A new prescription drug cost management firm aims to help employers and insurers cut costs by reducing expensive or "over-prescribed" prescriptions.

Medical Decision Resources Inc. of Brookline, Mass., will analyze demographics to determine whether employees in group health care plans use such drugs to excess.

Should it decide certain medications are being overprescribed, the company will conduct an educational program for physicians in an effort to reduce use of new, expensive prescription drugs.

"For the vast majority of patients, the older and less expensive medication choices are as effective as the new medications," said Dr. Jonathan Edelson, founder of MDR.

Markets

MDR first determines if certain medications, particularly the most expensive, are being overprescribed by studying drug utilization by employees in a group health care plan. Expected use of specific medication—based on patient demographics like age, sex and type of illness—is then compared to the use observed, Dr. Edelson explained.

According to Dr. Edelson, studies show that marketing by pharmaceutical companies often influences which medications doctors prescribe.

MDR developed educational materials on overprescribed drugs from scientific literature and advice from

clinicians at Harvard Medical School and the University of Pennsylvania School of Medicine. Trained pharmacists communicate this information in individual visits to physicians.

The firm also provides general consulting services to companies and unions with prescription programs, identifying savings opportunities through alternative plan designs, use of prescription drug cards and mail order plans, and utilization review.

For information, contact Rachel Edelson, Medical Decision Resources Inc., 459 Washington St., Suite 3, Brookline, Mass. 02146; 617-738-0112.

M&M consolidates unit

Marsh & McLennan Group Associates Inc., the insurance program management unit of Marsh & McLennan Cos. Inc. in New York, has changed its name to Seabury & Smith Inc.

Seabury & Smith specializes in arranging insurance programs for affinity groups. The company provides brokering services, but also designs and administers programs for individuals, businesses, and organizations and their members.

The unit has 1,500 employees in more than 50 offices in the United States and Canada. Its 1989 gross revenues totaled \$149 million.

The name change helps provide a clearly defined corporate identity to

emphasize the company's unique responsibility within M&M, said M&M Chairman Frank J. Tasco.

Insurance program management—which involves the design, distribution and administration of insurance products and services—was previously provided by several subsidiaries of M&M, which were then united as Marsh & McLennan Group Associates in 1982. But each subsidiary had a different name, creating multiple identities and confusion.

To better reflect the distinctive market niche of the entire group of program management companies, a new identity was created, explained Joel Hirsch, president of Seabury & Smith. Mr. Hirsch previously served as executive vp of Marsh & McLennan Group Associates Inc. ■

LUI

Continued from page 2

However, Weavers is included in the administration order.

And "the appointment of administrators of London United will not, of itself, affect any other group company, their employees or policyholders of the insurance subsidiaries," Price Waterhouse stated.

LUI, however, "perceived that administration of London United would give the best opportunity for a possible rescue of its insurance subsidiaries," the statement noted.

Colin Bird and Alan Barrett, the London-based accountants, were appointed administrators after LUI concluded that "the capital necessary for the group to recommence underwriting new business would not be forthcoming," Price Waterhouse announced Tuesday on the London Stock Exchange.

LUI sought the appointment—which was made by a London High Court—after consulting its bankers and the Department of Trade and Industry, the announcement said.

The administrators would make no comment aside from the prepared Price Waterhouse statement. LUI Chief Executive Peter Wilson would not comment, saying all matters relating to LUI now are being handled by the administrators.

For years, Weavers has been one of the largest markets for U.S. casualty risks. Last year, Weavers wrote gross premiums of more than \$700 million, *Business Insurance* estimates (see related story).

Without new capital to enable Walbrook to continue underwriting, LUI "has insufficient liquid resources and no significant source of income with which to service its borrowings, since its two principal subsidiaries, Walbrook and Weavers, are unlikely to pay any dividends in the foreseeable future," according to the Price Waterhouse statement.

According to LUI's 1988 annual report, borrowings totaled 28.5 million pounds (\$51.6 million) at year-end 1988.

"The administrators' objective is to ensure that the companies continue to be managed in an orderly manner and they intend to join with the directors in further discussions with parties interested in the companies' future," the announcement explained.

A group of brokers and insurers

—led by Marsh & McLennan Cos. Inc. and Sedgwick Group P.L.C.—have been trying to put together a plan to ensure that LUI's insurers do not go into liquidation (*BI*, May 21).

