

NOVEMBER 13, 2000

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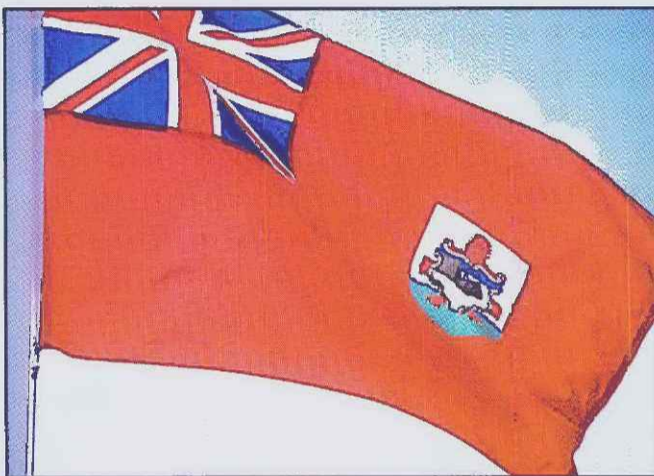
Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

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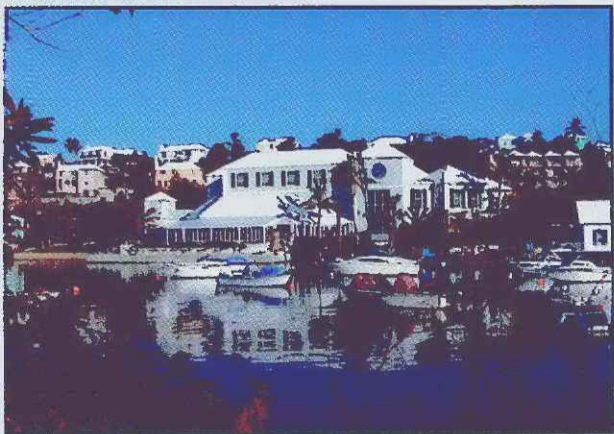


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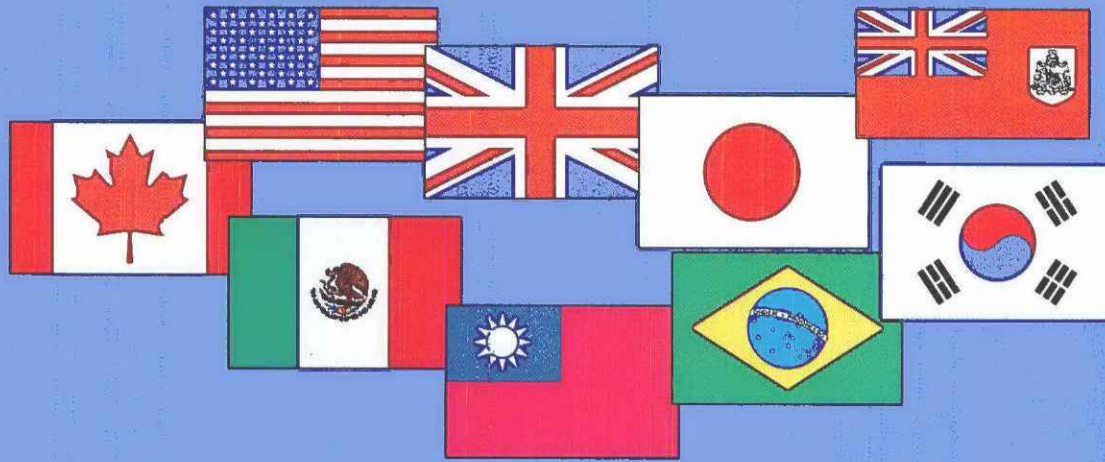


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Banks allow Reliance to delay payment of \$237 million in debt

NEW YORK—Banks that are owed \$237.5 million by Reliance Group Holdings Inc. agreed not to force the troubled insurer into bankruptcy when it failed to pay the debt due Friday, Nov. 10.

The banks and Reliance's bondholders, who are due \$291.5 million on Nov. 15, have entered into an informal agreement with regulators in Pennsylvania "not to exercise any formal remedies available to them" when the payments are not made. See Updates on next page

Concern spreads about virus risk

By CAROLYN ALDRED

LONDON—Increasingly concerned about their exposure to losses from computer viruses that can rapidly disable and damage multiple computers, some European reinsurers are rewriting their contracts to specifically exclude the risk.

U.S. reinsurers, however, say they believe the risk already is excluded under their contracts.

In this era of computer connectivity, an "in the wild" virus can spread through millions of businesses in hours, producing losses on a geographic scale unprecedented by any natural catastrophe.

Lloyd's of London underwriters, in particular, are recognizing the accumulation of risk that can result from a virus, and are developing new contract language to protect themselves from these potentially enormous losses. U.S. reinsurers also are concerned about the risks but so far are not adding specific coverage restrictions.

Although most property/casualty programs do not include so-called cyber risk coverage, the denial of coverage for such claims has not yet been tested in court. At the same time, demand for coverage of this exposure is growing as more risk managers

become aware of viruses' threat.

New coverage wording that will soon be published by the Non-Marine Assn., which represents Lloyd's of London underwriters, seeks to clarify that only computer and information technology losses stemming from named perils—which do not include a virus—can be regarded as a covered event under property reinsurance treaties.

That wording could leave ceding insurers especially exposed in situations where they receive multiple claims for damage caused by a single wild virus.

The new NMA wording states that: "Losses arising, directly or indirectly, out of: (1) loss of, alteration of, or damage to or (2) a reduction in the functionality, availability or operation of a computer system, hardware, program, software, data, information repository, microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the policyholders of the reinsured or not, do not in and of themselves constitute an event unless arising out of one or more of the following perils: fire, lightning, explosion, aircraft or vehicle impact, falling objects, windstorm, hail, tornado, cyclone, hurricane, earthquake, vol-

See Viruses on page 55

Blanch taps adviser on options for future

By DOUGLAS McLEOD

DALLAS—E.W. Blanch Holdings Inc. has a "bright future," but what shape the future takes for the world's fourth-largest reinsurance broker remains to be seen, its officials say.

Buffeted earlier this year by lower-than-expected earnings, top officer defections and a plummeting stock price, Blanch last week announced a third-quarter net loss and said it is pursuing "strategic alternatives," including the possible sale of the company.

The reinsurance brokerage, which has

hired investment adviser Lazard Frères & Co. L.L.C., "is currently in discussions which may lead to a business combination or sale," Blanch reported. Blanch officials did not offer further details of the discussions and noted that there is no guarantee that a deal will come to pass.

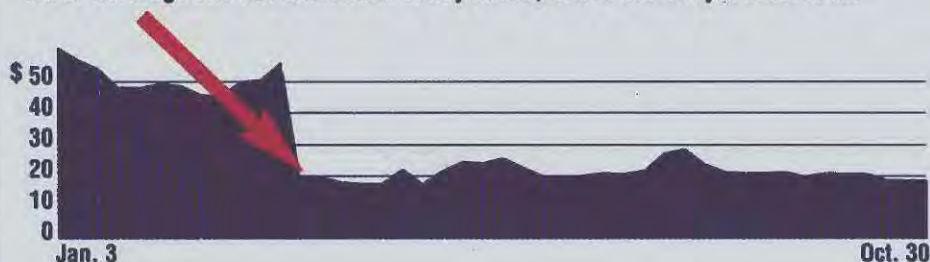
In a conference call with stock analysts, though, Chairman and Chief Executive Officer Ted Blanch complained about the impact on the company of "external noise" from Wall Street investors, the press and Blanch competitors.

"What we need to examine for the benefit of

See Blanch on page 54

Blanch stock in doldrums

E.W. Blanch Holdings Inc.'s stock price plunged in late March, after it disclosed lower earnings and the defections of key execs, and it has not yet recovered.



SOURCE: B/I STOCK INDEX



Awaiting a winner Industry agenda put on hold

By MARK A. HOFMANN

WASHINGTON—Uncertainty—a condition that fills insurers and risk managers with dread—will likely cloud their federal legislative agenda for quite some time as a result of a presidential election that was still inconclusive late last week.

Tort reform, insurance regulation, even the fate of the Occupational Safety and Health Administration's controversial ergonomics proposal, could hinge on who sits in the White House and Congress.

"For the most part, I see a continuation of the same kinds of House and Senate we've had, with perhaps the only change being that now the majorities have narrowed somewhat, and that the governing coalitions will be conservative Democrats and moderate Republicans," said David Farmer, senior vp-government affairs for the Alliance of American Insurers in Washington.

"I would expect a couple more years of what we have seen in the last couple of years," he said. The nation isn't looking

for much out of Congress, said Mr. Farmer.

Who becomes president is most likely to have the greatest impact on tort reform.

"Clearly Gov. Bush is a much better choice" in terms of promoting tort reform, said Robert E. Vagley, president of the American Insurance Assn. in Washington. Mr. Vagley said a Bush administration would mean a "fair to middling" chance that some federal tort reform would be enacted, whereas its chances under a President Gore would be "nil."

"Tort reform will largely be swayed by who eventually becomes president. We expect that under a Bush presidency, tort reform will be much more likely, notwithstanding the narrow Republican majority," said Daniel Barry, director-government affairs for the Risk & Insurance Management Society Inc. in New York.

"I think that obviously, if Mr. Gore is elected, we don't see the climate changing for the positive for any sort of tort

See Election on page 51

Leadership at odds

Progress in doubt

By JERRY GEISEL

WASHINGTON—Gridlock on employee benefit issues has been the norm on Capitol Hill for several months, with Republican and Democratic leadership barely speaking to one another.

Regardless of which presidential candidate—Texas Gov. George W. Bush or Vice President Al Gore—ultimately wins the presidential election, that situation is unlikely to improve during the next congressional session, Washington experts say.

With the new president winning by just a hair and the new Congress almost evenly divided between the two parties, an easing of the intense partisanship that dominated the 106th Congress doesn't appear likely.

"I think what you have is guaranteed gridlock," said Helen Darling, a former Senate health care staffer and now a consultant in the Stamford, Conn., office of benefit consultant Watson Wyatt

Worldwide.

"The leadership has been barely talking to one another. If possible, things are going to be even more contentious," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

Others, though, predict that on some benefit issues—most notably pension reform—a consensus could develop and some measure could be enacted.

Regardless of who is elected president and who controls the Congress, there is a very broad constituency for improving retirement income security, said Frank McArdle, a consultant with Hewitt Associates L.L.C. in Washington.

"Retirement issues will maintain a very high profile," concurred Kyle Brown, a Watson Wyatt attorney in Washington.

In addition, for certain issues where public pressure is overwhelming, such as adding a prescription drug benefit to the

See Gridlock on page 51

Taxes

Continued from previous page
(Treasury Department study) in a way is good. As this issue is studied and understood better, reality will set in and some of the hype and exaggeration will disappear," said ACE Chairman Brian Duperreault.

U.S. insurers behind H.R. 4192, meanwhile, express satisfaction that the proposed study would at least air the issue before lawmakers.

"It would, for the first time, declare that there is congressional...receptivity to concerns about related-party reinsurance in tax havens," noted Joel Freedman, senior vp and director of government affairs for Hartford.

The tax fight follows a period of

industry consolidation that has seen several Bermuda companies acquire large U.S. operations and U.S. companies redomesticate to Bermuda.

These have included ACE,

more-potent competitors for purely U.S.-based companies, and observers see competitive jockeying as the force behind the recent protests over a tax regime that has been in place since 1986.

'As this issue is studied and understood better, reality will set in and some of the hype and exaggeration will disappear,' says Brian Duperreault of ACE Ltd.

which last year acquired the property/casualty units of CIGNA Corp., and XL, which acquired Stamford, Conn.-based NAC Reinsurance Corp.

These operations have become

Given the fact that the tax rate for U.S. property/casualty insurers has been cut sharply by underwriting losses for at least the last 10 years, "it's a little curious" that Chubb, Hartford and others

would now claim to be suffering from a tax disadvantage, observed Grace Osborne, a director with Standard & Poor's Corp. in New York.

"It's clearly competition and trying to limit competition," Donald Watson, another S&P director, said of the U.S. insurers' motivation.

Whatever the motives of the insurers, the fight broke into the open earlier this year, when lobbying by Chubb, Hartford, Liberty Mutual Insurance Co. and Kemper Insurance Cos. led to H.R. 4192.

The bill, introduced by Rep. Nancy L. Johnson, R-Conn., would make U.S. companies liable for taxes on the investment income earned on the premiums they cede to affiliated foreign reinsurers.

At the same time, the bill would exempt these companies from the 1% excise tax normally charged on reinsurance premiums ceded offshore.

Proponents of the bill contend that the affiliated reinsurance deals give Bermuda companies an unfair tax break: While U.S. insurers putting up large reserves must pay tax on the investment earnings of those reserves at rates of up to 34%, foreign-affiliated insurers can cede business to their affiliates, which can then build up reserves free of tax, Hartford's Mr. Freedman argued.

"There's a potential competitive advantage and inequity produced if you are a U.S. company taxed in the U.S. vs. a U.S. company that happens to be taxed in Bermuda," he said.

The alleged tax break has been one of the reasons behind foreign acquisitions of U.S. companies and redomestications offshore, he added.

"To some extent, those purchases and redomestications have been done to take advantage of the tax-free status in Bermuda," Mr. Freedman said.

Arguing that the tax break is a sizable competitive edge, the bill's insurance company backers have offered an example showing that reinsuring business in Bermuda would boost a U.S. insurer's after-tax earnings by \$11.37 on a \$100 premium.

The bill's opponents, though, label the example flawed; they say the tax advantage is actually slight.

The Chubb/Hartford scenario is based on several unrealistic assumptions, according to an analysis prepared for XL by the law firm of Vinson & Elkins in Washington. These assumptions include that:

- The insurer's combined ratio is 100%, when the 20-year average for U.S. property/casualty insurers is 107%.

- 100% of the risk is ceded to Bermuda, and no losses are paid in the first five years.

- The Bermuda reinsurer incurs no costs in the transaction, when reinsurers have numerous operating costs, including the cost of providing letters of credit to ceding companies.

- The U.S. insurer pays tax on investment income at a 35% rate, when U.S. insurers actually pay at much-lower rates because of investments in tax-exempt bonds and equities.

Using what it describes as more-realistic assumptions—including a 107% combined ratio and a tax rate on investment income of 27.5%—the XL analysis concludes that the tax advantage for Bermuda-affiliated insurers is actually just \$0.05 on a \$100 premium.

"Yes, companies that operate in a zero corporate income tax environment are going to have an advantage. We don't dispute that," XL's Mr. Giordano observed. But "the advantage is not nearly as large as Chubb and Hartford would make it seem."

Several observers also expressed doubts that Bermuda-affiliated insurers enjoy a big competitive advantage.

"Clearly, there is a regulatory advantage. That's why you ended up with capital in Bermuda in the first place," said Roy Sedore, a partner with Baker & McKenzie in New York, referring to the less-restrictive regulation that attracted ACE, XL and others.

"Whether there is a huge tax
See Taxes on page 6

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What can we do to help you?

Taxes

Continued from page 4

advantage, you have to make an awful lot of assumptions on a lot of variables to conclude that there is an advantage there."

There may be an advantage, S&P's Mr. Watson added, but "is it unfair? I'm not so certain."

He noted that, while U.S. income tax is paid on profits, the 1% excise tax is imposed on gross premiums ceded and that, "if you are underwriting at a loss, you are going to pay a heck of a lot more (being taxed) on a premium basis than you would on an income basis."

Apart from questioning the size of the tax break, observers also wonder about the broader impact of imposing new taxes on affiliate

reinsurance.

"There's a real policy issue you raise when you say you're not going to accept an arm's-length"

In reinsurance transactions, an arm's-length deal would include a commercially reasonable premium for the reinsurer and a reason-

note.

"That's fundamentally flawed as tax policy," Mr. Giordano said.

While the bill's backers have targeted Bermuda, it would be difficult to argue that such a tax should apply only to Bermuda or even only to the insurance industry, opponents add.

"There's no magic to Bermuda. There are lots of jurisdictions around the world that have lower corporate tax rates than the U.S.," Mr. Giordano said. "It doesn't make a lot of sense to single out Bermuda if you are not going to look at other jurisdictions."

Earlier this year, the Washington-based Organization for International Investment, a group representing U.S. subsidiaries of overseas companies—few of them in the insurance industry—raised concerns that H.R. 4192 could

damage international tax policy governing all industries, not just insurance.

In a letter to Rep. Bill Archer, R-Texas, chairman of the House Ways and Means Committee, OFII argued that the bill would use "tax laws punitively to tip the scales of global competition" and would violate international taxation principles.

U.S. tax treaties, for example, require a country seeking to tax a foreign company to show that the company has a "trade or business" or "permanent establishment" in that country. H.R. 4192 ignores this requirement and would indirectly impose U.S. taxes on a foreign company with no U.S. trade or business, OFII argues.

The bill also could invite retaliation.

"The United States would certainly object strongly if other countries ignored these principles and decided to tax U.S. companies at higher tax rates in order to 'even the playing field' because they deemed that the U.S. tax rate was 'low' in comparison to their own," OFII's letter notes.

Imposing the new tax may not even be necessary if unfair competition is found to exist in reinsurance deals with offshore affiliates, opponents of the tax maintain.

Under existing law, the Internal Revenue Service can already challenge transactions that do not meet transfer-pricing requirements, Mr. Sedore said.

"I'm not sure that everyone is convinced there is a problem that cannot be addressed by the law as it already stands," he said.

H.R. 4192 isn't likely to go anywhere this year, and it is unclear whether the bill would be reintroduced in the next session of Congress before the proposed Treasury Department study of the tax issue is finished.

The Treasury study proposal was inserted as Section 718 of H.R. 5542, a tax bill already passed by the House. Under it, Treasury would research the extent to which U.S. insurers are avoiding taxes on their investment income "through the use of affiliated corporations in Bermuda or other offshore locations."

The study, scheduled to be completed by the end of next year, would also examine possible changes in U.S. tax law to prevent tax avoidance.

Whether Chubb, Hartford and their supporters ultimately get what they want from the proposed Treasury study is uncertain.

In the 1980s, Treasury studied a proposal pushed by the Reinsurance Assn. of America to raise the excise tax on premiums ceded offshore to 4% from 1%, an idea that went nowhere, Mr. Sedore observed.

"You don't always get what you're looking for when you get a Treasury study," he said.

Whether a new tax is eventually imposed or not, the idea's proponents say they have accomplished their purpose simply by raising the issue.

Some see the controversy as an outgrowth of the financial pressures placed on insurers by the soft property/casualty market: As rates begin to rise, the motivation of U.S. insurers to challenge offshore competitors may diminish and the tax controversy may fade away.

"With the market turning in 2001, 2002, they are not going to be looking at these angles," S&P's Mr. Watson said of the tax bill. **B**

'You have to make an awful lot of assumptions on a lot of variables to conclude that there is an advantage there,' says Roy Sedore of Baker & McKenzie.

transaction between affiliated companies, Mr. Sedore said.

To ensure that income from affiliate transactions is allocated properly, U.S. law already incorporates the concept of "transfer pricing," requiring affiliates to negotiate terms at arms length.


able ceding commission for the ceding insurer.

Under H.R. 4192, reinsurance ceded to an overseas affiliate would be treated differently from reinsurance ceded to a non-affiliate, even if the terms of the two deals were identical, opponents

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OPINIONS

Rules delayed long enough

SHOULD THE U.S. Labor Department wait until Congress is back in session before it implements already long-delayed rules that would require health care claims and disputes to be resolved more quickly?

That is what a couple of congressmen, Reps. William Goodling, R-Pa., and John Boehner, R-Ohio, are asking the Labor Department to do. As we recently reported, the Republican lawmakers told the department that proceeding as the Clinton administration plans—and issuing the claims regulations after Congress adjourns for the year—would delay and complicate congressional review of the forthcoming rules.

We can definitely understand the congressmen's concern. The proposed claims handling rules that were originally issued by the Labor Department in 1998 were, to put it mildly, badly written.

A key problem with the proposed rules was that the deadlines proposed for how quickly health care plans must process claims were unrealistically short. Effectively, an insurer or an employer would have had only five days in which to process claims.

No plan administrator should be forced to process claims that fast. Aside from the higher costs needed to add staff, plan administrators simply would not have enough time to spot fraud and mistakes.

The Labor Department's big mistake in drafting the proposed rules was that it failed to distinguish between imposing faster deadlines for processing claims and speeding-up deadlines for responding to requests for coverage.

The two issues are entirely different. Time often is of the essence when an employee requests preauthorization for coverage of a procedure. A needed medical procedure should not be delayed due to unreasonably lengthy deliberations by an insurer.

After a procedure is performed, however, that same urgency is not present. While claims should be handled promptly, five days is not necessary.

While we feel the original proposal was flawed—something that we expect has been corrected in the final rules the department seeks to issue—no federal regulatory agency should base its timetable for pro-



ducing regulations on when Congress is or is not in session.

When regulations are completed, they should be published. We wouldn't want situations in which urgently needed regulations were delayed because regulators first wanted to wait for lawmakers to return to Washington to sign off on them.

If, upon inspection, legislators are not satisfied with published regulations, they always have an opportunity—perhaps not instantly but soon enough—to stop or revamp them. While that is rare, it has happened.

The word in Washington is that the release of the health care claim regulations is near. We hope regulators in their final draft have struck the right balance, assuring that health plan enrollees' requests for coverage and claims are processed quickly while not putting an undue burden on plan administrators.

If that balance is not found, we are confident that the Labor Department will be responsive to demands for change. And if it is not, then lawmakers will have their a chance to set it right.

LETTERS

Ergonomics proposal has problems

To the editor: Regarding Charles Jeffress' Oct. 23 Perspective, "Ergonomics Standard Good for Business," it appears that Mr. Jeffress' own arguments reflect industry's unease with the Occupational Safety and Health Administration's proposed ergonomics standards.

In fact, business and government leaders across the country have long contended that the OSHA ergonomics proposals are not based on accepted scientific information. In his article, Mr. Jeffress seems to underline this shortcoming by substituting a description of OSHA's good intentions for substantive data.

In fact, Mr. Jeffress all but ignores the fact that the proposed OSHA ergonomics rules

would mandate additional employer safety efforts to prevent repetitive stress injuries. This comes despite a National Council on Compensation Insurance analysis of detailed claim information that shows cumulative stress injuries account for just 19.3% of all lost-work day claims, a figure almost 50% less than OSHA's projections. Still, the OSHA rules would force the creation of a new, more expensive compensation system for those injuries (costing, by OSHA's own estimates, some \$4.2 billion per year).

The proposed standard would also have the effect of pre-empting many state workers compensation provisions, rendering those provisions meaningless, or frustrating the policies of the state laws. Significantly, the standard would directly attack the exclusive remedy aspect of the workers compensation laws by, in some cases, providing benefits to workers who merely claim a symptom of a musculoskeletal disorder without actually proving an injury.

Finally, in addition to the system costs that may arise in the form of increased claims filings, prolonged duration of benefit payouts, or costs associated with additional claims for medical treatments, the OSHA standards are

likely to lead to increased litigation costs for employers, insurers and workers as the interpretations of the standard are debated. Perhaps as significant, they lead toward a system in which workers who have lost a limb or suffered a disabling injury are compensated far less than are those who have a sore elbow because they have used a computer, even if much of the computer use was at home and not work-related.

Of course, it's hard to argue with Mr. Jeffress' good intentions, however misguided the OSHA proposals might be. As he rightly points out, what business doesn't want to protect its workers and reduce its workers compensation expenses? Unfortunately, substituting good intentions, excessive costs and inequitable benefits for sound government policies is not an appropriate solution.

For more information on OSHA's ergonomics proposals and cost evaluations, readers are invited to visit the NCCI's Web site at www.ncci.com.

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Catastrophe

Continued from page 3

was hoping that the reinsurance market had learned enough not to price catastrophe business cyclically any more, and if that had happened, we would not have diversified," he said.

But as catastrophe reinsurance prices began to fall again in the mid-1990s, Partner Re transformed itself from being one of the most focused of the catastrophe reinsurers to be being one of the most diverse. In July 1997, it acquired SAFR, a Paris-based reinsurer, and in December 1997 bought the reinsurance operations of Winterthur Group.

"In 1996, clients were under pressure from other reinsurers to give them their profitable cat business in order to support the less profitable multiline business, so the clients urged us to help them on the non-cat side," Mr. Haag said.

Despite its diversification, Partner Re is still a specialist in several areas of reinsurance, Mr. Haag said. In addition to property catastrophe reinsurance, Partner Re specializes in aviation, credit and surety, and agriculture reinsurance, he said.

And while catastrophe coverage is an important part of its book, 55% of Partner Re's clients do not buy catastrophe coverage from the reinsurer, Mr. Haag said.

The company decided to focus on areas where it saw there would be strong demand for insurance in the future, he said.

But with the diversification, the company has also had to accept a lower return on equity. "The non-cat business has a lower ROE because it does not have the same volatility," Mr. Haag said.

But with a broader array of skills, the company is well-positioned to take advantage of changes in the entire financial services industry, he said.

"This is the beginning. We have built a platform that is represented everywhere in the world, and the key companies have a relationship with us, so we have a basis where we can do much better," Mr. Haag said.

But what Partner Re will be doing in the future is less clear, as the convergence of financial services remains incomplete, he said.

"We have the capacity to handle risk in whatever form our company will be in the future. ... We want to be partners of the insurance industry," Mr. Haag said.

More immediately, the company should benefit from the increases in reinsurance rates that appear likely this year-end renewal, he said.

"There are clear signs on the cat side. Other areas are following, but they are only taking the first couple of steps," Mr. Haag said.

Swiss Reinsurance Co. remains a large investor in Partner Re, with 23% of the company's stock. After Partner Re's IPO in 1993, it had 11%, but that holding increased after Partner Re bought SAFR, as Swiss Re had a 24% stake in SAFR. Under a standstill agreement, Swiss Re is not allowed to own more than 30% of Partner Re.

Renaissance Re

Renaissance Re started with only \$141 million in capital, but that quickly grew, and now the company has about \$700 million.

At the time it was launched in 1993, its main sponsors were: USF&G Corp., which has since been acquired by The St. Paul Cos. Inc.; E.M. Warburg; Pincus & Co. Inc.; and GE Investments. Today, the company is mainly held by public shareholders. Warburg Pincus no longer has a significant shareholding, and St. Paul and GE each own less than 10% of the company.

Most of the Bermuda reinsurers

have been keen users of computer-based catastrophe modeling programs in their underwriting, but Renaissance Re has been one of the strongest advocates of modeling cat exposures.

"We've been very active in using modeling, but one of the keys is to believe the models' results" and to exercise underwriting judgment, said James Stanard, chairman, president and chief executive officer.

Underwriters need a technical background so that they can understand how the models work, and they need to have the skill and judgment to know when to override the models and when to use the findings to review their initial assessments, he said.

Since it started, Renaissance Re has largely concentrated on catastrophe reinsurance, though it has considered writing other lines.

"We've always been open to non-catastrophe reinsurance, but

when we started we didn't really like the other business that we saw in the market," Mr. Stanard said.

From the outset, Renaissance Re has offered retrocessional coverage to other reinsurers.

'We have the capacity to handle risk in whatever form our company will be in,' says Herbert Haag.

"We developed some unique modeling capabilities for retro, and we can be more effective in writing retro business when we have reasonably good data," he said.

One way Renaissance Re diversified

was to move into the primary insurance market. But again, the company focussed on catastrophe-exposed property risks.

The first primary company that Renaissance Re set up was Glencoe Insurance Ltd. in 1996, which was established to write surplus lines coverage. Then, in 1997 it set up Desoto Prime Insurance Co. to write homeowners coverage in Florida, and Desoto Insurance Co. to write business from Florida's Joint Underwriting Authority.

One less successful diversification was the purchase in 1998 of Nobel Insurance Ltd., a surety and specialty property/casualty insurer in Dallas. Within six months, Renaissance Re sold what it could of the company and closed down the remaining operations after it became clear the insurer had financial problems.

"We underestimated the exposures when we bought the company," Mr.

Stanard said. "Hopefully, we learned something and it's not going to prevent us from going into other businesses if we think they make sense."

