

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$1.75 a copy; \$68 a year

© Entire contents copyright 1988 by Crain Communications Inc. All rights reserved

M&M to receive \$52 million to settle bond-trading claims

NEW YORK—Marsh & McLennan Cos. Inc. expects to receive \$51.9 million in a settlement of various claims arising from the 1984 bond-trading debacle that cost the brokerage \$165 million in pre-tax losses.

The Nov. 4 agreement will settle a consolidated derivative class action lawsuit filed by M&M shareholders after the brokerage's April 1984 announcement that employees of its treasury department, acting against company rules, *Continued on next page*

ISO postpones controversial CGL alterations

By JUDY GREENWALD

NEW YORK—Controversial proposed changes to the Insurance Services Offices Inc.'s commercial general liability insurance forms are on hold indefinitely.

The proposals, which had been set to take effect Feb. 1, have been blasted by risk managers and brokers as another attempt by ISO to limit coverage for consumers.

ISO has proposed to:

- Exclude all pollution-related losses from CGL coverage through an endorsement. However, ISO also has proposed another endorsement that would extend coverage for pollution losses except for cleanup costs and emissions from waste facilities and underground storage tanks, under a separate aggregate limit.
- Exclude coverage for employment-related practices.
- Deny additional named policyholders on a claims-made policy the right to purchase tail coverage.
- Limit liquor/host liability coverage.

ISO says it now will wait until 35 states have approved all the proposals before printing new forms, an ISO spokesman said Thursday.

"We wanted to make sure we had a critical mass" in order to change to the new forms in a cost-effective way and to allow for orderly implementation of the changes, the spokesman said.

To date, 31 states have approved ISO's proposed pollution coverage endorsements, while 22 states have approved the other policy changes proposed by ISO. However, only 21 states have approved both the endorsements and the policy changes.

The ISO spokesman denied there was any connection between the decision to postpone implementation of the proposals and a hearing earlier this month at which risk managers, the Risk & Insurance *Continued on page 71*

Prop. 103 creates chaos in California

By GLENN HUNTLEY and DONNA DiBLASE

SAN FRANCISCO—Most commercial property/casualty insurance rates in California already are lower than required under a voter-approved proposition mandating rate reductions across many lines of insurance.

Nonetheless, risk managers in California are worried that they will lose markets as insurers abandon their state in response to the proposition's mandate.

Insurers contend that Proposition 103's mandated rate reductions threaten their solvency.

Standard & Poor's Corp. said Friday that it likely would lower some insurers' credit ratings if the proposition survives legal challenges.

"The near-term impact (of Proposition 103) is clear: deterioration of the creditworthiness of many insurance companies," S&P said Friday.

Although triggered by consumer revolt against high personal automobile insurance premiums, Proposition 103 requires insurers to roll back for one year almost all property/casualty insurance rates to a level 20% lower than November 1987 rates. The reductions must be granted on new policies and upon renewal of existing policies.

Exempt from the proposition are workers compensation, marine insurance and reinsurance rates. The effect on surplus lines rates, however, is unclear.

After Nov. 8, 1989, all rate increases in lines governed by the proposition will have to be approved by the California Insurance Department before they can be implemented.

The immediate effective date of the proposition, however, was stayed last week by the California Supreme Court pending its ruling on lawsuits filed by the insurance industry charging that the mandated rate rollback is unconstitutional.

The temporary stay against all provisions of the controversial measure was granted Thursday, less than 48 hours after California voters approved the initiative and rejected four other insurance-related propositions, including a no-fault auto insurance plan and a measure to limit attorneys' fees. Both of these proposals were backed by a \$60 million insurer-financed campaign (see story, page 78).

It was the worst possible outcome for the insurance industry.

Most commercial property/casualty insurance rates charged today in California, however, already are at least 20% less

than the rates charged in November 1987 due to recent widespread rate competition in the commercial insurance marketplace. If taken literally, the proposition could force rate increases for some commercial property/casualty lines.

Noting that the proposition would have little effect on the results of American International Group Inc., President Maurice R. Greenberg said in a statement Thursday: "The vast majority of our business in California is in commercial lines, where rates are already at the level required by the proposition."

Firemen's Fund Insurance Cos. of Novato, Calif., which last week had suspended writing new commercial business for some lines, may lift the moratorium *Continued on page 78*

Alaska voters approve tort reform Page 76
Incumbent regulators win re-election Page 76
Key senators won't return to Congress Page 77

45% of large firms could fail Section 89

By JERRY GEISEL

NEW YORK—Forty-five percent of large employers are either unsure whether their group health care plans can pass the Section 89 non-discrimination rules for welfare plans or flatly predict their plans will fail the dreaded new tests, according to a new survey.

And, slightly more than half of large employers, or those with more than 1,000 workers, either expect failure or don't know if their group life insurance plans will pass the Section 89 tests, according to a just-released survey conducted this year by A. Foster Higgins & Co. Inc., a New York-based benefit consulting firm.

Small employers—those with fewer than 1,000 employees—are somewhat more optimistic than large employers that their group health care plans can pass the test. Sixty percent of those firms believe their health care plans are in compliance with Section 89 rules, the survey found.

And 64% of small firms expect that their group life plans will pass the tests.

The survey also found that large employers, which typically offer more plans and more benefit options than smaller employers, expect significantly greater difficulty collecting Section 89 data because, under Section 89, each different benefit option is considered a separate plan for testing purposes.

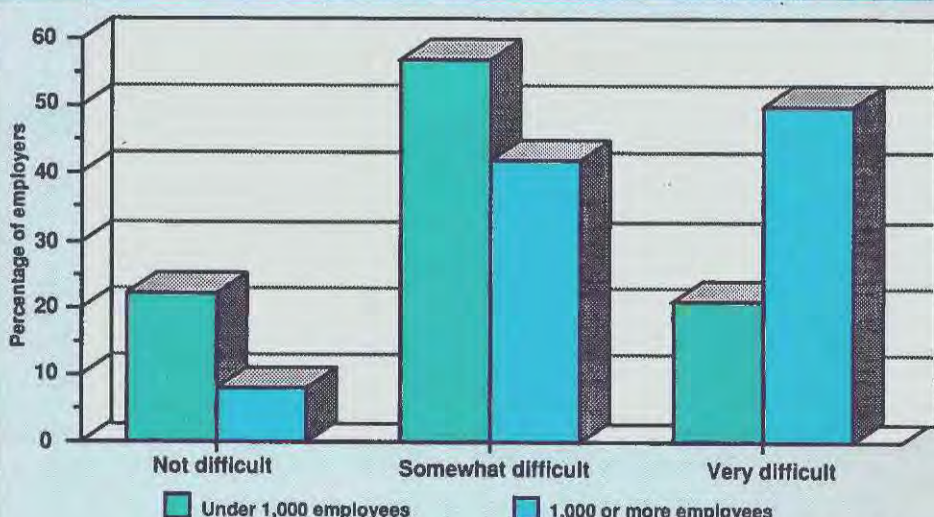
Foster Higgins consultants suggest that considering the cost to employers of revising and expanding welfare plans to comply with Section 89, some employers may find it cheaper to offer "discriminatory" plans.

Foster Higgins consultants note that many employers only now have begun to collect the data on welfare plan enrollment and participation to determine whether their plans will pass the non-discrimination tests.

"A lot of employers have done nothing. There has been a wait-and-see attitude, which is pretty risky," said Paul Mead, a principal in Foster Higgins' San Francisco office, who helped develop the survey of 505 employers in 44 states.

Section 89, which takes effect Jan. 1, requires employers to conduct a series of *Continued on page 79*

Expected difficulty collecting Section 89 data



Source: A. Foster Higgins & Co. Inc.

Third-quarter broker results:
Hall posts loss, RBH sees gain
Page 4

Losses from Hurricane Gilbert
may be less than feared
Page 3

Amtrak seeks permission
to join state comp systems
Page 3

\$52 million settlement for M&M

Continued from previous page

had accumulated more than \$2 billion in government bonds.

The bonds, bought on margin and liquidated when top M&M officials learned of their existence, forced the brokerage to take a \$55 million charge against 1983 earnings and a \$110 million charge in 1984 (BI, June 18, 1984).

The shareholders' derivative suit—an August 1985 consolidation of two earlier suits—named numerous defendants, including M&M directors and officers and securities brokers involved in the bond transactions.

One of the two suits also had named M&M auditor Arthur Andersen & Co., though Arthur Andersen settled the claim against it in February 1985 by agreeing to pay M&M \$19.9 million. These funds, along with \$5.5 million in interest they have earned while held in escrow, are included in the \$51.9 million recovery M&M announced last week.

The \$51.9 million settlement also includes:

- \$14.5 million contributed by M&M insurers, including errors and omissions and fidelity insurers. The settlement agreement does not name the insurers.

- \$10 million contributed by M&M's directors and officers liability insurer. While this insurer also is not named in the agreement, sources say it is National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc.

- \$2 million contributed by securities brokers that handled the bond trades, including Dean Witter Reynolds Inc., Drexel Burnham Lambert Government Securities Inc., A.G. Becker Paribas Inc., Shearson Lehman Hutton Inc. and Bear Stearns & Co.

In announcing the settlement, M&M said that its aftertax recovery will be offset by other charges, including one-time costs associated with the move of its headquarters.

In addition, the settlement calls for M&M to pay plaintiffs' attorneys' fees, expected to total as much as \$5.2 million.

The settlement is still subject to approval by a New York State Supreme Court judge. A Dec. 15 hearing has been scheduled on the agreement, an M&M spokesman said.

Mutual Fire reinsurance award

NEW YORK—Mutual Fire, Marine & Inland Insurance Co.'s rehabilitator stands to collect more than \$20 million after winning an arbitration award against several reinsurers.

A three-member arbitration panel last month denied a demand by 11 reinsurers for rescission or reformation of a treaty under which they reinsured Mutual Fire on a book of surety bonds covering tax shelter limited partnerships.

The reinsurers charged Mutual Fire with fraudulently inducing them to participate on the treaty and with negligent misrepresentation and negligent underwriting and management of the business, which was handled through two managing general agents, World American Underwriters Inc. of Houston and Surety International Inc. of New York, said Thomas Manisero, an attorney with Wilson, Elser, Moskowitz, Edelman & Dicker in New York, the law firm representing Mutual Fire.

Philadelphia-based Mutual Fire, which was ordered into rehabilitation by the Pennsylvania Insurance Department in December 1986, sought to recover \$20 million in losses already paid on bond defaults, the Insurance Department says. At least one other default has already occurred on another \$70 million in bonds written by Mutual Fire, which sought enforcement of the reinsurance agreement, the department said.

Reinsurers involved in the arbitration were Resolute Reinsurance Co., a GEICO Corp. unit; Ennia Reinsurance Co. of America, now known as AEGON Reinsurance Co. of America; British National Insurance Co. of Bermuda; Ancienne Mutuelle Reassurance of France; First General Insurance Co., a Metropolitan Life Insurance Co.; and RLI Insurance Co. Several New York Insurance Exchange syndicates—including Allianz Syndicate Inc., Syndicate of Wall Street Investors, Fremont Syndicate Inc., The 1792 Co. and KCC New York Syndicate Corp.—also were involved.

Mutual Fire has filed a petition in U.S. District Court in New York to confirm the award.

The reinsurers will file court papers seeking to vacate the award, which was "wholly without any basis in law or fact," said Alan M. Kramer of the New York firm of Lanzone & Kramer, who represents the reinsurers.

Fibreboard settles with insurer

CONCORD, Calif.—Continental Casualty Co. has agreed to advance Fibreboard Corp. defense costs and 40% of the indemnity costs for asbestos bodily injury claims that trigger its policies and are defended or settled after Sept. 1, 1988.

The payments would be made on an interim basis subject to the final rulings on court appeals of the coordinated asbestos coverage case in San Francisco. In the case, in which Fibreboard and several other asbestos producers sued their insurers, California Superior Court Judge Ira A. Brown Jr. has made several rulings expanding coverage for producers (BI, Sept. 12; June 8, 1987; June 1, 1987).

In addition, Continental Casualty will pay Fibreboard an undisclosed sum for some asbestos bodily injury claims paid prior to Sept. 1, 1988.

The agreement will help prevent Fibreboard from going bankrupt by paying mounting asbestos bodily injury claims.

Continued on page 77

Errors & omissions

- Due to a printer's error, two segments of a chart in the Nov. 7 issue depicting workers without health insurance were printed in the same color. The orange segment on the right side of the chart depicts employees of service firms, while the orange segment on the left side of the chart depicts workers in miscellaneous industries.

NAI conferees can't agree on duration of soft market

By JUDY GREENWALD

BOSTON—Property/casualty insurers, brokers and reinsurance intermediaries disagree considerably over how long the current soft market will last.

Some observers say that the market is already at, or near, the bottom of the soft cycle and will begin to turn as early as the second half of 1989.

But others at the 43rd annual meeting of the National Assn. of Independent Insurers in Boston earlier this month predicted it will be at least two years before the market begins hardening.

The most pessimistic prediction was by outgoing NAI Chairman R.M. Jamieson, chairman of Zurich-American Insurance Co. in Schaumburg, Ill., and president and chief executive officer of Universal Underwriters Insurance Co. in Overland Park, Kansas. He said it could be at least another three years before the market hardens (see story, page 62).

Still others professed ignorance over the factors driving this soft market and adamantly refused to make any predictions about the market's course.

However, most observers expect that year-end reinsurance renewals will go smoothly this year.

While there may be disagreement over how soon the market will tighten, everyone agrees that it is soft now. Overall, primary rates are off by 25% to 40% from a year ago, estimated Robert W. Eager Jr., senior vp at National Reinsurance Corp. of Stamford, Conn.

However, a "fair amount" of insurers, "much more so than in the past," are holding their prices, al-

though it means losing premium, Mr. Eager pointed out.