Such a "rescue" of the insurance units will not likely include a resumption of underwriting by Walbrook or Weavers, sources predict.

Appointing the administrators will help any initiatives to ensure an orderly runoff of the LUI insurers, said Sedgwick Chairman David Rowland.

This appointment "helps because the administrator has a task of trying to produce an orderly situation for shareholders and the community," he said. "We propose working closely with the administrator."

Meanwhile, the appointment of an administrator would not conflict with proposals to establish a "scheme of arrangement" for the insurers, confirmed Mr. Rowland.

"We are continuing to look at any plans that can be helpful," he said.

Brokers are examining a "scheme of arrangement," which is a creditor-arranged rehabilitation plan, as one alternative to ensure the insurers do not go into liquidation.

A scheme of arrangement would be a suitable way of ensuring an orderly runoff of LUI's insurance company subsidiaries because of its flexibility, sources argue.

Such plans must be approved by 75% of creditors in terms of value of receivables and 51% of creditors in number. And an English court must sanction the plan.

If sanctioned, it is legally binding on all creditors, whether or not they took part in the decision process.

As a result, a scheme of arrangement is more suitable for an insurance company, which can have hundreds of thousands of policyholders spread all over the world, than a voluntary arrangement that is only binding on creditors involved in the decision, sources say.

Under a scheme of arrangement, creditors can choose to postpone payment of debts or waive a portion of the payments. As a result, in the case of an insurer, a fund can therefore be established to pay and stagger future claims.

Appointing administrators will not harm brokers' and insurers' efforts to ensure LUI insurance units do not go into liquidation, observers say.

Under an administration scheme, like the one LUI is currently operat-

ing under, the company, its directors or its creditors may apply to a court for an administration order if the company is, or is likely to become, unable to pay its debts.

An order for administration must state the purpose for which it is made, according to the act. These purposes may include:

- The survival of the company and all or any portion of its operations as a going concern.

- The approval of a voluntary arrangement, which is a creditor-arranged rehabilitation plan.

- The sanctioning of a compromise or arrangement between the company and (interested) persons, such as a scheme of arrangement.

- To obtain a more profitable result from selling the company's assets than would be accomplished through a winding up, which is the British equivalent of liquidation.

"The form which the administration actually takes will depend on the purposes for which the administration order is made and the nature of the business," Price Waterhouse pointed out, adding that the "administrator is normally required to report to the creditors within three months setting out his proposals for achieving the purposes of the court order."

In LUI's case, "the application to the court for an administration order... was made for the alternative purposes of entering into an arrangement with creditors or a more advantageous realization of the company's assets," Price Waterhouse said.

"This was because it was perceived that administration of London United would give the best opportunity for a possible rescue of its insurance subsidiaries, which could lead to a compromise or arrangement with the creditors of London United," Price Waterhouse added.

According to the accounting firm, "an administration order gives an administrator wide powers of management of the company's affairs and provides the company with protection against action by its creditors whilst the administration order is in force. These powers are similar to those of a receiver, although—depending on the purposes for which the Court has ordered the administrator's appointment—he may propose an arrangement with the creditors instead of selling the assets.

"Administration is therefore more flexible than receivership," the statement says. ■

Update

Court bans fetus safety policy

SAN FRANCISCO—A California employer cannot prohibit all fertile women from holding jobs that would pose a significant risk to an unborn child's health, the state Supreme Court has ruled.

In a unanimous ruling, the court let stand a "groundbreaking" decision by the 4th District Court of Appeals in February that the fetal protection policy at a Johnson Controls Inc. battery manufacturing operation in Fullerton illegally discriminated against a qualified female job applicant.

The appellate decision, which interprets California law, was the first such ruling "to recognize that excluding women from employment opportunities in the name of protecting potential offspring constitutes illegal discrimination on the basis of sex by employers who are unable or unwilling to ensure a toxic-safe environment for all workers," contends a San Francisco-based group of Legal Aid Society lawyers representing employees in discrimination cases.

The decision, which establishes state law in California, probably will not be affected by a pending U.S. Supreme Court case involving Johnson Controls, most sources say.

The U.S. high court will be reviewing a 7th U.S. Circuit Court of Appeals decision that upheld the company's fetal protection policy under the federal Civil Rights Act of 1964 (*BI*, Oct. 16, 1989).