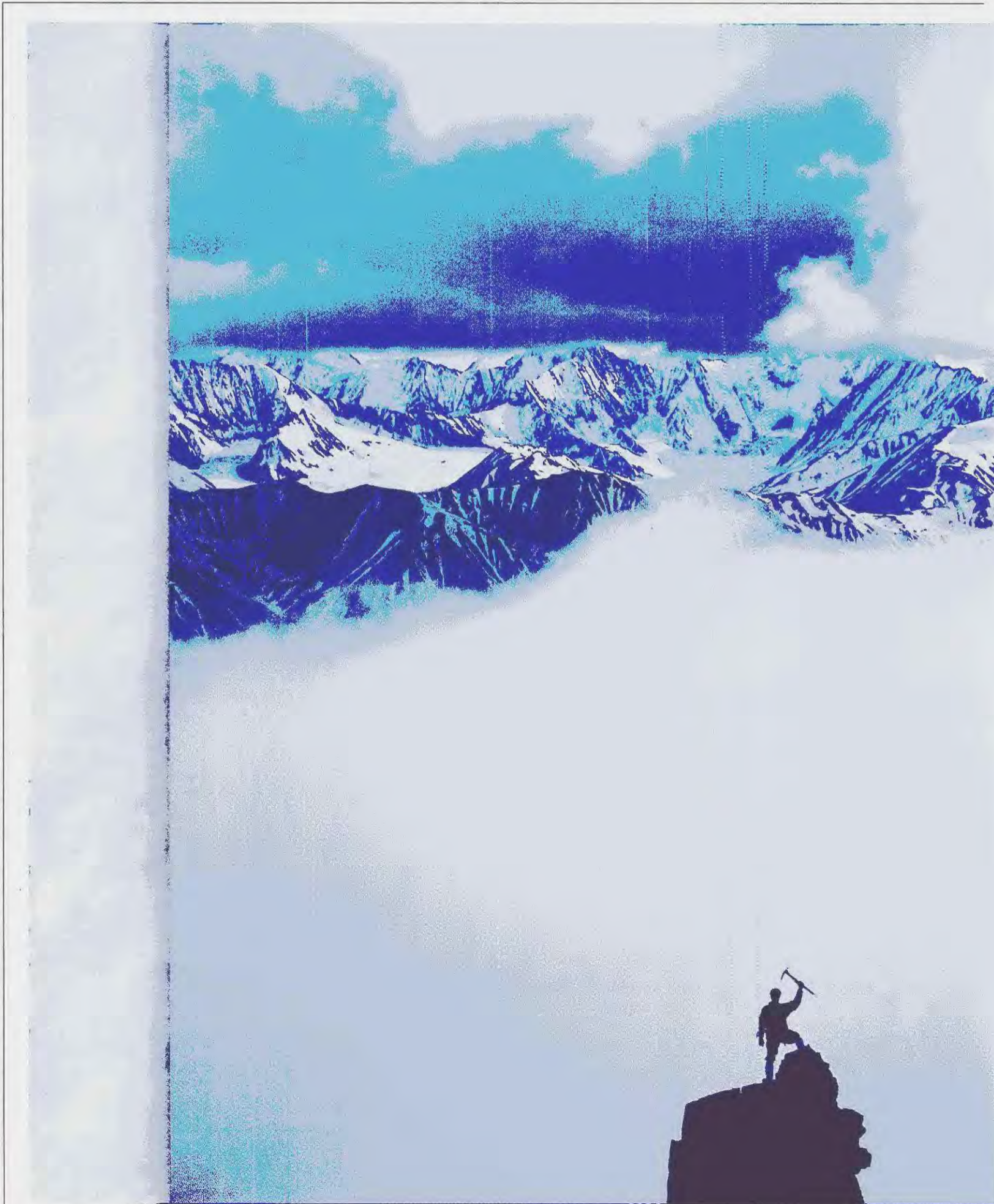
In addition to diversifying, the company has also changed how it offers catastrophe reinsurance by entering two joint ventures—Top Layer Re Ltd. and Overseas Partners Cat Ltd.

OPCat is a catastrophe reinsurance subsidiary of Overseas Partners Ltd. in Hamilton, Bermuda, for which Renaissance produces and underwrites a portfolio of business.

Top Layer Re is a joint venture with State Farm Group that provides up to \$500 million for non-U.S.-based risks.

Renaissance Re decided to become involved in the joint ventures because it foresaw a turn in the market and it predicted that there would be some opportunities that it would not have the capacity to write on its own, Mr.

See *Catastrophe on next page*



Catastrophe

Continued from previous page
Stanard said.

And the market does now appear to be turning, he said.

Reinsurance market conditions are improving, "though we still have a long way to go in a lot of segments," Mr. Stanard said. "I don't think the market can declare victory after a 10% price increase."

IPC Re

When IPC Re was established in 1993, it was among the smaller property catastrophe reinsurers set up in Bermuda, with \$300 million in capital. Of the three remaining independents, IPC Re remains the smallest, with \$537 million in capital today.

It also remains probably the least changed from its original business

plan. IPC Re's largest shareholder remains American International Group Inc., with 24%; General Re has retained its 5% stake.

Its only attempt to significantly change its composition was an unsuccessful bid for rival cat reinsurer Tempest Reinsurance Co. Ltd. in 1996. That bid was seen by some observers as a successful effort to drive up the price that rival bidder ACE Ltd. would have to pay for Tempest.

Aside from that brief venture into the consolidation arena, IPC Re largely has focused on managing its property catastrophe book of business.

"We have consistency with our shareholders, consistency with our business plan and consistency with our clients, so if you are looking for consistency and stability, we've demonstrated that for the past seven-and-a-half years," said James P. Bryce, president and chief executive

officer of IPC.

Since its inception, IPC Re has offered some coverage outside of property catastrophe business when it saw opportunities in the market, said Mr. Bryce.

For example, it used to be "very active" in the marine reinsurance market, but since rates have fallen in that sector, IPC Re has pulled back, and by 1998 it had virtually exited the market, he said.

Now, its main non-catastrophe business is aviation deductible and aviation hull, Mr. Bryce said.

"Our task is to make money and we'll look at niches that give us the opportunity to do that," he said.

Still, more than 85% of IPC Re's business is property cat.

For the first five years of their existence—with the exception of 1994, the year of the Northridge earthquake—Bermuda's catastrophe reinsurers en-

joyed a relatively benign period for catastrophe losses, noted Mr. Bryce.

One of the consequences of that was an increase in cat reinsurance capacity and a decrease in rates, he said.

Losses started to increase in 1998, however, and in 1999, several severe losses, including some devastating European storms, hit the industry.

With its focus on catastrophe reinsurance, IPC Re's results reflected the changes in the market, with the excellent results of the first several years giving way to lower profits as the market cycle changed.

But the market is again poised to change, Mr. Bryce said.

Contracts that renewed on Oct. 1 and those that are being sealed for Dec. 1 are seeing increased rates when they have suffered losses, Mr. Bryce said.

"But we still have to be very disciplined," he said. **BI**

Deals

Continued from page 3

constant level of about \$1 billion per year, noted Andrew J. Kaiser, vp and head of the insurance product group at Goldman Sachs & Co. in New York.

That stable volume has been attributable to the fact that reinsurance prices have been low, Mr. Kaiser said.

"Now, we could say that changes in reinsurance pricing and more efficient capital markets execution have made people re-examine this market," he said.

Like Lehman Brothers, another major investment bank player in the risk securitization market, Goldman Sachs has created its own Bermuda reinsurance operation. And, earlier this year, Goldman Sachs used the reinsurer, Arrow Reinsurance Co. Ltd., in a risk securitization deal for a State Farm Group unit.

In May, Arrow Re wrote a \$100 million reinsurance contract with State Farm covering Florida hurricane risks, said President Kymn Astwood. "Essentially, this contract enabled State Farm to access the capital markets in a seamless fashion," he said.

Arrow Re ceded \$90 million of the reinsurance to a Bermuda-domiciled special purpose vehicle, Alpha Wind 2000-A, which sold securities based on the risk to investors in two tranches.

"This particular transaction was placed with 18 institutional investors in the shortest time frame of a capital markets transaction to date," Mr. Astwood said.

In using the risk securitization approach, "The terms that State Farm received were concurrent with its reinsurance program," Mr. Kaiser said.

So far, the economics of risk securitization have not tempted Tempest to enter the market as an issuer, Mr. Rivaz said.

"In terms of Tempest's involvement in this arena, we've looked on a number of occasions and evaluated the appeal of becoming an issuer and decided that the self-contained economics aren't compelling for us to do that," he said.

But, he noted, "One thing we have done on occasion is to transfer risk in a swap form. And that may be another part of the future trend or potential for transfer into the capital market."

Use of derivative structures could probably increase flexibility and reduce transaction costs, but could also bring higher credit risks and reduce the pool of potential capital available, Mr. Rivaz noted. "We've done a handful of derivative transactions."

And while Tempest hasn't become involved as a cat bond issuer, "We've been investors in a number of securitized catastrophe risks," Mr. Rivaz said. In such deals, "we are able to use our risk evaluation skills to evaluate the risks in just the same way as if we were accepting the risk in reinsurance form."

In those cases, if the coupon rate on the bonds is sufficient to cover the risk and the deal's collateralization costs, Tempest will invest in the cat bonds. Ultimately, it's similar to selling reinsurance, Mr. Rivaz said, "with the one difference that we're collateralizing the full amount up front."

Other Bermuda companies active in the market for alternative risk financing are finding various ways to participate as well.

"We at Commercial Risk have been involved in a number of cat bond issues," noted Graham C. Pewter, president and chief executive officer of Commercial Risk Partners Ltd., a unit of French reinsurer SCOR S.A. "We invested in some of the earlier issues. We have been a behind-the-scenes participant in some of the other issues."

Continued on next page


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Deals

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Mr. Pewter sees his company's role as being an aggregator of risk that can be packaged and passed into the capital markets. As such, the company's future role in the capital markets will be to take on risk on an indemnity basis and then cede that risk into the capital markets, hedging it on an index basis and retaining the basis risk on those transactions.

"We're a risk-taking company," Mr. Pewter said. "SCOR is a risk-taking entity, and that will remain its core activity."

"In terms of securitization, XL periodically evaluates the securitization markets in two ways," said Robert Lusardi, executive vp and chief financial officer of XL Capital Ltd. "We do buy cat bonds when we think they are

attractively priced. We do look at issuing cat bonds."

XL transferred risk into the capital markets two years ago in swap form. This year, the company elected to go with traditional reinsurance but is considering possibly issuing a cat bond early next year, Mr. Lusardi said.

"The market is still developing, still has a way to go," he said. "It's still expensive. But the market is getting more efficient."

"We hope over time the market does develop," Mr. Lusardi said. "Even if capital markets do develop to accept reinsurance or insurance risk—as is increasingly happening—somebody has to originate or underwrite the risks. Companies like XL are well set up to originate the risks."

XL also is bringing many of the alternative risk financing techniques into play in its XL Financial Solutions operation, a joint venture involving

the reinsurance, insurance and financial products segments of XL.

"What we're trying to do is exactly that—provide solutions that meet a particular corporate need that somehow involve insurance and a financial aspect," Mr. Lusardi said. "We've written about \$1.5 billion in these types of transactions over the past year."

"The interesting part of the business is you can never tell what the next problem is going to be," he said. But, whatever the problem is, to address it properly the company needs underwriters who can understand the problem and financial experts who can assess the financial risks.

"Some of these deals have lives of 20 to 80 years," Mr. Lusardi said.

In addition, "We spend a large amount of time on what is the appropriate mix of investment assets to match against the potential liability,"

Mr. Lusardi said.

Investment mix factors considerably into the strategy of another Bermuda player mixing risk transfer with a financial approach—Max Re Ltd.

"Our approach to the risk transfer business is you really have to look at the investment side of an insurance company or a reinsurance company and say taking an integrated approach to that area is really adding value to your client," said Robert J. Cooney, Max Re's president and CEO.

To that end, Max Re puts 40% of assets into hedge fund-type investments, sharing the return with cedents.

"The risk that we're assuming is a lot less than the incremental return we're going to get," Mr. Cooney said.

The ability to share the incremental return with our clients is proving to be an interesting differentiator with our clients."

"We're really underwriting reinvestment risk alongside the insurable risk or reinsurance risk," Mr. Cooney said. Data exist to evaluate bonds, equities and certain hedge funds, he noted, adding that "in some cases, there is better data to evaluate reinvestment risk than there is to evaluate certain insurance risk."

In many cases, client companies would not be allowed by their own regulators to engage in the investment strategies Max Re can use in Bermuda. "In a way, it's regulatory arbitrage," Mr. Cooney said. "The reinsurance transaction allows them to invest in a riskier investment than they otherwise could."

"So we are seeing a lot of motivation with some clients that are saying this is...a capital management transaction as opposed to just risk transfer," he said. "We've done about a dozen transactions in the first seven or eight months that we've been up and going. And in a couple of these, the main motivation was to diversify their investments and get higher yield."

"I really believe that sophisticated investing, coupled with your underwriting, is the next stage for the reinsurance industry," Mr. Cooney said.

The competitive marketplace that exists in Bermuda helps promote the new risk financing developments emerging there, according to Bermuda Premier Jennifer Smith.

"The competition spurs on these new developments and these new markets, and that's good for Bermuda," Ms. Smith said.

Although competition exists, many companies occupy different niches in the industry, according to Commercial Risk's Mr. Pewter, so they tend to support one another rather than drawing business away from each other.

He noted that while his company might be linked in a generic peer group with several others on the island, "We don't compete with one another on a day-to-day basis as much as might be perceived from the outside."

The flexibility of the island's regulatory environment is another boon to risk financing innovation.

"Basically, the regulatory environment here is enabling for innovations in risk transfer," Tempest Re's Mr. Rivaz said. "That's a real positive. This is probably just about the best place to be playing in the convergence arena because of that."

"The island's regulatory environment is set up to encourage innovation," said Arrow Re's Mr. Astwood, formerly the registrar of companies for Bermuda. "It is set up to be able to facilitate different transactions."

"We're trying to be flexible and, at least in that area, operate like businesses do," Ms. Smith said.

With the rate and form freedom Bermuda companies enjoy, "In Bermuda you can do it very efficiently," XL's Mr. Lusardi said. "We went from zero to \$1.5 billion in a year. But you need deal people. It's a deal business."

And, as coverage becomes more expensive in the traditional market, it should be to the advantage of the Bermuda companies offering various financial alternatives.

"As traditional risk transfer becomes more expensive in a hardening market, if the rates go up significantly, what will happen is the buyers, whether it's a large company that buys property/catastrophe cover or an insurance company, they'll start thinking about alternative covers," Max Re's Mr. Cooney said.

While noting, "For us, there's been strong demand throughout the cycle," Commercial Risk's Mr. Pewter said, "I think...we will see a surge in demand."

"For us, I think we'll see a better, closer rate," he said. "We will not see our product offers compared to cheap guaranteed cost, because cheap guaranteed cost will be gone." **BI**

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Climate in Bermuda favorable for weather risk market

By RODD ZOLKOS

Bermuda's flexible regulatory environment and its concentration of capital and expertise are making the island a center of the developing market for weather risk hedges.

"We certainly believe (weather risk) is a business that has tremendous applications," said Graham C. Pewter, president and chief executive officer of Commercial Risk Partners Ltd., one of the Bermuda players in the growing weather risk market.

"Very little of the ultimate potential has been tapped at this point," said George Rivaz, chief

operating officer of Tempest Reinsurance Co. Ltd., an ACE Ltd. unit that also is active in the weather market. "We're just scratching the surface."

The weather market, Mr. Rivaz said, has been "a very dynamic marketplace in a number of ways." Among other things, several companies have come and gone from the marketplace in recent years.

"A number of insurers and reinsurers have entered the weather risk market and left it pretty quickly, because they approached it the wrong way," Mr. Pewter said.

In addition to moves by companies in and out of the marketplace, there have been shifts among per-

sonnel, the most recent of which occurred in September, when a team of weather derivative experts from Enron Corp. who helped pioneer the market joined XL Capital Ltd. They formed Element Re, XL's weather risk unit.

"Starting from the birth of the marketplace, with doing the first trade at Enron, I feel a certain maternal attachment," said Lynda R. Clemmons, Element Re's president and chief operating officer. Ms. Clemmons was part of the group that made the move to Bermuda from Enron.

"You want it to grow," Ms. Clemmons said. "And XL has given us a vote of confidence in our abilities not only to grow the com-

pany but to grow the marketplace, and we'd like to prove them right."

In moving into the weather market, Commercial Risk found the decision to operate out of Bermuda an obvious one. "In weather, as a place from which to offer a derivative product, you could argue that London and Chicago and New York are the centers of the world," Mr. Pewter said. "For us, it was simply a question of Commercial Risk being a Bermuda-domiciled group. For us to start a capital markets group in Chicago would not be very efficient."

Bermuda does offer some particular advantages, though, weather market participants say.

"Bermuda's best advantage

comes from a regulatory perspective and the flexibility that companies have by operating here," Element Re's Ms. Clemmons said. For one, Bermuda regulators don't dictate policy language. "That flexibility is especially important with policies like weather," the Element Re president said.

"The advantage for a reinsurer out of Bermuda is we can write a derivative or a reinsurance contract; it doesn't matter to us, because of the regulatory framework we have here," said Christopher J. Phelan, managing director of Commercial Risk's Commercial Risk Capital Markets operation.

Flexibility and the ability to offer broad solutions to client companies are key to Bermuda reinsurers competing with major energy-industry weather trading companies such as Enron, Koch Energy Trading or Aquila Energy, according to Mr. Pewter.

"One of the constant things we ask is, how can we possibly compete with these massive companies like Enron? Well, the fact is that you don't," Mr. Pewter said. "What we try to do is offer more broadly based contracts."

'We certainly believe (weather risk) is a business that has tremendous applications,' says Graham C. Pewter.

"Insurance organizations such as ourselves have the ability to offer a much broader range of products to the same clients," he said. "So, we think one advantage we've got is to integrate a weather hedge into an insurance contract that picks up other exposures as well. At that point, we're offering something to a client that an Enron can't. At that point, you've got something very interesting. At that point, you've differentiated yourself from the energy trading companies."

To that end, Commercial Risk is looking at forming partnerships with non-insurance companies, such as banks. Such relationships can give the company a way to reach a client's chief financial officer, Mr. Pewter said.

For example, a bank lending to a company in the agricultural sector could embed into a loan a weather hedge that would allow some element of repayment forgiveness in the event of certain weather conditions. The ability to offer such arrangements would be a tremendous advantage for the bank, Mr. Pewter said. "Those sorts of arrangements are the ones we think make sense in the long run," he said.

Such partnerships also will help Commercial Risk expand its reach beyond its usual reinsurance clients to those companies that have direct weather risks, Mr. Phelan noted. "As a reinsurer, we don't have a natural client base for weather derivatives," he said.

While the potential market for weather risk transfer is large, much of it still must be educated about the techniques.

One of the problems is that, although companies outside the energy sector understand the impact weather might have on their revenues, they lack the ability to measure their weather risk. They also

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Weather

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need to become comfortable with the risk transfer instruments and the techniques themselves.

Energy companies readily understand the correlation between weather and their business, Mr. Phelan said. But "the further away from energy you go, the more you have correlations that are less robust," he said.

"So, the question is, who's going to take that correlation risk? Is it going to be the reinsurer or the client themselves?" Mr. Phelan asked. "Well, the clients themselves aren't busting down anyone's door to do weather derivatives. So, the reinsurers are going to have to come up with some sort of clear reinsurance product that

they can offer them to address weather risk."

That won't be an indemnity product, he said. "So, the question

"Particularly because the products that are being offered are not indemnity contracts; they're index-based. So, there's a basis

we think the potential for growth is strong."

Element Re is being contacted both by brokers on behalf of clients and directly by potential end users of weather derivatives, and Ms. Clemmons said she expects to see an increase in the number of customers who are comfortable with the use of weather instruments, whether in insurance or derivative forms.

"You have to make sure that your customers understand exactly what their exposure is," Ms. Clemmons said. "That's one of my jobs as a salesman of the weather risk product."

"Understanding what that correlation is, is one of the things that's going to give them comfort that they're buying the right product for their business. It does take some work," she said. "We

'Just like you wouldn't dream of carrying interest rate or currency exposures...in the next 10 years, weather should be the same thing,' says Lynda R. Clemmons.

is, can you find an index that you can get the client comfortable with?"

"Among potential issuers, there's still a long way to go in educating them and having them become comfortable," Mr. Rivaz noted.

risk," Mr. Pewter said. "Having said all that, we're seeing very strong growth in demand, both by industry and geographically."

"We're seeing a lot more interest from Europe and a lot more interest from Japan and Australia as well," Ms. Clemmons said. "So,

have received calls from a number of people who say, 'I've looked at this for a long time, and the market scared me off. Can you walk me through this?'"

Knowledge also is key for the companies offering weather risk transfer products; bringing the proper expertise on staff is critical.

"Weather is unlike many other reinsurance-type products. Therefore, you have to cross a certain threshold, in terms of your own expectations, if you really want to be in the business," Mr. Phelan said. "We feel that we're investing in that other stuff that you really have got to do to at least be on a level playing field."

"I think a lot of other reinsurance companies have not made money in weather," Mr. Phelan said. While energy companies have taken a trading approach to weather risk, "the typical reinsurance approach is to sell a bunch of covers and then sit back and hope that nothing adverse happens," he said. "This kind of risk doesn't really lend itself to that."

"There's a different relationship between the two parties in a weather contract, especially if they're not end-users but market-makers making trades," Mr. Rivaz said. And, if your expertise is inferior to that of your counterpart, "they probably will be able to trade at your expense. And they'll be able to do that more rapidly than they are in the traditional insurance arena."

More and more, Mr. Pewter said, he sees Commercial Risk's growth coming from the weather market, and Ms. Clemmons agreed there's good reason to expect the business to grow. There are constant rumors of new players entering the market, and those already there suggest that they welcome additional participants and the impact they'd have on increasing the size of the market and its liquidity.

Perhaps the greatest force driving the weather market will be the expectation of shareholders and analysts that companies will manage their weather exposures the same way they seek to control other risks.

"The real difference between now and three years ago is that fact of all the stockholders becoming aware that these mitigation products are there, the analysts are becoming aware that these products are there," Ms. Clemmons said. "Just like you wouldn't dream of carrying interest rate or currency exposures...in the next 10 years, weather should be the same thing." **BI**

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Enterprise

Continued from page 3

vision," Mr. Lima said. "But that doesn't mean we're not looking at this area."

ACE Financial Solutions, a 5½-year-old Bermuda-based unit, focuses on finite risk programs, and "the things we look at are things which can be enterprise-related," according to Mr. Lima. "These are things that could have a strategic impact on the company."

For example, he said, ACE put together for an unidentified client a "basket aggregate program, where we protect the captive's financial position on an annual basis. Over time, he has added more and more risk to that basket, and we are now, at this renewal, looking at adding in what I would call

three very strategic risks, because his business has changed."

The client, a global consumer products company, now has a higher risk of loss if a supplier shuts down, Mr. Lima explained.

The basket aggregate program lumps together the business interruption risk with others, such as product recall and patent infringement, that the client faces.

The approach accomplishes the goals of reducing volatility and keeping earnings consistent, Mr. Lima emphasized. And it can have the added benefit of keeping down a company's cost of capital, he explained, because banks will lend at a more favorable rate to companies that have addressed earnings volatility.

Philip J. Grierson, vp of XL's integrated risk division in Bermuda, said there is a lot of interest in pro-

grams that "try to protect the client from an aggregate standpoint" from heavy losses in a single year on both the traditional property/casualty and the financial side.

"What we're able to build in on basket protection," he explained, is "double-trigger" coverage. "You're not going to get hit with those two (property/casualty and financial risk) towers. You can actually cap them and protect yourself."

Mr. Tobin pointed out that airlines in particular are very interested in double-trigger type coverages, because the cost of fuel is tied to volatile oil prices. With the potential for rising costs that will affect profits, an airline might decide, for example, that it needs to limit its workers compensation losses to a predictable amount. Under the double-trigger scenario, in-

surance would cover not only the financial risk related to fuel costs but also the workers comp losses if the price of oil rises above a certain price.

Mr. Lima said enterprise risk solutions are well suited to his operation, but other ACE units also been involved in such programs.

ACE USA, for example, developed a product to protect electric utilities against the volatility of electricity prices. The coverage is triggered if a utility has an outage and must pay a high price in the marketplace to buy electricity for its customers. "Instead of being a provider, they are now a buyer with an obligation to sell a certain amount at a certain price."

"It was developed as an alternative to a company just going out and buying a derivative instrument for short periods of time," he said.

Such arrangements were "very expensive and didn't cover an annual period of potential exposure."

ACE unit Tempest Reinsurance Co. Ltd. in Bermuda provides products that protect against losses due to weather conditions, which is a growing part of the enterprise risk market (see story, page 14).

Weather-related risks are "huge operational risks for some companies, whether it's snowfall if you're in the ski business or you're in the utility business and warm weather or cold weather has an impact on what you sell," Mr. Lima said.

An enterprise-type risk for XL is defined as a specific exposure on the operational side, not a collection of different property/casualty exposures. "We see it as being more segregated," Mr. Tobin explained. "What we'll see is clients coming to us to get coverage for an aspect of an enterprise risk problem they have."

The insurer's first venture into enterprise risk solutions was in the area of foreign exchange, an attempt that didn't work as well as XL had hoped.

There is a lot of interest in integrated programs that try to protect against both P/C and financial losses, says Philip J. Grierson.

"Foreign exchange didn't work for us," Mr. Tobin said. The insurer allied with a company called Pareto Partners in London and attempted to market an option-type program on baskets of currencies, he explained. "The problem we had is that most companies don't want to buy basket currencies, they want to buy single-currency options."

Regulatory changes complicated the marketing, and "at that point, we decided to back off," Mr. Tobin said. "And that's where we are with foreign exchange right now." XL is looking into the possibility of offering a foreign exchange product on a single-currency basis, he noted.

Mr. Tobin said it is important when writing enterprise risk coverages to write them on "commodities that are pretty consistent." It wouldn't pay, for example, to ramp up to write coverage on the movement of copper prices when that risk might not be presented to the insurer again for years. Instead, he pointed out, more consistent risks such as weather conditions are better places for XL to steer its expertise and effort.

XL's Mr. Grierson said it remains difficult to include operational risk products in an integrated property/casualty program.

"There's an awful lot of talk about trying to integrate some of the other lines of business into these programs," Mr. Grierson suggested, partly because many risk managers now report to "a financial boss with a financial background. They understand what it is the risk manager's trying to do and other issues that can affect the corporation," such as risks related to interest rates, weather and foreign exchange.

But so far, it's been hard to bring risks from the financial side into the P/C portfolio.

A number of insurance buyers have approached XL about the possibility of integrating operational risk products into P/C programs, "but at the end of the day, they haven't worked," Mr. Grierson said.

See Enterprise on page 22



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Enterprise

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son said. "There hasn't been the real compelling argument as to why they should be included or what the benefits are that an insurance company can provide over another provider of that protection."

Mr. Lima of ACE said the ultimate success of enterprise risk management—for both underwriters and their clients—remains to be seen.

"It's almost like there are two parts," he said. "How successful is it going to be in the insurance world in devising products to deal with (enterprise risk management)? And how successful is it going to be as a process that companies are going to have to go through?"

Time will tell how successful the

process is for companies, Mr. Lima said. "Right now, it's receiving a lot of press," and indications are that risk managers are broadening their focus to concentrate more on financial and other issues beyond property/casualty exposures, he said. And shareholders are demanding that company directors have a plan for covering exposures in a holistic way.

On the insurance market side, "there are some successes out there already," Mr. Lima noted, with some enterprise risk solutions achieving the goal of "increasing and enhancing shareholder value."

"I'm pretty confident that this area will see more press and we'll hear more examples of this getting done," he said. But as far as what mechanisms will be in place down the road to achieve those goals, "I don't know," he said. **BI**

Excess markets see growth

Bermuda's excess, D&O liability writers expect former rates

By GAVIN SOUTER

Following a lull in recent years, the excess liability and directors and officers liability markets in Bermuda are poised for a resurgence, insurers and brokers on the island say.

As in many markets, liability insurers in Bermuda are predicting an end to the soft market.

In most liability lines, rates have stopped dropping and, in some cases, are increasing. And some policyholders are looking for higher limits and are turning to the large capacity in Bermuda to

fill their programs.

And because several of Bermuda's insurers have adopted occurrence policy forms over the past two years, they are attracting new business and expect to be well-positioned to draw even more when the market really begins to harden.

Excess liability rates are firming for many accounts following several years of "pretty dramatic decreases," said Joseph M. Rego, president of Aon (Bermuda) Ltd.

Of those accounts that are renewing, any that have significantly more exposures or are involved in high-risk areas, such as health

care or pharmaceutical business, are seeing some rate increases, Mr. Rego said. "The sense is that the market has stabilized and there are attempts to increase premiums," he said.

The largest markets in Bermuda, ACE Ltd. and XL Capital Ltd., over the past several years have seen a reduction in premiums as policyholders have pursued cheaper capacity elsewhere, Mr. Rego said.

Some excess liability rates have increased by 5% to 15% over the past two months, said Michael J. Hoffmann, assistant vp at Chubb Atlantic Reinsurance Specialists Ltd.

"That's a common range for a typical account without severe loss problems," Mr. Hoffmann said.

The excess liability market appears to have bottomed out, said Clive Tobin, president and chief executive officer of XL Insurance Ltd.

Underwriters are beginning to pare back some of the endorsements they previously had offered, he said. For example, some insurers had previously offered employment practices liability coverage on their general liability policies without charging an additional premium, and fewer are now willing to do that, Mr. Tobin said.

'There is no way we would offer \$150 million to a pharmaceutical risk right now,' says Clive Tobin.

XL is restricting the capacity it will offer high-hazard risks, Mr. Tobin said. "There is no way we would offer \$150 million to a pharmaceutical risk now."

There is still significant pressure from major clients and brokers to keep prices low, but insurers will still likely push through 10% to 15% increases on excess liability business in this renewal, he said.

Paul Scope, chief executive of H&H Park International Ltd., the brokerage unit of MRM Group Ltd., said, "We've seen a long soft market, and the insurers here did lose business because they were not giving away a lot in terms of reduced premiums," he said. "But that has leveled out, and we have not seen any business leave the island this year."

Bermuda's insurers have seen a reduction in business over the past several years as insurers in the United States and London have aggressively competed for both excess liability and D&O business, said Colin James, CEO of Atlantic Security Ltd., an independent brokerage and captive manager.

Contributing to this exodus has been reluctance on the part of Bermuda insurers to offer the occurrence form for excess liability risks, Mr. James said.