Mr. Eager was among several observers who predicted that the effects of the Tax Reform Act of 1986 will play a major role in shortening the soft market cycle (BI, Jan. 4).

There were four major changes in property/casualty insurers' taxation under provisions of the act:

- Insurers must discount loss reserves to reflect investment income that will be earned between the time reserves are established and the time claims are paid.

- A portion of insurers' unearned premium reserves will be taxed.

- A portion of interest and dividends earned on tax-exempt securities purchased after Aug. 7, 1986, will be taxed.

- An alternative minimum tax equal to 20% of an insurer's alternative minimum taxable income was imposed. An insurer must pay the higher of its regular tax liability or its alternative minimum tax liability.

"I would think it's going to be a shorter cycle," Mr. Eager predicted.

Robert W. Angle, vp-national marketing for Montgomery & Collins Inc. of East Hartford, Conn., the nation's fourth-largest wholesale broker, agrees. Mr. Angle believes the market is now bottoming out and will "come out the other side" during next year's fourth quarter.

"I just have a feeling after paying the taxes next year it'll take another six months for the impact to begin to register, and at that point, I think people are going to have to make some changes," he said.

Continued on page 58



One CU-7 suit to proceed; another rejected by judge

By LINDA J. COLLINS

SKOKIE, Ill.—A federal district court jury in Los Angeles will hear a product liability suit filed by a woman allegedly injured by a G.D. Searle & Co. Copper-7 intrauterine device.

However, a federal judge in Philadelphia issued a summary judgment in favor of Searle in a CU-7 case, citing a lack of material facts.

The two court actions are the first in the CU-7 litigation since Skokie, Ill.-based Searle was hit with an \$8.75 million jury verdict in St. Paul, Minn., in September (BI, Sept. 19).

Following the Minnesota award, which included \$7 million in punitive damages, some industry observers predicted that more courts would rule in favor of CU-7 plaintiffs and that Searle would be hit with a rash of new CU-7 product liability suits.

Searle, a subsidiary of St. Louis-based Monsanto Corp., discontinued marketing the Copper-7 IUD in 1986, citing lack of available

product liability coverage (BI, Feb. 10, 1986). The CU-7, which was introduced in 1974, still is distributed in foreign markets.

According to a Searle spokeswoman, about 1,300 suits have been filed to date against Searle by women alleging that the IUD has injured their reproductive organs or has left them infertile, or both.

Among other contentions, the plaintiffs charge Searle with negligence; failure to warn; fraud in concealing known dangers about the CU-7; and marketing it to an inappropriate group of women.

In the case in U.S. District Court in Los Angeles, Judge Irving Hill on Oct. 31 issued a summary judgment in favor of the plaintiff to try Searle on negligent design, fraud, misrepresentation and conduct deserving of punitive damages, said plaintiff's attorney Roger P. Brosnahan, a partner of Robins, Kaplan, Miller & Ciriis in Minneapolis.

Mr. Brosnahan also represented the plaintiff in the Minnesota case.

The ruling allows the case, filed in 1985, to proceed to trial, which

is scheduled to begin Dec. 6.

The plaintiff in the case, Laura McCarthy, alleges she contracted a pelvic inflammatory disease after using the CU-7 and that her right fallopian tube and ovary had to be removed as a result.

In addition, the product caused a blockage of her left tube, rendering her infertile, the suit alleges.

Judge Hill dismissed counts charging Searle with strict liability and breach of warranty. Under California law, manufacturers of prescription drugs cannot be charged with those counts. The CU-7, which technically was classified as a copper-bearing intrauterine contraceptive, was approved for use as a drug by the U.S. Food and Drug Administration because of its copper content (BI, Feb. 15).

In addition, a count charging that Searle violated a state consumer protection statute was dismissed because only the state's attorney general can file charges under that statute.

However, on Nov. 3, Judge Robert S. Gawthrop III of U.S. Dis-

Continued on page 12

Inside

✓ Michael Dukakis' failed bid for the presidency is not going to take the heat off employers to solve the problem of the uninsured, says this week's editorial. **PAGE 8**

✓ Lloyd's of London underwriters do not have to indemnify a Los Angeles jewelry broker for a theft, a federal judge says. **PAGE 10**

✓ More than 60% of the nation's health maintenance organizations reported aftertax operating losses in 1986, a survey shows. **PAGE 12**

✓ A host of problems result if mentally impaired workers are treated inadequately due to poor case management, says the president of the National Assn. of Private Psychiatric Hospitals in Speaking Out. **PAGE 43**

✓ Captive insurers are a viable option for companies, even during a soft market, says consultant R. Michael Cass in Perspectives. **PAGE 43**

✓ As repeal of the McCarran-Ferguson Act looms, smaller insurers may want to consider 'strategic mergers' to assure survival, a casualty actuary says. **PAGE 51**

Departments

Around the states	74
At issue	12
Benefit beat	6
Books & ideas	44
Classifieds	74
Comings & goings: buyers	11
Comings & goings: industry	70
Info	40
Insurance services guide	75
Legal briefs	46
Letters	8
London	16
Opinions	8
Perspectives	43
Products & services	66
Speaking out	43
Ticker	79
Washington	68

Vol. 22, No. 46—Business Insurance (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1988 by Crain Communications Inc.

Amtrak plea: Adopt comp, dump FELA

By MEG FLETCHER

WASHINGTON—Amtrak plans to ask Congress next year to approve a controversial pilot program that would radically alter the way its railroad workers are compensated for on-the-job injuries.

Other railroads are hoping that the pilot program could lead to the entire rail industry switching to workers compensation, which would save railroads hundreds of millions of dollars.

Amtrak will seek authority from Congress, which supplies nearly one-third of Amtrak's operating budget, to compensate injured employees under state workers compensation laws during a three-year trial period.

Currently, Amtrak's 23,000 employees—and all other railroad workers—are required under the 80-year-old Federal Employers' Liability Act to seek compensation for contested work-related injuries through tort-based lawsuits in federal or state courts, under which claimants possibly can recover non-economic damages.

However, Amtrak's proposal faces stiff opposition from a key Senate committee chairman, labor officials and plaintiffs' attorneys, who back the old system.

David J. Carol, Amtrak's senior director of government affairs, says such opposition creates "a difficult environment" in which to air the railroad's proposal and predicts that the railroad must obtain at least "tepid concurrence" from labor spokesmen for the proposal to advance.

In addition, administrators of state workers compensation systems, who expect to appoint a group early next year to study the ramifications of the plan, have expressed concerns about jurisdiction and financial responsibility issues raised by the Amtrak proposal.

Other railroads, though, are interested in FELA reform proposals, like Amtrak's.

"FELA is a \$1 billion problem in a \$28 billion industry," pointed out Bill Harsh, executive director of a FELA task force established in January by the Assn. of American Railroads, of which Amtrak is a member.

For the first time in 50 years, "Congress is beginning to focus on the fact that there is a problem out there," Mr. Harsh said.

In 1987, all freight and passenger railroads in the United States spent about \$1 billion for employees' work-related claims and expenses related to those claims, he said.

Claims payments totaled \$686 million in 1987, up 232% from 1979, he said, even though the number of railroad workers has declined 43.9% to 273,429 and the number of injuries for which claim files were opened declined 67.2% to 21,970 during the same period.

"One of its (Amtrak's) most compelling arguments" for FELA reform "is the need for a level playing field," Mr. Harsh said. Railroads compete with truckers and airlines, whose work comp costs generally are lower since claims from workers in those industries are handled through state work comp systems, he said.

Amtrak's proposal was introduced earlier this year as an amendment to Amtrak's federal funding authorization bill, H.B. 2320.

However, Sen. Robert W. Kasten Jr., R-Wis., who sponsored the amendment, withdrew it in return for a hearing that was held in late June by the Senate Surface Transportation Subcommittee.

Sen. Kasten is considering whether to introduce legislation

Continued on page 69



Photo: Carolyn Aldred

The city of Lisbon, Portugal, hosted the International Insurance & Risk Management Conference last month.

Global dialogue Europeans gird for open market

By CAROLYN ALDRED

LISBON, Portugal—Dynamic changes in many European countries, including the burgeoning of multinational companies and the growing expectations and awareness of consumers, likely will increase the role of European risk management.



Europe's rapidly changing legal, social and economic environment already is bolstering the practice of risk management in Europe, agreed risk managers and insurance industry executives attending the International Insurance & Risk Management Conference, held Oct. 24-26 at the Hotel Ritz Inter-Continental in Lisbon, Portugal.

The conference, which attracted about 380 participants

from 21 countries, was organized by Brussels, Belgium-based Management Centre Europe, the European affiliate of the American Management Assn.

Speakers and conference participants also predicted that the elimination of trading barriers in European Community nations over the next few years and the ability of risk managers to place large industrial property/casualty risks more freely within the EC market starting in July 1990 initially will lead to cheaper insurance rates in Europe.

As insurers and brokers jostle for position and market share in what will become one of the world's largest single markets following the elimination of trade barriers, competition will become rife, observers predict (see story, page 37).

Continued on page 30

Risk managers unite in Singapore

By STACY SHAPIRO

SINGAPORE—Insurance industry executives, regulators and risk managers are applauding the development of a new risk management association in Singapore and the growth of risk management in Southeast Asia.

Singapore risk managers have formed the Risk & Insurance Management Assn. of Singapore, which was only approved by the Singapore government in April this year.

In just seven months, RIMAS organized an inaugural conference, held Nov. 2-4 at the Pan Pacific Hotel

in Singapore. The conference attracted about 150 people, half of whom had never been to a risk management conference before.

"Risk management is being given the importance it deserves," said Law Song Keng, Singapore insurance commissioner, who opened the RIMAS conference. "I am happy to see the (growth of) risk management in Singapore and this region. I hope other (risk) management societies will spring up in this part of the



world."

"I congratulate RIMAS and its sponsors for organizing this conference, the first of its kind in Singapore," added Koh Bee Chye, president of the General Insurance Assn. of Singapore. "GIA welcomes RIMAS and the promotion of skills in risk management."

"I am sure your future is very bright indeed," said T. Ramanan, president of the Indian Institute of Insurance & Risk Management.

Richard Heydinger, president of the New York-based Risk & Insurance Management Society Inc. expressed

Continued on page 20

Gilbert's toll less than first estimates

By MIKE SCHACHNER

Insured losses caused by Hurricane Gilbert, which blasted the Caribbean and the Gulf Coast of Mexico in September, could be significantly lower than initial estimates, insurers and reinsurers report.

Sources initially estimated insured damage to property in Jamaica, the Cayman Islands, and the Yucatan Peninsula in Mexico at between \$1.45 billion and \$2 billion (BI, Sept. 26).

But speedy work by repair crews has greatly reduced business interruption claims, and losses directly related to the hurricane are now estimated at \$600 million to \$1 billion.

"We are now looking at insured damage around \$725 million, maybe as low as \$600 million in Jamaica," said Dennis Lalor, managing director of Insurance Co. of the West Indies in Kingston.

Insured losses in Mexico, meanwhile, may rise as high as \$283 million, with about 98% of the damage sustained in coastal areas,

according to Roberto Retteg, senior vp with Seguros America, a large Mexican insurer based in Mexico City.

However, Jorge Dugelby, vp-international affairs for Seguros La Comercial in Mexico City, cited a report from the Mexican Insurance Assn. that places insured losses at only \$120 million.

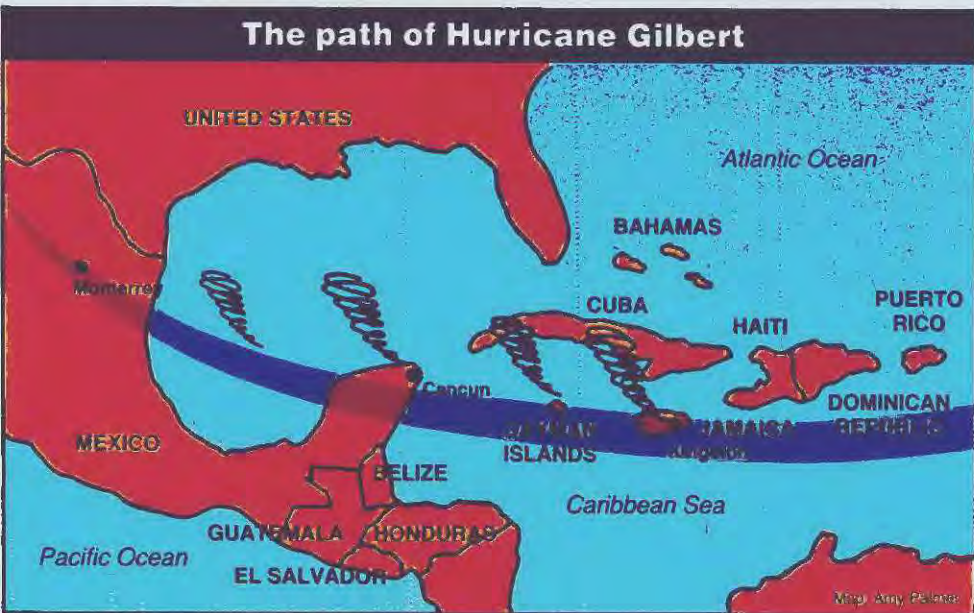
"Original loss reports are often based on what the insured hopes to get," said Mr. Dugelby. "But adjusters usually bring that figure down."

Hurricane Gilbert, whose winds topped out at 200 mph, hit hardest in the resort areas of Montego Bay and Kingston, Jamaica, as well as Cancun, Cozumel and Isla Mujeres, Mexico.

Because the storm turned south at the last minute, the Texas coast and many offshore oil rigs were spared. For many U.S. property/casualty insurers, this was the difference between minute losses and eight-figure claims.

"We were lucky the hurricane changed

Continued on page 72



Hall reports loss; RBH posts gain

By LINDA J. COLLINS

BRIARCLIFF MANOR, N.Y.— Frank B. Hall & Co. Inc. operating results deteriorated in the third quarter compared with the corresponding period a year earlier.