State anti-discrimination laws can be stronger than federal laws, said California Deputy Attorney General Manuel M. Medeiros.

National bank insurance sales

DOVER, Del.—A Delaware bill expected to be signed this week would allow units of bank holding companies in the state to underwrite and sell all lines of insurance nationally.

If Gov. Michael N. Castle signs S.B. 193—as expected—Delaware would be the first state to allow national underwriting and marketing of insurance by banks. A few states have long allowed state-chartered banks to sell insurance within their borders.

Additionally, the Delaware House is expected to vote Tuesday on a companion bill, H.B. 415, that would require Delaware-domiciled banks to be licensed as agents in all states where they plan to offer coverage. The state Senate already passed its version of that bill.

Len Brevik, an Independent Insurance Agents of America lobbyist, complains that the Delaware legislation would not adequately protect agents from unfair competition because banks could buy agencies and sell products directly.

Separately, a federal court in Washington, D.C., on May 11 upheld a 1986 ruling by the U.S. comptroller of the currency that the National Bank Act allows national banks to sell insurance nationwide from towns with fewer than 5,000 residents.

But Paul Equale, vp of federal affairs for the IAA, said Congress never intended the "small town exemption" to be used to market insurance outside of small towns.

Unified told to stop writing

SAN FRANCISCO—The California Department of Insurance has ordered Unified Assurance & Casualty Ltd. and its owners and affiliates to stop writing coverage in the state.

Unified has been marketed as both a group health and casualty insurer since "at least October 1989" without a license, said the department's cease and desist order.

Unified has sold group health policies covering "a minimum of 3,700 lives" primarily to small businesses, said James Harrington, supervising investigator at the Insurance Department.

The department's order charges Unified is operated "and issues all policies" from an office in Van Nuys, Calif., though it "claims to be an alien insurer domiciled in the Turks and Caicos."

The department's order noted Unified was found ineligible to operate as a surplus lines carrier in Wyoming last March because its assets were not verifiable. Unified also failed to verify its assets in an unaudited financial statement provided to the Surplus Lines Assn. of California, the department said.

A hearing has been set for June 6. Unified officials could not be reached for comment.

Separately, the California Insurance Department noted Unified was the underwriter of a block of life and health insurance business sold by Rubell Helm Insurance Services Inc., an agent that was ordered to stop marketing life/health coverage in the state (*BI*, March 20, 1989).

Unified was one of several reinsurers assuming business through Consortium of '89 Ltd., a London-based intermediary. Three Consortium of '89 employees were arrested on fraud charges in the United Kingdom earlier this year (*BI*, Feb. 12; Dec. 11, 1989).

Briefly noted

Analyst Chatset Ltd. predicts that **Lloyd's of London's 1987 global profits** will drop 25% to 485 million pounds (\$780.9 million at applicable exchange rates) from its bumper 1986 results of 649.5 million pounds (\$1.18 billion). Lloyd's will publish its results next month. . . Wind, hail, tornadoes and flooding caused an estimated **\$45 million in insured property damage** in an area stretching from Texas to Virginia May 1-9, reports the Property Claim Services division of the American Insurance Services Group. . . The board of **The St. Paul Cos. Inc.** authorized paying up to about \$266 million to buy Allegheny Corp.'s 9% interest in St. Paul. The deal is expected to end prolonged litigation between the companies and state regulators (*BI*, March 20, 1989). . . A U.S. Coast Guard report blames Golden West Refining Co., which operated an offshore mooring station, for a February **oil tanker accident** that spilled 394,000 gallons of oil off Southern California (*BI*, Feb. 12). The report exonerates the crew of the American Trader, as well as British Petroleum Oil Shipping Co., which chartered the tanker. . . Cal/OSHA said The Erection Co.'s failure to adequately train and supervise employees caused a **high-rise construction crane** in San Francisco to fall 16 stories to the street below Nov. 28, killing five people, injuring 22 others and causing about \$5 million in damage (*BI*, Dec. 4). The safety agency, which proposed fining the company \$79,845, is still investigating the crane's owner, American Pecco Corp.

Anglo builds staff to stand on its own

By CAROLYN ALDRED

LONDON—Anglo American Insurance Co. Ltd. is recruiting staff members in a bid to carve out its own position as a leading London market insurer of U.S. risks.