Under the occurrence form, the loss event is deemed to be the date of the event, regardless of when it is reported. In contrast, under the occurrence-reported form, the loss is deemed to have occurred on the date the policyholder notified

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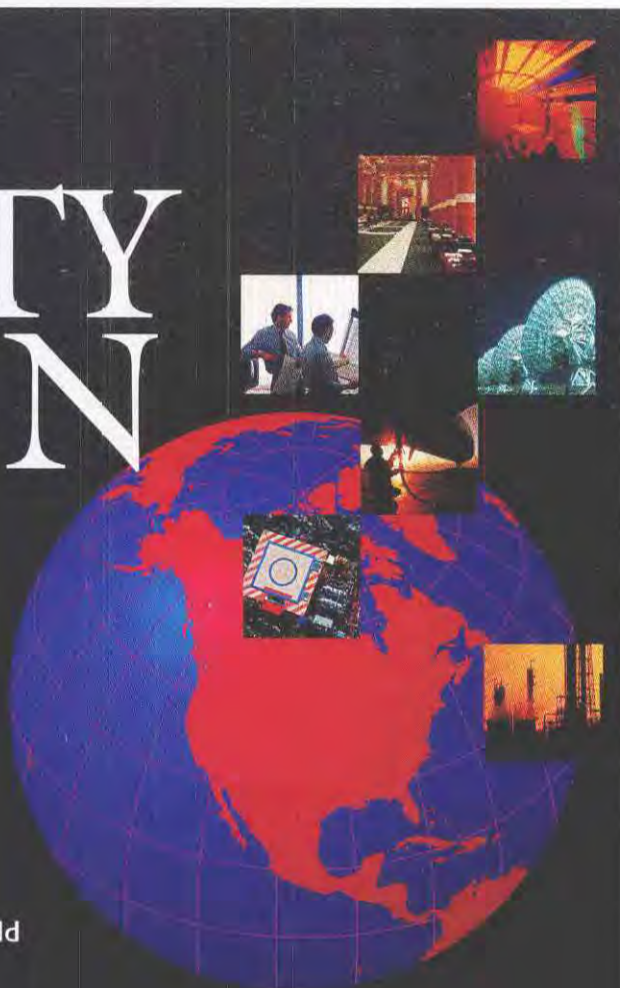
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Excess

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the insurer of the loss

When ACE and XL started up in the mid-1980s, they offered only occurrence-reported coverage and, because there was limited capacity for excess liability business, risk managers were willing to accept the restrictions of the forms in Bermuda.

But now that occurrence coverage is abundant in other markets, Bermuda insurers are gradually beginning to offer the coverage as well, Mr. James said. American International Group Inc. unit Starr Excess Liability Insurance Co. Ltd. began offering occurrence coverage in 1998, and XL started in 1999.

"Occurrence coverage is there forever, and that is quite an advantage for a risk manager to have," Mr. James said.

XL now offers occurrence coverage for risks without large product liability exposures, said Mr. Tobin.

"We felt that some of the less hazardous risks were moving to the occurrence form and we felt that it was important that we offered occurrence coverage for those risks," he said.

XL had previously lost business because of its unwillingness to offer occurrence coverage, Mr. Tobin said. So far this year, the company has written 15 occurrence accounts that likely would have gone to other insurers had XL not offered the broader coverage, he said.

XL, however, will limit the capacity it offers for occurrence-form risks, Mr. Tobin said. On most U.S. risks, the insurer will offer only \$50 million, compared with the \$150 million it offers on its occurrence-report form.

Starr and XL's decision to follow occurrence forms has brought new business to Bermuda, said Michael D. Fisher, senior vp at Marsh Global Broking (Bermuda) Ltd. In addition, that decision has brought back some policyholders that left the island when occurrence coverage again became widely available in other markets, he said.

"So we've seen a stabilization here, and there is much less erosion of business," he said.

ACE has also made some adjustments to its forms for excess liability business, said G. Rees Fletcher, senior vp at ACE Bermuda.

The insurer will now follow the form used by Associated Electric & Gas Insurance Services Ltd., a Bermuda liability insurer that specializes in the utility industry, Mr. Fletcher said. "The clients wanted the whole program to be on the same form, and we were able to be a bit more flexible," he said.

ACE is considering offering some occurrence coverage for non-volatile sectors, such as financial services companies, Mr. Fletcher said.

Chubb writes occurrence coverage, and it follows the common utilities form, Mr. Hoffmann said. "Risk managers like that, so that has been helpful," he said.

All of the Bermuda markets are now more willing to write a manuscript policy to provide custom-made excess liability coverage, said Mr. Scope of broker H&H Park. "They are much more accommodating than they were before."

Energy mutuals Oil Insurance Ltd. and Oil Casualty Insurance Ltd. are both enjoying strong periods due to a lack of losses and strong investment income, said Jon R. King, president and chief executive officer of both companies.

'We are seeing anywhere from 5% to 15% increases and we think it will continue,' says Charles Szvetcz.

OCIL has decided to follow other Bermuda market forms, Mr. King said. "Our form was similar but unique," and that meant OCIL was generally the top layer in programs in which it participated. The company offers \$100 million in liability limits and \$50 million for D&O.

The company has seen its D&O business dwindle over the past several years, but the decision to follow other D&O forms is boosting that business somewhat, Mr. King said. "We've already got some new customers because of that change."

OCIL has also broadened its

membership to include power generation, electrical utility and mining companies, Mr. King said.

D&O business in Bermuda also is stabilizing, ending several years of price decreases.

"There have been some increases made on an account-specific basis, but capacity remains abundant," said Aon's Mr. Rego.

Companies renewing their D&O coverage have seen rate increases over the past two months, said Charles F. Szvetcz, vp-financial and professional lines at Chubb Atlantic Indemnity Ltd.

"We are seeing anywhere from 5% to 15% increases, and we think it will continue," he said.

In addition, some policyholders are interested in buying higher D&O limits, he said.

"The judgments and settlements are becoming much larger, so there is renewed interest in making sure that you have adequate coverage," Mr. Szvetcz said.

Most D&O coverages are renewing as expiring, and there are no further decreases said Mr. Scope.

Bermuda is beginning to see some new D&O business, Mr. Scope said.

In many cases, that business is coming from risk managers who previously were covered by ailing insurers such as Reliance National Insurance Co., as well as from buyers who expect a turn in the market and want to re-establish relationships with Bermuda insurers, he said.

The D&O market indeed appears to be firming, said Mr. James of Atlantic Security. Pric-

ing is still competitive, he said, but the security and claims-paying reputation of insurers in Bermuda is helping them retain business, he said.

Mark Herman, manager-casualty at ACE Bermuda, said, "What we've been seeing here over the past two months is price increases on a broad basis" for D&O liability.

As the market hardens, large net underwriters such as ACE will have an advantage, as their capacity will not be restricted by the withdrawal of reinsurance capacity, Mr. Herman said. "The reinsurers will take a much more critical eye" toward the risks they write, he said.

ACE also has made some refinements to its Corporate Officers & Directors Assurance Ltd. unit's policy over the past year, Mr. Herman said.

The policy provides broad primary difference-in-conditions coverage for the personal assets of directors and officers for risks that their corporations are unable or unwilling to indemnify. ACE has expanded that coverage to include pollution and bodily injury, among other exposures, Mr. Herman said.

The changes to the CODA policy amount to more of a "makeover" than a redrafting, said Mr. Scope. "But that's a compliment to the original form, because it's hard to make the coverage any broader," he said. While existing clients remain loyal to CODA, few new customers are buying the coverage, he said. **BI**



Bermuda prepares for next insurance market trend

By GAVIN SOUTER

Whatever the next trend in the world insurance market may be, Bermuda will be ready to respond, according to advocates for the Bermuda market.

The flexibility of Bermuda's regulatory structure and the small staff size of most companies that operate there combine to create an environment in which innovative products that generate large revenues can thrive, market observers say.

Companies located in Bermuda must produce high-revenue business in order to justify the steep cost of doing business on the island, and Bermuda's regulatory structure allows them to do just that.

"What has happened over the years, because of the concentration of talent in Bermuda and the expertise, Bermuda has become an insurance lab, if you will," said Bermuda Premier Jennifer Smith.

And with the development of the Internet and a recently passed e-commerce law that encourages companies to set up Internet businesses on the island, Bermuda will be better-positioned to provide products and services to companies throughout the world, the premier said.

"The Internet happened at the right time for us and offers the globe as an opportunity," Ms.

Smith said.

"The advantage of Bermuda is its relatively sophisticated infrastructure," said Lawrence S. Doyle, president and chief executive officer of Annuity & Life Reinsurance Ltd. "It's known as a capital of insurance and reinsurance."

"The regulatory environment here is very stable. It's strongly regulated but also flexible. And, of course, it's still a favorable tax domicile," Mr. Doyle said.

Bermuda's fiscal environment is suited to low-frequency/high-severity business, because a small number of staff members can effectively manage a large pool of capital, said James P. Bryce, president and CEO of International Property Catastrophe Reinsurance Co. Ltd.

"But if you are looking at something that's labor-intensive, like facultative reinsurance or homeowners insurance, then Bermuda is not an efficient place to do business," Mr. Bryce said. "The cost of doing business is still fairly high, so that is why we concentrate on a limited number of transactions that require a limited number of staff," he said.

Given the typically small staff size of businesses in Bermuda and the significant cost of doing business on the island, companies in Bermuda must focus on high-revenue business, said Albert Benichmol, chief financial officer of Partner Reinsurance Co. Ltd. "So, we have to focus on high-value-added products and services," he said.

Insurers and reinsurers in Bermuda and those that come to the island in the future will continue to focus on non-traditional products, said Clive Tobin, president and chief executive officer of XL Insurance Ltd.

'The Internet happened at the right time for us and offers the globe as an opportunity,' says Premier Jennifer Smith.

The biggest change in Bermuda has been the movement by insurers and reinsurers from "pure property/casualty companies into companies that have more financial guarantee components in them," Mr. Tobin said.

"There will be a lot more interaction between investment banks and Bermuda companies in structuring transactions," Mr. Tobin predicted. "People are going to come to Bermuda for customized transactions."

Several Bermuda companies have the necessary staff to construct financial deals, and the regulatory environment in Bermuda gives them the flexibility they need to structure transactions, Mr. Tobin said.

"In some ways, (the Bermuda market) is just a reflection of a col-

lection of young companies that, by design, are very flexible and very nimble and able to seize opportunities," said Graham C. Pewter, president and CEO of Commercial Risk Partners Ltd.

Also, Bermuda's companies are not bound by tradition and so are readily able to embrace new opportunities, he said.

"I think that kind of success feeds on itself," Mr. Pewter said.

Bermuda has always been out front among domiciles in responding to insurance market crises, and it will continue to be a leader in that respect, said Kin K. Gee, chief life and health officer at Tempest Reinsurance Co. Ltd.

"We saw that in the mid-'80s with excess liability, we saw that with finite risk reinsurance," Mr. Gee said. He also noted that Bermuda responded with products in 1993 that helped to ease a property catastrophe insurance crisis.

"Now," Mr. Gee said, "we're seeing it with life reinsurance."

Mr. Gee said that although he can't predict the next market trend to emerge from Bermuda, he could say with confidence that "the next time something happens and the U.S. marketplace is not responding, it's natural for either new start-up companies or current entities to respond to it" from the domicile.

Mark Lima, senior vp of ACE Financial Solutions International, said that although it isn't essential that his company write its finite

risk products in Bermuda, "there are a lot of advantages," he said.

"First of all, finite risk really started in Bermuda," Mr. Lima said. "It's been written in Bermuda for almost two decades... There is a lot of expertise on the island doing this."

And that experience extends to the law firms, banks, accounting firms and others that provide services to finite risk underwriters, Mr. Lima said.

"The thing that I think underpins it all is the strong partnership that exists between government and the industry. The regulatory framework is very flexible and allows us to offer these innovative products that we've become known for," he said.

There are still some obvious gaps in the Bermuda market that could be filled by local companies or by new companies coming onto the island, said Colin James, CEO of Atlantic Security Ltd, an independent brokerage and captive manager.

"What I find astonishing is that Bermuda is the largest captive domicile in the world and it only has one active captive reinsurance facility, which is Chubb Atlantic (Reinsurance Specialists Ltd.). There's a world of opportunity for someone to set up an office to underwrite captive reinsurance," Mr. James said.

Michael Bradford and Rodd Zolkos contributed to this article.

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Reinsurers see possibilities in life, health business

By MICHAEL BRADFORD

Long a domicile for innovative property/casualty underwriters, Bermuda is becoming home to a new group of reinsurers taking on life and health business.

The quick success of Annuity & Life Reinsurance Ltd. has other reinsurers setting up operations to provide a variety of offerings to U.S.-based life insurers.

Annuity & Life Re began operating in April 1998 and has seen steady growth. Last year, the reinsurer posted annualized life premiums of \$110 million and expects that figure to be around \$160 million by the end of this year, said Lawrence S. Doyle, presi-

dent and chief executive officer of the Hamilton, Bermuda company.

Profits for the publicly traded reinsurer reached \$37 million in 1999, its first full year in operation, and it has posted a \$31 million gain in the first nine months of this year.

"We reinsure large blocks of life insurance," Mr. Doyle explained. "Typically, some of the large writers of life insurance in the United States look to buy reinsurance to enhance their overall rate of return."

Annuity & Life Re's business is based on the belief that insurance payouts will come later than most insurers expect.

Mr. Doyle explained that life insurers use actuarial tables that are conservative in their projections of policy-

holder life spans, actuarial projections that differ from those made by the reinsurer.

"We expect people will live longer, due to lifestyle improvements, medical advancements, better health care, etc.," he said. "We project some mortality improvement which typically is not in the actuarial numbers used by (insurers) in the U.S."

Annuity & Life Re has reinsured coverage on "4.6 million lives, but our average exposure is less than \$14,000 per life," said Mr. Doyle. "It's very stable and predictable."

Annuity & Life Re also reinsures fixed-annuity business. Fixed annuities, which guarantee a certain return, require writers to have significant amounts of capital, Mr. Doyle pointed

out. As a result, writers of those annuities are seeing "a lot of strain now," as investors turn from a volatile stock market to the fixed-return instruments.

By reinsuring a portion of the business, writers of fixed annuities don't have to post as much in the way of risk-based capital reserves, Mr. Doyle said.

"And we share our offshore advantage by giving them back 30 to 40 basis points, which is a significant sum" that helps the annuity writer improve its profitability or expand its sales, he said.

"We are very focused; we only do annuity and life business," Mr. Doyle said. Annuity & Life Re stays away from coverages such as accident,

health and disability. "We don't do group business either," he said.

Competitors have arrived on the island and are beginning to write coverages that are similar to those handled by Annuity & Life Re.

"I think the only company that has come to Bermuda to enter our business, as well as other businesses, is Max Re, which is more a financial reinsurance player" in a variety of lines, Mr. Doyle said. Whereas Max Re offers more of a "hedge fund" type of product, he said, Annuity & Life Re's more conservative offerings are backed by collateral in the form of letters of credit or trusts.

Max Re Ltd. began operating on Jan. 1, and "our focus is on gathering assets to manage," said Philip R. Kruse, executive vp of the reinsurer.

Mr. Kruse said deals written by Max Re include blocks of life business, where the underlying liability is mortality, and pension and structured settlements, where the liability is longevity.

Max Re is 'somewhat indifferent to the underlying liability, as long as it's predictable,' says Philip R. Kruse.

Max Re's transactions are not "financial reinsurance in the more narrow, traditional sense," said Chris Rutten, senior vp at Max Re. "It's really a little bit different than developing new products for introduction into the marketplace. Our transactions are pure financial transactions."

Ed Betteto, senior vp at Max Re, said the reinsurer looks for "asset-rich books of business" for its particular brand of reinsurance. The reinsurer invests 40% of its assets in a hedge fund, to attain higher returns than through more-traditional and conservative investments.

Mr. Kruse explained that Max Re is "somewhat indifferent to the underlying liability, as long as it's predictable and allows us to gather the assets that have been supporting that business and, in effect, recast them using the advantages of our reinvestment philosophy."

Max Re, like Annuity & Life Re, focuses on liabilities that, because of "the nature of their duration, have become quite predictable," Mr. Kruse said.

He said Max Re is off to a good start, with a number of "representative transactions in this first year that are indicative of exactly the kind of business we want to do. We haven't had to stretch to do transactions that really don't fit the true nature of the business plan in order to have transactions."

Mr. Rutten pointed out that Bermuda provides a regulatory environment that makes Max Re's business possible. The "investment flexibility" of the domicile gives the reinsurer the ability to do things that others can't, he said.

"The kind of business that we run here is the type of business that you just could not do on a U.S.-regulated balance sheet. And lots of companies are struggling with how to support certain long-term liabilities in a cost-effective manner when U.S. regulators make it very difficult" with regard to investment regulations, he noted.

Mr. Kruse said U.S. regulators are satisfied with the way reinsurance transactions for U.S. clients are handled by Max Re. "The business that we're involved in is providing complete, well-thought-through reinsur-

See Life/health on page 30

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Life/health

Continued from page 26
 transactions" for clients unaffiliated with Max Re, he said.

Mr. Betteto pointed out that "every transaction that we've done on the life side has been specifically approved by the customer's regulator. The rules around how to construct these transactions and how U.S. companies can take the liabilities off their balance sheet when they enter into a transaction with us have been established by the regulators for about 10 years."

Because the actuarial element of life business is so crucial, finding the right employees to handle the transactions is not easy, Mr. Doyle said. He said the "real barrier to entry" is not capital, but the "shortage of actuarial talent" available to do the job.

Being first in the marketplace was a

plus for Annuity & Life Re in that it was able to hire some of the best actuarial talent available, Mr. Doyle said.

There are, he said, "very few actuaries that have the marketing skills and the technical skills to do the business. And the buyers of reinsurance at the companies in North America typically are actuaries. Our employees have had very good relationships, historically, with the buyers."

Despite such a barrier to entry, other companies feel confident they can succeed in the life/health business from Bermuda.

Kin K. Gee was named chief life and health officer at Tempest Reinsurance Co. Ltd. in June and was given the task of developing the reinsurer's life/health business. Tempest is a unit of ACE Ltd.

The reinsurer's relationship with ACE helps differentiate it from its Bermuda competitors, Mr. Gee said.

"The reputation of our balance sheet and the ability to look at things differently" and creatively gives Tempest a strong position in the marketplace, he said.

Mr. Gee would not reveal how much life business Tempest has written, but he said that "we have done some transactions."

There are some big blocks of business that may be coming available, Mr. Gee said, and Tempest is interested in talking about participating.

"We think some very large transactions will be coming down the pipeline—transactions that involve possible transfer of assets of over \$1 billion," Mr. Gee said. "We think that we could be an interesting discussion partner for people who are interested in those kinds of things."

"Having three or more players in this market can only be helpful," he said. "I'm not sure we want to take

some of the large transactions alone without some partners."

The handful of players already set up also lends credibility to the domicile, he added.

One of Bermuda's newest players, Imagine Reinsurance Holdings Ltd., is poised to take on life business. The reinsurer, owned by Trilon Financial Corp. of Toronto, opened in October with \$200 million in capital and plans to increase its capital base to more than \$1 billion over the next two years.

Life insurance won't be Imagine's only business, said Thomas Gleeson, a principal with the company. "We are really focused on providing financial solutions for clients, who are insurance and reinsurance companies, on their entire portfolios."

"The life side is of interest to us, in the context of focusing on both sides of the balance sheet. We'll staff appropriately and seek out opportunities in

that area," Mr. Gleeson said.

The life business is "clearly a market where the demand for reinsurance exceeds supply," said Brad S. Huntington, also a principal with Imagine. Mr. Huntington said that the life business has grown much more quickly than has property/casualty business.

"Just through growth, there are greater capital demands—and, accordingly, reinsurance demands—from that industry, as opposed to P/C," he said.

Regulatory changes affecting U.S. life insurance business have increased the amount of capital required for certain products, Mr. Huntington pointed out. Therefore, he said, "the demand for solutions, including reinsurance solutions, clearly is there."

"This is what's driving many of the entities being set up in Bermuda," Mr. Huntington said. "They are filling a need." **BI**

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Bermuda's regulation, reputation solid: Cox

By DOUGLAS McLEOD

The controversy over taxation of reinsurance ceded to offshore affiliates is only the latest in a series of tax and regulatory challenges that Bermuda and Bermuda-based companies have faced in recent years.

As with earlier challenges, the island is likely to weather the current squall by focusing on providing credible regulatory oversight,



Mr. Cox

Jeremy E. Cox.

The tax regime that Chubb Corp. and Hartford Financial Services Group Inc. complain of—which they say gives an unfair advantage to competitors reinsuring with Bermuda affiliates that can build reserves tax-free—has been no secret to U.S. government officials and does not constitute a previously ignored loophole, Mr. Cox suggested.

"The U.S. government knows what is going on with Bermuda," he said. "I don't think there is anything there to hide."

Companies have many reasons other than tax advantages for incorporating in Bermuda, he added, including greater flexibility in such areas as product development.

"We have a jurisdiction that allows you to get things done where you might not be able to elsewhere" because of rigid regulation, he observed.

At the same time, the Bermuda government must maintain its credibility as a regulator with both the U.S. government and international markets to continue attracting top-flight international companies, Mr. Cox said.

When the Organization for Economic Cooperation and Development last summer released its list of "tax havens" that the organization described as having "harmful" tax practices, Bermuda was not on the list. At the time, the OECD said that Bermuda and five other jurisdictions avoided inclusion by making "a public political commitment at the highest level... to eliminate their harmful tax practices and comply" with OECD principles.

"You do not hear about scandals. You do not hear about money laundering. You don't hear about that coming from Bermuda," Mr. Cox observed.

Whether the current debate over taxation of affiliate reinsurance will be resolved quickly remains to be seen.

"I would assume the important thing in the U.S. is the election," Mr. Cox said, suggesting that the tax debate may wait at least until later this year.

The tax issue and the threat of being branded as a tax haven are not the first tax-related or regulatory upheavals in the island's history.

U.S. tax considerations, for example, figured prominently in the financial troubles of several Bermuda captive insurers in the early and mid-1980s. At that time, a number of property/casualty captives—among them Gulf Oil Corp.'s Insko Ltd.—suffered huge losses writing underpriced third-party business that they hoped would ensure the tax deductibility of parent company premiums under the U.S. Internal Revenue Code. Several of these insurers ultimately went into runoff. Premium deductibility continued to be a fiercely litigated issue for years, and captive owners scrutinized every U.S. Tax Court ruling for guidance on what conditions would result in deductions for parent premiums.

Another major change in Bermuda resulted not from financial disaster but from the island's own success.

The rapid growth of highly capitalized Bermuda insurers and reinsurers in the late 1980s and 1990s led to a sweeping overhaul of the 1978 Bermuda statutes that had been intended mainly to regulate smaller captive insurers. The Insurance Amendment Act of 1995 created four licensing categories based on an insurer's size and business, and imposed a variety of new regulations, including higher minimum capital levels and stricter solvency and reporting requirements.

The new regulatory regime has gone a long way in supporting Bermuda's growth as an international insurance center, Mr. Cox observed, crediting several previous government officials involved in its development.

"They were visionaries, really," he said. The 1995 law "has really done an excellent job for our department and for Bermuda... Our solvency requirements would stand up quite well against the U.S. and Canada."

While Bermuda insurers have occasionally created trouble, the domicile itself will thrive as long as it remains both attractive to insurance investors and watchful in its oversight, Mr. Cox observed. **BI**

Charting Bermuda's history

Bermuda was founded in 1609 by Admiral George Somers, commander of the English ship *Sea Venture*, which wrecked near the island. Word of the discovery of the island—which had first been spotted by a Spanish sailor, Juan de Bermudez, in 1515—and its reputation for storms spread rapidly, later inspiring William Shakespeare to write "The Tempest."

It was almost 250 years later that the island's beginnings as an insurance center could be seen. Some key milestones in Bermuda's insurance history include:

1840: Bermuda Marine Assurance Co. founded. The company insured cargo en route from Bermuda to Philadelphia aboard the ship *Liberty*.

1947: American International Co. Ltd. was formed in Bermuda to write all of AIG's non-life business. An act of Bermuda's Parliament provided for the company's formation.

1948: International Reinsurance Co. becomes the first reinsurance company to operate in Bermuda.

1963: Fred Reiss founds Bermuda's first captive management company, International Risk Management.



1966: The introduction of the Exempted Undertakings Tax Protection Act assures freedom from any Bermuda tax computed on a company's profits or income until the year 2016.



1968: Marsh & McLennan Cos. Inc. forms the captive manager Marsh & McLennan Management Services (Bermuda) Ltd.



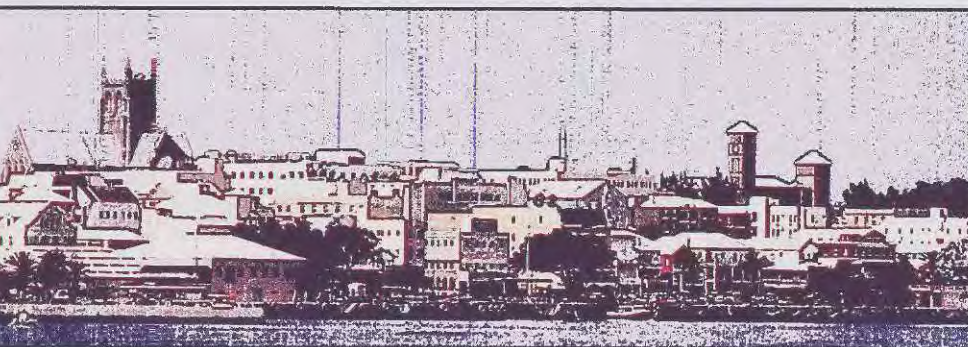
PHOTO: AFP

1971: Oil Insurance Ltd., formed by a group of oil companies seeking coverage for their North Sea rigs, is Bermuda's first group captive. OIL issues its first policy in January 1972.

1971: Bermuda officials, undertaking the first informal count of captives, find that as many as 150 captives are incorporated there.

1972: Hopewell International Insurance Ltd., a property risk pooling facility, is formed to allow captives to access reinsurance markets.

1977: Mutual Risk Management is founded in Bermuda as a captive manager.



PHOTOS: COURTESY OF BERMUDA DEPARTMENT OF TOURISM, BERMUDA INTERNATIONAL BUSINESS ASSN.

The company would become the world's largest provider of rent-a-captive programs.

1978: The Bermuda Insurance Act is passed. The Act is established to increase Bermuda's credibility as an insurance center for captive insurance and reinsurance.

1978: Trenwick Reinsurance Co. Ltd. is created in Bermuda by four former executives of General Reinsurance Co.

1980: The Bermuda Independent Underwriters Assn. is formed.

1981: Bermuda has 1,017 registered insurers, writing \$4 billion to \$5 billion in premium.

1984: Bermuda Risk Exchange is formed by the Bermuda Captive Insurance Cos. Assn. as a risk pooling mechanism. The exchange dies in 1997, amid a prolonged soft market.

1985: ACE Ltd. is created by 34 corporate shareholders, Marsh & McLennan and Morgan Guaranty Trust Co. to write excess liability and D&O insurance. While originally formed in the Cayman Islands, ACE redomiciles in Bermuda the following year.



1985: Mentor Insurance Co. is ordered liquidated, one of several

Bermuda captives to cease doing business.

XL CAPITAL

1986: X.L. Insurance Co. Ltd. is formed in Barbados with the help of M&M and Morgan Guaranty to write lower-level excess liability coverage. The following year, it opens an office in Bermuda.

1986: Corporate Officers & Directors Assurance Ltd. is formed to write directors and officers liability insurance for major corporations.

1987: MEDMARC Ltd. is the first Bermuda captive insurer to redomesticate to the United States in the wake of the U.S. Risk Retention Act, enacted in 1986.

1988: Centre Reinsurance Holdings Ltd. forms in Bermuda and offers finite risk insurance.

1991: Bermuda has 1,323 registered insurers, writing \$13 billion in premium.

1991: Under the weight of losses from the H.S. Weavers line slip in London, Bermuda Fire & Marine Insurance Co. spins off its profitable domestic business into BF&M Ltd. and places its loss-riddled international business into liquidation.

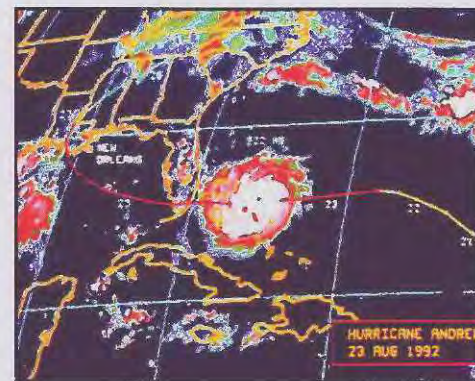


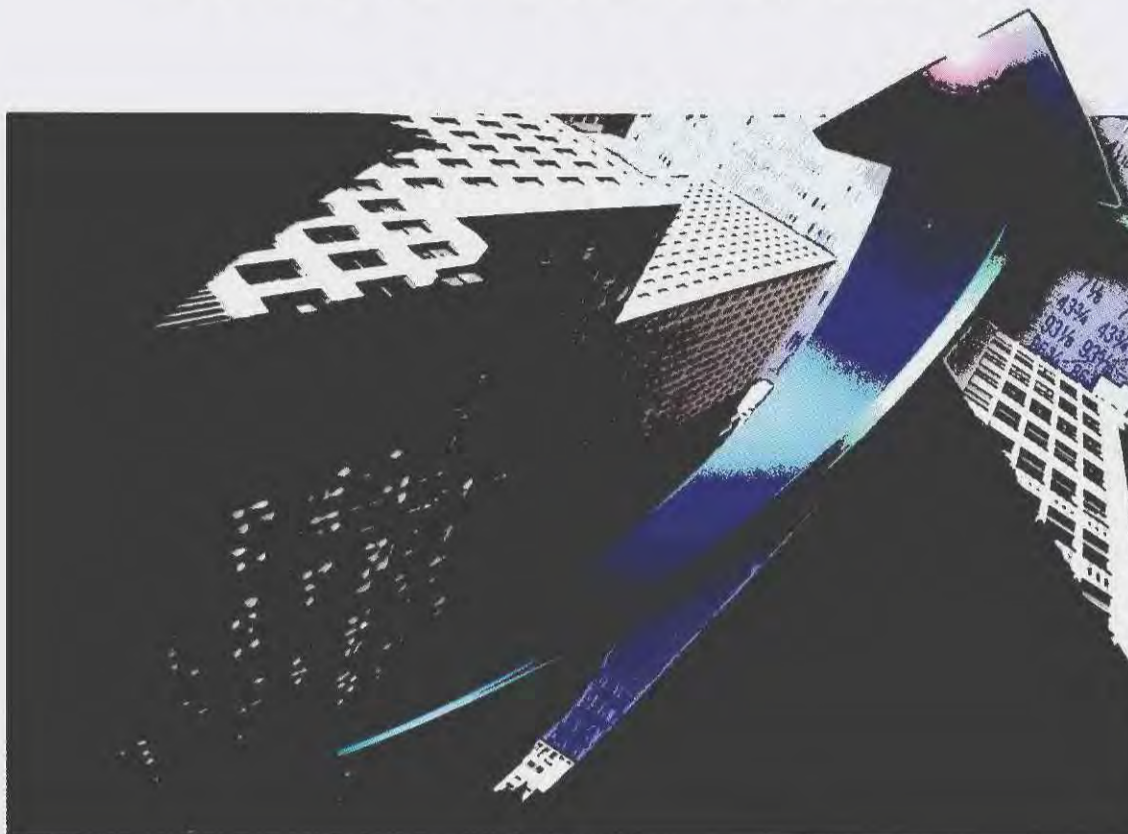
PHOTO: NOAA

1992: Mid Ocean Reinsurance Co. Ltd. is launched in November, the first of several property catastrophe reinsurance specialists formed in Bermuda after Hurricane Andrew.