While Hall reported a net loss of \$14.6 million in the third quarter of 1988, an improvement from a \$65.6 million net loss in the same quarter of 1987, "on an apples-to-apples basis, our operating loss in the third quarter was about \$2.5 million worse than in the third quarter of 1987," said Senior Vp John A. Addeo.

Hall's third-quarter 1987 loss included a \$43.1 million loss on disposal of discontinued operations and on reserves set up for settlements of unspecified pending liti-

The third quarter was the first period since the beginning of 1987 in which Hall's revenue slippage was 'almost entirely attributable to rate reductions,' says John A. Addeo.

gation. The loss in last year's third quarter also included \$13 million in miscellaneous non-recurring charges (*BI*, Nov. 16, 1987).

Hall, the sixth-largest U.S. insurance broker, also reported a net loss of \$16.1 million in the first nine months of 1988, compared with a \$60.1 million loss in the corresponding period of 1987.

Briarcliff Manor, N.Y.-based

Hall reported gross revenues dropped 8.2% in the third quarter to \$79.1 million from \$86.2 million in 1987's third quarter. During the first three quarters of 1988, gross revenues dropped 6.3% to \$270.3 million from \$288.4 million in the same period of 1987.

On a more positive note, Mr. Addeo said that the third quarter was the first period since the be-

ginning of 1987 in which Hall's revenue slippage was "almost entirely attributable to rate reductions."

"Our new business production, net of lost business, was positive for the first time since the beginning of 1987," Mr. Addeo pointed out. He attributed the growth in new business to the contributions of new producers hired earlier this year as well as to the efforts of Hall's existing sales staff.

However, insurance broker analyst Michael A. Smith, a vp with Shearson Lehman Hutton Inc. in New York, was not so optimistic.

"Given the current market conditions, it looks very grim for Hall. The company has very little room to cut expenses, so it has to increase its revenues or else the hem-

orrhage will continue," he observed.

Mr. Smith did agree with Mr. Addeo that Hall's new business production "is a plus, considering the past experiences they have had." But Mr. Smith also stressed that Hall is "not generating enough revenue per branch office to cover overheads."

Another financial analyst said Hall's results were not too far off his earnings estimates.

"Their shortfall was obviously in their revenues," the analyst said, adding: "If everyone else is getting hurt by rates, Hall will certainly be hurt by them because of their bulk of big-ticket accounts," which are seeing the greatest competition.

Separately, Chicago-based insurance holding company Aon Corp. also released its results last week, which included the results of subsidiary Rollins Burdick Hunter Co., the seventh-largest U.S. insurance broker.

RBH reported third-quarter gross revenues of \$66.7 million, a 13.7% increase from \$58.7 million reported in third quarter 1987.

However, the broker's pretax operating income dropped 7% in the quarter to \$8.5 million from \$9.1 million in the third quarter of 1987. RBH attributed this decline to lower commissions due to lower premium rates.

For the first nine months of 1988, RBH's gross revenues rose 21.1% to \$200.2 million from \$165.3 million in the same period of 1987. Pretax operating income rose 10.6% to \$29.6 million from \$26.8 million in the first nine months of 1987.

"There is no question that the current market conditions are quite challenging, but we've had continued strong new business, we are very pleased with our retention levels and we have had good positive impact from acquisitions we made last year," said Arthur F. Quern, president and chief operating officer of RBH.

Aon does not break out RBH's net income in its quarterly financial reports.

BI appoints Schachner to N.Y. staff

Mike Schachner, 23, has joined *Business Insurance* as an associate editor in its New York office, announced Associate Publisher and Editor Kathryn J. McIntyre.

A native of Eugene, Ore., Mr. Schachner comes to *BI* from Novato, Calif., where he wrote Crittenden News Service's weekly newsletter covering the commercial property/casualty insurance industry.

"Mike not only has a journalism background but also is well versed in the many market issues and trends in the commercial insurance industry," said Ms. McIntyre.



Mr. Schachner

Mr. Schachner has a bachelor of arts degree in journalism from the University of Minnesota in Minneapolis. While completing his undergraduate work, he studied at three French universities in Paris. He also has attended the University of Valencia in Valencia, Spain.

Business Insurance now has a four-person New York bureau, Ms. McIntyre noted.

Mr. Schachner can be reached at 212-210-0143.

MET LIFE SERVES GROUP LIFE AND HEALTH CLIENTS JUST THE WAY THEY LIKE IT.



Brokers and employee benefit managers can expect special attention from Met Life. We want to help you in any way, so we offer an extensive range of options, including the Met Life Multi-Option Health Plan and Flexible Benefits. In fact, you'll get our prompt, friendly service for whatever you need—

right down to the last administrative detail. Just call your Met Life Group representative, or write to us at Metropolitan Life Insurance Company, Group Marketing Division, One Madison Avenue, Area 24VW, New York, New York 10010. At Met Life, we'll wait on you hand and foot.

GET MET. IT PAYS.
 **Metropolitan Life**
 AND AFFILIATED COMPANIES



A company whose products help light entire cities has a power source in Wausau.

MagneTek has electrical equipment in office buildings and factories across the country. They have products in an estimated 9 out of every 10 households. And they have their business insurance in Wausau.

"We needed an insurer who could step in and supply us with strong loss control support," says Dennis G. Berndt, Director of Insurance and Risk Management for the Los Angeles-based company.

"Wausau has worked closely with our people: implementing training programs, injury avoidance programs and ergonomic surveys. Together we've been able to lower losses substantially."

Controlling losses and the resulting insurance costs takes energy and experience. It takes the business insurance experts from Wausau, and a committed policyholder like MagneTek.



Chrysler studies short-term leave costs

By GLENN HUNTLEY

Chrysler Corp. has saved 54,000 lost work days and about \$2.7 million under a new program that reviews short-term disability claims and effectively reduces absence costs from short-term disabilities.

A yearlong study of 88,000 workplace absences of Chrysler employees found typical time off for short-term disabilities varied widely among employee groups.

The study conducted by Lexington, Mass.-based Health Data Institute, found wide and unexplained variations in leaves for employees with common illnesses even though they had the same jobs and were in the same general physical condition.

For example, one Chrysler study group returned to work an average

of 11 days sooner after cataract surgery than did workers in another group. And, in another instance, some employees with congestive heart failure were back on the job in an average of 59 days compared with an average of 69 days for another group.

In both of those instances, employees who had other medical complications were removed from the analysis to assure that the results were valid, the study stated.

The study was jointly financed by Highland Park, Mich.-based Chrysler and HDI, a subsidiary of Baxter Healthcare Corp. of Deerfield, Ill. (formerly Baxter Traveno Laboratories Inc.).

Benefit beat

In most cases, the variance in absence time can be attributed to a lack of medical consensus on what is an appropriate length of time for recuperation, said Jeremy Nobel, HDI's director of occupational health services.

"Few doctors are trained to assess how long patients should stay off work after an illness, so they base their decisions on guess-timates and past practice. The result is many people stay home longer than necessary," Mr. Nobel said.

The reduction in Chrysler employees' absences was partially attributed to WorkAbility, a computer software system developed by HDI that Chrysler began using

in early 1987.

The computer program uses the expertise of 37 physicians and review of current medical literature to establish guidelines for disability times. The system can consider recovery time for 3,600 medical diagnoses and 4,000 surgical procedures.

"During the first year we reduced the number of claims by 13% cut lost work days by 9% and halved the number of independent medical examinations required to verify disability," said Walter B. Maher, Chrysler's director of employee benefits and health services.

The WorkAbility computer analysis is one part of an overall strategy to manage workplace absences and associated costs, Mr. Maher said. Better morale within a more

profitable Chrysler since the early 1980s and a medical case management program also provided by HDI also have helped the company control disability costs, he added.

But the guidelines offered by WorkAbility were easily the most effective measure taken to control those costs, he said.

"Our biggest change has been taking the guesswork out of short-term disability absences and providing a fair and objective review process," Mr. Maher said.

The WorkAbility program will be available to other employers beginning in January 1989 when Baxter launches its HDI Disability Management Program.

Child care benefits

The number of employers that offer some form of child care benefit has increased nearly tenfold in the past eight years and doubled in just two years, according to a national survey of major employers.

Of 765 companies surveyed, 70—or about 9%—indicated they provided at least some child care benefit to employees in 1987, according to the 1987 Hay/Huggins Benefits Report.

In 1980 only seven out of 601 companies surveyed, or about 1%, offered any child care assistance.

The 1985 survey had found 4% providing child care benefits, said Michael Carter, senior vp of the Hay/Huggins in Philadelphia.

The more recent report found employers were adding a variety of benefits, ranging from child care referral services to on-site child care facilities.

According to the 1987 survey:

- Eighteen companies sponsored on-site facilities, while another 17 subsidized a facility not located at the workplace.

- Fourteen companies issued vouchers by which employees could set aside a portion of their pretax salary to pay for child care services.

- Eighteen employers provided a referral service to help locate child care providers. In some cases the referral service was in conjunction with a reimbursement policy.

In addition, nine employers provided tax-advantaged flexible spending accounts earmarked for child care. The accounts allow employees to designate a specified amount of pretax income to be set aside for child care costs.

The marked increase in child care benefits track with changes in the workforce, said Marie Dufresne, a senior vp with the Hay/Huggins office in New York.

"As the dual career family has become more of the rule of the workplace rather than the exception, the pressure for employers to relieve some of the pressures of child care has increased," she said.

The Hay/Huggins Report also found that in addition to the 9% of respondents already providing some benefits, another 12% are considering adding some form of child care support in the future.

Ms. Dufresne predicted that child care benefits would continue to become more common. "However, since this benefit is still relatively rare and not yet tested by time, the jury is still out on just what form it will ultimately take and just how much help companies can afford to give."

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Glenn Huntley, Business Insurance, 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 213-651-3710.

WE KNOW A REAL COMMITMENT
TO PERSONAL SERVICE...
MEANS PUTTING OUR NAME
ON THE LINE.



Know your resources. Negotiate from a position of strength. Your settlement situation is as individual as you are. Deserving of special treatment. Let our design team create innovative plans to meet your specific needs. Demand the best. Reduce paperwork and save time by utilizing the services of our in-house legal staff to assist in the drafting of settlement documents

and the preparation of third party assignments.

Call for same day telephone quotes followed up in writing. Invite us to your next settlement conference. And, of course, all of our services are at no cost to you.

Rely on creativity and innovation backed by more than a decade of experience. Put the Mangelsdorf name on the line for you. Expect results.

The Exceptional Name in Structured Settlements



THE MANGELSDORF COMPANIES

DALLAS • NEW YORK • CHICAGO

For more information contact our National Marketing Department: 800/527-2388

You may qualify for
CARMA

The most comprehensive
construction insurance
and services program
ever built.

CARMA stands for Contractors of America Risk Management Association and the construction industry has never seen anything like it. The construction specialists at Gow & Hanna custom-designed this innovative insurance and services program for medium to large contractors including:

Highway & Heavy	Aggregate & Ready Mix
General Contractors	Suppliers
Construction Managers	Developers
Trades -- all tiers	Project Owners

Only CARMA offers the combination of:

High Limits	Innovative Coverages
Specialized Forms	Complete Wrap-Up Package
Competitive Costs	Joint Venture Structuring
Surety Coordination Program	

CARMA is available coast-to-coast exclusively through those professional agents and brokers who specialize in serving contractors. For more information call Tim Gow, Tony Mastrolia, Joan Miles or Jerry Harley at our Large and Special Risk Division, 1-800-248-LASR.



GOW & HANNA, INC.
Bright minds focused on results.

100 Maiden Lane/New York, NY 10038
212-509-6100/Telex: 147087/Fax: 212-509-6272
New York/Houston/Cleveland/Denver/Buffalo

Opinions

SCHILLERSTROM
BUSINESS INSURANCE ©88



A post-election priority

THE DEFEAT OF Massachusetts Gov. Michael Dukakis for president of the United States is not going to take the heat off employers to solve the problem of the medically uninsured.

The need to provide medical insurance for all Americans has reached a new height of public awareness with both presidential candidates addressing the issue.

The staggering fact that 88% of the 37 million Americans without health insurance are employed or dependents of employees lays the problem squarely at the feet of employers since, overall, employers provide health care insurance to nearly 75% of the nation's 118 million workers (*BI*, Nov. 7).

If 75% of working people obtain medical insurance through their employment, it is reasonable to ask: "Why shouldn't the other 25%?"

There are compelling reasons not to require employers to provide employees with health insurance, ranging from the ideological resistance to government mandates to the practical concern that such a costly mandate could put some employers with thin profit margins out of business.

But some of the arguments leveled against this benefit mandate don't hold up against scrutiny. One is that many of these uninsured workers only work part-time. Not so, says the Employee Benefit Research Institute. Among the 18.1 million workers without health insurance, 12.6 million work 35 or more hours a week. Only 1.4 million work fewer than 17 hours a week.

Whether we like it or not, we fully expect Congress to decide that employers must be part of the solution for making medical insurance more available to Americans. While President-elect George Bush opposes requiring employers to provide health insurance to employees, citing the financial burden on small employers, the 101st Congress is under the control of Democrats who generally support such a mandate.

Therefore, we believe the issue has moved from whether people should obtain health insurance when they obtain employment to when and how.

Large employers that already provide health insurance to their workers may be inclined to believe that this is an issue only for small employers that do not provide health insurance. But how the solution is drafted could affect all employers, large and small.

Sen. Edward Kennedy, D-Mass., as we have reported, wants to mandate what type of health care plan every employer must provide employees and how much of the premium the employer should pay. As we have said before, this solution would create numerous problems and would be very expensive (*BI*, Feb. 29; June 8, 1987).

A better approach is the new Massachusetts law, strongly supported by Gov. Dukakis, where employers can be liable for as much as \$1,680 in new taxes per employee if they do not provide health insurance. An employer can offset this new tax by each dollar it spends on its health care plan. Businesses with fewer than six employees are exempt from the law.