Anglo American underwrote 45% of the H.S. Weavers (Underwriting) Agencies Ltd. line slip until March, when Walbrook Insurance Co. Ltd., the slip's leading insurer, suspended underwriting (see story, page 2).

After Walbrook stopped underwriting, Anglo American and Weavers disagreed over future management of the line slip. Anglo American subsequently decided to build its own staff to continue underwriting on its own behalf (*BI*, April 23).

Prior to March, Weavers had provided Anglo American's "required underwriting and administration services," according to Anglo American's 1989 annual report, published this month.

"New specialist technical management and staff, together with the necessary support administrators, are being recruited. This will enable Anglo American to be able to offer a full range of underwriting facilities, claims settlement, accounting and policyholder information services in the near future," the report says.

Already, Anglo American is prepared to write renewal business that was previously written on behalf of Anglo American by Weavers, and the

insurer hopes to begin underwriting new business later this year, said Anglo American Chairman John Cumming. Anglo American expects to have built up a technical team of 24 to 30 employees by the end of June, he said.

Several Weavers staff members will be joining Anglo American, observers say. But, Mr. Cumming would not comment on the new staff "until they join."

The company is reviewing its entire portfolio of business, he said.

"We're in here for the long haul," Mr. Cumming said. He added that Anglo American "is trying to retain its reputation for the sectors of the market" in which Weavers specialized, like U.S. excess liability risks.

Weavers is continuing to administer claims for Anglo American pertaining to business written by Weavers on Anglo American's behalf, though Anglo American will negotiate new claims handling arrangements with the newly appointed administrators at London United Investments P.L.C., Weavers' parent company, Mr. Cumming said.

All claims are being processed and paid promptly, he stressed.

Anglo American began underwriting only in 1987. As a result, its prior business is underwritten "on a claims-made basis and at a time when rates were high," he said.

In addition, the company has purchased a financial reinsurance policy

covering Anglo American's previous underwriting, Mr. Cumming noted.

The aggregate excess-of-loss reinsurance policy is underwritten by Zurich International Ltd. and Centre Reinsurance (Bermuda) Ltd., according to Anglo American's annual report.

Anglo American wrote 200 million pounds (\$322 million at applicable exchange rates) of gross premiums in 1989, compared with 159 million pounds (\$287.8 million) in 1988, according to the annual report.

Of the 1989 gross premiums, 173 million pounds (\$278.5 million) stemmed from liability business, 24.9 million pounds (\$40.1 million) stemmed from property risks and 2.1 million pounds (\$3.4 million) stemmed from marine risks, the accounts show.

Anglo American reported pretax profit of 5.4 million pounds (\$8.7 million) in 1989, compared with 4.8 million pounds (also \$8.7 million) in 1988. However, "as the company is still in its formative years, no credit for underwriting profit has been taken," the report notes.

Anglo American's insurance fund—or reserves—were increased to 221 million pounds (\$355.8 million) at year-end 1989 from 114 million pounds (\$206.3 million) in 1988.

Shareholders funds—or surplus—increased to 58.6 million pounds (\$94.3 million) at year-end 1989 from 55.1 million pounds (\$99.7 million). ■

Ticker

First-quarter broker results increase investors' caution

By LEONARD M. WILSON
Special to Business Insurance

FIRST-QUARTER REPORTS for the public brokers are now on the table. Based on the results, investors have swung from the euphoria of a few months ago to a current mood of sobriety. Earnings mostly fell short of expectations, and the hoped-for increase in commercial prices did not materialize.



Mr. Wilson

Some brokerage contacts suggest premium rates are about flat. But our analysis of first-quarter revenues indicates rates more than likely declined as much as 5% to 10% across a full book of business. Revenues from domestic insurance brokerage typically rose only 2% to 4% year to year. Gains of this magnitude clearly point to a competitive environment. Brokers, though, without exception, characterize competition as less intense.

In addition to soft rates, comparisons suffered in several instances from lower contingent commissions. It is a long time since contingents declined enough to have a material impact. Although they are small relative to total commissions, a shift in contingents can and did exert a disproportionate influence in the first quarter.