1992: The U.S. Internal Revenue Service determines that companies can deduct group term life insurance premiums paid to captives, because the premiums

See History on page 34

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History

Continued from page 32
represent unrelated business.

1995: Electric Mutual Liability Insurance Co., a longtime General Electric Co. general liability insurer, moves to Bermuda at midyear. A few months later, it declares itself to be massively underreserved for GE pollution and asbestos claims and insolvent by more than \$500 million. EMLICO prevails in massive litigation, including claims by its reinsurers that the insurer and GE planned the collapse to take advantage of Bermuda's favorable liquidation laws.

1995: Hopewell is shut down after 23 years when proportional reinsurance ceases to be available.

1995: Bermuda overhauls its insurance law to create four classes of insurance licenses, with varying minimum capital requirements.

1996: Mid Ocean Ltd., LaSalle

Re Holdings Ltd., Terra Nova (Bermuda) Holdings Ltd. and ACE Ltd. invest in Lloyd's of London, making Bermuda insurers and reinsurers some of Lloyd's largest providers of capital.

1998: More than a decade after their founding in response to the U.S. liability insurance crisis, ACE and XL open operations in the United States.

1998: Johnson & Higgins and Marsh & McLennan merge, making Marsh & McLennan Services (Bermuda) Ltd. Bermuda's largest captive manager.

1998: The creation of Arrow Reinsurance Co. Ltd. by Goldman Sachs & Co. marks the first Bermuda reinsurer owned by an investment bank. The creation of Arrow Re is followed two months later by that of Lehman Re Ltd., a reinsurer set up by Lehman Bros.

1998: Bermuda's Progressive Labor Party wins its first



United Bermuda Party.

1999: ACE transforms itself into a multinational multiline property/casualty insurer and reinsurer with the purchase of CIGNA Corp.'s property/casualty business. XL greatly expands its U.S. involvement through its purchase of NAC Re Corp.

1999: Bermuda ends the year with 1,534 registered insurers, writing gross premiums of more than \$27 billion.

1999: PXRE Corp. announces it will redomesticate to Bermuda. Several more reinsurers follow.

2000: A group of U.S. insurers

elections, making Jennifer Smith the premier of Bermuda. The PLP's victory comes after 30 years of government by the

calls on the U.S. Congress to close a "Bermuda tax loophole," following ACE and XL's expansion into the U.S. and the redomestication of several other U.S.-based insurers and reinsurers to Bermuda.



2000: Bermuda's Segregated Accounts Companies Act sets rules for segregated-accounts companies, or protected cell companies, and permits the registration of such companies.

•
Shirley Henry prepared this timetable. Sources: Bermuda Insurance Institute and BI reporters.

Accounts

BI directory of alternative risk financing facilities

A

American Assn. of Orthodontists Insurance Co. Risk Retention Group Inc.

Vermont Insurance Management Inc.
P.O. Box 306
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: orthodontists professional liability; general liability.
Limits: \$500,000 per occurrence.
Minimum retention: \$150,000.
Policy form: claims-made/occurrence.
Access: direct.
First policy: June 1995.
1999 premium volume: \$3,618,277.
1999 assets: \$12,545,922.
1999 capital/surplus: \$3,175,310.
Policyholders: 2,894 in 1999; 2,950 estimated in 2000.
Membership: American Assn. of Orthodontists.
Contact: Andrew Sargeant.

American Bankers Professional & Fidelity Insurance Co. Ltd.

Atlantic Security Ltd.
Windsor Place, 18 Queen St.
Hamilton, HM 11 Bermuda;
441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: computer crime; D&O liability; dishonesty bond; employment practices liability insurance; financial institution bond; safe depository disability; stamp bond; trust E&O.
Limits: \$15,000,000 D&O liability; \$15,000,000 financial institution bond; \$1,300,000 dishonesty bond; \$5,000,000 safe depository liability; \$2,000,000 stamp bond; \$5,000,000 trust E&O; \$5,000,000 employment practices liability; \$6,000,000 computer crime.
Minimum retention: \$5,000.
Policy form: claims-made.
Access: all brokers, direct.
First policy: February 1987.
1999 premium volume: \$14,500,000.
1999 assets: \$84,000,000.
1999 capital/surplus: \$23,000,000.
Policyholders: 1,100 in 1999; 1,200 estimated in 2000.
Membership: American Bankers Assn.
Contact: Dueane S. Dill.

*Financial institution bond, dishonesty bond, safe depository liability, employment practices liability coverage and computer crime coverage is on a discovery basis.

American Excess Insurance Exchange Risk Retention Group

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor, P.O. Box 530
Burlington, Vt. 05401;
858-509-6566; fax: 858-481-8098

Domicile: Vermont.
Risks: excess professional liability; general liability.
Limits: primary \$50,000,000.
Minimum retention: \$2,000,000.
Policy form: claims-made.
Access: direct.
First policy: June 1990.
1999 premium volume: \$22,000,000.
1999 assets: \$197,000,000.
1999 capital/surplus: \$100,000,000.
Policyholders: 20 in 1999; 21 estimated in 2000.
Contact: Randy Gore.

American Safety Risk Retention Group Inc.

American Safety Insurance Services Inc.
1845 The Exchange
Atlanta, Ga. 30339;
770-916-1908; fax: 770-955-8339
www.americansafetygroup.com

Domicile: Vermont.
Risks: environmental impairment liability; general liability; professional liability; pollution liability; surety bonding; auto liability; workers comp; umbrella liability.
Limits: \$1,000,000 primary and/or \$14,000,000 excess of \$1,000,000.
Minimum retention: \$25,000.
Policy form: claims-made/occurrence.
Access: all brokers.
First policy: April 1988.
1999 premium volume: \$12,265,516.
1999 assets: \$9,738,305.
1999 capital/surplus: \$5,107,418.
Policyholders: 648 in 1999; 850 estimated in 2000.
Contact: Steve Crim.

C

CPA Mutual Risk Co. of America Risk Retention Group

CPA Mutual Management Inc.
2811 N.W. 41st St., Suite A-2
Gainesville, Fla. 32606;
800-543-3029; fax: 352-375-0429
www.cpamutual.com

Domicile: Vermont.
Risks: CPA firms.
Limits: \$20,000,000.
Minimum retention: \$1,000.
Policy form: claims-made.
Access: direct.
First policy: July 1987.
1999 premium volume: \$7,156,291.
1999 assets: \$40,604,776.
1999 capital/surplus: \$12,507,464.
Policyholders: 564 in 1999; 630 estimated in 2000.
Contact: Bill Thompson.

Casting Manufacturers Insurance Ltd.

Atlantic Security Ltd.
Windsor Place, 18 Queen St.
Hamilton, HM 11 Bermuda;
441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: completed operations liability; contractual liability; general liability; product liability.
Limits: \$5,000,000.
Policy form: claims-made.
Access: all brokers, direct.
First policy: October 1981.
1999 premium volume: \$176,000.
1999 assets: \$6,000,000.
1999 capital/surplus: \$5,000,000.
Policyholders: 32 in 1999; 37 estimated in 2000.
Membership: Michigan Tooling Assn.
Contact: Dueane S. Dill.

College Liability Insurance Co. Ltd., A Risk Retention Group

Hawaii Captive Insurance Management Inc.
1164 Bishop St., Suite 1411
Honolulu, Hawaii 96813;
808-538-7766; fax: 808-538-7780

Domicile: Hawaii.
Risks: auto liability; educator's legal liability; general liability.
Limits: \$100,000 per occurrence.
Policy form: claims-made/occurrence.
Access: direct.
First policy: July 1988.
1999 premium volume: \$1,201,000.
1999 assets: \$6,211,857.
1999 capital/surplus: \$2,541,005.
Policyholders: 7 in 1999; 7 estimated in 2000.
Membership: West Coast College Consortium.
Contact: B. Troy Winch; 808-538-7766, ext. 2.

Columbia National Risk Retention Group

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor, P.O. Box 530
Burlington, Vt. 05401;
802-864-5515; fax: 802-864-5764

Domicile: Vermont.
Risks: home warranty.
Limits: The lesser of the original sales prices of each home, or \$1,000,000, subject to a retained deductible of \$300,000 per home.
Minimum retention: \$300,000.
Policy form: occurrence.
Access: captive.
First policy: April 1998.
1999 premium volume: \$307,050.
1999 assets: \$1,695,556.
1999 capital/surplus: \$1,695,556.
Policyholders: 7 in 1999; 7 estimated in 2000.
Contact: Jennifer Travelle.

Consumer Specialties Insurance Co. Risk Retention Group

Vermont Insurance Management Inc.
P.O. Box 306
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: commercial general liability.
Limits: \$5,000,000 per occurrence/\$5,000,000 aggregate and excess of \$5,000 self-insured retention.
Policy form: claims-made.
Access: all brokers.
First policy: October 1987.
1999 premium volume: \$829,223.
1999 assets: \$7,157,177.
1999 capital/surplus: \$4,450,352.
Policyholders: 41 in 1999; 27 estimated in 2000.
Membership: Chemical Specialties Manufacturers Assn.
Contact: Andrew Sargeant.

Controlled Risk Insurance Co. of Vermont (A Risk Retention Group)

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor, P.O. Box 530
Burlington, Vt. 05401;
802-864-1712; fax: 802-864-5764

Domicile: Vermont.
Risks: general liability; medical malpractice.
Limits: \$5,000,000 to \$10,000,000 per occurrence.
Minimum retention: \$50,000.

Policy form: claims-made/occurrence.
Access: all brokers.
First policy: January 1995.
1999 premium volume: \$36,131,114.
1999 assets: \$33,410,777.
1999 capital/surplus: \$10,372,799.
Policyholders: 32 in 1999; 32 estimated in 2000.
Contact: Kathryn M. Eucher.

E

ELSIP (Excess-of-Loss Self-Insurance Pool)

RiskCap Inc.
7655 Lafayette St., Suite 200
Denver, Colo. 80218
303-338-5688; fax: 303-388-5585
www.riskcap.com

Domicile: Colorado.
Risks: E&O; general liability; property liability.
Limits: \$1,000,000.
Policy form: occurrence.
Access: Colorado school districts.
First policy: July 1990.
1999 premium volume: \$150,000.
1999 assets: \$412,000.
1999 capital/surplus: \$100,500.
Policyholders: 3 in 1999; 5 estimated in 2000.
Contact: Richard Poling.

Eastern Dentists Insurance Co. (A Dental Society Risk Retention Group)

Willis Group Ltd.
112 Lake St.
Burlington, Vt. 05401;
802-658-9466; fax: 802-658-5520
www.edic.com

Domicile: Vermont.
Risks: general liability; professional liability.
Limits: \$2,000,000 professional liability; \$6,000,000 general liability.
Policy form: claims-made/occurrence.
Access: direct, brokers by invitation.
First policy: September 1992.
1999 premium volume: \$4,900,000.
1999 assets: \$18,300,000.
1999 capital/surplus: \$3,460,000.
Policyholders: 3,200 in 1999; 3,500 estimated in 2000.
Membership: state dental societies.

Continued on next page



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Employers Equity Insurance Co.

RiskCap Inc.
1655 Lafayette St., Suite 200
Denver, Colo. 80218;
303-388-5688; fax: 303-388-5585
www.riskcap.com

Domicile: Cayman Islands.
Risks: workers compensation.
Policy form: occurrence.

Access: RMS Insurance Services.

First policy: December 1998.
1999 premium volume: \$1,402,978.
1999 assets: \$1,985,000.
1999 capital/surplus: \$973,000.
Policyholders: 1 in 1999; 1 estimated in 2000.
Contact: Michael Murphy.

Energy Insurance Mutual Ltd.

6200 Courtney Campbell Causeway, Suite 550
Tampa, Fla. 33607;
813-287-2117; fax: 813-878-2523
www.eimltd.com

Domicile: Barbados.
Risks: D&O liability; excess general liability; general partner liability.

Limits: primary: \$100,000,000 for excess general liability and \$65,000,000 for excess general partner and D&O liability; excess of \$25,000,000 for all risks insured.

Policy form: claims-made.

Access: all brokers, direct.

First policy: July 1986.

1999 premium volume: \$57,800,000.

1999 assets: \$950,500,000.

1999 capital/surplus: \$406,300,000.

Policyholders: 166 in 1999; 163 estimated in 2000.

Contact: David L. Hadler.

Evergreen USA Risk Retention Group Inc.

Sinsler Management Services
346 Shelburne Road, Fourth Floor,
P.O. Box 64649
Burlington, Vt. 05406-6449;
802-658-1474; fax: 802-658-0697
www.evergreenusa.com

Domicile: Vermont.

Risks: privately owned campgrounds; recreational vehicle parks.

Limits: \$500,000 to \$1,000,000, primary \$1,000,000 to \$4,000,000 in excess of \$1,000,000.

Minimum retention: \$300,000.

Policy form: claims-made/occurrence.

Access: direct.

First policy: November 1989.

1999 premium volume: \$1,330,000.

1999 assets: \$5,120,000.

1999 capital/surplus: \$1,500,000.

Policyholders: 77 in 1999; 429 estimated in 2000.

Contact: George Chateau.

Exporters Insurance Co. Ltd.

BF&M Management Ltd.
The ACE Building, 30 Woodbourne Ave., P.O.
Box HM 1037
Hamilton, HM DX Bermuda;
441-292-1745; fax: 441-292-8682
www.exporters.bm

Domicile: Bermuda.

Risks: export credit; political risk.

Limits: \$65,000,000 primary and/or \$8,000,000 in excess of \$57,000,000.

Policy form: claims-made/occurrence.

Access: all brokers, direct.

First policy: March 1990.

1999 premium volume: \$21,309,343.

1999 assets: \$38,966,593.

1999 capital/surplus: \$45,126,125.

Policyholders: 83 in 1999; 95 estimated in 2000.

Contact: Robert Svensk; Mark Reynolds.

G**General Eastern Ski Insurance Risk Retention Group**

Vermont Insurance Management Inc.
P.O. Box 306
Montpelier Vt. 05601;
802-229-5242; fax: 802-229-6230

Domicile: Vermont.

Risks: general liability.

Minimum retention: \$250,000.

Policy form: occurrence.

Access: all brokers.

First policy: April 1988.

1999 premium volume: \$794,367.

1999 assets: \$5,108,041.

1999 capital/surplus: \$3,122,019.

Policyholders: 4 in 1999; 5 estimated in 2000.

Contact: Andrew Sargeant.

Global International Insurance Co. Inc. A Risk Retention Group

Hawaii Captive Insurance Management Inc.
1164 Bishop St., Suite 1411
Honolulu, Hawaii 96813;
808-538-7766; fax: 808-538-7780

Domicile: Hawaii.

Risks: contractual liability.

Policy form: claims-made.

Access: direct.

First policy: January 1999.

1999 premium volume: \$68,115.

1999 assets: \$1,005,076.

1999 capital/surplus: \$977,895.

Policyholders: 2 in 1999; 6 estimated in 2000.

Access: direct.

First policy: July 1999.

1999 premium volume: \$800,125.

1999 assets: \$1,321,702.

1999 capital/surplus: \$660,018.

Policyholders: 2 in 1999; 2 estimated in 2000.

Contact: B. Troy Winch; 808-538-7766, ext. 2.

Group Mortgage Reinsurance Co.

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor, P.O. Box 530
Burlington, Vt. 05401;
802-864-2031; fax: 802-864-5754
www.rimic.com

Domicile: Vermont.

1999 assets: \$872,813.

1999 capital/surplus: \$757,710.

Policyholders: 6 in 1999; 10 estimated in 2000.

Contact: Ronda Devino.

Guardrisk Insurance Co. Ltd.

Alexander Forbes Ltd.
Werksmans Chambers, 22 Girton Road,
East Wing
Johannesburg, 2001 South Africa;
27-11-645-2000; fax: 27-11-645-2477
www.guardrisk.com

Domicile: South Africa.

Risks: accident and health; auto liability; engineering; guarantee; property; general liability; transportation.

Limits: excess of \$142,000,000.

Access: all brokers.

First policy: August 1992.

1999 premium volume: \$195,000,000.

1999 assets: \$157,000,000.

1999 capital/surplus: \$47,000,000.

Policyholders: 70 in 1999; 70 estimated in 2000.

Contact: Volker Von Widdam.

H**Heritage Warranty Mutual Insurance Risk Retention Group Inc.**

Hawaii Captive Insurance Management Inc.
1164 Bishop St., Suite 1411
Honolulu, Hawaii 96813;
808-538-7766; fax: 808-538-7780

Domicile: Hawaii.

Risks: contractual liability.

Policy form: claims-made.

Access: direct.

First policy: January 1999.

1999 premium volume: \$68,115.

1999 assets: \$1,005,076.

1999 capital/surplus: \$977,895.

Policyholders: 2 in 1999; 6 estimated in 2000.

Contact: B. Troy Winch; 808-538-7766, ext. 2.

Hurst Holme Insurance Co. Ltd.

International Advisory Services Ltd.
P.O. Box 2274
Hamilton, HM JX Bermuda;
441-295-3688; fax: 441-295-1697

Domicile: Bermuda.

Risks: non-life.

Policy form: claims-made/occurrence.

Access: all brokers, direct.

First policy: January 1986.

1999 premium volume: \$15,500,000.

1999 assets: \$24,000,000.

1999 capital/surplus: \$500,000.

Policyholders: 21 in 1999; 24 estimated in 2000.

Contact: David Pickering.

Intergovernmental Risk Management Agency

1 Oakbrook Terrace, Suite 412
Oakbrook Terrace, Ill. 60181;
630-932-4762; fax: 330-932-7378
www.irmarisk.org

Domicile: Illinois.

Risks: auto liability; crime; general liability; property; public officials; workers compensation.

Limits: \$10,000,000.

Minimum retention: \$1,000.

Policy form: occurrence.

Access: direct.

First policy: January 1979.

1999 premium volume: \$20,221,174.

1999 assets: \$132,829,536.

1999 capital/surplus: \$66,002,657.

Policyholders: 76 in 1999; 76 estimated in 2000.

Contact: Sal M. Bianchi, executive director.

J**Joint School Districts Workers Compensation Self Insurance Pool**

RiskCap Inc.
1655 Lafayette St., Suite 200
Denver, Colo. 80218;
303-388-5688; fax: 303-388-5585
www.riskcap.com

Domicile: Colorado.

Risks: employers liability; workers compensation.

Continued on next page

Directory terms explained

Listings in the annual *Business Insurance* directories of alternative risk financing facilities and rent-a-captives begin with the name of the facility as well as the name and address of the managing company.

Listed next is the **domicile** of the facility; the **risks** underwritten; the **limits** provided; the **minimum retention**; the **policy form** used and how potential policyholders can gain **access** to the facility. Rent-a-captive listings also specify whether **programs** are fully funded or traditional. The AARF listings indicate the date the **first policy** was written; the date **established** is given for rent-a-captives.

Both directories list 1999 **premium volume** and estimated 2000 premium volume also is given for rent-a-captives. The 1999 **assets** and 1999 **capital/sur-**

plus also are listed in both directories, as well as the number of **policyholders** in 1999 and an estimate for 2000.

Listed next is a description of the facility's **membership**, including any association requirements. Completing each listing is the name of a **contact** person. The facility or its manager provided all information on each facility in response to a *Business Insurance* questionnaire. Although every effort has been made to report complete and accurate information, BI is unable to verify all the information provided.

To obtain a questionnaire for the 2001 directory, contact *Business Insurance*, Directory Department, 740 N. Rush St., Chicago, Ill. 60611-2590; 312-649-5313 or 312-649-5279; fax: 312-649-7801; or visit www.businessinsurance.com.

No liability

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Policy form: occurrence.
Access: Colorado school districts.
First policy: July 1985.
1999 premium volume: \$3,550,000.
1999 assets: \$11,100,000.
1999 capital/surplus: \$2,100,000.
Policyholders: 4 in 1999; 4 estimated in 2000.
Contact: Michael Murphy.

Libris Indemnity Co.

RiskCap Inc.
 1555 Lafayette St. Suite 200
 Denver, Colo. 80218;
 303-388-5638; fax: 303-388-5585
 www.riskcap.com

Domicile: Cayman Islands.
Risks: general liability; property/casualty; workers compensation.
Limits: \$1,000,000 per occurrence; \$2,000,000 aggregate.
Policy form: occurrence.
Access: all brokers.
First policy: April 1997.
1999 premium volume: \$1,166,000.
1999 assets: \$2,854,000.
1999 capital/surplus: \$2,063,000.
Policyholders: 610 in 1999; 706 estimated in 2000.
Contact: Richard Poling.

MPC Insurance Ltd.

Marsh & McLennan Cos. Inc.
 7 Burlington Square, Sixth Floor, P.O. Box 530
 Burlington, Vt. 05402-0530;
 802-864-6719; fax: 802-864-5764

Domicile: Vermont.
Risks: lawyers professional liability.
Limits: \$10,000,000.
Minimum retention: \$500,000.
Policy form: claims-made.
Access: member firm.
First policy: September 1987.
1999 premium volume: \$10,435,275.
1999 assets: \$97,134,095.
1999 capital/surplus: \$37,240,720.
Policyholders: 12 in 1999; 11 estimated in 2000.
Contact: Gary Griswold.

Mental Health Risk Retention Group

J.J. Negley Associates Inc.
 388 Pompton Ave., P.O. Box 206
 Cedar Grove, N.J. 07009;
 973-239-9107; fax: 973-239-6241

Domicile: Vermont.
Risks: D&O; general liability; professional liability.
Limits: \$1,000,000 per occurrence; \$3,000,000 aggregate.
Policy form: claims-made/occurrence.
Access: all brokers.
First policy: January 1988.
1999 premium volume: \$5,531,226.
1999 assets: \$9,856,358.
1999 capital/surplus: \$2,978,013.
Policyholders: 70 in 1999; 75 estimated in 2000.
Contact: Marilyn Udis.

N.A.D.A. Indemnity Inc. dba ACECO

RiskCap Inc.
 1655 Lafayette St., Suite 200
 Denver, Colo. 80218;
 303-388-5688; fax: 303-388-5585
 www.riskcap.com

Domicile: Colorado.
Risks: golf tournament prize indemnity.
Policy form: occurrence.
Access: National Automobile Dealers Assn.
First policy: April 1997.
1999 premium volume: \$1,522,000.
1999 assets: \$1,100,000.
1999 capital/surplus: \$955,000.
Membership: National Automobile Dealers Assn.
Contact: Michael Murphy.

New England Medical Center Insurance Co. of Vermont Inc. (A Risk Retention Group)

Marsh & McLennan Cos. Inc.
 7 Burlington Square, Sixth Floor, P.O. Box 530
 Burlington, Vt. 05402;
 802-864-1713; fax: 802-864-5764

Domicile: Vermont.
Risks: medical malpractice.
Limits: \$100,000 per occurrence; \$1,000,000 aggregate.
Policy form: claims-made.
Access: direct.
First policy: October 1995.
1999 premium volume: \$1,127,674.
1999 assets: \$5,199,570.
1999 capital/surplus: \$1,374,631.
Policyholders: 21 in 1999; 21 estimated in 2000.
Contact: Lori Poulin.

Nonprofits' Insurance Alliance of California

P.O. Box 8507
 Santa Cruz, Calif. 95061-8507;
 800-359-6422; fax: 831-459-0853
 www.niac.org

Domicile: California.
Risks: auto liability; auto physical damage; D&O liability; general liability; improper sexual liability; professional liability.
Limits: \$10,000,000.
Policy form: claims-made/occurrence.*
Access: all brokers.
First policy: November 1989.
1999 premium volume: \$13,931,292.
1999 assets: \$44,689,763.
1999 capital/surplus: \$8,077,510.
Policyholders: 2,040 in 1999; 2,350 estimated in 2000.
Contact: Susan Bradshaw, vp-member services; 800-359-6422, ext. 41.

*Policy form: event trigger for D&O and improper sexual liability.

North American Builders Indemnity Co.

RiskCap Inc.
 1655 Lafayette St., Suite 200
 Denver, Colo. 80218;
 303-388-5688; fax: 303-388-5585
 www.riskcap.com

Domicile: Colorado.
Risks: auto physical damage; builders risk; comprehensive general liability; property liability; real estate E&O; workers compensation.
Policy form: claims-made/occurrence.
Access: pure captive.
First policy: May 1990.
1999 premium volume: \$20,817,307.
1999 assets: \$41,180,000.
1999 capital/surplus: \$9,123,000.
Policyholders: 1 in 1999; 1 estimated in 2000.
Contact: Richard Poling.

Northeast Casualty Risk Retention Group

Marsh & McLennan Cos. Inc.
 7 Burlington Square, Sixth Floor, P.O. Box 530
 Burlington, Vt. 05402-0530;
 802-864-5515; fax: 802-864-5764

Domicile: Vermont.
Risks: closure; environmental impairment liability; professional liability.
Limits: \$7,693,920.
Policy form: claims-made.
Access: direct.
First policy: July 1989.
1999 premium volume: \$250,000.
1999 assets: \$9,915,600.
1999 capital/surplus: \$9,889,600.
Policyholders: 10 in 1999; 10 estimated in 2000.
Contact: Jennifer Gravelle.

Nuclear Electric Insurance Ltd.

1201 Market St., Suite 1200
 Wilmington, Del. 19801;
 302-573-2240; fax: 302-888-3008
 www.nmineil.com

Domicile: Delaware.
Risks: property damage; outage.
Limits: \$3,250,000,000.
Minimum retention: \$1,000,000,000.
Policy form: occurrence.
Access: direct.
First policy: January 1973.
1999 premium volume: \$218,055,000.
1999 assets: \$5,588,735,000.
1999 capital/surplus: \$4,139,676,000.
Policyholders: 81 in 1999; 81 estimated in 2000.
Contact: Larry Frantz.

OOIDA Risk Retention Group Inc.

Vermont Insurance Management Inc.
 P.O. Box 306
 Montpelier, Vt. 05601;
 802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: cargo; truckers auto liability.
Limits: \$750,000 to \$1,000,000.
Policy form: occurrence.
Access: direct.
First policy: December 1995.
1999 premium volume: \$4,483,579.
1999 assets: \$3,332,979.
1999 capital/surplus: \$1,376,931.
Policyholders: 842 in 1999; 950 estimated in 2000.
Membership: Owner-Operator Independent Drivers Assn.
Contact: Andrew Sargeant.

Oil Casualty Insurance Ltd.

Oil Management Services Ltd.
 Ace Building, 30 Woodbourne Ave.
 Pembroke, HM 08 Bermuda;
 441-295-0905; fax: 441-295-0351
 www.oicil.bm

Domicile: Bermuda.
Risks: D&O liability; excess general liability.
Limits: \$100,000,000 (excess general liability); \$50,000,000 (D&O liability).
Minimum retention: \$50,000,000.*
Policy form: claims-made.
Access: Bermuda brokers.
First policy: 1986.
1999 premium volume: \$18,662,000,000.
1999 assets: \$680,315,000,000.
1999 capital/surplus: \$390,401,000.
Policyholders: 57 in 1999; 65 estimated in 2000.
Contact: Jack Wesley, COO/senior vp.
 *Minimum retention for D&O is \$25,000,000.

Oil Insurance Ltd.

Oil Management Services Ltd.
 ACE Building, 30 Woodbourne Ave.
 Pembroke, HM 08 Bermuda;
 441-295-0905; fax: 441-295-0351
 www.oil.bm

Domicile: Bermuda.
Risks: marine hulls; property; pollution liability; well control.
Limits: \$225,000,000 per occurrence and excess of \$5,000,000.
Minimum retention: \$5,000,000.
Policy form: occurrence.
Access: Bermuda brokers, direct.
First policy: January 1972.
1999 premium volume: \$89,807,000.
1999 assets: \$3,093,309,000.
1999 capital/surplus: \$2,082,687,000.
Policyholders: 45 in 1999; 47 estimated in 2000.
Contact: Jon R. King, president/CEO.