However, we don't know that the Massachusetts plan is the best solution, and this is why all employers should be concerned.

The best and the brightest in employee benefits should get involved in offering alternatives to these two plans for solving the problem of the medically uninsured in this country. If employee benefit experts aren't involved in drafting the solution, U.S. employers are likely to end up with a mandate that they abhor. Look what Congress handed employers in Section 89 non-discrimination rules and the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

Benefit professionals, through their local and national associations, must begin to analyze the problem of the medically uninsured worker and offer viable solutions.

Letters

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

Attorney not connected with Teale operations

To the editor: It has come to my attention that in a mailing by Alan Teale of International Underwriting Assn. Inc. my name was mentioned in two places in a promotional pamphlet stating that I am "resident solicitor" of the group.

This inclusion was without my knowledge or consent and incorrectly describes me as a solicitor. Mr. Teale has under-

taken in writing to remove my name from any further literature he may distribute. But I wish the readers of this magazine who know me personally and who may have received this literature to be aware that I have never had any connections with Mr. Teale or his group.

Maye Coye
Hamilton, Bermuda

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Associate Publisher/Editor: Kathryn J. McIntyre, A. R. M. (Chicago)

Managing Editor: James M. Burcke (Chicago)

Senior Editor: Jerry Geisel (Washington)

Assistant Managing Editor: Dave Lenckus (Chicago)

Assistant Managing Editor/Graphics: Holly E. Seguire (Chicago)

CHICAGO: Stacy Adler (Associate Editor)

Karen Brown (Assistant to the Editor)

Linda J. Collins (Agent/Broker Editor)

Meg Fletcher, A.R.M. (Associate Editor)

Mark A. Hofmann (Associate Editor)

Karen Huelsman (Copy Editor)

Marilou Jones (Directory Editor)

Jacqueline LaSota (Assistant Copy Editor)

Laura Mazzuca (Agent/Broker Topics Associate Editor)

Amy Palmer (Graphic Artist)

Roger Schillerstrom (Editorial Cartoonist)

Paul Winston (Copy Editor)

Joanne Wojcik (Copy Desk Chief)

Christine Woolsey (Editorial Assistant)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)

Carolyn Aldred (Associate Editor)

LOS ANGELES: Donna DiBlase (Bureau Chief)

Glenn Huntley (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)

Judy Greenwald (Associate Editor)

Collin Nash (Editorial Assistant)

Michael Schachner (Associate Editor)

WASHINGTON: Deborah Shalowitz (Associate Editor)

Advertising Director: Donald A. Walsh (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Margaret Hikido (District Manager/

Classified Sales)

Elmer Kerstowske (Production Manager)

Eastern Advertising Manager: Martin J. Ross (New York)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Courtney Bauer (District Manager)

Nora Reid (District Manager)

LOS ANGELES: Michael J. Sharpe (Western Advertising Manager)

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

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 01-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0140

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0133

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

Founder (1885-1973)

MRS. G.D. CRAIN

Chairman

S.R. BERNSTEIN

Chairman-executive committee

RANCE CRAIN

President

KEITH E. CRAIN

Vice chairman

MARY KAY CRAIN

Treasurer

MERRILEE P. CRAIN

Secretary

WILLIAM A. MORROW

Senior vp-operations

ROBERT C. ADAMS

Vice president-production

H.L. STEVENSON

Corporate editor

ALICE SIELOFF

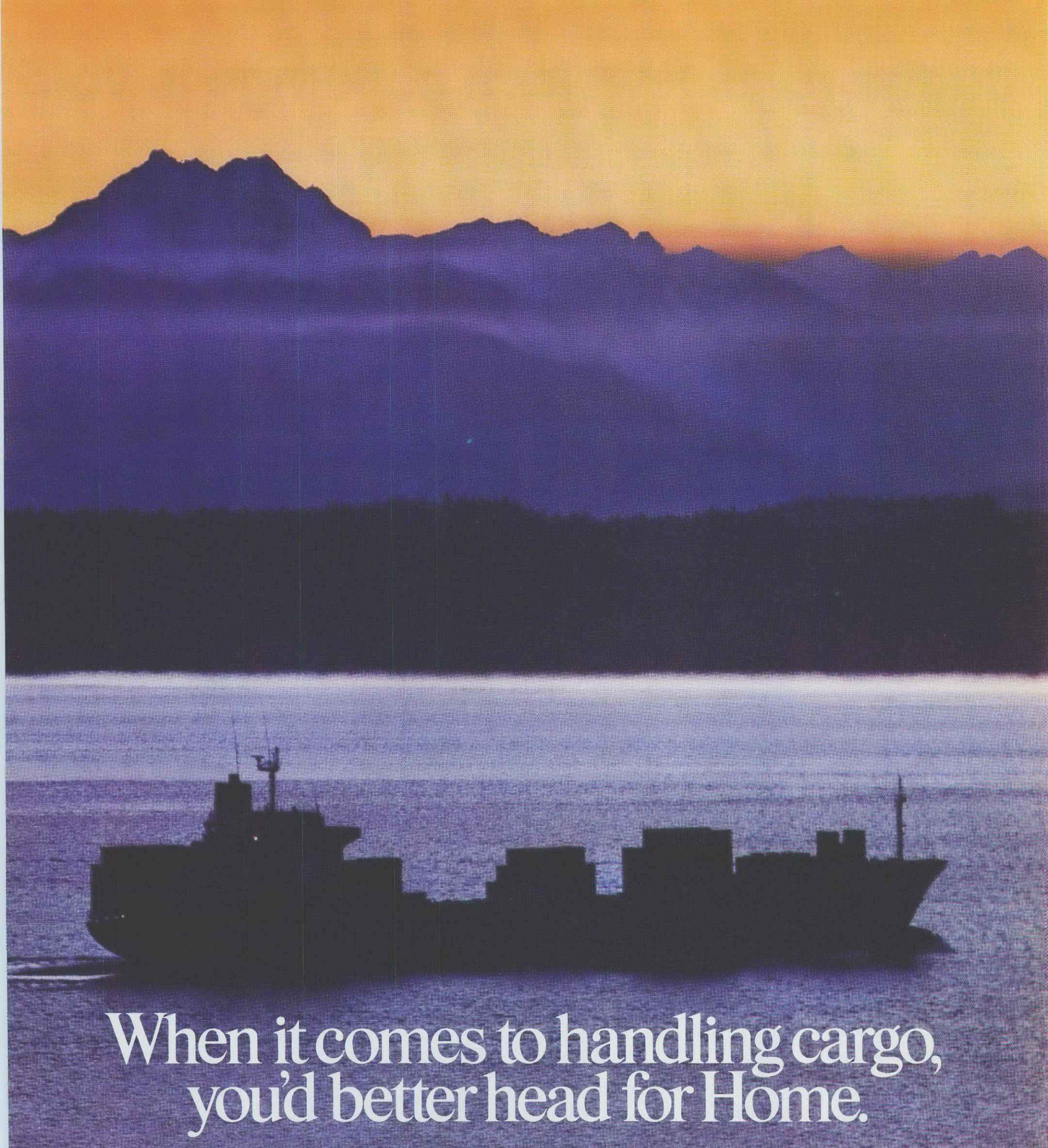
Corporate marketing manager

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6404 Wilshire Blvd., Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 01/430-2176. \$1.75 a copy. \$68 a year in U.S. Canada and all other foreign add \$32 for surface mail. Europe and Middle East only add \$72 for air delivery. First-class mail to U. S., add \$77; to Canada add \$87. Bermuda only, \$150 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0780.

BPA

Member of Business Publications Audit of Circulation

ABP



When it comes to handling cargo, you'd better head for Home.

Every producer wants smooth sailing for his clients. That's why so many are turning to Home Insurance and our Ocean Marine Department.

Its specialties are goods in transit, marine liabilities and commercial vessels. It also offers preferred rates on high-valued pleasurecraft.

Our underwriters are particularly adept at evaluating complex

ocean marine exposures. They know how to find solutions that might leave other companies out at sea.

That's the way Home has operated since we started business, back in 1853. Reliably. Professionally. Promptly.

So when you're insuring ocean marine clients, don't settle for any port in a storm. Head straight for Home. For more information, call Roger Ablett, Assistant Vice President, (212) 530-6677.

Home Insurance
There's no place like it.

Judge rules jeweler's coverage is void

By LAURA MAZZUCA

LOS ANGELES—Lloyd's of London underwriters do not have to indemnify a Los Angeles jewelry broker for a jewelry theft because the broker's activities prevented the underwriters from determining the value of the stolen merchandise, a federal judge says.

U.S. District Court Judge William D. Keller on Oct. 18 denied a motion filed by plaintiffs Ervin and Samuel Pfefferman for reconsideration of the court's earlier summary judgment allowing the underwriters to rescind the plaintiff's jewelers block insurance policy.

The Pfeffermans, who own Ervin Pfefferman & Son, a Los Angeles wholesale diamond broker, sought more than \$200 million in compensatory and punitive damages from the underwriters, charging them with the bad-faith refusal to pay the theft claim.

The ruling is significant because it directly addresses the issues of disclosure and concealment by policyholders, said Gerald Kroll, an attorney with Kroll & Firestone, the Los Angeles-based law firm that represented the Lloyd's underwriters.

Ervin Pfefferman & Son renewed its \$3 million of jewelers block coverage with Lloyd's underwriters on Dec. 20, 1983, through London-based brokers Halford Sheed & Co. and Eyl & Gordon Insurance Brokers California Inc.

Malcolm Blair, who writes for Lloyd's marine and incidental non-marine syndicate 287 and non-marine syndicate 357, was the lead underwriter on the Pfefferman policy.

The Pfeffermans were invoiced for the \$3 million policy, which was basically a 30-day extension of the jeweler's existing coverage. But the \$2,675.97 premium was never paid, according to Mr. Kroll.

Seven days after the policy was renewed, Sam Pfefferman reported to Los Angeles police that thieves had stolen the store's entire inventory of loose diamonds, which he said were worth several million dollars more than the limits of the insurance, Mr. Kroll explained.

However, in the spring of 1984, while attorneys and adjusters investigated the claim, the Federal Bureau of Investigation notified Mr. Kroll that Pfefferman & Son was being investigated for fraud.

When Lloyd's underwriters withheld payment of the jewelers' claim pending the outcome of the investigation, the Pfeffermans filed suit against the underwriters in U.S. District Court in Los Angeles in December 1984. The suit sought \$4 million in compensatory damages and \$197 million more in punitive damages.

The court in early 1985 stayed all civil proceedings pending further investigation of the jeweler by the FBI.

In 1987, the Pfeffermans were convicted on plea-bargained charges of bank fraud arising from their use of favored notes.

Court papers explain that before the alleged loss and during the policy period, the Pfeffermans and other dealers exchanged favored notes, which promise payment for goods belonging to the other dealer.

The use of such notes is common practice in the jewelry industry, Mr. Kroll noted.

The Pfeffermans were convicted of bank fraud after they sold the notes to a bank because, contrary to what the notes represented, there had been no exchange of merchandise, court papers explain.

The Pfeffermans, who are still in business, were fined less than

Had the underwriters known of the Pfeffermans' use favored notes, they 'would not under any circumstances have insured the partnership or any of its members or employees,' says Lloyd's of London underwriter Malcolm Blair.

\$50,000 in the bank fraud case and were placed on probation, Mr. Kroll said.

In a declaration dated July 18, Mr. Blair, the lead Lloyd's underwriter, said: "Neither I nor any

of the underwriters became aware of the Pfeffermans' bank fraud and their favored notes transactions until some time after the alleged loss."

Had the underwriters known of

the Pfeffermans' use of favored notes, they "would not under any circumstances have insured the partnership or any of its members or employees, or renewed insurance already offered, or offered insurance to the Pfefferman partnership in any form," Mr. Blair said.

Because of the Pfeffermans' extensive use of favored notes, "they have made it impossible for underwriters to say what inventory they might have had, leaving aside their criminal activity," Judge Keller ruled in his latest decision.