New business was uniformly described as in line with plan. Yet we detected a slightly diminished pace of new business growth for some of the brokers. A single quarter doesn't make a pattern, and the easing, if it can be called that, may prove only transitory. Production remains a single-minded priority, and dollars are being spent on expanding the ranks of producers.

Lost business seems to have held steady with the pace of 1989. Programs to retain clients have proven effective, including for several brokers the implementation of incentives within the compensation structure. Some contacts opined that with pricing now less competitive, clients had less motivation to move around.

Reinsurance brokerage commissions seemed only narrowly stronger than retail brokerage. There is no talk of lowered retentions on the part of the primary insurers. Premium rates, we are told, are still soft for property risks and mixed—but on balance competitive—for most liability lines. Much of the North American reinsurance business is staying at home rather than flowing to London.

Benefits consulting persists as an area of unusual strength for brokers at which the segment is well advanced in relative importance. Gains of 15% to 16% are still attainable. Focus, market share growth and the generally favorable environment for benefits contribute to the momentum. For now, benefits consulting offers a pleasing counter-

weight to the cyclical doldrums of property and casualty brokerage.

Expenses presented a fairly consistent picture of restraint. Nonetheless, costs mostly edged forward at a rate of increase narrowly in excess of the rise in revenues. Caps on employee growth and scrutiny of spending have worked well, but general inflation is running at 4%, and physical volume rises with success in the new business arena. Embedded cost increases of 5% to 7% are, we believe, the norm in the current environment.

Profit margins, as a consequence, were mostly under pressure again in the quarter. As long as revenues advance only at a low single-digit rate, it will be difficult to avoid the kind of earnings shortfalls that marred first-quarter comparisons. Currently, public brokers are performing well on the cost front, and are poised for strong earnings gains when revenues finally show greater strength.

Marsh & McLennan Cos. Inc. achieved a modest earnings gain in the quarter with benefits consulting setting a brisk pace. The company closed an acquisition in consulting and raised ownership in its West German subsidiary to a majority level.

Alexander & Alexander Services Inc. posted a decline in earnings, but comparisons on an operating basis were better than they appeared. Contingent commissions were a particular drag, while last year's results were increased by a sizable special credit. Benefits consulting proved a standout in the quarter.

Results for Corroon & Black Corp. reflected a strategic acquisition that bolstered revenue growth. Benefits operations are still in the midst of a readjustment that will be completed within another quarter or so. Contingent commissions also hurt comparisons.

Sedgwick James Ltd. met its objectives both in the realm of new business production and expense control. As a consequence, profitability in the quarter was well maintained.

Arthur J. Gallagher & Co. posted a revenue gain of 17% in its self-insurance operations. Unbundling and a more aggressive market effort account for the momentum. Insurance brokerage gains were burdened by lower contingent commissions and the competitive market.

Frank B. Hall & Co. pushed ahead in its turnaround program and moved into the black for the quarter. Exceptionally strong production coupled with cost restraint generated the positive results.

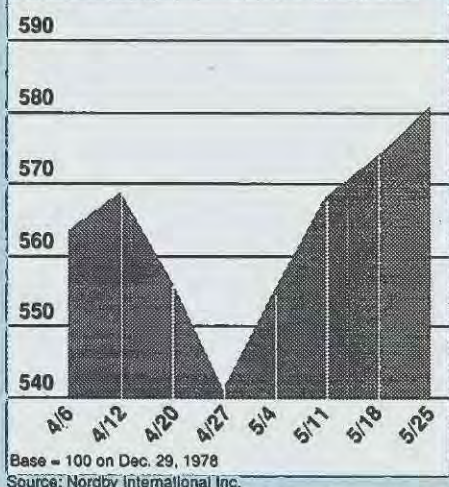
An analysis of first-quarter revenues indicates rates more than likely declined as much as 5% to 10% across a full book of business.

What do first-quarter results suggest about upcoming quarters?

We find most brokers expect little change in the tone of insurance markets even though logic argues for a firming in the light of deteriorating combined ratios for underwriters. This means ongoing softness, and a continuing challenge to maintain or grow earnings.

Investors are now more cautious about the 1990 outlook for insurance brokers, and share prices have retreated accordingly.