Ophthalmic Mutual Insurance Co. (A Risk Retention Group)

Marsh & McLennan Cos. Inc.
 655 Beach St.
 San Francisco, Calif. 94109;
 415-771-1002; fax: 415-771-7087
 www.omic.com

Domicile: Vermont.
Risks: D&O liability; E&O; employment protection liability; fraud and abuse; professional liability.
Limits: \$1,000,000 to \$10,000,000.
Policy form: claims-made.
Access: direct; brokers access available under limited circumstance.
First policy: October 1987.
1999 premium volume: \$15,047,925.
1999 assets: \$62,732,493.
1999 capital/surplus: \$21,516,408.
Policyholders: 2,012 in 1999; 2,150 estimated in 2000.
Membership: American Academy of Ophthalmology.
Contact: James Holzer; 415-771-1002, ext. 14.

PAR Ltd. Program

Mutual Risk Captive Group Ltd.
 3088 Briarcliff Road, N.E., Suite A-1
 Atlanta, Ga. 30329;
 404-325-1466; fax: 404-325-7177
 www.parltd.com

Domicile: Bermuda.
Risks: professional liability.
Limits: \$15,000,000.
Minimum retention: \$25,000.
Policy form: claims-made.
Access: direct.
First policy: December 1986.
1999 premium volume: \$6,400,000.
1999 assets: \$45,000,000.
1999 capital/surplus: \$16,000,000.
Policyholders: 100 in 1999; 102 estimated in 2000.
Contact: Demmie Hicks.

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Paratransit Insurance Co., A Mutual Risk Retention Group

Marsh & McLennan Cos. Inc.
1000 Ridgeway Loop Road
Memphis, Tenn. 38120;
901-761-1550; fax: 901-684-3539

Domicile: Tennessee.
Risks: commercial auto liability; every business.
Limits: \$5,000,000 primary.
Minimum retention: \$25,000.
Policy form: occurrence.
Access: all brokers, direct.
1999 premium volume: \$2,200,300.
1999 assets: \$12,000,000.
1999 capital/surplus: \$2,800,000.
Policyholders: 32 in 1999; 36 estimated in 2000.
Contact: David Cook.

Physicians Reimbursement Fund Inc., A Risk Retention Group

Vermont Insurance Management Inc.
P.O. Box 306
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: medical malpractice.
Limits: \$500,000 per occurrence; \$1,500,000 aggregate.
Policy form: occurrence.
Access: direct.
First policy: July 1998.
1999 premium volume: \$1,362,586.
1999 assets: \$14,117,861.
1999 capital/surplus: \$4,502,273.
Policyholders: 195 in 1999; 180 estimated in 2000.
Membership: California Medical Board approved.
Contact: Andrew Sargeant.

Premier Insurance Exchange, Risk Retention Group

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor,
P.O. Box 530
Burlington, Vt. 05401;
858-509-6566; fax: 858-481-8098

Domicile: Vermont.
Risks: D&O liability.
Limits: primary and/or \$25,000,000.
Policy form: claims-made.
Access: direct.
First policy: May 1996.
1999 premium volume: \$4,000,000.
1999 assets: \$31,000,000.
1999 capital/surplus: \$24,000,000.
Policyholders: 68 in 1999; 64 estimated in 2000.
Contact: Randy Gore.

Program Beta Risk Management Authority

Beta Healthcare Group
1443 Danville Blvd.
Alamo, Calif. 94583;
925-838-6070; fax: 925-838-6088
www.programbeta.com

Domicile: California.
Risks: automobile liability; D&O liability; employment practices liability; health care professional liability; general liability.
Limits: \$50,000,000 primary and/or \$45,000,000 in excess of \$5,000,000.
Minimum retention: \$1,000.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
First policy: July 1979.
1999 premium volume: \$26,000,000.
1999 assets: \$196,000,000.
1999 capital/surplus: \$40,000,000.
Policyholders: 63 in 1999; 72 estimated in 2000.
Contact: R. Corey Grove.

R**Radian Reinsurance Co.**

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor,
P.O. Box 530
Burlington, Vt. 05401;
215-564-6600; fax: 215-405-9160

Domicile: Vermont.
Risks: excess layer of mortgage guaranty insurance.
Minimum retention: \$481,475.
Policy form: occurrence.
Access: Radian Guaranty.
First policy: May 1999.
1999 premium volume: \$50,116.
1999 assets: \$650,813.
1999 capital/surplus: \$577,304.
Policyholders: 2 in 1999; 6 estimated in 2000.
Contact: Howard Yaruss, president.

Richmond Insurance Co. Ltd.

American International Co. Ltd.
29 Richmond Road
Pembroke, HM 08 Bermuda;
441-298-5194; fax: 441-292-7969

Domicile: Barbados, Bermuda, Gibraltar.
First policy: 1986.
1999 premium volume: \$34,900,000.
1999 assets: \$779,000,000.
1999 capital/surplus: \$31,200,000.
Contact: Ralph Rathjen, executive vp.

S**Sargasso Mutual Insurance Co. Ltd.**

Marsh & McLennan Cos. Inc.
Victoria Hall, 11 Victoria St.
Hamilton, HM 11 Bermuda;
441-299-8827; fax: 441-297-9715

Domicile: Bermuda.
Risks: D&O liability.
Limits: \$15,000,000; primary and/or \$15,000,000 in excess of \$15,000,000.
Minimum retention: *\$250,000.
Policy form: claims-made.
Access: direct.
First policy: June 1986.
1999 premium volume: \$790,129.
1999 assets: \$58,810,980.
1999 capital/surplus: \$42,832,120.
Policyholders: 13 in 1999; 13 estimated in 2000.
Contact: Mary Lennon.
*Minimum retention is based on and varies by asset size.

Schools Excess Liability Fund

1531 I St., Suite 300
Sacramento, Calif. 95814;
916-321-5300; fax: 916-321-5311
www.selfpa.org

Domicile: California.
Risks: auto liability; E&O excess; general liability.
Limits: \$49,000,000 excess of \$1,000,000.
Minimum retention: \$1,000,000.
Policy form: occurrence.
Access: direct.
First policy: March 1986.
1999 premium volume: \$8,300,000.
1999 assets: \$101,285,743.
1999 capital/surplus: \$43,460,475.
Policyholders: 1,046 in 1999; 1,060 estimated in 2000.
Contact: John Wilson, executive director.

Sporting Activities Insurance Ltd. (SAIL)

International Advisory Services Ltd.
P.O. Box HM 2274
Hamilton, HM JX Bermuda;
441-295-3688; fax: 441-295-1697

Domicile: Bermuda.
Risks: firearms products liability.
Limits: \$2,000,000.
Policy form: claims-made.
Access: direct.
First policy: June 1986.
1999 premium volume: \$1,300,000.
1999 assets: \$5,100,000.
1999 capital/surplus: \$2,500,000.
Policyholders: 19 in 1999; 19 estimated in 2000.
Contact: David P. Pickering.

States Self-Insurers Risk Retention Group Inc.

Berkley Risk Administrators Co. L.L.C.
1 Columbus Center, Suite 641
Virginia Beach, Va. 23462;
757-490-7838; fax: 757-490-7350
www.staterrg.com

Domicile: Vermont.
Risks: excess environmental impairment liability; public entity excess liability.
Limits: \$10,000,000 in excess of \$10,000 minimum self-insured retention.
Minimum retention: \$100,000.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
First policy: July 1988.
1999 premium volume: \$4,817,919.
1999 assets: \$11,432,351.
1999 capital/surplus: \$5,023,397.
Policyholders: 59 in 1999; 69 estimated in 2000.
Contact: Robert W. Eserberg.

Subway Owners' Mutual Insurance Co.

AIG Insurance Management Services Inc.
40 Main St., Suite 210
Burlington, Vt. 05401;
802-658-9405; fax: 802-658-0112

Domicile: Vermont.
Risks: workers compensation.
Limits: \$250,000.
Policy form: occurrence.
Access: L.H. Brenner Agency.
First policy: September 1992.
1999 premium volume: \$3,493,750*.
1999 assets: \$8,611,379.
1999 capital/surplus: \$1,065,038.
Policyholders: 1,675 in 1999; 1,800 estimated in 2000.
Contact: Ann W. Wick.
*Assumed premium written.

Sun Valley Indemnity

RiskCap Inc.
1655 Lafayette St. Suite 200
Denver, Colo. 80218;
303-388-5688; fax: 303-388-5585
www.riskcap.com

Domicile: Cayman Islands.
Risks: workers compensation.
Access: owners of captive only.
First policy: August 2000.
Policyholders: 2 estimated in 2000.
Contact: Michael Murphy.

The risk financing directory begins on page 35.

T**Terra Insurance Co. (Risk Retention Group)**

Vermont Insurance Management Inc.
P.O. Box 306
Montpelier, Vt. 05601;
802-229-5042; fax: 802-229-6280

Domicile: Vermont.
Risks: professional liability.
Limits: \$1,000,000 per claim/\$1,000,000 aggregate; primary and/or \$1,000,000 per claim/\$1,000,000 aggregate.
Minimum retention: *\$25,000.
Policy form: claims-made.
Access: direct.
First policy: April 1988.
1999 premium volume: \$6,027,539.
1999 assets: \$29,035,711.
1999 capital/surplus: \$16,549,494.
Policyholders: 84 in 1999; 90 estimated in 2000.
Membership: Assn. of Soil and Foundations Engineers.
Contact: Andrew Sargeant.
*Minimum retention deductible.

U**United Educators Insurance Risk Retention Group Inc.**

United Insurance Management Co.
2 Wisconsin Circle, Suite 1040
Chevy Chase, Md. 20815;
301-907-4908; fax: 301-907-4830
www.ue.org

Domicile: Vermont.
Risks: buffer excess liability; educators legal liability; ERISA/employee benefits liability; excess liability; limited professional liability; primary general liability.
Limits: buffer excess liability, \$900,000; educator's legal liability, \$25,000,000; ERISA/employee benefits liability, \$10,000,000; excess liability, \$50,000,000; limited professional liability, \$1,000,000; primary general liability, \$1,000,000.
Minimum retention: \$2,500*.
Policy form: claims-made/occurrence.
Access: all brokers.
First policy: March 1987.
1999 premium volume: \$38,978,938.
1999 assets: \$32,859,690.
1999 capital/surplus: \$15,019,692.
Policyholders: 978 in 1999; 975 estimated in 2000.
Contact: Bruce Bernstein.
*Minimum retention is based on type of risk insured.

Continued on next page



Profit

Continued from previous page

United Home Insurance Co., A Risk Retention Group

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor, P.O. Box 530
Burlington, Vt. 05402-0530;
802-864-5599; fax: 802-864-5764

Domicile: Vermont.
Risks: home warranty.
Minimum retention: \$15,000.
Policy form: occurrence.
Access: direct.
First policy: January 1998.
1999 premium volume: \$1,307,768.
1999 assets: \$2,905,497.
1999 capital/surplus: \$1,252,116.
Policyholders: 6,075 in 1999; 7,000 estimated in 2000.
Contact: Kimbeily Whitcomb.

VHA Risk Retention Group Inc.

Marsh & McLennan Cos. Inc.
7 Burlington Square, Sixth Floor, P.O. Box 530
Burlington, Vt. 05402-0530;
802-864-2741; fax: 802-864-5764

Domicile: Vermont.
Risks: professional liability; general liability.
Limits: \$400,000 per occurrence; \$2,000,000 per hospital.
Policy form: claims-made.
Access: all brokers, direct.
First policy: July 1997.
1999 premium volume: \$6,803,269.
1999 assets: \$15,370,578.
1999 capital/surplus: \$1,392,330.
Policyholders: 12 in 1999; 16 estimated in 2000.
Contact: Sharon L. Gazley.

Western Pacific Mutual Insurance Co., A Risk Retention Group

RiskCap Inc
1655 Lafayette St., Suite 200
Denver, Colo. 80218;
303-388-5638; fax: 303-388-5585
www.riskcap.com

Domicile: Colorado.
Risks: new home warranty.
Policy form: claims-made.
Access: warranty administrator, Residential Warranty Corp.
First policy: July 1990.
1999 premium volume: \$10,600,000.
1999 assets: \$77,790,000.
1999 capital/surplus: \$30,750,000.
Contact: Kathy Kranz.

BI

BI annual directory of rent-a-captives**A****American Re (Bermuda) Ltd.**

Powerscourt Management Ltd.
Windsor Place, 18 Queen St., P.O. Box HM
2267
Hamilton, HM JX Bermuda;
441-295-6642; fax: 441-292-1196

Domicile: Bermuda.
Risks: workers compensation; general liability; auto liability.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: Amerisure Independent Agents.
Established: July 1986.
Premium volume: \$838,000 in 1999.
1999 assets: \$11,606,000.
1999 capital/surplus: \$8,133,000.
Policyholders: 6 in 1999; 6 estimated in 2000.
Membership: manufacturing; contracting; wholesale; dis-
tributors; agency captives; association captives.
Contact: Doug Fullerton.

C**CAE Insurance Ltd.**

Powerscourt Management Ltd.
Windsor Place, 18 Queen St.,
P.O. Box HM 2267
Hamilton, HM JX Bermuda;
441-295-6642; fax: 441-292-1196

Domicile: Bermuda.
Risks: employee health benefits; workers compensation.
Programs: fully funded.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
Established: July 1999.
Premium volume: \$1,500,000 estimated in 2000.
1999 assets: \$388,000.
1999 capital/surplus: \$134,000.
Policyholders: 1 estimated in 2000.
Contact: Doug Fullerton.

F**Fortress Insurance Co. Ltd.**

BF&M Management Ltd.
P.O. Box HM 1007
Hamilton, HM DX Bermuda;
441-292-6396; fax: 441-292-8682
www.bfm.bm

Domicile: Bermuda.
Risks: workers compensation; health; property liability; D&O.

Programs: fully funded/traditional.
Policy form: claims-made.
Access: all brokers.
Established: 1977.
Premium volume: \$4,752,000 in 1999; \$5,000,000 esti-
mated in 2000.
1999 assets: \$12,792,000.
1999 capital/surplus: \$482,000.
Policyholders: 6 in 1999; 7 estimated in 2000.
Membership: insurance; health care; finance.
Contact: Elizabeth Durrant; Andrew White.

G**Geneva Insurance Segregated Portfolio Co. Ltd.**

Monkton Insurance Services
Box 11383 APO
Grand Cayman, Cayman Islands;
345-945-9181; fax: 345-945-6985

Domicile: Cayman Islands.
Risks: medical malpractice; general liability; property/ca-
sualty.

Programs: fully funded.
Policy form: claims-made.
Access: all brokers.
Established: 2000.
Premium volume: \$750,000 estimated in 2000.
Policyholders: 4 estimated in 2000.
Membership: segregated portfolio companies.
Contact: David Self.

H**Hanseatic Insurance Co. (Bermuda) Ltd.**

Atlantic Security Ltd.
Windsor Place, 18 Queen St.
Hamilton, HM HX Bermuda;
441-295-5425; fax: 441-295-5444
www.asl.bm

Domicile: Bermuda.
Risks: all lines.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
Established: 1970.
Premium volume: \$5,500,000 in 1999; \$4,400,000 esti-
mated in 2000.
1999 assets: \$8,000,000.
1999 capital/surplus: \$250,000.
Policyholders: 10 in 1999; 12 estimated in 2000.
Contact: Colin C. James; cjames@asl.bm.

I**IPC Group***

Mutual Risk Management Ltd.
44 Church St. P.O. Box HM 2064
Hamilton, HM HX Bermuda;
441-295-5688; fax: 441-295-1527
www.mutrisk.com

Domicile: Barbados, Bermuda, Dublin, United States.
Risks: workers compensation.
Limits: \$250,000 specific/\$500,000 aggregate.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct, Commonwealth Risk Services.
Premium volume: \$154,000,000 in 1999.
1999 assets: \$882,000,000.
1999 capital/surplus: \$393,000,000.
Policyholders: 503 in 1999.
Membership: contracting; health care; manufacturing;
mercantile; sports franchises; transportation.
Contact: David Alexander, president.
*A compilation of five IPC companies.

M**Magna Carta Insurance Ltd.**

Atlantic Security Ltd.
Windsor Place, 18 Queen St.
Hamilton, HM HX Bermuda;
441-295-5425; fax: 441-295-5444
www.asl.bm

Domicile: Bermuda.
Risks: all lines.
Limits: \$250,000 to \$50,000,000.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers.
Established: January 1974.
Premium volume: \$7,000,000 in 1999; \$12,000,000 esti-
mated in 2000.
1999 assets: \$20,000,000.
1999 capital/surplus: \$250,000.
Contact: Colin C. James; cjames@asl.bm.

MICOA Indemnity (Bermuda) Ltd.

Mutual Insurance Corp. of America (MICOA)
Management Ltd.
18 Queen St.
Hamilton, HM JX Bermuda;
441-295-8495; fax: 441-292-1196

Domicile: Bermuda.
Risks: property/casualty; professional liability; workers

compensation.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers.
Established: May 1999.
Policyholders: 5 estimated in 2000.
Contact: Andy McComb.

Monkton Re Segregated Portfolio Co. Ltd.

Monkton Insurance Services Ltd.
Box 11383 APO
Grand Cayman, Cayman Islands;
345-945-9181; fax: 345-945-6985
www.monkton.com

Domicile: Cayman Islands.
Risks: property/casualty; general liability.
Programs: traditional.
Policy form: occurrence.
Access: all brokers.
Established: 2000.
Premium volume: \$650,000 estimated in 2000.
Policyholders: 4 estimated in 2000.
Membership: segregated portfolio companies.
Contact: David Self.

Mutual Indemnity (Dublin) Ltd.

Mutual Risk Management Ltd.
44 Church St., P.O. Box HM 2064
Hamilton, HM HX Bermuda;
441-295-5688; fax: 441-295-1527
www.mutrisk.com

Domicile: Dublin.
Risks: workers compensation.
Limits: \$250,000 specific/\$500,000 aggregate excess.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct, Commonwealth Risk Services.
Premium volume: \$1,600,000 in 1999.
1999 assets: \$289,000,000.
1999 capital/surplus: \$268,000,000.
Membership: contracting; health care; manufacturing;
mercantile; sports franchises; transportation.
Contact: David Alexander, president.

Mutual Indemnity (Barbados) Ltd.

Mutual Risk Management Ltd.
44 Church St., P.O. Box HM 2064
Hamilton, HM HX Bermuda;
441-295-5688; fax: 441-295-1527
www.mutrisk.com

Domicile: Barbados.

Continued on next page

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www.visibility.com

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Continued from previous page

Risks: workers compensation.
Limits: \$250,000 specific/\$500,000 aggregate excess.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct, Commonwealth Risk Services.
Premium volume: \$213,500 in 1999.
1999 assets: \$8,800,000.
1999 capital/surplus: \$5,400,000.
Membership: contracting; health care; manufacturing; mercantile; sports franchises; transportation.
Contact: David Alexander, president.

Mutual Indemnity (Bermuda) Ltd.

Mutual Risk Management Ltd.
 44 Church St., P.O. Box HM 2064
 Hamilton, HM HX Bermuda;
 441-295-5688; fax: 441-295-1527
 www.mutrisk.com

Domicile: Bermuda.
Risks: workers compensation.
Limits: \$250,000 specific/\$500,000 aggregate excess.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct, Commonwealth Risk Services.
Established: May 1993.
Premium volume: \$130,000,000 in 1999.
1999 assets: \$354,000,000.
1999 capital/surplus: \$66,300,000.
Membership: contracting; health care; manufacturing; mercantile; sports franchises; transportation.
Contact: David Alexander, president.

Mutual Indemnity Ltd.

Mutual Risk Management Ltd.
 44 Church St., P.O. Box HM 2064
 Hamilton, HM HX Bermuda;
 441-295-5688; fax: 441-295-1527
 www.mutrisk.com

Domicile: Bermuda.
Risks: workers compensation.
Limits: \$250,000 specific/\$500,000 aggregate excess.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct, Commonwealth Risk Services.
Established: May 1979.
Premium volume: \$5,600,300 in 1999.
1999 assets: \$147,000,000.
1999 capital/surplus: \$34,000,000.
Membership: contracting; health care; manufacturing; mercantile; sports franchises; transportation.
Contact: David Alexander, president.

Mutual Indemnity (U.S.) Ltd.

Mutual Risk Management Ltd.
 44 Church St., P.O. Box HM 2064
 Hamilton, HM HX Bermuda;
 441-295-5688; fax: 441-295-1527
 www.mutrisk.com

Domicile: Delaware.
Risks: workers compensation.
Limits: \$250,000 specific/\$500,000 aggregate excess.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct, Commonwealth Risk Services.
Established: January 1989.
Premium volume: \$18,700,000 in 1999.
1999 assets: \$88,600,000.
1999 capital/surplus: \$11,200,000.
Membership: transportation; health care; sports franchises; contracting; mercantile; manufacturing.
Contact: David Alexander, president.

N

North Rock Insurance Co. Ltd.

CNA Risk Services Ltd.
 P.O. Box HM 824
 Hamilton, HM CX Bermuda;
 441-295-6015; fax: 441-295-1702

Domicile: Bermuda.
Risks: workers compensation; general liability; auto liability; property liability.
Limits: program specific.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers.
Established: January 1997.
Premium volume: \$2,000,000* in 1999.
1999 assets: \$21,000,000.
1999 capital/surplus: \$17,000,000.
Policyholders: 16 in 1999; 24 estimated in 2000.
Contact: Thomas R. McMahon.
 *Estimated.

P

Professionals National Insurance Co. Ltd.

Powerscourt Management Ltd.
 Windsor Place, 18 Queen St.
 Hamilton, HM JX Bermuda;
 441-295-8495; fax: 441-292-1196

Domicile: Bermuda.
Risks: auto liability; commercial liability; general liability; medical malpractice; professional liability; property liability; workers compensation.
Programs: fully funded.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
Established: January 2000.
Policyholders: 3 estimated in 2000.
Contact: Andrew McComb.

Richmond Insurance Co. Ltd.

American International Co. Ltd.
 29 Richmond Road
 Pembroke, HM 08 Bermuda;
 441-298-5194; fax: 441-292-7969

Domicile: Barbados, Bermuda, Gibraltar.
Established: 1986.
Premium volume: \$34,900,300 in 1999.
1999 assets: \$779,000,000.
1999 capital/surplus: \$31,200,000.
Contact: Ralph Rathjen, executive vp.

R

Rittenhouse Square Indemnity Ltd.

Powerscourt Management Ltd.
 Windsor Place, 18 Queen St.
 Hamilton, HM JX Bermuda;
 441-295-3495; fax: 441-292-1196
 www.glenmede.com

Domicile: Bermuda.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers.
Established: April 1995.
Premium volume: \$2,129,499 in 1999.
1999 assets: \$3,069,185.
1999 capital/surplus: \$1,640,373.
Contact: Charles T. Wilmerding; 610-525-9*30.

S

The Seven Continents Insurance Co. Ltd.

Kemper Insurance Cos.
 7 Victoria St.
 Hamilton, HM FX Bermuda;
 441-292-5105; fax: 441-292-5502

Domicile: Bermuda.
Programs: fully funded/traditional.
Access: all brokers.
Established: October 1977.
Premium volume: \$6,245,772 in 1999. \$3,000,000 estimated in 2000.
1999 assets: \$91,912,306.
1999 capital/surplus: \$25,326,966.
Policyholders: 6 in 1999; 8 estimated in 2000.
Contact: Roy Lumley.

Sinser Insurance Ltd.

Sinser Management Services (Bermuda) Ltd.
 Skandia International House, 15 Church St.,
 P.O. Box HM 1514
 Hamilton, HM FX Bermuda;
 441-295-2482; fax: 441-292-1143
 www.sinser.com

Domicile: Bermuda.
Risks: general liability; property; workers compensation.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
Established: 1989.
Premium volume: \$28,500,000 in 1999; \$40,100,000 estimated in 2000.
1999 assets: \$18,100,030.
1999 capital/surplus: \$4,800,000.
Policyholders: 35 in 1999; 43 estimated in 2000.
Contact: Larry Turnbull, Nicholas Frost.

Stuart Insurance Group Ltd.

Liberty International Management (Bermuda) Ltd.
 P.O. Box HM 245E
 Hamilton, HM JX Bermuda;
 441-296-2131; fax: 441-296-8846

Domicile: Bermuda.
Risks: auto liability; earthquake; general liability; warranty; workers compensation.
Limits: \$1,000,000.
Programs: traditional.
Policy form: claims-made/occurrence.
Access: direct, Liberty Mutual.
Established: January 1991.
Premium volume: \$25,300,000 in 1999; \$16,000,000 estimated in 2000.
1999 assets: \$69,000,000.
1999 capital/surplus: \$17,500,000.
Policyholders: 40 in 1999; 45 estimated in 2000.
Contact: Simon Dowle; Michael Hardy.

U

Uni-Ter International Insurance Co. Ltd.

Uni-Ter International Management Ltd.
 Windsor Place, 18 Queen St.,
 Hamilton, HM JX Bermuda;
 441-295-8495; fax: 441-292-1196
 www.usre.com

Domicile: Bermuda.
Programs: fully funded.
Policy form: claims-made/occurrence.
Access: all brokers.
Established: July 1997.
Premium volume: \$3,800,000 estimated in 2000.
1999 assets: \$120,000.
1999 capital/surplus: \$120,000.
Policyholders: 1 estimated in 2000.
Contact: Andrew McComb.
 *newly incorporated in January 1999

Universal International Reinsurance Co. Ltd.

Atlantic Security Ltd.
 Windsor Place, 18 Queen St.
 Hamilton, HM HX Bermuda;
 441-295-5425; fax: 441-295-5444

Domicile: Bermuda.
Risks: all lines.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
Established: June 1990.
Premium volume: \$15,000,000 in 1999; \$17,500,000 estimated in 2000.
1999 assets: \$3,000,000.
1999 capital/surplus: \$250,000.
Policyholders: 20 in 1999; 25 estimated in 2000.
Contact: Colin C. James; cjames@asl.bm.

Universal Re-Insurance Co. Ltd.

Atlantic Security Ltd.
 Windsor Place, 18 Queen St.
 Hamilton, HM HX Bermuda;
 441-295-5425; fax: 441-295-5444
 www.asl.bm

Domicile: Bermuda.
Risks: all lines.
Limits: \$100,000 to \$100,000,000, primary \$1,000,000 and excess of \$100,000 to \$250,000.
Programs: fully funded/traditional.
Policy form: claims-made/occurrence.
Access: all brokers, direct.
Established: June 1974.
Premium volume: \$40,000,000 in 1999; \$45,000,000 estimated in 2000.
1999 assets: \$65,000,000.
1999 capital/surplus: \$1,500,000.
Policyholders: 39 in 1999; 41 estimated in 2000.
Membership: associations, agency rent-a-captives, single entity.
Contact: Colin C. James; cjames@asl.bm.

V

Vital Reinsurance S.A.

Sinser (Luxembourg) S.A.R.L.
 11 Rue Beaumont
 Luxembourg, L-1219;
 352-22-34-22-1; fax: 352-47-02-50
 www.sinser.com

Domicile: Luxembourg.
Programs: fully funded.
Policy form: claims-made/occurrence.
Premium volume: \$15,000,000 in 1999; \$15,000,000 estimated in 2000.
1999 assets: \$50,000,000.
1999 capital/surplus: \$1,500,000.
Policyholders: 13 in 1999; 14 estimated in 2000.
Contact: Tony Nordblad, managing director.

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BI directory of international property/casualty insurers

A

AIU
70 Pine St.,
New York, N.Y. 10270;
212-770-7000; fax: 212-770-6786
www.aig.com

	1999	1998
Total premiums	\$8,202,000,000	\$7,367,000,000
Int'l premiums	\$8,202,000,000	\$7,367,000,000
Claims	170	170
Underwriting	270	276
Employees	10,940	11,007
U.S.	999	1,035
Non-U.S.	9,941	9,972
Countries	79	76
Owned foreign offices	74	73
Combined ratio	94.2%	88.6%

Fiscal year ends 11/30/99 and 11/30/98.

Founded: 1919.
Parent: American International Group Inc.
Services: captive services, loss services for all major lines, retrospectively rated programs, statistics in support of international programs for all major lines.

Licensed or accepted insurer in: Argentina, Australia, Austria, Azerbaijan, Bahrain, Belgium, Bermuda, Brazil, Bulgaria, Canada, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guam, Guatemala, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Kenya, Latvia, Luxembourg, Macau, Malaysia, Malta, Mexico, Netherlands, Netherlands Antilles, New Zealand, Norway, Pakistan, Panama, Papua New Guinea, Paraguay, Philippines, Poland, Portugal, Puerto Rico, Roma-

Directory terms explained

The *Business Insurance* directory of global property/casualty insurers lists international insurers that responded to a BI questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

If provided by the insurer, financial and operational information for 1999 and 1998 is listed, including total gross premiums and international gross premiums. Premiums (in U.S. dollars) are for property and casualty risks. In addition, the percentage generated by foreign operations of U.S. employers vs. foreign operations of non-U.S. employers is indicated. Also provided are the number of foreign claims and underwriting offices; the number of employees involved in foreign property/casualty services, including a breakdown by U.S. and non U.S. locations. The number of foreign countries in which the insurer writes business if followed by the owned foreign offices, which indicates the number of countries in which the insurer has 51% or more of an office. The insurer's combined ratio for foreign business also is listed.

BI defines "foreign business" as business in any country other than that in which the company is domiciled.

Listed next is the year founded, followed by the insurer's parent company. Risks in which the company specializes are noted under specialties. Services related to international business are also listed.

Countries in which the company operates as a licensed or accepted insurer and those in which they participate through affiliates/fronting arrangements are listed next. If individual company or office names were provided for each country, they are included in the listing only if significantly different from the parent company name. Finally, names and titles of the principal officers and a U.S.-based contact person complete the listing.