"The Pfeffermans are guilty, then, not only of the felony for

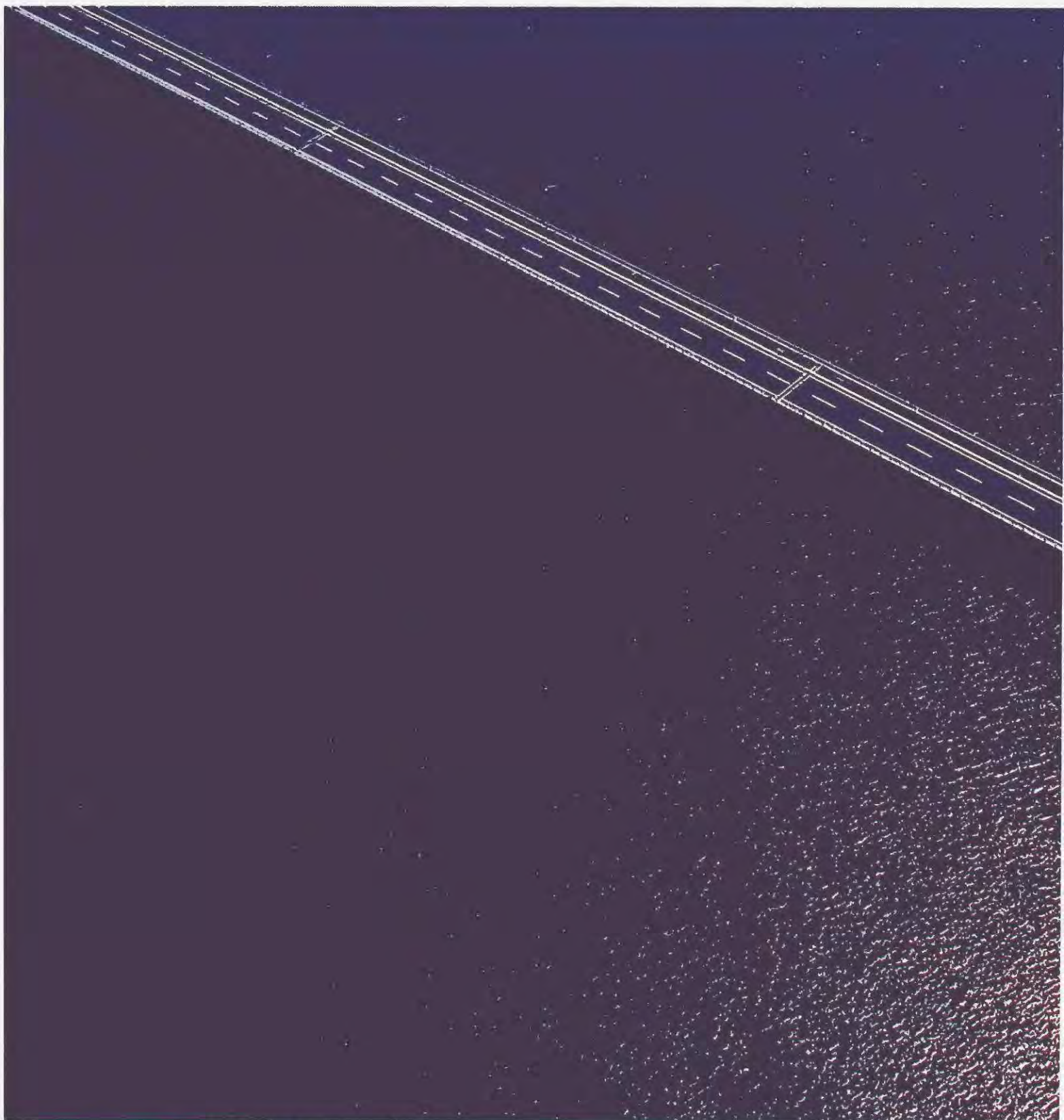
which Sam and Ervin Pfefferman were sentenced, but also of concealment. . . . The Pfeffermans had a duty to reveal their practices to the underwriters, or they lose the benefit of insurance," Judge Keller ruled.

"Plaintiffs' failure to disclose their favored note transactions entitles underwriters to rescission of the contract of insurance."

Neither the plaintiffs nor their attorneys could be reached for comment.

However, Mr. Kroll said the Pfeffermans are appealing the ruling. ■

Between the aviation industry and the insurance



It takes highly specialized knowledge to understand aviation and aerospace firms. And equally specialized experience to deliver the insurance coverages they require.

That's why so many industry leaders come to James. From air carriers to aerospace manufacturers, from suppliers to financial institutions, they know that James understands them, their insurance

needs, and where and how to cover them. What's more, they know they can rely on James for responsive service and innovative ideas. It's the same confidence James clients in all industries share.

NatWest names Davis vp/risk manager

Kristin Woodford Davis has been named vp and risk manager of National Westminster Bank USA in New York. In this position she is responsible for property/casualty insurance, alternative risk financing, loss control and risk management for NatWest. She replaces **Carolyn Simpson**—who has joined Merrill Lynch



Ms. Davis

Comings & goings: buyers

& Co. Inc.—and reports to Stephen W. Tallon, senior vp and controller. Previously, Ms. Davis was vp for risk and insurance management at Carteret Savings Bank in Morristown, N.J. Prior to that she was an underwriter with Chubb & Son Inc.'s financial institutions department in New Providence, N.J. Ms. Davis holds a bachelor's degree in literature and history from the University of Redlands in California. She is a past vp and secretary

of the New Jersey Chapter of the Risk & Insurance Management Society and now serves on the advisory board of The College of Insurance and the board of directors of Bankers Insurance Co. Ltd. of Bermuda.

Lorraine Schroeder has been promoted to vp-human resources at Reilly Tar & Chemical Corp. in Indianapolis. In this newly created position she continues to oversee

group benefits, retirement and pension plans, as well as corporate personnel policy. She reports to R.E. McAdams, executive vp and chief financial officer. Ms. Schroeder, who has been with the company for 47 years, most recently served as assistant secretary.

Also at Reilly: **Robert Polack**, vp and general counsel, was named to the additional post of secretary with increased responsibility for Reilly's risk management program. Mr. Polack, 43, now oversees property insurance in addition to liability coverage and overall risk man-

agement. He replaces as secretary Mr. McAdams, who remains executive vp and CFO of Reilly, and assumes responsibility for property coverages from **David Henry**, corporate treasurer. Mr. Polack reports to President Thomas E. Reilly Jr. Prior to joining Reilly in 1972, Mr. Polack worked at the U.S. Department of Defense. He holds a bachelor of arts degree from Princeton University in Princeton, N.J. and a doctor of law degree from Louisiana State University in Baton Rouge. Mr. Polack is a deputy member of the Risk & Insurance Management Assn. and a member of both the Indiana and American Bar Associations. In addition, he is chairman of PRIMEX Ltd., a Barbados-based insurer.

Edward J. Belz, 38, has been named assistant director of corporate risk management at W.R. Grace & Co. in New York. In this position he is responsible for international property/casualty insurance and assists with Grace's overall risk management program. He replaces and reports to **Jeffrey M. Posner**, who recently was promoted to assistant vp and corporate risk manager (*BI*, Oct. 24). Previously Mr. Belz was corporate risk manager at Ipco Corp. in White Plains, N.Y. Prior to that he served in the insurance department of Union Carbide Corp. in Danbury, Conn. Mr. Belz received a bachelor of arts degree in business administration from Nasson College in Springvale, Maine, and a master of business administration degree in finance from the University of New Haven in West Haven, Conn. He also holds the Associate in Risk Management designation.

Richard W. Gross, 45, has been named director of benefits and risk management at Datron Inc. in Hoffman Estates, Ill. In this newly created position Mr. Gross oversees employee benefits, property/casualty insurance and risk management activities for the manufacturing and marketing firm. He reports to William T. Ylvisaker, president and CEO. Previously Mr. Gross served as manager of employee benefits at International Controls Corp. in Boca Raton, Fla. He holds a bachelor of science degree in business administration from Roosevelt University in Chicago and the Associate in Risk Management designation.



Mr. Gross

Rodger A. Cochran has been named director of corporate risk management at Harbert Corp. in Birmingham, Ala. In this newly created position he oversees property/casualty insurance, employee benefits, safety, loss prevention and claims administration for Harbert, a multinational construction firm. He reports to J. William Powers III, corporate secretary. Previously Mr. Cochran was risk manager with Morrison-Knudsen Corp. of Boise, Idaho. He holds the Insurance Institute of America certificate and is a deputy member of the Risk & Insurance Management Society. In addition, he is working toward his Chartered Property & Casualty Underwriter designation.

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Paul Winston, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.

markets of the world lies a vast expanse.



In more than 90 offices nationally, and through the network of the Sedgwick Group, with 300-plus offices in 64 countries worldwide, James performs on a higher plane.

James builds the bridge.

America's premier insurance broker. A Sedgwick Group Company

At issue

Should brokers be prohibited from placing business with insurance companies they control?



Jeanette Ross
Risk manager
NIKE Inc.
Beaverton,
Ore.

They should be required to disclose a relationship like that to the risk managers. We're sophisticated consumers; we don't need a law to protect us. Such a law could discourage broker formation of insurer facilities like X.L. and A.C.E., which were really a boon in the hard market.



Karl Ogren
Risk manager
United Illuminating Co.
New Haven,
Conn.

Yes. The question of conflict of interest and the opportunity for fraud may become a problem. Therefore, I believe the exclusive function of the broker is to represent the buyer in arranging insurance protection.



Robert Powell III
Director-risk management/loss control
Collins & Aikman Corp.
Charlotte,
N.C.

Yes. It's like the fox minding the hen house—there are too many opportunities for deceit and fraud. Because the opportunities are there, the questions would also be there on the part of the buying public.



Steve Johnson
Risk manager
Mosler Inc.
Hamilton,
Ohio

No. The risk manager should be intelligent enough to evaluate a company on its own merits. The conflict of interest, if it's there, is more than offset by the additional competition brought into the marketplace.

Compiled by Christine Woolsey

CU-7 litigation

Continued from page 2

strict Court in Philadelphia—citing lack of material facts for a jury trial—rendered summary judgment in favor of Searle in a 1985 CU-7 suit.

The plaintiff, Debra Schrammel, claimed that she lost one fallopian tube and that the other was severely scarred as a result of using a CU-7.

The suit alleged that Searle did not furnish the "medical community with the information it needed to provide proper guidance to its patients" of potential dangers associated with IUD use by certain women, said plaintiff's attorney Arnold Levin, a partner of Levin, Fishbein, Sedran & Berman in Philadelphia.

The suit further alleged that Searle had composed a warning—found within its internal documents—that noted the danger the CU-7 could pose to women who had multiple sexual partners or who had never borne children. However, Searle made a decision not to include the warning with the device, said Mr. Levin.

Mr. Levin said he "absolutely" plans to appeal Judge Gawthrop's ruling. "I thought the judge's opinion was incorrect," he said.

A Searle spokeswoman viewed the Philadelphia judgment as a victory.

She said Judge Gawthrop's decision also illustrates that the Minnesota decision did not trigger a "pattern" of judgments against Searle. "We think the Minnesota case was an aberration," she added.

Regarding the differing rulings by the federal court judges, the spokeswoman said: "The judge in Philadelphia was dealing with a matter of substance... whether or not the physician was adequately warned by Searle. The California judge was dealing with whether or not the complaint was legally appropriate."

Mr. Brosnahan, the plaintiff attorney in the Los Angeles and the Minnesota litigation, predicted that the Philadelphia decision "will have absolutely no effect on any of the litigation" his firm is presently pursuing.

One "would have to assume that the judge was either not fully briefed on the facts or had a case that could clearly not be maintained" in court for some technical reason, Mr. Brosnahan said, referring to the Philadelphia decision.

He said that before his firm agrees to represent a CU-7 claimant, the potential client must go through "an extremely rigid screening process" to determine whether the case will hold up under applicable state laws and whether sufficient medical documentation and evidence exists.

Another attorney currently representing plaintiffs in CU-7 litigation, Roger L. Pardieck, a partner in Pardieck & Gill in Seymour, Ind., said that winning "fully prepared and properly put together and documented" cases, like the Minnesota suit, "represents what I believe to be a trend in CU-7 litigation."

Mr. Pardieck has 21 CU-7 cases pending, one of which was filed following the Minnesota decision. He said that several other women interested in pursuing claims against Searle have contacted him since the Minnesota decision.

And, while Robins, Kaplan, Miller & Ciri is not filed any additional CU-7 suits since the Minnesota decision, "there have been hundreds of calls" and the firm is reviewing "hundreds of cases," Mr. Brosnahan said.

Already, the firm has filed 60 to 70 CU-7 suits and is preparing another 30 to 40 complaints.

The Searle spokeswoman said that in more than 300 of the estimated 1,300 suits filed against the company so far, summary judgments or verdicts have been made in Searle's favor, or the suits have been dismissed with prejudice.

Of the remaining suits, about 500 are pending; four were lost in court, two of which Searle is currently appealing; and the remainder have been settled or dropped, she added.

EMPLOYEE BENEFITS BULLETIN:

GROUP LONG TERM CARE FROM CNA COMPLETES YOUR BENEFITS PACKAGE

Give your employees the benefits they want today and will need tomorrow.

You can complete your employee benefits package without increasing your budget. Now you can offer Group Long Term Care coverage paid in full by your employees... at low group rates. And CNA helps make administration easy.

Group Long Term Care from CNA can ease the financial burden of expensive nursing home or in-home care. These valuable benefits for your employees can also be provided for their spouses and parents. And the convenience and flexibility of group insurance allows you to tailor a program to meet your employees' specific needs.

CNA provides the essential combination of expertise and financial strength. We are one of the pioneers in the long term care industry with over 20 years of experience. And we hold the industry's highest financial rating, an A+, from A. M. Best. So you can be sure that we can meet your employees' needs—today and tomorrow.

For more information on how Group Long Term Care from the CNA Insurance Companies can complete your benefits package without increasing your benefits budget, call Lynn Clark at 312-822-6602.

The diagram is a circular pie chart titled "Employee Benefits Plan". It is divided into five colored segments: a pink segment for "Group Long Term Care", a green segment for "Life", a yellow segment for "Health", a red segment for "LTD", and a yellow segment for "Dental". The "Group Long Term Care" segment is highlighted with a pointer from a silhouette of a person on the left. The background of the diagram shows a silhouette of a person sitting at a desk with a computer monitor.



For All the Commitments You Make[®]

Group Benefits from CNA: Life & Health • AD & D • Vision • Dental • LTD • Flexible Benefits Programs • Pensions • Long Term Care
Coverage is underwritten by Continental Casualty Company, one of the CNA Insurance Companies/CNA Plaza/Chicago, IL 60685

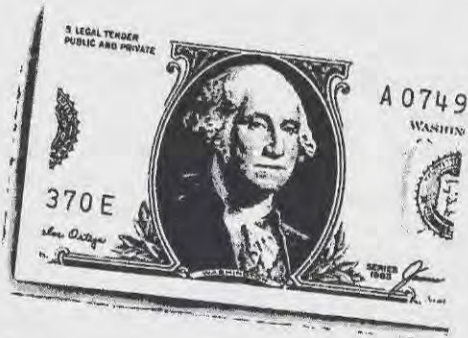
REINSURANCE AND THE RIGHT FOCUS



When you select a reinsurer, it's important that you get a clear picture of its financial stability. You might start by considering a company's policyholders' surplus. But don't make it your only focus. Today's large surplus could be compromised by liberal underwriting policies, leading to overexposure and future instability.



A reinsurer's Best's rating will help sharpen the image. But today's rating isn't meant to tell you everything you should know to predict where the company will be in ten years — when you may need it to pay a claim.