BI Insurance Index



Insurance industry stocks continued to climb last week, as the *Business Insurance Index* rose 6.4 points to 580.1 on May 25, from 573.8 on May 18. Advancing issues were led by Orion Capital Corp., up 10.1%; United Healthcare Corp., up 9.4%; and Sierra Health Services, up 9.1%. Decliners followed Nobel Insurance Ltd., down 10.3%; W.R. Berkley Corp., down 7.3%; and Durham Corp., down 6.5%. The most active issue during the week was American General Corp., 4.5 million shares traded. The *BI Index* gained 1.1% for the period; the Standard & Poor's 500 was up 0.02%; the Dow Jones 30 Industrials gained 0.04%; and the New York Stock Exchange Composite grew by 0.08%.

British Issues

May 24 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comml Union	466	21.5	28.7	6.2	484	466
Genl Accident	1059	16.2	66.7	6.3	1072	1051
Gdn Royal Exch	225	19.7	15.3	6.8	234	224
Royal	440	23.7	34.0	7.7	465	440
Sun Alliance	313	11.5	16.7	5.3	327	313
Brokers						
Bradstock	243	17.1	10.0	4.1	243	235
CE Health	526	14.8	34.5	6.6	528	526
Hogg Group	169	11.1	9.7	5.7	169	166
Lloyd Thompson	287	17.9	9.7	3.4	287	287
PWS Holdings	75	11.7	3.3	4.4	75	70
Sedgwick Grp	253	19.0	16.0	6.3	254	251
Steel Brl Jones	263	16.0	14.7	5.6	264	263
Willis Faber	281	17.7	16.0	5.7	282	278

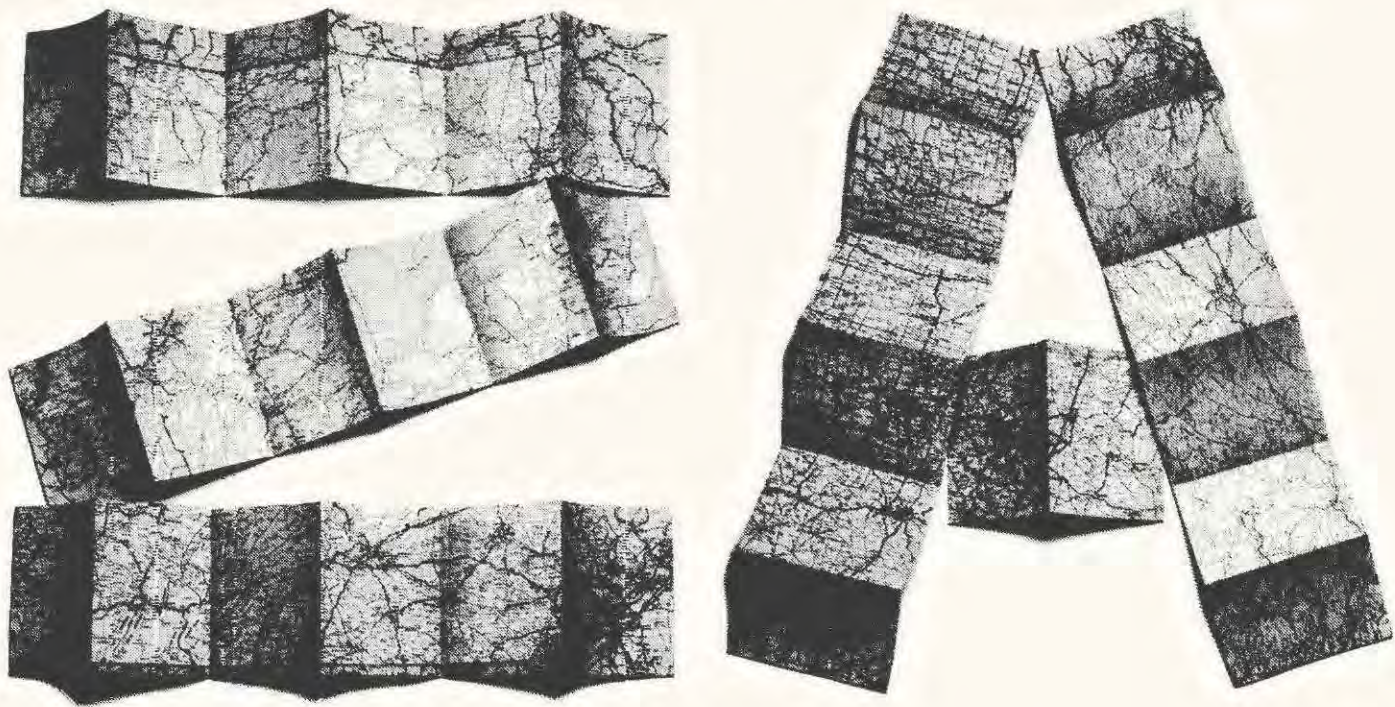
Source: Philip Olsen/Paul Hodges, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