This year, the geographic index will be available at the *Business Insurance* Web site at www.businessinsurance.com. The index includes the country name and property/casualty insurers that are licensed or have affiliates or fronting arrangements in that country. The names of those companies with whom the insurers have a fronting agreement are also listed.

Although every effort is made to obtain complete and accurate information BI is unable to verify all information.

All figures are listed in U.S. dollars. Exchange rates used in the directory are: British pound=\$1.618 (FYE 12/31/99) \$1.657 (FYE 12/31/98); euro=\$1.067 (FYE 12/31/99) \$1.180 (FYE 12/31/98); Italian lire=\$0.0006 (FYE 12/31/99) \$0.0006 (FYE 12/31/98); Swiss franc=\$0.662 (FYE 12/31/99) \$0.690 (FYE 12/31/98).

To obtain a questionnaire for the 2001 directory, contact the Directory Dept., Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590; 312-649-5313 or 312-649-5279; fax: 312-649-7801; or visit the directory area of www.businessinsurance.com.

nia, Russia, Saudi Arabia, Singapore, Slovakia, South Africa, Spain, Sri Lanka, South Korea, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Turkey, Uganda, United Kingdom, Uruguay, Uzbekistan, Venezuela and Zimbabwe.

Affiliates/fronting arrangements in: Antigua, Barbados, Bolivia, Brunei, Cayman Islands, Egypt, Estonia, Grenada, Haiti, India, Jordan, Kuwait, Lebanon, Lithuania, Northern Mariana Islands, Oman, Peru, Qatar, Republic of Marshall Islands, St. Kitts, St. Lucia, United States and Vietnam.

Officers: Robert Sandler, chairman; Martin Sullivan, president; Hamilton Da Silva, executive vp.

U.S. contact: Edward Cloonan, vp-external affairs; 212-770-6114.

Allianz AG Holdings

Koniginstrasse 28,
Munich, 80802 Germany;
49-89-3800-0; fax: 49-89-3800-6631
www.allianz.com

	1999	1998
Total premiums*	\$37,665,100,000	\$35,754,000,000
Int'l premiums*	\$26,354,900,000	\$23,423,000,000
U.S.	20.6%	19%
Non-U.S.	79.4%	81%
Claims	95	\$3
Underwriting	95	\$3
Employees	71,661	67,233
U.S.	11,021	10,253
Non-U.S.	60,640	57,060
Countries	76	75
Owned foreign offices	46	45
Combined ratio	104.5%	100.8%

*Converted at applicable exchange rates.

Founded: 1973.

Specialties: aviation, bonds, commercial lines, corporate clients business, credit insurance, employee benefits, health, infrastructure projects, life, marine, personal lines, property/casualty, transport.

Services: captive services, loss services for all lines, retrospectively rated programs, statistics in support of international programs for aviation, marine, property/casualty, transport.

Licensed or accepted insurer in: Argentina, Australia, Austria, Brazil, Belgium, Bulgaria, Burkina Faso, Canada, Cameroon, Central African Republic, Chile, Czech Republic, Denmark, France, Gabon, Greece, Great Britain, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Poland, Portugal, Russia, Senegal, Singapore, Slovakia, South Africa, Spain, Switzerland, Sweden, Taiwan, Turkey, United States, Venezuela and Vietnam.

Affiliates/fronting arrangements in: Algeria, Armenia, Azerbaijan, Bahamas, Bahrain, Barbados, Belarus, Benin, Bermuda, Chad, Colombia, Congo, Costa Rica, Cyprus, Dominican Republic, Ecuador, El Salvador, Equatorial Guinea, Fiji, Finland, Georgia, Ghana, Guatemala, Honduras, Iceland, Iran, Iraq, Israel, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Libya, Madagascar, Mali, Malta, Mauritius, Mongolia, Morocco, Myanmar, Nepal, Niger, Nigeria, North Korea, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Puerto Rico, Qatar, Romania, Saudi Arabia, Slovenia, Sri Lanka, Sudan, Syria, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Ukraine, Uruguay, U.S. Virgin Islands, Uzbekistan and Zaire.

Officers: Henning Schulte-Noelle, chairman; Paul Achleitner, CFO; Detlev Bremkamp, Europe, Near East, Africa, reinsurance; Reiner Hagemann, property/casualty insurance, Germany, personnel director; Herbert Hansmeyer, North and South America; Gerhard Rupperecht, life and health insurance, Germany; Michael Diekmann, Asia-Pacific; Helmut Periet, controlling, accounting and tax.

U.S. contact: Noreen Cruz, vp-large accounts center; ncruz@aig-allianz.com.

C

CGNU P.L.C.*

St. Helen's, 1 Undershaft,
London, EC3P 3DQ England;
44-0-7283-2000; fax: 44-0-7662-1412
www.cgnu-group.com

	1999	1998
Total premiums **	\$18,131,605,000	NA
Int'l premiums **	\$10,269,785,000	NA
U.S.	45%	NA
Non-U.S.	55%	NA
Employees	12,170	NA
U.S.	7,470	NA
Non-U.S.	4,700	NA
Combined ratio	109%	NA

**Converted at applicable exchange rates.

Founded: 2000.

Licensed or accepted insurer in: Main operations in Australia, Canada, France, Ireland, Netherlands, New Zealand and the United Kingdom.

Officers: Bob Scott, group chief executive; Richard Harvey, deputy group chief executive.

*Formed following the merger of CGU P.L.C. and Norwich Union P.L.C., May 2000.

CNA Global

CNA Plaza, 333 S. Wabash,
Chicago, Ill. 60685;
312-822-2054; fax: 312-755-5135
www.cna.com

	1999	1998
Total premiums	\$310,000,000	\$204,000,000
Int'l premiums	\$263,000,000	\$177,000,000
U.S.	15%	NA
Non-U.S.	85%	NA
Claims	10	10
Underwriting	16	11
Employees	555	478
U.S.	112	112
Non-U.S.	443	366
Countries	50	50
Owned foreign offices	10	9

Founded: 1964.

Parent: CNA Financial Corp.

Specialties: accident, D&O, fidelity, health, kidnap, light manufacturing, marine, professional liability, property/casualty, surety, travel, warranty, workers compensation.

Services: captive services, loss services for marine, property/casualty, specialty, workers compensation, retrospec-

tively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Canada, Denmark, France, Germany, Guam, Hong Kong, Netherlands and the United Kingdom.

Affiliates/fronting arrangements in: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Gibraltar, Greece, Guam, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Lebanon, Malaysia, Mexico, Netherlands, New Zealand, Norway, Panama, Peru, Philippines, Poland, Portugal, Puerto Rico, Russia, Saudi Arabia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom and Venezuela.

Officers: Bernard Hengesbaugh, chairman/CEO/CNA Financial Corp.; Robert V. Deutsch, CFO; Jonathan D. Kantor, senior vp/general counsel.

U.S. contact: Tanja Maffei, strategic project manager-marketing; 312-822-2054.

The Chubb Group of Insurance Cos.

15 Mountain View Road,
Warren, N.J. 07059;
908-903-2000; fax: 908-903-3134
www.chubb.com

	1999	1998
Total premiums*	\$5,701,100,000	\$5,503,500,000
Int'l premiums*	\$993,800,000	\$902,500,000
U.S.	17%	15%
Non-U.S.	83%	85%
Claims	40	40
Underwriting	61	61
U.S.	160	160
Non-U.S.	220	2,010
Countries	32	32
Owned foreign offices	31	30

*Net premiums.

Founded: 1960.

Parent: The Chubb Corp.

Specialties: boiler and machinery, D&O, energy, excess property liability, exporters, financial institutions, general liability, inland and ocean marine, political risk, property, technology, travel accident.

Services: captive services, loss services, retrospectively rated programs.

Licensed or accepted insurer in: Argentina, Australia, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Denmark, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Portugal, Puerto Rico, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, United States and Venezuela.

Affiliates/fronting arrangements in: American Samoa, Angola, Antigua, Bahamas, Bahrain, Bangladesh, Barbados, Bermuda, Bolivia, Botswana, Bulgaria, Burkina Faso, Congo, Costa Rica, Croatia, Cyprus, Czech Republic, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Fiji, Finland, Greece, Grenada, Guam, Guatemala, Guyana, Honduras, Hungary, Iceland, India, Israel, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lithuania, Macedonia, Madagascar, Malaysia, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Nepal, New Zealand, Nicaragua, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Senegal, Slovakia, Slovenia, Somalia, South Africa, Sri Lanka, St. Lucia, St. Vincent, Suriname, Syria, Tanzania, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uruguay, U.S. Virgin Islands, Vietnam, West Indies, Yemen, Zambia, Zimbabwe.

Officers: Dean R. O'Hare, chairman; John J. Degnan, president; Thomas F. Motamed, executive vp/COO.

U.S. contact: Mark Schussel, public relations manager; mschussel@chubb.com.

F

FM Global

P.O. Box 7500,
Johnston, R.I. 02919;
401-275-3000; fax: 401-464-9031
www.fmglobal.com

	1999	1998
Total premiums	\$1,295,000,000	\$1,389,000,000
Int'l premiums	\$313,705,000	\$354,000,000
U.S.	50.3%	45%
Non-U.S.	49.7%	55%
Claims	6	6
Underwriting	6	2
Employees	777	603
U.S.	4	3
Non-U.S.	773	600
Countries	65	65
Owned foreign offices	8	8
Combined ratio	153%	135.6%

Founded: 1963.

Parent: Factory Mutual Insurance Co.

Specialties: commercial, industrial and institutional property. **Services:** captive services, loss services for commercial, industrial and institutional property, retrospectively rated programs, statistics in support of international programs for commercial, industrial and institutional property.

Licensed or accepted insurer in: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Affiliates/fronting arrangements in: Argentina, Austria, Bahamas, Bahrain, Belgium, Bolivia, Brazil, Brunei, Chile, China, Colombia, Croatia, Czech Republic, Denmark, Djibouti, Dominican Republic, Ecuador, El Salvador, Egypt, Finland, France, Germany, Greece, Guatemala, Haiti, Honduras, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kuwait, Luxembourg, Malaysia, Morocco, Netherlands, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, United Arab Emirates, United Kingdom, Uruguay, Venezuela, Vietnam and Yemen.

Officers: Kenneth Davey, senior vp-Europe; Peter Bollmann, vp-Germany operations; Frederic Grand, vp-France operations; Stefano Tranquillo, vp-United Kingdom operations; Dennis Hedden, vp-Asia/Pacific operations.



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U.S. contact: Michael R. Turner, vp.

Royal & Sun Alliance Group P.L.C.
 30 Berkeley Square,
 London, W1X 8HA England;
 44-207-636-3450; fax: 44-207-636-3451
 www.royalsun.com

U.S. contact: Chris Camille, senior vp/general counsel-U.S. branch, 212-602-7600; chris.camille1@generalisusa.com.

The St. Paul Group
 385 Washington St.,
 St. Paul, Minn. 55102-1396;
 651-310-7911; fax: 651-310-7318
 www.stpaul.com

Officers: Bob Mendelsohn, group chief executive; Paul Spencer, chief executive-United Kingdom; Julian Hance, group finance director; Arthur Hayes, group director-invest-ment and financial services; Bob Gunn, group director-america.

U.S. contact: Larry Gowen, treasurer, 704-522-2632.

Converted at applicable exchange rates	
1998	Total premiums* \$16,404,710,400
1999	Total premiums* \$15,491,352,000
1998	Int'l premiums* \$12,656,199,000
1999	Int'l premiums* \$13,399,900,000
U.S.	28%
Non-U.S.	72%
Employees	20,000
Non-U.S.	19,000
U.S.	4,000
Non-U.S.	16,000
U.S.	15,000
Non-U.S.	1,000
Owned foreign offices	50**
*Converted at applicable exchange rates	

Founded: 1831.
Specialties: all classes, for mass and large risks, including auto, aviation and space.

Services: captive services, loss services for industrial and technological property risks, retroactively rated programs, statistics in support of international programs for multiple accounts, industrial and technological property risks.

Licensed or accepted insurer in: Argentina, Austria, Belgium, Brazil, Canada, Colombia, Czech Republic, Denmark, France, Germany, Ireland, Israel, Mexico, Netherlands, Panama, Peru, Philippines, Poland, Portugal, Singapore, Slovakia, Slovenia, Spain, United Arab Emirates, United Kingdom and the United States.

Affiliates/roving arrangements in: Finland, Russia and the United States.

Officers: Alfonso Desista, president; Gianfranco Guffy, vp/managing director; Fabio Cerchiai, managing director.

Parent: Winterthur Swiss Insurance Co.
 Founded: 1983.

Specialties: alternative risk transfer, engineering, motor, marine, bonding, accident and health, engineering, motor, marine.

Services: captive services, loss services for all lines, retroactively rated programs, statistics in support of international programs for all lines.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, China, Czech Republic, Denmark, France, Germany, Hong Kong, Hungary, Italy, Japan, Luxembourg, Mexico, Netherlands, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom and the United States.

Officers: Willi Suter, CEO; Thomas Popp, CFO; Armin Esterndorf, chief information technology officer.

U.S. contact: George R. Keller, president/CEO-Winterthur International America; geroge.keller@winterthur.com.

Converted at applicable exchange rates	
1998	Total premiums* \$29,216,000,000
1999	Total premiums* \$24,707,000,000
U.S.	\$24,415,000,000
Non-U.S.	60
Employees	701
Non-U.S.	76
U.S.	86
Non-U.S.	615
Owned foreign offices	76
U.S.	60

Winterthur International
 Gruzelstrasse 41,
 Winterthur, CH-8401 Switzerland;
 41-52-261-1111; fax: 41-52-261-4680
 www.winterthur-int.com

Converted at applicable exchange rates	
1998	Total premiums* \$1,079,160,000
1999	Total premiums* \$938,054,000
U.S.	24%
Non-U.S.	76%
Employees	27
Non-U.S.	27
U.S.	27
Owned foreign offices	27
Combined ratio	109.7%

U.S. contact: Thomas Hite, executive vp-marketing; 847-605-6156; thomas.hite@zunchus.com.

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—Sun Tzu, *The Art of War*

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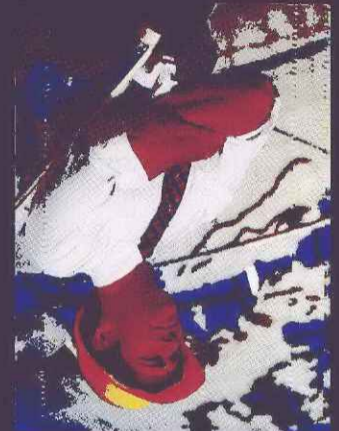
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GLOBAL BRIEFS

Standard & Poor's Ltd. in London has affirmed its A+ insurer financial strength rating of **Lloyd's of London** following the ruling in favor of Lloyd's in the *Jaffray vs. Lloyd's* case. In that case, 216 former names—individual investors in the market—charged that Lloyd's had made fraudulent misrepresentations to induce them to join or continue underwriting in the early 1980s....Lloyd's managing agency **XL Brockbank Ltd.** has made three appointments, subject to Lloyd's approval. Nick Bonnar has been promoted to active underwriter on syndicate 588; David Wright has been promoted to joint deputy underwriter of syndicate 861; and Neil Robertson has been appointed as deputy underwriter of syndicate 588. All were previously with XL....**IDA Ireland**, the Irish development agency, has appointed Catherine Graham as international insurance representative. Ms. Graham, a public relations specialist who was previously with Standard Life Assurance Co., will be responsible for promoting the international insurance industry in Ireland.... Standard & Poor's has raised its counterparty credit and insurer financial strength ratings on German credit insurer **Hermes Kreditversicherungs-A.G.** to AA- from AA-. S&P said the change is based on Hermes' continued strong operating performance and also reflects its expectation that Hermes will retain its strong business position in the credit insurance sector, "supported by strong capitalization and its management's increasingly focused and sophisticated approach."...**MAP Underwriting**, one of the largest-ever independent Lloyd's of London start-ups, has officially opened for business. Its 12-strong underwriting team at syndicate 2791 will have capacity of more than £120 million (\$171.0 million) for 2001 to underwrite marine, political risks, property/casualty and accident/health risks....London-based insurer **Royal & SunAlliance Insurance Group P.L.C.** has reported an operating profit of £502 million (\$715.4 million) for the first nine months of 2000, an increase of 8.9% over the comparable period in 1999. Non-life net premiums rose 19% to £6.33 billion (\$9.02 billion). Chief Executive Bob Mendelsohn said the improvement is evidence of an ongoing upturn in the underwriting cycle worldwide. He said RSA has achieved rate increases in all of its major markets, with "strong and accelerating rate increases across commercial lines in the United States and Australia," averaging 15% and 20%, respectively....**Groupama Insurances**, the London-based unit of French insurer Groupama S.A., has appointed Richard Setterfield as corporate and affinity partnerships manager. While retaining his existing role as financial risk underwriting manager, Mr. Setterfield will be responsible for developing Groupama's underwriting and operational skills and customer relationships. He will also head the group's affinity team in offering insurance solutions for affinity groups and corporate partners in the United Kingdom....**Moody's Investors Service Ltd.** has confirmed the insurance financial strength ratings of **The Yasuda Fire & Marine Insurance Co. Ltd.** and **The Nissan Fire & Marine Insurance Co. Ltd.** It also changed its rating outlook on Nissan Fire to positive from stable and left Yasuda Fire's negative outlook unchanged. The rating actions follow the announcement that Yasuda Fire, Nissan Fire and The Taisei Fire & Marine Insurance Co. Ltd., which Moody's did not rate, plan to merge by April 2002. The combined group would be the second-largest non-life insurer in the Japanese market behind Tokio Marine & Fire Insurance Co. Ltd. Moody's said the confirmations reflect the combined companies' high market share, which may help slow the speed of deregulation in the market, as well as opportunities for cost savings if the insurers are able to consolidate their back-office operations.

U.K. rates may rise with waters

By SARAH VEYSEY

LONDON—Businesses in flood-prone areas of the United Kingdom could find their insurance rates going sky high in the wake of recent storms and flooding that hit the country.

Fears that some businesses and homes at risk of flooding might become virtually uninsurable have prompted the U.K. government to seek a meeting with insurers within the next few weeks to discuss the situation. Deputy Prime Minister John Prescott last week urged insurers to settle claims as quickly as possible and pledged an extra £51 million (\$73.9 million) to strengthen the country's

flood defenses and warning systems.

Mary Francis, director general of the Assn. of British Insurers, welcomed Mr. Prescott's intention to issue fresh planning guidelines for floods.

"Looking to the future, insurers wish to provide affordable cover against weather-related risks," Ms. Francis said. "But if floods and storms become more frequent and more severe than in the past, action needs to be taken now in the affected areas to ensure the industry can continue to provide the service it currently does."

"That means good flood defense strategies and adequate
See **Flooding** on next page



PHOTO: AFP

Streets near the Ouse River in York, England, are flooded as a result of torrential rains in the United Kingdom in recent weeks.



PHOTO: AP/WIDEWORLD

French navy officers launch a submersible vessel that will inspect the wreckage of a sunken tanker off the coast of France.

Insurer investigates sinking of tanker

CHERBOURG, France—Acting on orders from French maritime authorities, the liability insurer of the tanker that sank last week off the coast of France has dispatched a vessel to assess the situation.

The Standard Steamship Owners' P&I Assn. (London) Ltd., a mutual that provides liability insurance for the 8,309-ton Ievoli Sun, has chartered a vessel to take a remotely operated submarine to the location of the tanker, which was carrying about 6,600 tons of toxic chemicals when it sank Oct. 31.

Paul Engels, the Standard's claims director, said the main purpose of the submarine exploration is to assess the condition of the vessel and to determine how best to deal with its toxic cargo.

Mr. Engels said it was a "matter of course" for the Maritime Prefecture, the French authority responsible for maritime affairs, to order a shipowner to take such steps. He added that he was uncertain, though, whether the authority's Nov. 23 deadline could be met, par-

ticularly given the uncertainties of winter weather in the area.

After the assessment has been made, the French government will form a committee to advise on either a cleanup or recovery. Although the Ievoli Sun's Italian owner, Marnavi S.p.A., and its insurer will have to fund a potential cleanup, the committee will decide how best to handle the effort.

The Ievoli Sun ran into severe storms and sent out a distress signal Oct. 30. Following an unsuccessful towing effort, the vessel sank the next day off the Cap de la Hague (BI, Nov. 6).

The tanker was heading from the United Kingdom to Italy with a cargo of almost 4,400 tons of styrene, a product used to make plastics, rubber and resins. The ship also was carrying 1,100 tons of methyl ethyl ketone and 1,100 tons of isopropanol. If there is a leak, the chemicals are expected to rise to the surface of the ocean and evaporate.

—By Edwin Unsworth

Risks abound for business in global hot spots

By MARK A. HOFMANN

WASHINGTON—The world is a dangerous place, and some parts of it are becoming even more dangerous.

In fact, London-based consultant Control Risk Group's annual survey of political, security and reputational risks—"RiskMap 2001"—rated a dozen countries or regions within countries as presenting "extreme" security or political risks for foreign companies operating in those areas. Although none of the areas is a magnet for international investment or business activity, the 2000 figure of 12 areas represents more than double the number so rated in 1997.

Among the better known of the countries or regions designated as presenting extreme risks are Afghanistan and the Russian republic of Chechnya, with most of the rest located in sub-Saharan Africa. But Richard Fenning, director-political risks services for Control Risks, said at a news conference in Washington earlier this month that despite the large number of countries in sub-Saharan Africa that represent extreme risks, there has actually been "gradual progress" toward more secure conditions in that area of the world.

In fact, Control Risks' overall assessment of global conditions was relatively positive. The consultant is "generally very optimistic" about Latin America, Mr. Fenning said. He offered a caveat by saying that Colombia, which is wracked by drug-trade-fueled civil strife, presents a "problematic" situation.

There remain concerns about the ability of countries in Southeast Asia and the Pacific region to extricate themselves from ongoing economic problems, he said. And in Europe, while "gangsterism" has declined in the former Soviet bloc, cyber-crime is on the rise in Russia, he said. Mr. Fenning also pointed to threats from "direct action"—such as that by animal rights extremists—in Western Europe. While terrorism is declining in Western Europe, the Euzkadi Ta Askatasuna—a group that uses terrorism to promote independence for the Basque region of Spain—is "bucking the trend," he said.

"Globalization is here and here to stay," said Nigel Churton, Control Risks group managing director. The Internet is also here and "has no respect for boundaries," he said.

Legal systems lag "way behind the criminals," and "business has got to look after itself," said Mr. Churton. "There's a real nervousness in commerce" as international businesses confront a number of problems, such as the spread of AIDS in Africa and continued violence between Israelis and Palestinians, he said.

Martin Stone, risk analysis director for Control Risks, explained some of the implications for U.S. businesses of the current Middle Eastern turmoil. In that region, "perception is reality," he said, and the U.S. government is seen as being "soft" on Israel. In addition, the United States has far more potential targets than does Israel, particu-

See **Danger** on next page

Railway insurer presses for change in law

By SARAH VEYSEY

LONDON—Continued chaos on the United Kingdom's rail networks could push business interruption insurance rates sky-high and may even make insurers less willing to provide coverage to businesses dependent on the railway, one insurer warns.

London-based St. Paul International Insurance Co. Ltd., a unit of The St. Paul Cos. and a major insurer of U.K. rail operators, is calling on the country's rail regulator to change an agreement that shields rail companies from liability for losses caused by railroad delays or problems. That agreement, which dates to when the U.K. rail system

was privatized, prevents insurers like St. Paul International from being able to subrogate against railway companies for business interruption claims incurred by rail operators.

"Under the Claims Allocation and Handling Agreement, there is no right of subrogation against other parties for business interruption

risks. Previously, this had been accepted by the insurance industry and compensated for by the use of rating and deductibles," St. Paul International said in a statement.

But recent disruption of the nation's rail lines due to a major renovation of the rail network by Rail-track P.L.C., the company responsible for the renovation, has led to a major disruption of the rail network by Rail-track P.L.C., the company responsible for the renovation. See **Railway** on next page

Flooding

Continued from previous page

ers are keen to demonstrate improving results."

Insurers with regional exposures could be hit the hardest," S&P said. "Those insurers with specific exposure in areas that have suffered repeated flood damage over the last few weeks could find themselves with significant losses," Ms. Cunningham said.

The United Kingdom's largest multiline insurer, London-based CGNU P.L.C., last week became one of the first major insurers to release an estimated claims figure. Announcing the group's third-quarter results, CGNU Chief Executive Officer Bob Scott predicted that, after reinsurers are likely to argue that the frequency of winter storms in the U.K. is increasing."

Ms. Cunningham added that any increase in reinsurance rates could help to push up rates in the primary market, though these have already been on the increase. "Although increased reinsurance rates will inevitably filter down to the primary market, rates are rising on a broad front already. The recent losses will meet the fuel to the fire," she said.

The bad weather continued to wreak havoc with the country's road and rail networks. Many sections of the rail infrastructure remained subject to speed restrictions, and several highways were closed due to torrential rains and high winds.

As the death toll from the recent storms reached 12, many environmentalists cited global warming as a possible cause of the recent extreme conditions. Prince Charles added his voice to the debate, blaming "man's arrogance" for the spell of unusually harsh weather.

A report published in June by the government's Ministry of Fisheries and Food predicted that, without an increase in flood defense funding, the average annual cost of flood damage in the United Kingdom could reach £1.8 billion (\$2.6 billion). The study, entitled "National Appraisal of Assets at Risk from Flooding and Coastal Erosion," pointed out that property worth more than £200 billion (\$289.78 billion) and agricultural land worth about £7 billion (\$10.14 billion) is located in areas at risk from flooding.

The study added that approximately 10% of the population of England lives within areas at risk of flooding or coastal erosion. According to the report, 12% of the agricultural land in England, including some 61% of the country's top, or Grade 1, agricultural land is within at-risk areas.

'Reinsurers are likely to argue that the frequency of winter storms in the U.K. is increasing,' says Corinne Cunningham.

But Mr. Scott added that it was too early to make detailed estimates as the country was bracing itself for another bout of severe weather conditions. "We have had three weeks of storms, flooding and weather and reinsurance rates are rising on a broad front already," he said. "Otherwise the name is not valid. Valid claims include broken rails, floods or crashes—there have been lots of and clearly there have been lots of acceptable rates or deductibles."

Last week, St. Paul International wrote to the Office of the Rail Regulator, asking for the CAHA rule to be reviewed.

"We have already had acknowledgement of receipt of the letter and Paul International might not even be prepared to offer business interruption coverage," he added that ultimately, St. Paul International might not even be prepared to offer business interruption coverage to its train operator clients any longer.

Alan Fleming, chairman of the Assn. of Insurance & Risk Managers as well as risk manager for Railtrack, could not be reached for comment.

Meanwhile, Gerald Corbett, chief executive of Railtrack, warned last week that delays on the United Kingdom's rail network could last for up to two years. Mr. Corbett instigated a major safety overhaul of the network in the wake of the Hatfield crash. The Rail Regulator confirmed that the issue was under consideration.

CGNU said that its losses caused by severe weather in the first nine months of 2000 totaled £149 million (\$215.9 million)—down from £155 million (\$239.1 million) for the same period the year before. But CGNU said that the recent severe weather would affect fourth-quarter results. Rural insurer NFU Mutual, based in Stratford-upon-Avon, Warwickshire, said it was dealing with more than 4,000 claims—many from commercial properties that suffered damage caused by either flood or wind.

"We are now looking at an estimated total of £15 million (\$21.7 million)," said a spokesman for NFU Mutual. "In many areas, the floods are increasing, and we do suspect there are people with flood damage whom we haven't heard from yet."

"NFU Mutual expects to continue

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to this comes at a time when insurers will probably add less than 1% to the industry's combined ratio, the of about 109%," she said. "The 1999, with an industry combined ratio of about 109%," she said. "The players reported poor results in 1999, with an industry combined ratio of about 109%," she said. "The Cunnigham said, "Even the bigger storm, dubbed 87J, caused an estimated \$4.3 billion in insured losses. Ms. Cunningham said that, while claims from physical damage caused by floodwaters will reach a ceiling, business interruption losses could result in "more-severe ongoing losses."

The bad weather has come at an inopportune time for insurers, Ms. Cunningham said. "Even the bigger storm, dubbed 87J, caused an estimated \$4.3 billion in insured losses. Ms. Cunningham said that, while claims from physical damage caused by floodwaters will reach a ceiling, business interruption losses could result in "more-severe ongoing losses."

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Danger

travelers and dependents, he said. Mr. Stone also cited two major potential causes of heightened risk in the Middle East—tensions surrounding the bombing attack on the U.S.S. Cole in Yemen and a continued deterioration in the Israeli-Palestinian situation. Control Risk Group's U.S. operations are based in McLean, Va.

Single copies of "RiskMap 2001" cost \$25 and can be obtained by calling 800-83-7083, or e-mailing a request to washington@control-risks.com. Additional copies are \$75.

St. Paul International insures about 90% of the U.K. passenger train operators for their liability and about half of those for their property and business interruption risks, said Mr. Bevan. The company hopes other insurers that offer business interruption coverage to train operators will join the fight to overhaul the CAHA.

"We are not party to the agreement, it is a rail industry agreement, but we have no option but to abide by it," Mr. Bevan explained. He added that the current situation, whereby insurers have to cover business interruption losses even when their clients are innocent parties, is unfair. And in the light of the recent string of accidents and closures on railway lines in the United Kingdom, St. Paul would have to charge its clients much higher rates if it could not recover for clients' losses from rail companies.