The clearest picture of a reinsurer's financial stability includes not only surplus and rating, but people, too. After all, it's people who shape the company's future.

At NAC, you'll find seasoned reinsurance professionals with a wealth of diversified experience. People whose sound management skills and judicious underwriting complement a Best's rating of "A" and a surplus in excess of \$165 million. NAC, a solid, secure company worth focusing on. Greenwich, Hartford and New York. *We'll be there when you need us.*

- Treaty Reinsurance Written Through Intermediaries
- Facultative Reinsurance Written Directly

North American Company
for Property and Casualty Insurance

A Member of the NAC Re Group.



60% of HMOs show aftertax loss: Study

By JAMES M. BURCKE

More than 60% of the nation's health maintenance organizations reported aftertax operating losses in 1986, a big jump from 41% in 1985, a recently released survey shows.

In addition, the average HMO reported an aftertax operating deficit of \$10.40 per member per month in 1986, according to the survey by the Group Health Assn. of America, a Washington-based HMO trade organization.

The survey also shows that older HMOs are more likely to make a profit than fledgling operations, while profitability also tends to increase with the size of an HMO.

For instance, 56.2% of the "established" HMOs surveyed—those operational for more than three years—reported an operating profit in 1986. And, more than three-quarters of the plans with more than 100,000 members recorded a 1986 profit.

The study, which is part of the GHAA's widescale "HMO Industry Profile," is based on 214 responses by HMOs nationwide to a survey compiled by the GHAA. The responding HMOs represent 33.1% of all HMOs operating in December 1986 and their members include 57.6% of all HMO enrollees in the United States at year-end 1986.

According to the survey, only 39.2% of the nation's HMOs were profitable in 1986, down from 59% in a similar survey that the GHAA conducted the previous year. However, the GHAA says it is difficult to assess the decrease in profitability between 1985 and 1986 because different plans responded to the survey in each of the two years.

However, the survey authors do point out that "the low rate of profitability in the HMO industry of 1986 appears to reflect its youth.

"It is commonly accepted in the industry that plans experience losses in their initial years of operation, with break-even coming after three or more years and growth in membership," the survey authors explain.

The survey results bear out this observation: HMOs profitability increases with the age of the HMO and with the size of the plan.

For example, only 4.2% of the 25 HMOs less than a year old that were surveyed reported a profit in 1986, while profitability jumped to 19.1% of the 49 HMOs that were 2 to 3 years old in 1986.

Once the three-year-threshold is passed, HMO profitability increases significantly. Some 54.8% of the 43 HMOs that were 4 to 7 years old in 1986 were profitable, while 54.2% of the 49 HMOs responding that were between 8 and 15 years old reported a profit. And, 66.7% of the 15 HMOs participating in the survey that were more than 15 years old reported a profit in 1986.

The size of an HMO's loss is also directly linked to its age, the survey reveals.

For instance, 70.8% of the HMOs less than a year old in 1986 reported year-end losses that exceeded 10% of revenues and 59.6% of the plans 2 to 3 years old reported losses exceeding 10% of revenues. However, only 9.5% of the HMOs in business four to seven years reported year-end losses that exceeded 10% of revenues, while 6.3% of the plans 8 to 15 years old and 6.7% of the plans more than 15 years old reported 1986 losses exceeding 10% of revenues.

The same trends hold true when the size of the HMOs' memberships are compared.

Only 20.8% of the HMOs with fewer than 20,000 members reported a profit in 1986. However,

'It is commonly accepted in the industry that plans experience losses in their initial years of operation, with break-even coming after three or more years and growth in membership,' the survey authors explain.

39.5% of those HMOs with 20,000 to 49,999 enrollees reported a profit, while 50% of the plans with 50,000 to 99,999 members were

profitable as were 77.8% of the plans with membership exceeding 100,000 people. And, smaller HMOs were more

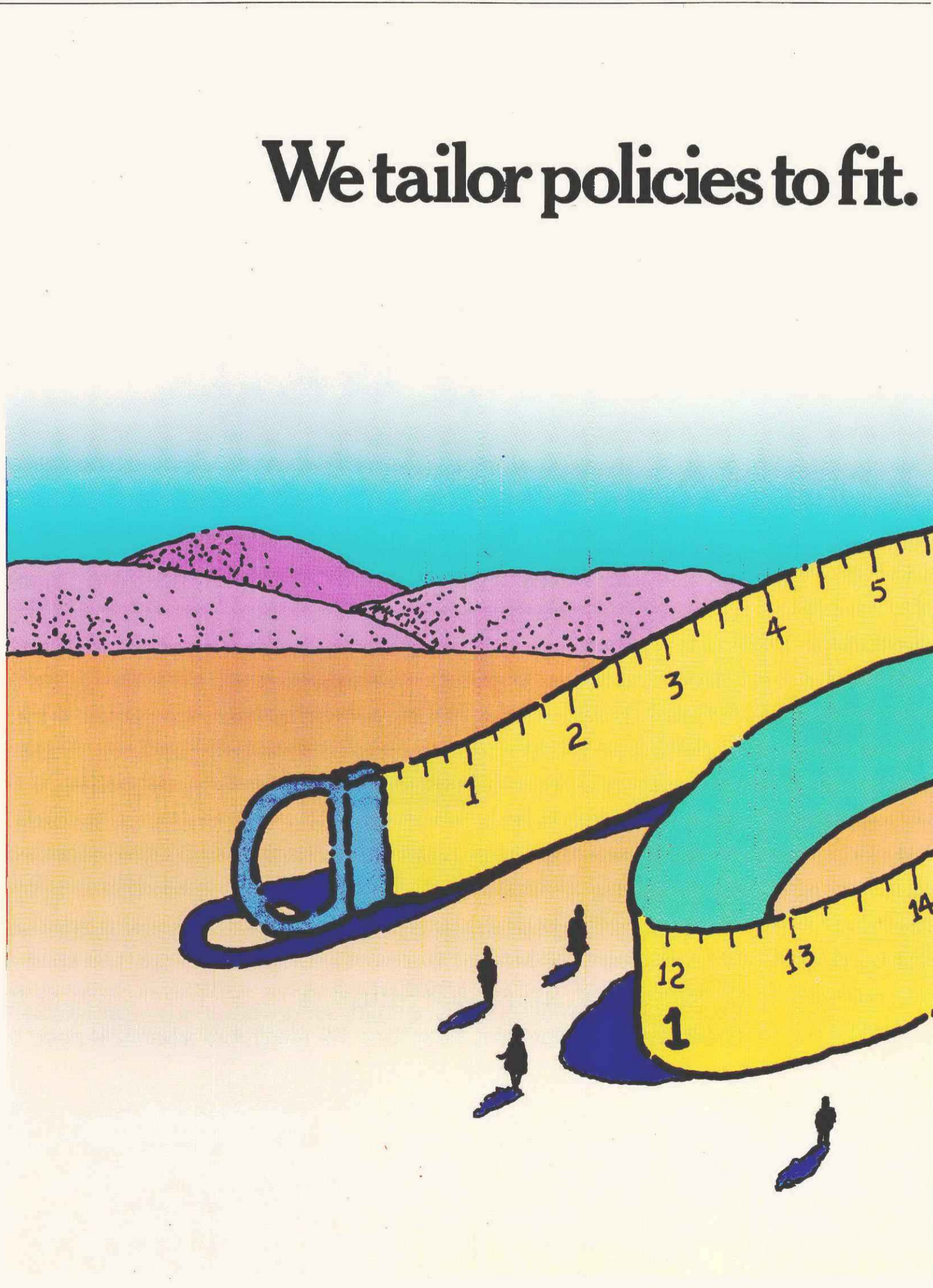
likely to report big losses than plans with large memberships.

Almost 60% of the plans with fewer than 20,000 members reported a year-end loss in 1986 that exceeded 10% of revenues, while only 13.2% of the plans with 20,000 to 49,999 members suffered a loss exceeding 10% of revenues. And, just 11.7% of the plans with 50,000 to 99,999 members and 7.4% of the HMOs with more than 100,000 members reported losses of greater than 10% in 1986. Interestingly enough, not-for-

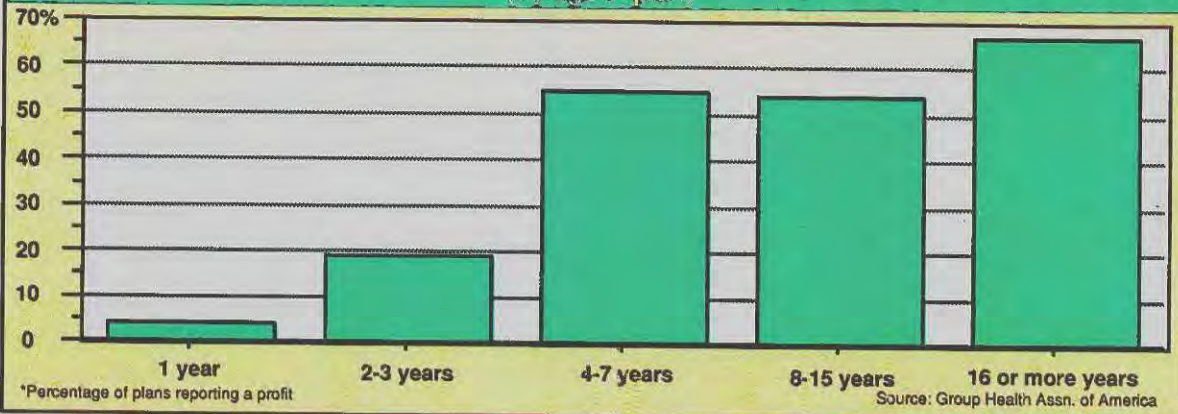
profit HMOs were more likely to achieve profitability in 1986 than for-profit plans. Exactly half of the 95 not-for-profit HMOs reported an aftertax operating profit in 1986 compared with only 25.4% of the 36 for-profit HMOs in the survey.

According to the GHAA, 50.8% of the HMOs with independent ownership were profitable in 1986, while 45.8% of the plans that were part of a national chain posted a 1986 profit. However, only 26.7%
Continued on next page

We tailor policies to fit.



HMO profitability in 1986*
(By age of plan)



Continued from previous page of the Blue Cross/Blue Shield HMOs reported a profit in 1986. And, only 24.1% of the provider-sponsored and 11.1% of the insurer-sponsored HMOs were profitable in 1986.

Forty-six percent of the federally qualified HMOs surveyed reported operating profits in 1986, while only 25.4% of the non-federally qualified HMOs reported a profit.

Plans in the Mountain/Pacific and the Mid-Atlantic regions were the most likely to be profitable, according to the survey: 52.5% of the Mountain/Pacific HMOs and 52.4% of the Mid-Atlantic HMOs were profitable in 1986.

While 45.5% of the HMOs in New

England reported profits in 1986, only 36% of those in the East Central region, 29.7% of the plans in the West Central region and 17.6% of the HMOs in the South Atlantic region were profitable.

Of the four major types of HMOs, the group model, in which the HMO contracts with a group of physicians to provide services, was the most likely to be profitable: 51.9% of the group model HMOs surveyed were profitable.

Forty-four percent of the staff model HMOs—in which physicians directly employed by the HMO deliver services—were profitable, while 35.6% of the individual practice association HMOs—in which the HMO contracts directly with physicians or associations of providers to deliver services—were profitable.

Only 35.1% of the network model HMOs—in which the HMO contracts with two or more groups of physicians—reported a profit in 1986.

Besides reporting on the profitability of HMOs, the GHAA survey also explores the sources of HMO revenues and expenses.

Premiums make up the overwhelming proportion of HMOs' revenues: The average HMO reported monthly premium revenue of \$63.73 per member or 83.8% of the HMO's total revenues per member per month.

Medicare/Medicaid-based revenues produced monthly income of \$9.31 per member, or 9% of total revenues. Revenues from fee-for-service procedures or from members' copayments totaled 80 cents per member per month or about 1% of total revenues, while other sources of income, including coordination of benefits payments and interest income, totaled \$15.20 per member per month, or 6.1% of total revenues.

The HMOs surveyed reported that total expenses equaled an average of 116.6% of their health care revenues, which are defined as premium and Medicare/Medicaid revenues.

Medical expenses made up more than half of HMOs' overall expenses, the survey shows.

The surveyed HMOs reported monthly medical expenses of \$40.17 per member, or 54.4% of total expenses per member per month. Hospital expenses totaled \$21.43 per member per month, or 28.6% of total expenses, while administrative expenses totaled \$13.90 per member per month, or 17% of total expenses.

However, administrative expenses comprised a much larger percentage of overall expenses among younger and smaller HMOs.

For instance, administrative expenses made up 35% of the total expenses of HMOs that were a year old or less in 1986. HMOs in operation for two to three years reported that administrative expenses comprised 23.4% of overall expenses.

Older, "established" HMOs reported much lower administrative expenses. HMOs in business for four to seven years reported that administrative expenses comprised only 14.2% of total expenses, while plans that were 8 to 15 years old said administrative expenses totaled only 12.5% of administrative expenses. And those plans in business for 16 or more years said administrative expenses totaled only 7.4% of total expenses.

Likewise, while HMOs with fewer than 20,000 employees reported administrative expenses comprised 25.3% of all expenses in 1986, those plans with more than 100,000 members reported that administrative expenses totaled only 8.9% of all expenses.

Copies of "HMO Industry Profile, Volume 3: Financial Performance" are available for \$35 from the Group Health Assn. of America, Publications, Department 0612, Washington, D.C. 20073-0612.