MAY 21, 1990 THROUGH MAY 25, 1990

	Weekly Price	% change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Weekly Price	% change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value		
				High	Low										High	Low								
BROKERS																								
Alexander & Alexander	NYS	25.00	4.17	-20.63	34.00	23.25	430	1.00	4.00	20	9.18	2.72	25.00	-4.29	17.54	9.13	6.50	8	0.36	4.30	16	4.40	1.90	
Corroon & Black	NYS	33.25	5.56	-13.07	41.00	28.50	160	1.36	4.09	18	12.73	2.61	33.25	-1.01	15.29	49.75	32.50	10	0.92	1.88	16	31.82	1.54	
Gallagher Arthur J. & Co.	NYS	22.50	4.05	-9.09	26.50	19.00	28	0.60	2.87	17	5.33	4.22	22.50	1.38	-9.63	62.88	47.50	238	2.60	4.72	10	49.19	1.12	
Frank B. Hall	NYS	3.63	3.57	20.83	4.50	2.50	36	0.00	0.00	-2	-2.80	-1.29	3.63	3.01	-5.52	41.00	24.38	68	0.20	0.58	15	22.81	1.50	
Hill, Rogal & Hamilton	OTC	14.00	-2.61	-24.83	20.63	11.25	33	0.28	2.00	19	4.60	3.04	14.00	-2.80	10.45	31.75	23.75	27	0.00	0.00	11	15.22	2.00	
Marsh & McLennan	NYS	76.25	4.27	-2.24	89.75	60.63	743	2.48	3.25	18	10.56	7.22	76.25	2.13	-24.05	44.13	26.50	684	1.32	4.40	6	37.50	0.80	
Poe & Associates	OTC	11.75	6.82	-11.32	13.00	8.00	7	0.40	3.40	15	1.93	6.09	11.75	1.72	-7.33	52.50	34.75	170	2.32	5.24	12	33.30	1.33	
AVERAGE			3.7	-8.6					2.8	15														
CONGLOMERATES & HOLDING COMPANIES																								
Berkley W.R. Corp.	OTC	41.50	-7.26	-0.30	46.50	30.25	161	0.44	1.06	9	25.06	1.86	41.50	3.60	-0.86	15.25	10.75	8	0.00	0.00	12	14.43	1.00	
Berkshire Hathaway Inc.	NYS	7175.00	0.84	-16.81	8900.00	5675.00	0	0.00	0.00	-27	2869.00	2.50	7175.00	4.40	33.80	12.38	6.88	33	0.40	3.37	7	12.42	0.96	
ITT (Hartford Group)	NYS	55.88	-0.89	-6.68	64.50	51.38	1033	1.60	2.86	8	56.33	0.99	55.88	-0.42	-2.08	63.50	48.63	1224	2.40	4.09	7	43.47	1.35	
Sears (Allstate)	NYS	36.00	-2.70	-7.10	48.13	34.75	2789	2.00	5.56	10	37.75	0.95	36.00	-2.64	-7.23	42.38	27.75	559	1.36	3.69	8	24.87	1.48	
AVERAGE			-2.5	-7.7					2.4	0														
INSURERS/REINSURERS																								
Aetna Life & Casualty	NYS	51.88	1.97	-10.56	62.50	45.25	712	2.76	5.32	9	58.11	0.89	51.88	1.36	-13.45	38.63	26.66	134	1.92	4.97	9	34.63	1.12	
Ambase Corp.	NYS	6.63	3.92	-47.52	16.38	5.75	828	0.20	3.02	2	29.08	0.23	6.63	0.84	-18.64	45.00	29.63	1228	2.40	8.00	6	44.85		
American General	NYS	48.50	-1.27	48.09	50.63	28.13	4478	3.20	5.60	14	34.68	1.40	48.50	2.66	-13.45	48.00	33.75	354	1.92	4.97	9	34.63	1.12	