"Business interruption claims need to be handled as a trigger so maintenance is not valid. Valid claims include broken rails, floods or crashes—and clearly there have been lots of and acceptable rates or deductibles."

Last week, St. Paul International wrote to the Office of the Rail Regulator, asking for the CAHA rule to be reviewed.

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Railway

Continued from previous page

Reinsurers are likely to use the next few days," the insurer said in a statement.

"A lack of capacity in the retrocessional market and heavy losses from windstorms Lothar and Martin, which swept across Europe last December, means that reinsurance companies will need to be able to subrogate against third parties who are responsible for causing interruption to our clients' business," said Martin Hudson, Bedfordshire, that killed four people and injured 34.

"Whilst we remain committed to this industry sector, the events of recent weeks have made it clear that insurers will need to be able to subrogate against third parties who are responsible for causing interruption to our clients' business," said Martin Hudson, Bedfordshire, that killed four people and injured 34.

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receiving claims—particularly those relating to loss of freezer contents due to power cuts and the like—over the next few days," the insurer said in a statement.

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Election

Continued from page 1

reform or class-action reform. We know where his support and a lot of his financial backing has come from. We always know where Gov. Bush has been and what matters is what he has signed into law in Texas," said Robert Dibblee, senior vp-government affairs for the National Assn. of Independent Insurers in Washington.

Mr. Vagley cautioned that the defeat of two tort reform advocates—Sens. John Ashcroft, R-Mo., and Spencer Abraham, R-Mich., would make efforts to pass class-action reform legislation considerably more difficult.

Others were even less optimistic. "Even if Gov. Bush wins, we will continue to have frustrations on broad tort reform," said Joel Wood, senior vp-government affairs for the Council of Insurance Agents & Brokers in Washington. "Abraham's absence will hurt."

The lack of a clear mandate, however, may not have as great an impact on the chances for imposing some sort of federal oversight of the insurance industry. The Gramm-Leach-Bliley financial services bill, which lowered the barriers separating the banking, insurance and securities industries, formally takes effect Nov. 13. The issue of federal regulation—which once carried partisan overtones as former House Energy and Commerce Committee Chairman John D. Dingell, D-Mich., called for federal solvency oversight—looks likely to arise again.

"The conventional wisdom is that (the possibility of) a federal insurance regulator would be enhanced through the chairmanship of John Dingell, but I don't necessarily believe that to be the case given the openness of Mike Oxley to the issue," said Mr. Wood, referring to a possible Republican contender for chair of the Commerce Committee.

"No matter what happens in the shuffling of committee assignments that may occur or (in the) creation of a

new financial services committee, I believe that Oxley will clearly have a leadership role on financial services issues. Only Nixon could go to China; only a Republican could take leadership in making substantial progress on federal legislation that either forces state uniformity or creates a federal option," he said.

But, he added, a federal option is unlikely in the near future. What's more important "is there needs to be a drumbeat at the federal end or we're going to lose any momentum for the Nichols agenda at the NAIC," said Mr. Wood, referring to George Nichols III, the Kentucky insurance commissioner and current president of the National Assn. of Insurance Commissioners. Mr. Nichols has been promoting the idea that states seek uniformity on agent/broker licensing (*BI*, Feb. 14).

"I think that genie is out of the bottle. I think Gramm-Leach-Bliley made it politically correct to talk about federal regulation of insurance again," said the AIA's Mr. Vagley. He said it would likely become a "slow

but developing issue for the near future."

Mr. Dibblee noted that the divisions that remain within the industry regarding federal oversight will have an impact on how Congress approaches the subject.

"When we look at Congress in terms of our issues, there probably will not be any real effort to move any legislation where there's a lack of consensus, with no clear authority or majority. Anything that's controversial is going to have a difficult time being passed," he said. "I don't think a divided Congress is likely to get into issues where the affected industry is not united itself."

Another issue where Congress may have an impact is OSHA's proposed ergonomics standard, which could be issued as early as this week. Risk managers, insurers and employers in general oppose the proposed regulation and have been successful in convincing Congress to withhold funds for its promulgation.

"With Republicans narrowly in

control, Congress could block the ergonomics regulation. But whether that effort is signed into law would probably depend on the outcome of the presidential election," said RIMS' Mr. Barry.

While there is uncertainty over many close elections, starting with the presidency and working down the ballot, there is a certainty that the next Senate, at least, will have a greater pool of insurance knowledge to draw from when dealing with such issues as federal oversight. That's because two former or current insurance regulators—Sens.-elect Ben Nelson, D-Neb., and Bill Nelson, D-Fla.—won their respective elections to the upper chamber.

"It's beneficial to have more expertise in the Senate on issues that relate to insurance. They will be kind of calming voices saying, 'Let's be careful here. We need to make sure we do it carefully.' Having been in the NAIC, they'll understand what the NAIC is doing," said Mr. Dibblee of the NAII. **BI**

Gridlock

Continued from page 1

Medicare program, a compromise could emerge.

"That is the kind of issue where politicians will be held accountable if they don't act," said James Klein, president of the American Benefits Council, a Washington-based lobbying group that represents employers on benefit issues.

But compromise on another key issue—expanding the liability of health plans for coverage decisions—could remain as elusive as ever.

Mr. Klein said that if Gov. Bush wins, the White House would try to work more closely with Congress to develop a more mainstream approach to the issue. On the other hand, with Democrats picking up more seats in the Senate, they likely would continue to press for more sweeping legislation, believing they would have enough support to overcome a presidential veto. Depending on the outcome of the Senate race in Washington state and the presidential election, Republicans will have either a 51-49 margin, or the Senate will be evenly split.

"The (GOP) losses in the Senate will hurt in trying to come to a common ground on this issue," Mr. Klein said.

The current gridlock stands in stark contrast to the spirit of goodwill that usually follows in the wake of a presidential election.

Indeed, when Bill Clinton took office in early 1993, he did so riding a wave of popularity. As a result, he was able to win passage of the Family and Medical Leave Act within weeks of taking office.

In addition, other recent presidents have found it relatively easy to work with Congress throughout their administrations on important benefits-related legislation, while the two parties also were able to strike deals and reach bipartisan agreement. During the Reagan administration, several major tax bills were passed that significantly affected employee benefit plans, as was the case with the Bush administration.

Even as late as 1996 and 1997, compromise was the order of the day, as active negotiations between Congress and the Clinton administration resulted in passage of legislation that made it easier for employees to change jobs without losing health care coverage for pre-existing medical conditions, as well as a measure that boosted funding for Medicare health maintenance organizations.

But starting in 1998—and seemingly growing worse each year—politics has become more polarized in Washington, resulting in gridlock on several benefits-related measures, to say



nothing of other major proposals.

For example, despite passage months ago of different patient protection bills, Democrats and Republicans—as well as the White House—never met to try to work out an agreement. Similarly, a tax bill, which contains many pension provisions supported by employers, was a GOP-led effort that was opposed by many Democrats in Congress.

With an almost evenly divided Congress and a president elected by the slimmest of margins, many say it is hard to imagine how the situation could improve.

"If there is the same level of partisanship that we have seen over the last two years, little will get done. There will have to be a major transformation of attitude," said Hewitt's Mr. McArdle.

Still, despite the intense partisanship that is likely to continue, if not worsen, benefit experts do not entirely rule out the possibility that benefit measures could be passed during the next two years, though the specifics of current measures could change.

For example, if Congress does not act on the tax bill during the upcoming lame-duck session, that bill—and its pension provisions—certainly will return next year.

The fate of that measure, though, will be shaped by a number of variables. If Gov. Bush is elected, most observers believe there would be no veto threat; a Gore administration, however, could pose such a threat, they say.

On the other hand, because Democrats picked up more seats in Congress, GOP proponents of the bill might have to do more to ensure that more benefits go to lower-paid workers. Some congressional Democrats favor giving more pension tax breaks to lower-income employees.

The new Congress will see many new faces, including Hillary Rodham Clinton, who won the Senate seat left vacant by the retirement of Sen. Daniel Patrick Moynihan, D-N.Y.

Mrs. Clinton in 1993 was the director of the Clinton administration task force that developed a sweeping health care reform package that ultimately flopped.

While acknowledging her force of personality and political prominence, few believe the outgoing First Lady will play much of a role in benefit issues, at least initially, because she will rank near the bottom in seniority. **BI**

Six commissioners elected

Voters around the nation had plenty to consider last week, including new top insurance regulators, judges and ballot initiatives.

The two major political parties split the six states that elected insurance commissioners.

Democrats were elected in Montana, North Carolina and Washington state, while Republicans won in Delaware, Florida and North Dakota.

In Montana, newcomer Jim Morrison, a plaintiff's attorney, won 52% of the vote to beat Republican Joyce Schmidt and Rebecca Scott, a Natural Law candidate. Mark O'Keefe, the incumbent Democratic commissioner who was unable to seek a third term, lost a bid for governor.

In North Carolina, Democratic incumbent Jim Long won a fifth consecutive term, with 57% of the vote. His opponent, three-time challenger Mike Causey, is a business consultant and former insurance agent.

Washington state voters elected former Democratic congressman and state legislator Mike Kreidler, an optometrist, with 53% of the vote. His closest opponent was Republican Don Davidson, a dentist. Outgoing Insurance Commissioner Deborah Senn, who did not seek re-election, had lost a U.S. Senate bid in the primary.

In the GOP, Delaware incumbent Donna Lee Williams won a third term, with nearly 53% of the vote. She beat Democrat Karen Weldin Stewart, a certified insurance receiver.

Florida voters returned Republican Tom Gallagher to the post he held previously. The state's insurance commissioner from 1989 to 1995 and currently Florida's education commissioner, he defeated Democrat state legislator John Cosgrove. Mr. Gallagher will complete the two-year unexpired term of Bill Nelson, who won a U.S. Senate seat. Mr. Gallagher will be Florida's last elected insurance commissioner, because the post will become an appointed position after restructuring in 2002.

In North Dakota, Republican Jim Poolman, a state representative, defeated Democrat Gorman King Jr., a newspaper publisher and dental plan president, for the commissioner post vacated by Democrat Glenn Pomeroy, who lost a bid for attorney general. Meanwhile, his brother, Earl Pomeroy, also a former insurance commissioner, won re-election to the U.S. House of Representatives.

Few, if any, changes are expected among appointed commissioners. No changes are expected in Indiana, Missouri, New Hampshire, Utah and Vermont, where incumbent governors or fellow party members were elected and where they are likely to retain the

commissioners now in office.

In West Virginia, the situation is unclear, after the incumbent Republican governor lost to a Democrat. This may affect the future of Insurance Commissioner Hanley Clark, although he has served under both parties.

The business community closely watched state court races in Alabama, Michigan, Mississippi and Ohio.

In Alabama, Republican state court Judge Roy Moore was elected chief justice of the Supreme Court. Also winning high court seats were Republicans Lyn Stuart, Tom Woodall, Bernard Harwood and incumbent Champ Lyons Jr.

Michigan late last week was awaiting official results of its Supreme Court races, but all three Republican incumbent justices—Clifford Taylor, Stephen Markman and Robert Young—were expected to keep their seats.

In Mississippi, voters re-elected Supreme Court Justices Kay Cobb and Jim Smith, whom employers supported. Lenore Prather, the incumbent chief justice whom business groups praised for fairness and efficiency, was defeated by Chuck Easley, a self-employed attorney. Oliver Diaz, an incumbent high court justice who opposed tort reform as a state legislator, will face a runoff later this month against Circuit Court Judge Keith Starrett, whom employers supported.

Appellate court candidate David (Tony) Chandler, a plaintiff's attorney, defeated incumbent Judge D. Rock Moore III.

In Ohio, voters re-elected two incumbent Supreme Court justices, Democrat Alice Robie Resnick and Republican Deborah Cook, preserving the court's perceived anti-business majority.

Daniel Barry, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York, said, "With the status quo continuing on the court, the business community will have to turn its focus to opportunities in the Legislature to mitigate the impact of the court's anti-business decisions."

Among states considering ballot initiatives, Massachusetts voters defeated, 52% to 48%, a measure that would have set up a state health care council to review and recommend legislation for a universal comprehensive health care system. The proposed law would have barred the for-profit conversion of non-profit hospitals, health maintenance organizations and health insurers; it also would have required health insurers to guarantee certain rights to patients and health care professionals, starting in 2001.

Voters in Montana approved, 53%

to 47%, an initiative allowing the state's Board of Investments to invest 25% of the assets of the state's competitive workers compensation insurance fund in private corporate stock.

Elsewhere, the North Carolina labor commissioner race was still too close to call late last week. Democrat Doug Berger, deputy commissioner of the state's industrial commission, favors establishing a limited ergonomics standard. But his GOP opponent, state Rep. Cherie Berry, argues that even a limited standard would discourage economic growth.

Meg Fletcher, Joanne Wojcik, Roberto Ceniceros, Lee Fletcher, Jerry Geisel, Judy Greenwald, Mark A. Hoffmann, Dave Lenckus, Michael Prince and Gavin Souter contributed to this report.

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COMMENTARY

Reports offer history lesson

What a difference a year makes.

Annually, *Business Insurance* takes the pulse of the commercial property/casualty market at year end by calling risk managers, brokers, insurers and reinsurers to get their views of renewals.

For years now, buyers have told us that rates were either heading lower or, at worst from their viewpoint, there was no change in pricing. While insurers and reinsurers may have offered a different view, I tend to give the most credence to the renewal viewpoint of the buyers, because they are the ones getting out their checkbooks at the end of the transactions.

The buzz throughout 2000 has been that this will be the year that rates finally firm up. There is uncertainty, though, whether this means merely pockets of firmer pricing, or a truly ugly market hardening with across-the-board rate hikes, as was last seen in 1986 and 1985.

Until this year, renewal reporting was becoming almost monotonous for the repetition of the message that the market was still soft, with no signs of big price increases on the horizon. I know, because I went back and read them all for the past 16 years. From 1994 through 2000 renewals, there was little major change seen by the buyers of commercial insurance. The renewal report for 1995 summed up this period best:

If renewals resembled the terrain along Interstate 80, risk managers would be driving through Nebraska right now.

Words like "flat," "soft" and "stable" pop up most often when discussing January renewals. Rates are even beginning to come down in some previously restrictive specialty lines.

By the end of the decade, maybe an analogy to driving down Colorado's Loveland Pass would have been more apt from insurers' point of view. Before this extended period of soft pricing, 1993 bore witness to a brief change in the marketplace. Rates increased, especially in the property

market following hurricanes Andrew and Iniki in 1992, and so did expectations—albeit short-lived ones—among buyers in 1993 that the market was at last turning:

Flat rates or increases of less than 10% mark year-end renewals. However, many risk managers think Jan. 1 renewals may signal the end of the stubbornly soft commercial property/casualty market.

Well, we all know that "end" didn't last long, thanks, in part, to the influx of capital looking to make a buck off firming rates. Instead, the added capital had the effect of funding renewed competition—as if it had ever truly gone away.

In order to go back to the last hard market renewals, one has to return to 1986 and 1985, when the *Business Insurance* renewal reports sounded like an exercise in one-upmanship for superlatives. Fifteen years ago, we did not exclusively ask buyers what they thought of renewal conditions, so the perspective may reflect insurer panic more than buyer hysteria, but I think most risk managers would agree that the 1986 and 1985 renewals were nightmarish. From 1986 was this report:

January 1986 commercial property/casualty renewals are the most difficult ever—for all clients—brokers around the country agree.

Rate hikes, last year imposed primarily on large and difficult risks, are the norm this year, especially for liability insurance.

That largely echoed the 1985 report, which told of a market that seemed, at the time, about as bad as it could get:

For many risk managers and brokers, the current insurance renewal season is the worst ever.

Brokers report that the rapidly constricting reinsurance market is causing direct insurers to boost some liability insurance rates dramatically—as much as 300% to 500% in some lines. In addition, a lack of reinsurance is causing insurers to slash the capacity they offer in some lines, especially for high-layer excess and umbrella liability coverage.

Looking back to the 1984 and 1983 reports, it is clear that no one believed a hard market was coming. Those earlier reports even accused insurers of crying "wolf!" on the need to raise liability rates—and about as effectively as the boy in the folk tale.

So here we are, more than 15 years later, and insurers are again trying to manage buyer expectations of firmer pricing. Will buyers believe them this time? And even if rates firm at this year's renewals, will that pricing change last? Or will it grow ever harder in 12 months?

What a difference a year makes.

Editor Paul D. Winston's commentary appears fortnightly and on www.businessinsurance.com. He can be reached at pwinston@crain.com



Paul D. Winston

OSHA

Continued from page 2

with ergonomic-related injuries 90% of wages plus full benefits—to 90 days from six months. But insurers still view a federal benefit schedule for a particular class of injury as an intrusion into the state-based workers compensation system.

"From the insurance perspective, it doesn't change the basic nature of the issue, just the intensity of it. The question remains, can you compensate workers outside the workers compensation system?" asked Keith Lessner, vp-safety and environment for the Alliance of American Insurers in Downers Grove, Ill.

"Our understanding is that this is still a work in progress," said Daniel Barry, director-government affairs for the Risk & Insurance Management Society Inc. in New York. "The draft is dated Oct. 10. There were some improvements insofar as OSHA clarified some items that had been uncertain. We're also pleased that they tightened up the outside pa-

rameters of the work restriction protection insofar as they limited it to 90 days as opposed to six months. But none of this addresses our underlying concern. We still think the regulations are unnecessary and will lead to a misallocation of limited resources. Our big concern is the rumor that the regulations will be published soon, enabling OSHA to put the regulations into effect prior to the next president taking office," he said.

When asked about rumors that the final proposal would be published this month, possibly as early as this week, the OSHA spokeswoman only reiterated OSHA's intention to issue a final standard by the end of this year.

The Oct. 10 draft also causes concern because it leaves a number of key terms to be defined later. Because the term "general industry" isn't defined, employers can't be certain exactly whether they would be covered. The phrase "eliminate MSD hazards" also remains undefined. This omission is critical because the text of the proposal calls upon employers to control or "eliminate

MSD hazards" in several places.

The draft also includes a "basic screening tool" that spells out specific risk factors that could subject a workplace to coverage by the proposed standard if they are exceeded and an employee complains of a work-related MSD. These include such factors as the use of a keyboard or computer mouse "in a steady manner for more than four hours total in a workday." Earlier drafts had been far more general.

The Alliance's Mr. Lessner said: "The more specific you make it, the less applicable it will be. The more general you leave it, the more difficult it's going to be for anybody to know what you want them to do."

The Oct. 10 draft changes make the proposal "far worse" than that initially proposed by OSHA, said Jenny Krese, director-employment policy for the National Assn. of Manufacturers in Washington. She said the NAM would continue to attempt to block promulgation of the rule through legislation, adding, "We are fully prepared to take OSHA to court," if necessary. **BI**

Tobacco

Continued from page 2

More than 24 state and federal courts have concluded that class actions like the *Engle* case are inappropriate in smoking and health litigation, he said.

R.J. Reynolds issued a statement in which Daniel W. Donahue, senior vp and deputy general counsel, said federal court is the proper venue for the case, particularly in light of efforts by a labor union to intervene. Just before Judge Kaye issued his verdict in July, the Southeastern Iron Workers' Healthcare Plan had filed motions to intervene in the case and had asked that the case be moved to federal court.

The union was seeking permission to assert subrogation claims on behalf of itself, similar funds and insurers for reimbursement of claims paid to members of the *Engle* class.

Tobacco company defendants argued that the removal to federal court was proper because the subrogation claims are either brought under or pre-empted by the federal Employee Retirement Income Security Act.

U.S. District Judge Ursula Ungaro-Benages disagreed with the defendants' arguments for keeping the case in federal court and remanded it to Judge Kaye.

Mr. Donahue said Philip Morris aims to pursue its appeal in the state court.

In a separate case, tobacco companies are facing smuggling charges in litigation filed by the European Commission earlier this month in federal court in Brooklyn, N.Y. The E.C. suit charges that Philip Morris and Winston-Salem, N.C.-based R.J. Reynolds smuggled cigarettes into Europe to be sold on the black market. The European Commission is seeking to recover an undeter-

Philip Morris will fight this 'unprecedented attempt to utilize American courts to impose liability upon us,' says David R. Davies.

mined amount of unpaid customs duties and other lost income.

A Philip Morris statement last week said the company had not seen the complaint and would not comment on the allegations.

David R. Davies, vp of corporate affairs for Philip Morris Europe S.A., said the company does not understand why the European Commission chose to file suit in a U.S. court rather than address the issue through "regulatory and cooperative actions within the framework of the European Union."

He said Philip Morris supports the desire to "address the illegal trade in cigarettes, including the growing international trade in

counterfeit cigarettes" and will cooperate with "all interested parties" to attempt to prevent the activity. "However," Mr. Davies said, "we will vigorously contest the Commission's unprecedented attempt to utilize American courts to impose liability upon us."

The suit alleges violations of the U.S. Racketeering Influenced and Corrupt Organization Act and could cost the tobacco makers billions of dollars, according to a statement issued by the British anti-smoking group Action on Smoking & Health.

"The evidence suggests tobacco companies have played a controlling and orchestrating role in the global tobacco-smuggling racket," said Clive Bates, London-based director of ASH. And, he noted, "it is important that the authorities use whatever legal routes that are available to stop them in their tracks."

Meanwhile, talks were ongoing last week that Greensboro, N.C.-based Lorillard Tobacco Co. and Liggett Group of Miami hope will end in a deal that would settle smoking-related punitive damage claims.

The companies face a dozen suits in New York and reportedly have offered to pay \$8 billion over 30 years into a public health trust fund for treatment of smoking-related illnesses, smoking-cessation programs and medical monitoring. The proposal would allow plaintiffs to seek only compensatory damages against the companies.

Judge Jack Weinstein is hearing the suits in U.S. District Court in Brooklyn, and the cigarette makers are hoping he will be able to take jurisdiction of all punitive damages cases they face in the United States. The companies have said they believe that could protect them from the \$145 billion punitive damages award in the *Engle* case.

Edward L. Sweda Jr., senior attorney for The Tobacco Products Liability Project at Northeastern University in Boston, said that to "take punitive damages off the table" would end tobacco litigation as a way to hold cigarette makers liable for their actions. "It affects the rights of the people who are not part of the lawsuit in Brooklyn." The \$8 billion settlement over 30 years amounts to "pennies on the dollar" for the companies, he argued, and "would not deter business as usual." **BI**

Benefit consultant directory deadline is fast approaching

Business Insurance will publish its annual Directory of Employee Benefit Consultants in the Dec. 11 issue, which will also feature a Spotlight Report on employee benefits.

The directory is published as an editorial service; there is no charge to be included. Companies must simply submit a completed questionnaire by the extended deadline of Nov. 20.

To be eligible for the directory, a company must provide advice on benefit issues on a fee-for-service basis. Ineligible are companies that provide only

health care and other claims administration, compensation consulting or other general consulting unrelated to benefits or insurance brokerage. Companies must provide gross revenues for 1999 and estimated revenues for 2000. If your company meets the requirements but has not received a questionnaire, please contact Assistant Directory Editor Michel Schwartz at 312-649-5313 or via e-mail at mschwartz@crain.com. Questionnaires also can be downloaded from the *BI* Web site, www.businessinsurance.com.

Blanch

Continued from page 1

our customers and our shareholders and our employees is whether or not there are options available which will get us away from the noise, so that we can do what we have historically (done) so well with regard to the performance of our business activities," Mr. Blanch said.

Reinsurance market observers say the broker is a valuable property, but they express doubts about whether an acquisition, or even a management-led buyout, is likely in the short term.

"Blanch has always been a very innovative kind of firm, on the cutting edge, very aggressive," one observer said. "My guess is there is an enduring franchise there and there would be interest (among potential buyers), especially at these prices."

"Whether the company would entertain a transaction at these prices is another question," the observer added, alluding to the drop in Blanch's stock price to just above \$15 per share recently, from a high of more than \$70 last year. "I don't think Ted Blanch or the board would do a deal at these prices."

Taking the company private is another possibility, "but all the pieces you need to do it are not there yet," the market observer added.

While Blanch has cleared up several financial uncertainties with a series of third-quarter write-offs and revenue adjustments, the broker would still have to convince financial backers that its management could generate enough growth to boost Blanch's value for a future sale or public offering.

'Blanch has always been a very innovative kind of firm, on the cutting edge...' says an industry observer.

"Ted Blanch has not been able to restore the quality of management he had a year ago," the observer said. "Whether it's public or private, that's an issue for them."

In the conference call, Mr. Blanch emphasized that the broker is focusing on improving its financial performance at the same time that it reviews strategic alternatives, and he expressed optimism about its prospects.

"We have a company to run. It has a future. We're not sure, at this point, the context in which that future will play out, but it does have a future. It has a bright future," Mr. Blanch said. "It's been hit in the side of the head. It needs to be

fixed. We will fix it."

Blanch's troubles became public in March, when it reported lower-than-expected first-quarter earnings and disclosed that two top officers—Rodman Fox, president of Blanch's brokerage unit, and Paul Karon, an executive vp—had quit to join rival broker Benfield Greig Group P.L.C. (BI, July 31). Blanch, which was founded by Mr. Blanch's father in 1957 and which went public in 1993, saw its stock plunge from about \$55 a share to less than \$20 within days of the announcement. More Blanch officials subsequently departed, some for other competitors.

Blanch jolted investors again last week in announcing declines in revenues and earnings as of the end of the third quarter. Total revenues for the nine-month period were \$162.1 million, down 9.6% compared with the same period in 1999, while third-quarter revenues dropped 30.2% to \$41.1 million.

Earnings nose-dived to \$1.5 million for the first nine months, from \$28.1 million in the year-earlier period, while the third quarter produced an \$8.8 million net loss, compared with a \$10.8 million gain in the third quarter of 1999.

Included in the results are \$15.9 million in special charges, the largest of which was a \$7.5 million reversal of revenues booked in the second quarter on a reinsurance deal that Blanch brokered and that

was "renegotiated" in the third quarter. Blanch officials did not identify the parties in this deal, but analysts speculate that it involved Reliance Group Holdings Inc.'s now-abandoned sale to Leucadia National Corp.

Also among the charges were a \$3.2 million revenue reversal for placements involving the ill-fated Unicover Managers Inc., a \$2.9 million write-down of a Blanch investment and a \$1.6 million write-off of two other Blanch assets.

Meanwhile, Blanch also announced an expense reduction program, through which it plans to cut \$17 million of its costs. For the first nine months, Blanch's expenses totaled \$158.6 million. While saying that the program will involve cutting corporate overhead and divesting nonperforming operations, Mr. Blanch would not identify which operations might be cut, saying that a formal restructuring plan has not yet been approved.

Cuts in corporate overhead will produce about one-third of the planned savings and will include the sale of Blanch's corporate jet and a 40% to 60% reduction of Mr. Blanch's own salary, which was \$800,000 last year, not including a \$159,352 bonus. The broker will not ask "a whole lot of other people" to take pay cuts, Mr. Blanch said.

While the restructuring will likely involve staff cuts, those cuts will not affect services to clients, he added, though they may produce a fourth-quarter restructuring charge.

Looking ahead, Mr. Blanch projected a 5% increase in total revenues for the brokerage in 2001, compared with this year. That estimate, though, includes capital gains

for 2000 but not for 2001. Excluding capital gains, Blanch will generate a 10% increase in revenues next year, he predicted.

This level of revenue growth is slower than Blanch's historical growth rate, Mr. Blanch conceded. But one of Blanch's problems this year was its failure to generate enough new business to replace one-time brokerage deals that produced nonrecurring revenues last year, he explained.

One of Blanch's goals, he said, is "to develop future revenues where there is a higher component of renewable, sustainable revenue and, on a relative basis, a smaller component of nonrecurring revenue."

The tightening market will also help, Blanch officials say. Catastrophe reinsurance rates are up 10% to 15% while some clients with commercial auto business have seen premiums rise 15% to 20%, Blanch President Chris Walker told analysts.

Blanch's recent renewal of coverage for an offshore oil operation saw an expiring premium of \$900,000 rise to \$3.4 million, Mr. Blanch added.

Blanch's fight for revenue growth will be a struggle, though, and its turnaround effort may take time, some reinsurance market observers suggest.

"Companies don't change overnight. This company was going along very nicely, probably more nicely than was good for it," one observer said, noting that Blanch's past financial performance heightened investors' expectations. "The price they've had to pay for stumbling seems, to me, to be excessive." **BI**

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Singapore Air admits pilot error

SINGAPORE—Singapore Airlines has admitted liability for the Oct. 31 crash that killed 82 passengers and four crewmembers.

Preliminary findings of the Taiwan Aviation Safety Council investigation confirmed initial indications that the plane attempted to take off from the wrong runway at Taipei's Chiang Kai-shek International Airport, said Cheong Choong Kong, Singapore Airlines deputy chairman and chief executive officer.

"We accept this finding (and) are deeply distressed and very concerned," Mr. Cheong said. "It is critical that we understand exactly what happened and precisely what made the cockpit crew believe that they were on the correct runway."

The pilot of the Boeing 747-400, an experienced aviator with more than 11,000 logged hours, turned the jet onto a closed runway by mistake and plowed into parked construction equipment, causing the jet to burst into flames. The hull was valued at \$124 million.

Singapore Airlines has offered thousands of dollars in compensation to the family of each deceased passenger and crewmember. The airline has also said it will meet the medical expenses of injured passengers and crew and will discuss compensation with each of them.

Mr. Cheong said it was important for the airline to establish what led to the error. "We will be looking at human factors, and also what could be done to make airports safer. Once the answers are established, we will take whatever action is necessary to ensure this tragic accident doesn't happen again," he said.

The crash was Singapore Airlines' first major accident in 28 years of operation, and it occurred as a typhoon with 80-mph winds loomed off Taiwan's southern coast.