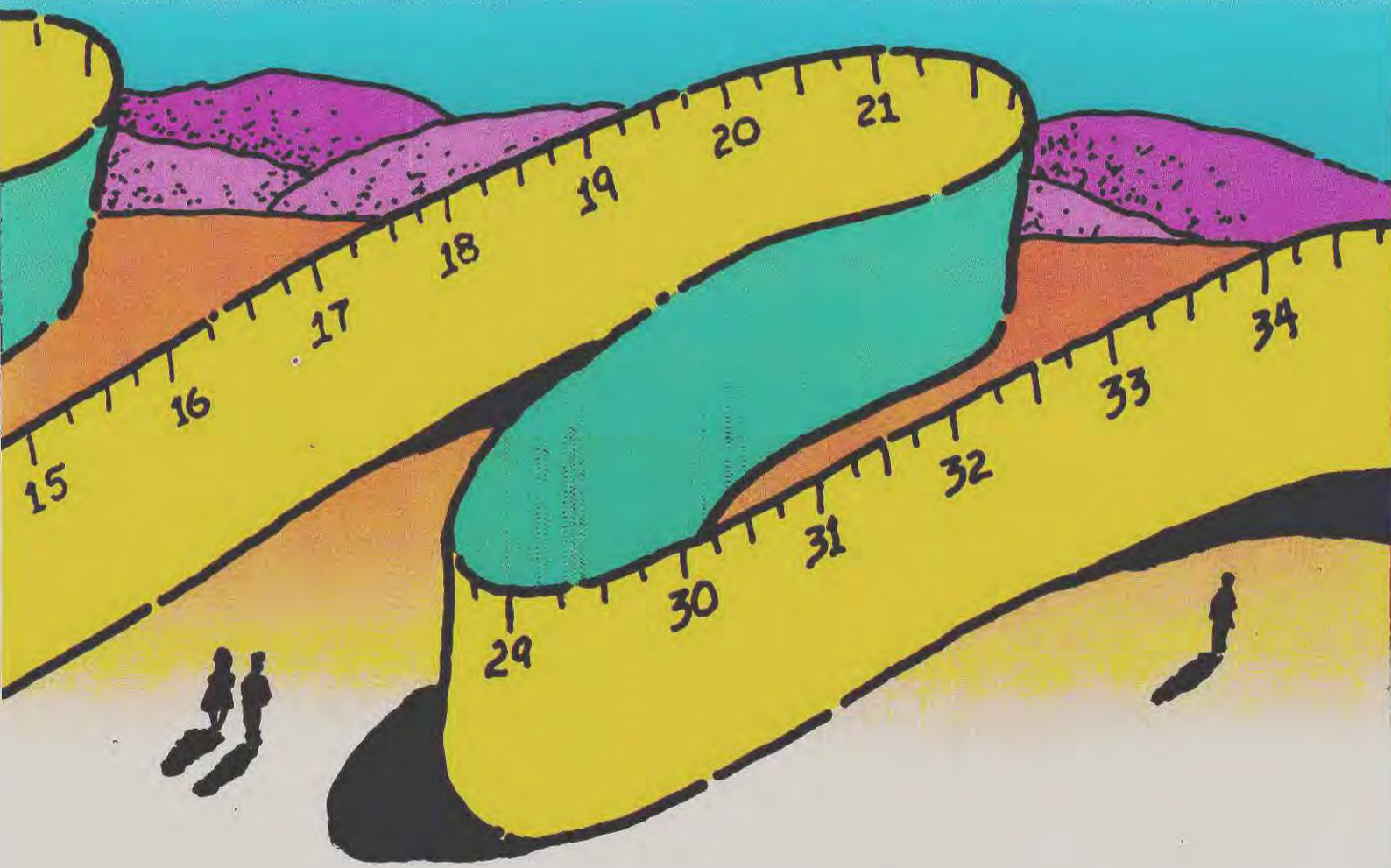
At Affiliated FM and Appalachian Insurance Companies we have the proven experience to tailor property policies for companies of different sizes. That's why brokers are starting to see Appalachian and Affiliated from a new perspective.

Affiliated FM and Appalachian are rated A+ by Best's. We offer a complete product line for property risks—including an "all risk" policy that's simple, comprehensive, and flexible. We have a proven track record of serving brokers who require fast, competitive, and complete service. We put you directly in touch with our underwriters who can tailor a policy to meet your clients' needs, then get it out the door quickly. We've even been known to hand-deliver a policy in a pinch. And, our claims handling is just as fast, just as efficient, and certainly, fair.

We can also make available our engineering resources—resources helpful in reducing or controlling property losses and in satisfying your clients' needs.

So, if you want insurers who provide capacity, coverage, and service, talk to one of our Commercial Property Operations Managers. And get a new perspective on property insurance.

Affiliated FM Insurance Company
Appalachian Insurance Company
Associated with Allendale Mutual Insurance Co.
A member of the Factory Mutual System.
East Central (216) 524-9300 **Midwest** (312) 572-0300
New York (201) 992-9700, (212) 233-8700
Northeast (401) 275-3000
South (404) 955-2700
West (818) 704-1133, (213) 873-1722
Canada (416) 494-7111, (514) 485-1520



Legal reform moves brewing in Britain

By CAROLYN ALDRED

LONDON—A consultative document outlining possible reforms of the legal profession in England and Wales will be published early next year by the Lord Chancellor, the government-appointed head of the judiciary in England and Wales.

Reforms of the legal profession in England and Wales likely will make the legal system more accessible to the public.

The document "is likely to examine afresh the fundamental issues of what activities require the services of lawyers and on what basis such services ought ideally to be provided," according to the Lord Chancellor's government department.

Areas that likely will be examined include the case for change;

education, qualifications, training and standards; reserved areas of work various professionals; and the future role of a separate system of trial lawyers.

Lord Mackay of Clashfern, the Lord Chancellor, announced late last month that a Green Paper would be published early next year in preparation for introducing legislation in the 1989/1990 parliamentary session.

A separate consultation paper on the possibility of introducing some form of a contingency fee system will also be issued, he said.

Lord Mackay's announcement follows several recent reviews of the judicial system and the legal

London

profession in England and Wales as well as increasing calls from consumer groups and some lawyers to improve public access to the legal system (*BI*, June 27; Sept. 19).

Meanwhile, the London-based Citizen Action Group is canvassing members of Parliament to introduce a private members' bill aimed at improving levels of compensation for citizens harmed by the actions or products of others.

The bill would:

- Establish a Compensation Advisory Board to make recommendations for the levels of compensation awarded to injured persons.

- Place a duty on the courts to

consider such recommendations as well as actuarial evidence in awarding compensation.

- Increase the amount of damages paid in the event of accidental death and extend the category of people entitled to receive these damages.

Citizen Action will promote the bill in the next few weeks "in the hope that a member of Parliament who comes high in the private members' ballot will choose to introduce it in the House of Commons (Britain's elected lower chamber)."

Private members' bills are proposed by individual members of Parliament and usually cross party lines. Although all members of parliament have the right to introduce their own bills, as opposed to government-sponsored bills, there

is limited time during parliamentary sessions for the passage of such bills.

Usually only the first 10 or so members names that are drawn in an annual lottery for private members' bills each year have the opportunity to present a private bill, according to a spokesman for Citizen Action.

Account movement

The current movement of insurance accounts in the London market so far has produced one big winner and one big loser for Lloyd's of London broker Lowndes Lambert Group Ltd.

Lowndes Lambert, the subject of a successful management buyout in April, will become the sole London broker for the worldwide property account of U.S. retailer Sears, Roebuck & Co. beginning Jan. 1, confirmed Richard Shaw, chairman and chief executive of Lowndes Lambert.

Sears' property account previously was placed in London by C.T. Bowring & Co. Ltd., the London-based subsidiary of Marsh & McLennan Inc.

Meanwhile, London-based conglomerate Grand Metropolitan P.L.C., currently engaged in a hostile bid for U.S.-based Pillsbury Co., has switched its worldwide property account to Willis Faber P.L.C. after 26 years at Lowndes Lambert, Mr. Shaw confirmed.

Grand Met's property account, which renewed on Oct. 1, is led by Winterthur Insurance Co. U.K., the recently opened London-based direct underwriting operation of Swiss-based Winterthur Insurance Co.

Big fire loss

London underwriters face losses of more than 50 million pounds (\$88.5 million) from a September fire that gutted a potato chip factory in Corby, England.

The factory, which produced about 400 million packets of Golden Wonder potato chips a year, was fully insured for property and business interruption losses, according to a spokesman for London-based Dalgety P.L.C., Golden Wonder's parent company.

Dalgety is not rebuilding the factory because it would take at least 18 months, putting the company at a competitive disadvantage, said a spokesman. Instead, the company is acquiring Corby-based snack producer Hunter Foods, he said.

Compensation payments, in the form of severance pay, for the 650 people who worked at the Golden Wonder factory will be covered by business interruption insurance since the company insured payroll during a loss of production.

The property insurance is led by Commercial Union Assurance Company P.L.C., according to Dalgety. CU's net loss after reinsurance is about 2 million pounds (\$3.54 million), sources estimate.

Other insurers on the risk include Guardian Royal Exchange P.L.C., with a net retention of about 5 million pounds (\$8.85 million); Royal Insurance P.L.C., with a 5 million pound (\$8.85 million) net line; and Sun Alliance & London Insurance P.L.C., with a net retention of 8 million pounds (\$14.2 million).

Loss offsets

Lloyd's of London underwriting members will be able to offset losses from a syndicate's underwriting account against profits from other accounting years before paying commission charges to managing agents, the Council of

Continued on page 18

We'll be opening a lot more new doors over our next 140 years.



For nearly 140 years, we've been known as one of the nation's leading insurers. Our doors have always been open to opportunity-seeking producers. And, now, with our move to Charlotte, the opportunities are greater than ever.

Our operating efficiency and responsiveness provide you with the service and competitive products you need while maintaining the profits essential to your growth and ours.

For example, we've given more authority to our branch managers and underwriters, who now have the decision-making power to respond directly to your needs.

On the product side, our Challenger series of commercial multi-peril policies for small-to-medium-size businesses combines innovative coverages with state-of-the-art automation in a program that's as easy to rate as it is to write.

When it comes to Personal Lines, our Fire Mark series of homeowners policies for the upscale housing market is among the most attractive and competitive programs in the industry.

Our RAMS division offers ocean and inland marine products, with boiler and machinery, claim and engineering services second to none.

And our Special Risks Division takes on the tougher risks—domestic and overseas—which many insurers don't have the capability to write.

There's more. The introduction of enhanced policywriting, billing and claims processing systems. Greater reliance on and utilization of agency/company interface, with support designed to fit the agency needs. And last, but by no means least, a renewed commitment to service.

Royal is once again where opportunity is knocking. And our doors are open for you.



Royal Insurance
9300 Arrowpoint Boulevard
Charlotte, NC 28217

YOU MAY BE SURPRISED WHAT'S BEHIND YOUR REINSURANCE COVERAGE.



All too often the answer is—not enough.

Because while a company may claim to possess all the necessary property and casualty reinsurance capabilities, it may lack the most important one of all: the resources to sustain a lasting relationship.

Truth is, not having the right reinsurer can lead to some unfortunate consequences. Like claims payment delays. Uncollectible reinsurance. Inconsistent underwriting. And very unhappy clients.

As part of a worldwide professional reinsurance network, CIGNA Reinsurance Company is responsive to both the treaty and facultative marketplace.

Our underwriting staff is committed to the highest standards of excellence. And, our knowledge and extensive experience in both the reinsurance and primary markets enables us to respond appropriately to the needs of

intermediaries and client companies.

Our underwriters are supported by a dedicated staff of claims, actuarial and financial professionals. Plus, our technical services group provides timely and valuable information which allows the underwriters to identify and resolve issues, before they become problems.

Finally, we have the capacity and technical expertise to assume substantial risk. And more importantly, financial stability, which translates into real staying power.

After all, if there's nothing behind your reinsurance coverage, there's probably no future in front of it.

Building long term relationships. One more example of CIGNA's commitment to personalized service to business around the world.

The CIGNA logo consists of the word "CIGNA" in a bold, white, sans-serif font, centered within a dark blue rectangular box.

London

Continued from page 16
Lloyd's announced.

The provision forces managing agents to share in the losses as well as the profits of syndicates they manage (BI, May 16).

The decision reverses an earlier working party conclusion that a mandatory provision might be commercially damaging for agents. The Assn. of Lloyd's Members this summer mounted a vigorous campaign to force the mandatory introduction of the provision, known as a vertical deficit clause.

The Council also agreed that members should be allowed to offset losses on syndicates against profits made on others in any one underwriting year before paying commissions to members' agents.

Proposals for new underwriting agency agreements were drawn up by a working party earlier this

year, in response to the government inquiry headed by Sir Patrick Neill into self-regulation and investor protection at Lloyd's.

AIG stock listing

Shares in New York-based insurer American International Group Inc. began trading last month on London's Stock Exchange.

The listing, sponsored by Kleinwort Benson Ltd., follows AIG's listing last year on the Tokyo stock market.

A&A unit expands

London-based broker Alexander Stenhouse U.K. Ltd., a subsidiary of Alexander & Alexander Services Inc. of New York, is forming an international department in Man-

chester, England.

The department is being set up to "meet the needs for those multinational companies which are located on the North (of England), the Midlands and Scotland," according to a company statement.

Currently, London-based brokers maintain specialist teams for multinational companies only in London.

Alexander Stenhouse's Manchester department "reflects the proper recognition of the substantial international trade generated by companies throughout the U.K. Also, with many more companies looking to benefit from the single European market, this specialist service will be helpful to companies based in the North (of England) who are looking to expand manufacturing or exports to the continent," the statement added.

St. Paul (U.K.)

London-based St. Paul Fire &

Marine Insurance Co. (U.K.) Ltd. is increasing its capital to 25 million pounds (\$44.3 million) from 15 million pounds (\$26.6 million).

"This further strengthening of St. Paul Fire & Marine (U.K.) forms part of our (restructuring) program as part of the expansion of the St. Paul insurance company interests," in the United Kingdom, said Vartkis Boghos, chief executive of St. Paul (U.K.) Ltd.

Beginning in January, St. Paul Fire & Marine (U.K.) will underwrite all of St. Paul's international reinsurance business that is written in the London market, both treaty and facultative, he said.