American Heritage	NYS	22.38	0.56	-21.49	24.63	19.50	6	1.00	4.47	11	22.60	0.99	22.38	0.84	-18.64	45.00	29.63	1228	2.40	8.00	6	44.85		
American Indemnity/Finl	OTC	6.25	4.17	-21.88	13.00	4.25	15	0.08	1.28	-1	17.38	0.36	6.25	7.22	-1.03	26.88	16.00	57	0.36	1.49	15	16.91	1.43	
American International	NYS	98.75	2.07	-6.40	112.00	81.25	1307	0.48	0.49	12	41.92	2.36	98.75	1.57	-2.27	34.50	29.63	13	1.20	3.72	9	22.56	1.43	
Aon Corp.	NYS	39.00	2.30	-7.96	43.25	32.50	198	1.52	3.90	11	19.62	1.99	39.00	0.00	-3.80	34.00	26.88	868	2.92	10.25	36	22.87	1.25	
Argonaut Group	OTC	75.50	1.34	9.62	74.50	54.25	48	1.60	2.12	9	36.83	2.05	75.50	0.51	4.19	51.38	32.13	173	0.80	1.61	9	31.20	1.59	
AYEMCO Corp.	NYS	24.88	1.53	2.05	27.50	20.38	101	0.40	1.61	17	9.52	2.61	24.88	-2.27	-16.57	48.13	34.75	169	1.48	3.92	5	54.34	0.69	
Baldwin & Lyons Inc.	OTC	20.50	-1.20	-4.65	24.00	17.00	2	0.28	1.37	7	20.80	0.99	20.50	7.55	-24.34	29.13	19.75	251	1.08	5.05	79	32.90	0.65	
Beverly Corp.	ASE	4.13	-2.94	-25.00	5.63	4.13	4	0.04	0.97	-5	8.03	0.51	4.13	-1.16	-10.00	25.38	21.00	25	1.00	4.68	6	27.73	0.77	
Chandler Insurance	OTC	9.00	0.00	-23.40	13.25	7.63	150	0.00	0.00	5	9.53	0.94	9.00	-3.97	-19.33	21.50	13.50	61	0.84	5.55	0	13.81	1.10	
Chubb Corp.	NYS	94.63	1.34	-1.30	102.75	67.50	745	2.64	2.79	10	55.49	1.71	94.63	1.36	-20.74	58.75	37.88	235	1.40	3.09	11	13.23	3.43	
CIGNA Corp.	NYS	51.75	2.22	-14.11	66.75	45.25	720	3.04	5.87	11	66.64	0.78	51.75	2.66	-13.45	48.00	33.75	354	1.92	4.97	9	34.63	1.12	
CNA Financial Corp.	NYS	75.00	1.69	-25.00	108.75	68.25	168	0.00	0.00	9	54.87	1.37	75.00	0.84	-18.64	45.00	29.63	1228	2.40	8.00	6	44.85		
Continental Corp.	NYS	30.38	4.74	-3.19	38.63	25.75	736	2.60	8.56	11	41.36	0.73	30.38	2.38	-36.76	12.50	5.25	147	0.00	0.00	12	2.99	1.80	
Durham Corp.	OTC	29.00	-6.45	-5.69	34.75	29.00	3	0.92	3.17	14	26.32	1.10	29.00	9.09	-15.49	9.63	4.25	96	0.00	0.00	24	0.62	12.10	
Firman's Fund	NYS	31.63	1.20	-10.28	40.75	29.50	540	0.68	2.15	47	32.74	0.97	31.63	1.43	47.92	9.13	5.38	21	0.20	2.25	27	5.70	1.56	
Frontier General Corp.	OTC	15.88	2.42	-21.12	22.50	14.38	368	0.80	5.04	7	19.09	0.83	15.88	4.94	-18.27	30.38	13.25	182	0.00	0.00	4	6.35	3.35	
Frontier Insurance Group	NYS	23.00	4.55	24.32	22.00	13.63	67	0.00	0.00	10	7.29	3.16	23.00	2.38	-36.76	12.50	5.25	147	0.00	0.00	12	2.99	1.80	
General RE Corp.	NYS	86.63	2.21	-3.75	96.25	63.63	832</																	

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