Singapore Airlines' liability and hull coverage is led by Westminster Aviation Insurance Group of London, with other international markets writing portions of the risk. The airline carries liability insurance limits of \$1.75 billion.

London-based Willis Group Ltd. is the lead broker, while Aon Group Ltd. in London co-brokered the placement.

Japanese medical plan in trouble

TOKYO—Millions of Japanese workers will face premium increases if a government-run medical plan is to be kept afloat.

The plan, which covers approximately 20 million workers employed by small companies, will be broke by the end of March 2002 if premiums are not increased, according to Kazuhito Ihara, deputy director of the planning division in the Health Insurance Bureau at Japan's Ministry of Health and Welfare in Tokyo.

Mr. Ihara said it is not known how much more employees would have to pay to keep the medical plan running. "That is under discussion now," he said. Employees now pay 4.25% of their wages for medical coverage, an amount matched by employers.

The plan's current surplus of about \$7 billion and its premium income is enough to keep it operating until the end of the 2001 fiscal year, Mr. Ihara said. "It means we have to raise premiums," he said. "If we keep the present system, it will be bankrupt."

The plan faces bankruptcy in part because of heavy expenditures on claims payments made to an aging population, Mr. Ihara pointed out. The plan's revenues have also taken a hit in Japan's sluggish economy, he noted.

Mr. Ihara said workers, particularly younger workers, are protesting the possible premium increases, because they expect those costs to continue to escalate as the average age of the population goes up.

Briefly noted

Mark L. Pabst, 54, retired from his position as president and chief operating officer of The St. Paul Cos.' international insurance operations. Mr. Pabst spent 12 years with the St. Paul, Minn.-based insurer. His responsibilities will be split between Kent Urness, 52, formerly head of the company's European insurance operations and now senior vp and global specialty practice leader, and Michael Schell, 50, president and chief operating officer of global reinsurance. **Texas Workers' Compensation Insurance Fund** expects to pay out about \$25 million in policyholder dividends later this month. The WCIF is proposing to pay the dividends to qualifying employers with policies that expired in 1999 and certain other long-time policyholders. Approximately 22,000 employers are eligible for the payments; policyholders in the fund's insurer-of-last-resort program are not eligible, though. **XL Capital Ltd.**'s profits for the first nine months of 2000 were \$505.7 million, a 23.4% rise over the comparable period in 1999. Gross revenues for the Hamilton, Bermuda-based insurer rose 14.1%, to \$2.02 billion. The increases, though, were largely due to the addition of results from NAC Re Corp. and ECS Inc., which XL bought last year. Those companies' results were not included in XL's first-half results for 1999. **CNA Financial Corp.** has reported net operating income of \$262 million for the first three quarters of 2000, a 69% increase from the same period last year, though net operating income for the first nine months of 1999 did include \$46 million of aftertax charges related to restructuring. **London-based broker Jardine Lloyd Thompson Group P.L.C.** has named Steve McGill deputy chief executive. Mr. McGill, currently a director of JLT and chief executive of JLT Risk Solutions, will take over the post in January 2001 and will also continue in his role as chief executive of JLT Risk Solutions. **American Re-Insurance Co.** reported a loss of \$22.7 million for the first nine months of 2000, compared with a profit of \$107.1 million for the same period in 1999. The loss stems from increases made to loss reserves in 2000 and lower capital gains, an American Re statement said. Gross revenues for the first nine months increased 10.6%, to \$2.72 billion.

Viruses

Continued from page 1
cano, tsunami, flood, freeze or weight of snow."

Germany's Munich Reinsurance Co., the world's largest reinsurer, also is seeking to clarify its position on virus coverage during the current renewal season.

"We want to make it clear that the consequential loss associated with IT malfunction and data loss is not covered automatically under property reinsurance," said Franz Hertl, a marketing director at Munich Re who is responsible for industrial insurance clients in Germany.

As a result, Munich Re is stating in its contracts that physical damage to property shall not include any damage to data, software and programs caused by deletion, corruption or defamation of the original structure, he said.

Other reinsurers are likely to change contract wordings to exclude

it will go."

The insurance market for computer risks is growing and includes such underwriters as American International Group Inc., Chubb Corp., Zurich Financial Services Group and Lloyd's of London underwriters; and some specialized insurance policies do cover losses caused by wild viruses, brokers say.

Chris Cotterell, director and co-founder of London-based specialist broker Safeonline Ltd., said 60% to 70% of the dozen or so underwriters specializing in computer risks are now willing to offer coverage for viruses, but only when the risk is properly assessed and mitigated by IT experts.

In the meantime, risk managers should check on whether their existing policies cover computer-related risks, brokers advise.

Risk managers need to determine whether they are covered for computer risks, Ms. Hansford-Smith said. "A lot of clients are in that process now. They are doing insurance

'There is no way to control the huge loss potential and exposure from accumulation of claims caused by computer virus or Internet problems,' says Franz Hertl of Munich Re.

the accumulation of information technology losses, Mr. Hertl believes.

Munich Re is prepared to reinsure companies that underwrite IT risks if underwriting is in line with certain preconditions, he said. While risk managers can buy specialized insurance for IT equipment and operations, this coverage would normally exclude losses from the "uncontrolled spread of a computer virus," a threat termed a "wild virus," Mr. Hertl said.

Symantec Corp., which produces anti-virus software, says that "a virus that has been found in more than one organization or company is called an in-the-wild virus. Currently, approximately 250 viruses exist in the wild."

These viruses can be malignant, destroying data or corrupting files and equipment, or benign, such as displaying a message or slowing system performance. Wild viruses also create significant expenses in terms of downtime and staff needed to fix and eliminate them.

One such wild virus, the Love Bug, spread rapidly via e-mail in May, crippling e-mail systems around the world and destroying some files (BI, May 15). It's estimated that the virus cost business more than \$1 billion due to system shutdowns and efforts to eradicate the bug. Another example of a wild virus was 1999's Melissa virus, which also spread worldwide via e-mail, corrupting certain Microsoft Corp. software.

"There is no way to control the huge loss potential and exposure from accumulation of claims caused by computer virus or Internet problems," Mr. Hertl said.

Insurance and reinsurance underwriters stress that traditional property/casualty policies are not intended to cover such risks as viruses, but courts have not yet tested the denial of coverage for such claims.

The wordings of large commercial insurance policies are "quite wide and encompass a wide area. Although e-commerce risks were not necessarily intended to be covered, it has never been tested in court," said Lisa Hansford-Smith, e-commerce and intellectual property practice leader of FINPRO in London, the financial and professional services unit of brokerage Marsh Inc. "It is a difficult challenge for reinsurers, who are seriously looking at wordings and treaties and have no idea which way

gap analysis and, where coverage looks vague, they are getting wordings clarified and seeking additional coverage," she said.

While most policyholders would prefer to extend their existing insurance programs to cover IT exposures, most underwriters are not willing to do so because "they don't yet understand the risk; it is too new to quantify, and reinsurance capacity is not readily available," she said.

The main option for risk managers seeking such protection is to buy specialized computer coverage, such as Marsh's Netsecure, which is a difference-in-conditions policy led by Lloyd's underwriters that sits alongside existing insurance programs, said Ms. Hansford-Smith.

Stuart Martin, chairman of the e-commerce and special interest group of the Assn. of Insurance & Risk Managers in London, said risk managers who are aware of their computer risks and seeking protection are not finding much help in the insurance market.

Risk managers have had no luck amending their insurance programs to cover these electronic risks because "traditional underwriters won't touch it," and while the major brokers are putting together specialized policies to "fill in the gaps," the "policy wordings are very restricted, the capacity is limited and the cost is high," said Mr. Martin, group insurance manager for construction and civil engineering company Balfour Beatty P.L.C.

In addition, most of the specialized computer risk coverage does not cover wild viruses, he said.

As a result, risk managers concerned about the risks are relying on risk management policies and procedures to minimize their loss exposures. These include adopting strict information technology security policies and codes of practice for employees, such as how to deal with e-mails, and relying on outside consultants for advice on how to protect themselves from viruses.

Computer-related risks now are such a fundamental exposure for most businesses that, eventually, the insurance industry will have to cover them as part of property/casualty insurance programs, Mr. Martin said. "It's a question of how long it's going to take. Everyone is becoming aware of the risk. The insurers don't under-

stand it yet and don't want to play at the moment, but this is a fundamental day-to-day risk facing businesses now," he said.

At AIRMIC's annual meeting earlier this year, a survey of risk managers found that three out of four companies lack coverage for computer risks, including the threat of damage from viruses and hackers (BI, June 19).

One leading provider of specialized computer coverage is Robert Goldhawk, a senior underwriter for Lloyd's syndicate 33, managed by Hiscox P.L.C.

Hiscox offers policies to cover computer and technology risks, as well as custom wordings to cover losses from such risks as hacker attacks, denial-of-service attacks and extortion.

The syndicate has seen "phenomenal growth" in U.S. clients in the last two years and increasing U.K. interest in the last six months. Mr. Goldhawk estimated that 70% of his clients are e-commerce companies, and 30% are traditional "brick and mortar" companies with computer-related exposures. Demand from the latter sector, he said, is quickly increasing.

Mr. Goldhawk said he stresses to clients, however, that wild viruses—those not aimed at the policyholder—are not covered by any of the syndicate's policies.

"This is because of the problems of aggregation and the reinsurers' stance," he said, adding that "it became obvious after Melissa that we would be mad to give such cover."

In the United States, reinsurers are concerned about potential losses but aren't moving to add coverage exclusions.

William L. Munson, president and chief operating officer of Morristown, N.J.-based Toa Reinsurance Co. of America, said, "It's a sensitive issue, but we don't at this point plan to put any exclusions in that we don't think are already" in the primary policy.

Gene Mason, second vp and errors and omissions practice leader for Overland Park, Kan.-based Employers Reinsurance Corp., said he believes coverage for intentional acts such as viruses and comparable disruptions already are not covered under ERC's current policies. "Under our traditional policies, we don't feel we're supporting policies out there that cover viruses or hacking," he said.

ERC has "spent the last couple of years looking at the exposures and trying to get our hands around what we think the pricing ought to be and how we properly underwrite...that type of exposure," he said. "From a reinsurance standpoint, we're not at this point in time comfortable providing security breach coverage," though the reinsurer may do so in the future if ERC can find a way to properly price and underwrite it, said Mr. Mason.

Henry Keeling, CEO of XL Re which is the reinsurance division of Bermuda-based XL Capital Ltd., said, "XL Mid Ocean (Reinsurance Ltd.) considers this to be a significant issue that has only recently become apparent in our industry, especially for property catastrophe writers, and we are currently considering our position in this regard."

A spokeswoman for the Hartford Conn.-based Hartford Financial Services Group Inc., addressing the issue from the perspective of a reinsurance buyer, said in a statement, "Yes, reinsurers have expressed concern about the potential exposure of computer viruses and similar types of occurrences."

Although The Hartford has not seen any proposals yet in this area "we'd have to look at any restrictions in coverage carefully before we'd be comfortable accepting them."

Judy Greenwald contributed to this report.

FOR THE RECORD

Excerpts from BI's Daily Online Updates, Nov. 6 - Nov. 10, 2000

GLOBAL RISK EXCHANGE NAMES CEO Paul R. Daoust has been named chairman and chief executive officer of Global Risk Exchange, an independent property/casualty commercial insurance exchange. Mr. Daoust is a former chief operating officer of Watson Wyatt Worldwide. Prior to joining Global Risk Exchange, he consulted with emerging companies through his own firm, Daoust Consulting L.L.C. Global Risk Exchange co-founder and former CEO Andrew Berry remains with the company as president and chief operating officer. Headquartered in Providence, R.I., Global Risk Exchange is an Internet-based property/casualty insurance exchange that gives large corporations direct access to insurance markets.

and take the "Movie Tour." Customers also can e-mail the company at support. MyReinsurance@ercgroup.com, or call 888-776-6973.

LLOYD'S

LLOYD'S IN CHINA Lloyd's of London has been granted permission by Chinese regulators to open a representative office in Beijing. The office is expected to open on Nov. 28, Lloyd's said. "The Chinese market is extremely important for Lloyd's," Lloyd's Chairman Max Taylor said in a statement. "We have been writing foreign currency reinsurance in the country since the 1970s. This approval for us to open an office in Beijing will further strengthen our presence and allow us to build closer links with regulators, officials and the Chinese market." Mr. Taylor said the opening of the Beijing office is a major step forward in Lloyd's aim of strengthening its franchise overseas.

ADVANTAGE CARE SUPERVISED Due to Advantage Care Inc.'s financial difficulties, the Kentucky Department of Insurance announced last week that state regulators will supervise the daily operations of the Lexington, Ky.-based health insurer. Kentucky Insurance Commissioner George Nichols III announced in a written statement that Advantage Care and state insurance officials agreed to the state takeover so that policyholders, providers and potential creditors would quickly know that the insurer is no longer able to meet minimum financial requirements. Additionally, Mr. Nichols said, the Department of Insurance and Advantage Care want to protect policyholders and give them time to find other insurers. Autonomous company operations could end as early as Dec. 31, according to the statement. Advantage Care provides health insurance to at least 36,000 policyholders in 55 counties of central and eastern Kentucky.

FRANK HONORED Eileen Frank, president of J.P. West Management & Financial Services, was the honoree at this year's National Insurance Industry Assn. of New York awards luncheon, which was held last week. The annual event honors an individual who has made distinguished achievements in the insurance industry. Ms. Frank founded J.P. West in February to offer services to purchasing groups and to create alternative risk financing programs. Previously, Ms. Frank was vp and director of underwriting operations and compliance at GAN North America Insurance Co. The NIIA was formed in 1973 to provide a forum for minority professionals in the insurance industry.

ST. PAUL GAINS The St. Paul Cos. Inc. has reported revenues of nearly \$6.39 billion for the first three quarters of the year, a 13.5% increase from the company's first nine months of 1999. Net written property/casualty premiums stood at more than \$4.38 billion for the first three quarters, a 10.9% increase from the comparable period in 1999. St. Paul's combined ratio for the first nine months of 2000 was 104.5%, down from 107.9% during the same period in 1999. Operating earnings for the first nine months of 2000 were \$481.1 million, up 0.1% from 1999's first three quarters. St. Paul's commercial lines group brought in more than \$1.25 billion in net written premiums during the first three quarters of the year, up 12.1% from the first nine months of 1999. The combined ratio was 95.7% for the commercial lines group in the first nine months of the year, down from 115.2% during the first three quarters of 1999. The company posted \$900.5 million in net written reinsurance premiums during the first three quarters, a 15.1% increase from the same period in 1999. The company's combined ratio from reinsurance underwriting rose to 109.0% for the first nine months of the year from 93.1% during the first three quarters of last year.



BRIEFLY NOTED President Clinton last week signed into law the Needlestick Safety and Prevention Act, a bipartisan measure designed to protect health care workers from job-related injuries. Among other things, the measure requires employers to keep more detailed records of injuries caused by contaminated "sharps," including needles and lancets.... Shareholders of HSB Group Inc. have approved the \$1.2 billion sale of the specialty engineering insurer to American International Group Inc. The deal, which still needs regulatory approval, is expected to close before year end.... Factory Mutual Insurance Co. has renamed its boiler and machinery reinsurance services unit Mutual Boiler Re. The Malvern, Pa.-based FM Global unit, formerly known as ABMS, provides property breakdown treaty reinsurance and related services to insurers in North America.... The Worldwide Broker Network added five new broker members at its recent conference, held in Zurich, Switzerland. Aegis International Insurance Corp. of Puerto Rico, Alianza Intermediarios de Seguros of Panama, Central Insurance Brokers of Scotland, Harmonia Corretora de Seguros of Brazil and London Brokers of Romania joined the global network of independent brokers, which has members in more than 55 countries.... BIS-Net, an employee benefits application service provider, has expanded its headquarters in Concord, Calif., and opened regional sales offices in Dallas, Denver and Los Angeles. BIS-Net provides employee self-service enrollment, information, education and employee benefits administration services using Web technology.... Alex Swedlow has been named to the newly created position of executive vp of research and development of the California Workers Compensation Institute, an Oakland-based non-profit organization that serves as the research arm of the state's workers comp industry. Mr. Swedlow has been a consultant to the CWCI for several years. **BI**

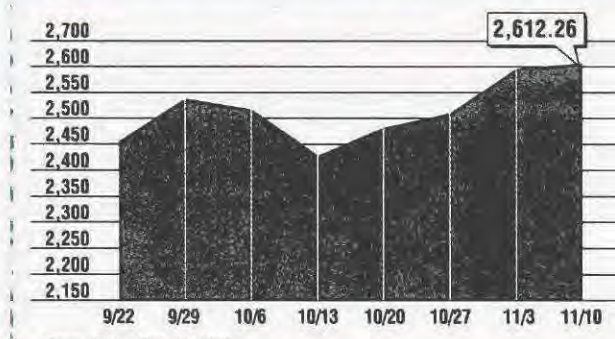
To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

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BI Industry Stock Report NOV. 6, 2000, THROUGH NOV. 10, 2000

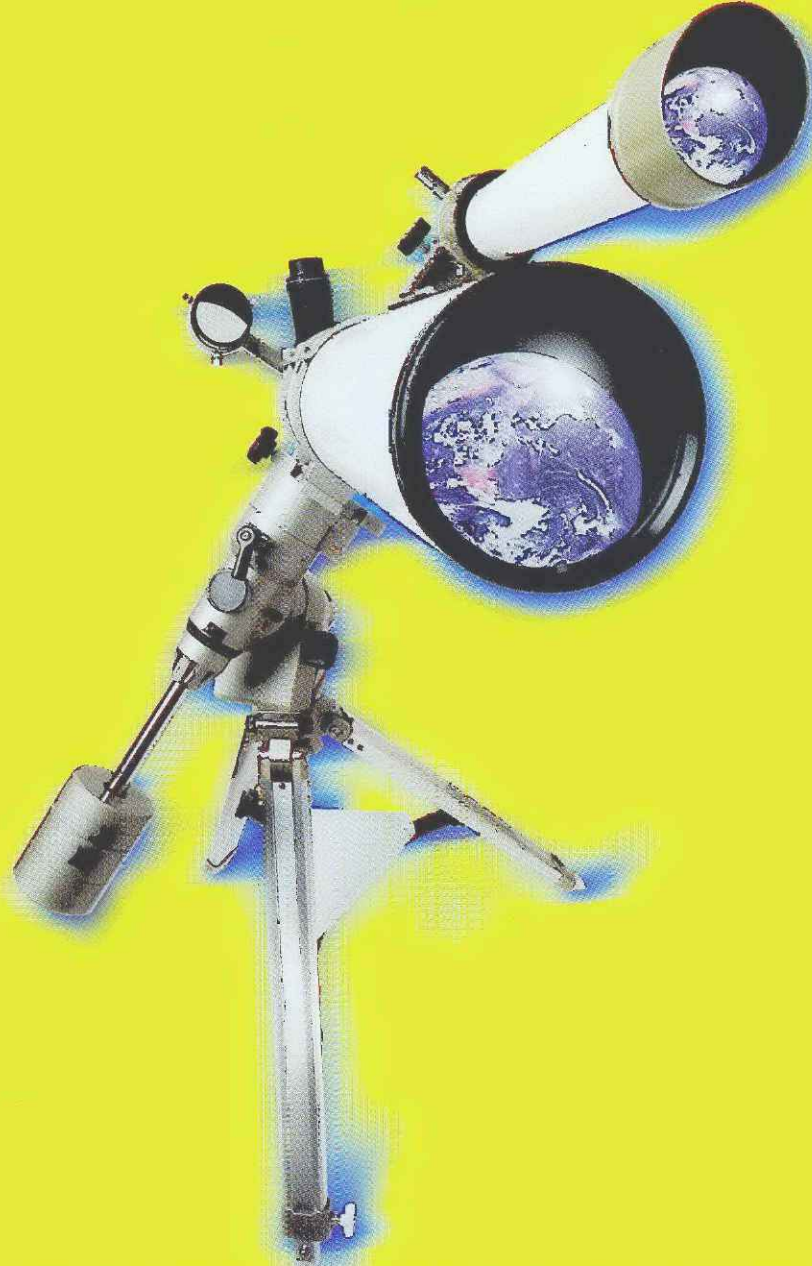
BROKERS				INSURERS/REINSURERS				HEALTH MAINTENANCE ORGANIZATIONS				ALL COMPANIES											
Company	Price	Weekly % change	Year to date % change	High	Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	High	Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	High	Low	Vol.(000)			
Aon Corp.	NYS	31.13	-3.53	-22.19	42.75	20.69	16412	Gaisco Inc.	NYS	3.75	-7.69	-30.23	6.36	3.50	222	Vesta Insurance Co.	NYS	4.88	-2.50	25.81	7.88	3.44	80
Brown & Brown	NYS	30.50	-9.96	59.22	34.81	15.63	145	Harleysville Group	NDO	21.63	-3.35	51.75	23.13	11.63	239	XL Capital Ltd.	NYS	75.81	4.12	46.14	80.00	39.00	2341
Clark Barodes Holdings	NDO	11.25	-10.89	-21.74	17.88	8.50	19	HSB Group Inc.	NYS	40.19	1.90	18.85	40.63	21.50	1222	Zenith National Ins.	NYS	23.81	1.87	15.45	24.94	18.75	143
E.W. Blanch Holdings Inc.	NYS	16.00	5.79	-73.88	64.75	13.00	1343	HOC Insurance Holdings	NYS	22.63	13.13	71.56	22.94	10.06	774	INSURERS/REINSURERS	AVERAGE		2.40	15.29			
Gallagher Arthur J. & Co.	NYS	60.00	0.00	85.33	64.44	23.06	603	ING Groep N.V.	NYS	72.06	0.09	18.14	72.88	46.81	623	HEALTH MAINTENANCE ORGANIZATIONS							
Hib. Rogal & Hamilton	NYS	40.81	1.40	44.47	42.13	25.00	71	IPC Holdings Ltd.	NDO	22.13	14.94	48.74	22.13	9.75	422	Health Net Inc.	NYS	20.75	0.00	106.81	21.88	6.63	0
Kaye Group Inc.	NDO	7.75	-10.79	-7.46	11.88	5.00	28	Hartford Financial Services	NYS	75.75	5.21	59.99	78.69	29.38	3838	Humana Inc.	NYS	13.63	7.92	66.41	13.63	4.75	5177
Marsh & McLennan	NYS	126.81	-1.12	32.53	135.69	70.50	4364	John Hancock Financial Services	NYS	31.00	7.13	82.35	32.00	13.44	6402	Oxford Health Plans	NDC	37.38	7.36	194.58	37.38	10.63	7350
BROKERS	AVERAGE		-2.45	23.37				LaSalle Re Holdings Ltd.	NYS	18.88	0.00	14.39	19.38	10.88	0	Pacificare Health Sys.	NDC	14.00	16.06	-73.58	72.31	9.81	7091
ACE Ltd.	NYS	40.13	2.72	140.45	42.50	14.06	3951	Lincoln National	NYS	48.31	4.32	20.78	56.38	22.63	3521	Sierra Health Services	NYS	5.88	0.00	-12.15	10.00	2.44	604
Accel International Corp.	NDO	0.44	-14.31	-56.30	1.19	0.40	10	MAIC Holdings Inc.	NYS	13.50	0.00	-36.28	23.80	10.00	136	United HealthGroup	NYS	113.00	6.48	112.71	117.00	46.38	7431
Acceptance Insurance Cos.	NYS	5.38	-2.27	-6.52	15.13	2.75	22	Market Corp.	NYS	144.44	-1.70	-6.81	174.88	111.50	118	Wellpoint Health Networks	NYS	114.00	0.11	12.69	121.50	56.63	4205
AEGON N.V.	NYS	39.25	-3.66	-17.80	49.13	31.50	642	MBA Insurance Group	NYS	67.75	2.94	28.28	75.25	36.31	2010	HMOs	AVERAGE		5.42	67.09			
Aetna Life & Casualty	NYS	63.69	0.69	14.11	73.69	38.50	3545	Meadowbrook Insur. Group	NYS	4.75	8.57	-27.62	8.75	3.94	11	ALL COMPANIES		1.79	35.25				
AFLAC Inc.	NYS	72.38	-3.49	53.38	74.94	33.56	5038	MetLife	NYS	29.88	13.27	109.65	29.88	14.25	9954								
Allmerica Financial Corp.	NYS	63.69	3.03	14.49	67.19	35.06	1155	Mutual Risk Mgmt. Ltd.	NYS	18.69	0.00	11.15	23.75	12.50	483								
Allstate Corp.	NYS	38.13	4.27	58.44	40.31	17.19	11199	Navigator Group	NDO	13.38	0.00	37.18	14.13	8.63	8								
Amibac Financial Group	NYS	73.50	-0.84	40.84	83.38	38.88	1503	NYMagic Inc.	NYS	16.25	2.36	23.22	16.25	12.25	15								
American Financial Group	NYS	21.19	4.31	-19.67	30.25	18.38	343	Ohio Casualty Corp.	NDO	8.13	-8.77	-49.42	17.88	6.13	680								
American General	NYS	79.19	1.85	4.37	82.19	45.63	3674	Old Republic Int'l.	NYS	25.00	4.17	83.49	27.81	10.63	1935								
American Intl Group	NYS	100.19	5.53	38.99	100.88	52.38	19945	Partner Re Ltd.	NYS	57.00	8.70	75.72	57.00	28.38	1293								
American Safety Insurance	NYS	6.50	28.40	0.00	7.38	3.25	31	Penn-America Group Inc.	NYS	7.19	-5.74	-7.26	9.75	6.63	19								
Argonaut Group	NDO	16.50	-4.35	-16.98	25.13	14.44	169	PMA Capital Corporation	NDO	16.00	-7.25	-19.50	20.06	15.38	36								
AXA-LIAP Group	NYS	68.75	-2.74	-3.17	81.50	58.25	1993	Philadelphia Cons. Holding	NDO	25.00	2.04	72.41	25.50	14.13	148								
Baldwin & Lyons Inc.	NDO	18.75	-0.83	-15.25	23.94	15.25	29	PXRE Corp.	NYS	13.88	0.00	6.73	17.56	9.94	82								
Berkley W.R. Corp.	NDO	38.25	3.94	73.65	37.13	14.00	317	Reliance Group Holdings	NYS	0.06	0.00	-99.06	7.75	0.06	5700								
Berkshire Hathaway Inc.	NYS	62200.00	-3.57	10.67	65600.00	40800.00	2	ReliaStar Financial Corp.	NYS	53.94	5.00	37.64	53.94	23.75	0								
Capitol Transamerica Corp.	NAS	11.75	-3.09	16.77	13.25	9.38	13	RenaissanceRe Holdings Ltd.	NYS	70.50	0.22	72.48	77.75	35.88	918								
Chubb Corp.	NYS	84.63	4.80	50.28	86.38	43.25	3600	RLI Corp.	NYS	41.31	5.09	21.61	41.38	26.25	46								
CIGNA Corp.	NYS	129.14	11.24	60.30	129.14	60.75	5011	St. Paul Cos.	NYS	50.50	4.94	49.91	51.88	21.31	4883								
Cincinnati Financial Corp.	NYS	36.50	-3.15	14.51	43.31	26.19	1146	SCOR	NYS	47.56	1.08	7.49	53.63	38.38	24								
Citigroup	NYS	51.50	-4.52	23.00	59.13	35.34	50778	SAFECO Corp.	NDO	23.25	-1.85	-6.53	30.69	18.00	2992								
CNA Financial Corp.	NYS	36.13	4.14	-7.22	42.13	24.56	292	SCPIE Holdings Inc.	NYS	21.56	5.50	-32.88	36.94	18.31	NA								
CNA Surety	NYS	11.56	-1.07	-11.06	14.94	9.81	62	Seibels Bruce Group	NDO	0.84	-15.63	-51.79	3.88	0.53	366								
EMIC Insurance Group Inc.	NDO	9.81	2.61	7.53	11.38	6.81	8	Selective Ins. Group	NDO	19.88	11.38	15.64	20.38	14.63	314								
ESG Re Limited	NDO	3.06	-10.91	-55.86	7.75	2.50	21	Tokio Marine & Fire	NDO	56.00	-1.97	-5.29	67.00	45.00	82								
Enhance Financial Services	NYS	14.25	5.07	-12.31	19.31	8.63	1077	Torchmark Corp.	NYS	33.94	3.43	16.77	36.00	18.75	1740								
Everest Reinsurance	NYS	61.25	13.03	174.51	61.25	20.69	2750	Transatlantic Holdings	NYS	93.00	1.09	19.14	95.75	68.75	55								
Fremont General Corp.	NYS	4.81	32.76	-34.75	9.63	2.69	1327	Trenwick Group Inc.	NYS	21.63	7.79	27.68	21.63	12.00	686								
Frontier Insurance Group	NYS	0.38	-20.00	-89.09	7.00	0.19	1031	Unico American Corp.	NDO	19.75	6.90	10.71	8.25	4.50	23								
								United Fire & Casualty	NDO	19.75	12.88	-12.71	23.38	15.50	39								
								Unitran	NDO	29.94	-3.23	-20.43	39.75	27.19	194								
								UNUM Corp.	NYS	29.63	6.76	-7.60	36.19	11.94	2881								

BI Insurance Index



Top advancing issues: Fremont General Corp., American Safety Insurance, Pacificare Health Sys. Leading decliners: Frontier Insurance Group, Seibels Bruce Group, Accel International Corp. Most active issue: Citigroup. The BI Index rose 0.6%; the Dow Jones 30 Industrials decreased 2.0%; the S&P 500 went down 4.3%, and the NYSE Composite dropped 2.3%. Average P/E: Brokers, 22.7; Insurers/reinsurers, 27.7; and HMOs, 15.4.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.



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