Meanwhile, St. Katherine Insurance Co. Ltd., another London-based St. Paul subsidiary, will "concentrate on the expansion and development of direct and domestic U.K. business," he added.

Company formed

Gibbs Hartley Cooper Ltd., the

London-based brokerage subsidiary of the Hong Kong & Shanghai Banking Corp., has formed a new company to place North American-based insurance risks.

Gibbs Hartley Cooper North America Ltd. will handle directors and officers liability insurance and general property/casualty insurance for North American businesses.

Simon Harrap, the new managing director, joined GHC from Willis Faber P.L.C.

Market crash suit

Lloyd's of London underwriting agency B.P.D. Kellett & Co. Ltd. is suing one of its former investment managers for funds lost during the 1987 October stock market crash.

According to the 1987 annual report for syndicate 994, Phillips & Drew Investment Services Ltd., which managed one-third of the syndicate's funds, arranged for the investment of a "relatively high proportion of the funds in equities."

"A claim has been made against this company upon the grounds that in doing so it exceeded its authority. The claim is disputed and therefore High Court proceedings have been commenced," the report states.

Phillips & Drew was appointed joint fund manager in July 1987 together with Whittingdale Ltd. and Willis Faber (Finance & Administration) Ltd.

Phillips & Drew's appointment was terminated in November 1987, the report noted.

B.P.D. Kellett refused to comment further on the matter.

Phillips & Drew, a major stockbroker in London, closed its investment services division earlier this year. Officials at Phillips & Drew did not comment on the suit.

Lloyd's expansion

Lloyd's of London is examining ways to boost its revenues from Britain and the rest of Europe, says Chief Executive Alan Lord.

Two "task forces" of underwriters and brokers currently are "looking at new possibilities for business in Europe and U.K.," Mr. Lord said at a press conference earlier this month.

The working groups are examining "a whole range of ways to make the market more competitive" within Lloyd's traditional distribution system, he said.

Meanwhile, Lloyd's expects to open its first contact office in West Germany soon and also is seeking to establish offices in Spain and Greece, said Mr. Lord. These offices, as representatives of Lloyd's Corp., cannot underwrite business on Lloyd's behalf.

Comings & goings

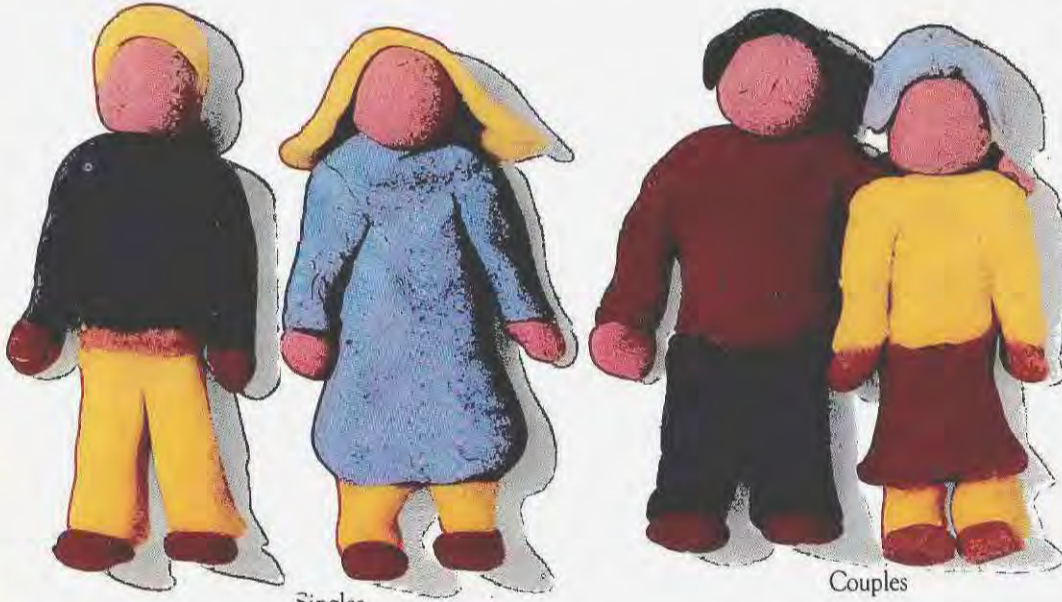
Christopher Price has resigned as deputy chairman of Hogg Robinson & Gardner Mountain P.L.C. to become chairman of rival broker Sedgwick P.L.C.'s credit insurance division. He also was appointed a director of Sedgwick U.K. Group, the broker's U.K. retailing unit.

Adrian Daly, managing director of Prudential Vita, the company's Italian life insurance operation, succeeds Mr. Sutcliffe as general manager of the international division, based in London.

Michael Jenkin has been appointed assistant general manager and chief compliance officer of Guardian Royal Exchange P.L.C. in London. Mr. Jenkin was senior vp and secretary for GRE of America Corp.

London broker Hadley Cannon (Londons) Ltd. has promoted Andy Connelly to managing director of Hadley Cannon International Ltd. James Bowyer is appointed a director of Hadley Cannon International's marine division.

Introducing a flexible, bendable benefits package that can be molded to save everyone money.



Singles

Couples



Families

Business

New ChoiceFlex®

Today your employees have new needs. Your work force is changing. The one-income family is in the minority. Now there are two-income families and single parents.

To help cope with a constantly changing benefits environment, Mutual of Omaha Companies' Group Operation introduces ChoiceFlex®, a flexible benefits program that benefits both employer and employee.

Employees choose the benefits they need to fit their individual lifestyle. They're able to trade off one option for another or substitute more protection in one area for less in another. All without adverse selection.

And employees save substantially in lower contributions to FICA since both employer and employee contributions to benefits are pre-tax dollars.

Probably the biggest advantage of ChoiceFlex is the fact that it's backed by the Mutual of Omaha Companies' Group Operation. Recognized for the ability to customize programs in a cost-efficient manner, we'll help you deal effectively with any problems you may encounter.

We'll design a plan to fit your needs. Offer training and installation including a communications plan for your employees. And administer the plan efficiently. We can do all or part of the administration including handling compliance to government regulations.

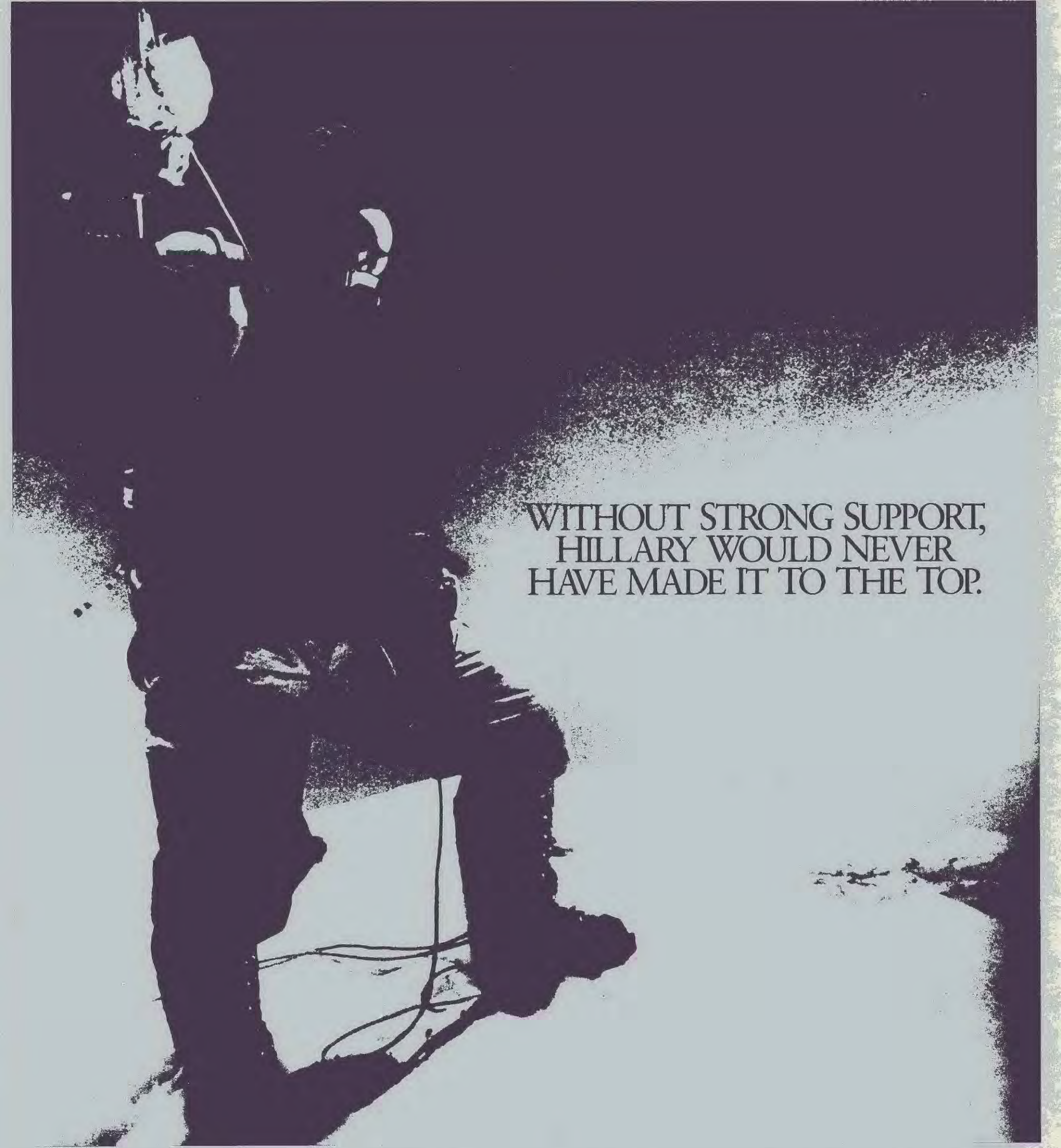
So if you want to cut costs without cutting benefits, check into ChoiceFlex, the flexible program that benefits everyone.

For more information contact our Flexible Benefits Coordinator at Mutual of Omaha Group Operation, Mutual of Omaha Plaza, Omaha, Nebraska 68175. 1-402-978-5422



Mutual of Omaha Companies Group Operation

The Managed-Cost ProfessionalsSM



WITHOUT STRONG SUPPORT,
HILLARY WOULD NEVER
HAVE MADE IT TO THE TOP.

When Sir Edmund Hillary stood at mountaineering's ultimate destination on the morning of May 29, 1953, he wasn't alone. Sherpa guide Tenzing Norgay crested the summit with him. Without the assistance of the "Tiger of the Himalayas" and other Sherpa porters, Hillary wouldn't have had a snowball's chance.

And so it is with business.

Your management has the skills. But without the guidance of others, you may overlook the pitfalls.

Scott Wetzel Services has provided

third-party risk management planning and support to companies for nearly fifty years. Our longevity is tempered in experience that makes it possible to provide counsel of greater depth and flexibility than others. With Scott Wetzel, your risk management picture is melded into one comprehensive, coordinated program. Overseen with instant and thorough communications.

Your company will be able to reap the benefits of self-insurance support, from improved cash flow to a safer working envi-

ronment through loss control programs.

Start now by calling our local representative. Or contact our home office at 1-800-426-5990. (In Washington, call 206-479-0200.) Ask for our president, John Harrold. He'll show you how to make it all the way to the top.

EXPERIENCE WITH VISION.

SCOTT WETZEL

SERVICES, INC.

Risk Management Planning and Support

RIMAS launched

Continued from page 3

RIMS' "sincerest congratulations." "We in North America, believe me, can hear footsteps of the Asians. You don't have 4,000 members yet, but we can feel your excitement and enthusiasm," said Mr. Heydinger, who also is director of risk management for Hallmark Cards Inc. in Kansas City, Mo.

"I wish RIMAS great success," he added. "RIMAS is its members. It will be successful only if all its members participate fully. You will benefit. Your company will benefit. Singapore will benefit."

Although RIMAS is only months old, members of the International Federation of Risk & Insurance Management Assns. approved the Singapore association's application to join IFRIMA at an IFRIMA board meeting in Brisbane, Australia, during the First World Congress on Risk & Insurance Management in October, said Mr. Heydinger (BI, Nov. 7).

"The application was approved by all attendants," he said.

It is now only a "formality" for all 20 members of IFRIMA to approve the application before RIMAS becomes a full member of the worldwide risk management association, he said.

Risk managers in Singapore became interested in forming their own society after RIMS held an Asia/Pacific Conference in Singapore in October 1986, said Chan Seck Cheng, president of RIMAS and risk management officer for Singapore's Mass Rapid Transit Corp. (BI, Nov. 24, 1986).

In addition, risk managers in Singapore wanted to develop an association to fight the rate freeze that insurers belonging to the General Insurance Assn. in Singapore have imposed on all Singapore corporations, said Jeanne Tan, chairman of the conference and executive officer-group insurance/securities of Jack Chia-MPH Group in Singapore.

By establishing their own association, the risk managers hope to voice their opposition to the rate freeze, under which rates can be neither increased nor lowered, as well as investigate risk-financing alternatives, she said.

Under the freeze, insurers also will not lower property/casualty insurance rates if a company has a superior loss history. Rates in Singapore are higher than rates charged in other areas of the Asia Pacific region, such as in Hong Kong, conference delegates said.

"If there hadn't been a rate freeze or the RIMS conference two years ago, there probably wouldn't be a RIMAS," noted Ms. Tan.

"But there probably would have been something to trigger the association eventually," said Mr. Heydinger.

Under Singapore law, RIMAS, like all associations, had to be approved by the government after it investigated all 10 original members for security purposes, delegates to the conference noted.

Conference attendees said that RIMAS, which now has around 30 members, is one of the last associations to be approved before the Singapore government decided to call a halt to new associations.

Once the association was formed, its members decided to hold a conference to spread the word of risk management throughout Singapore, said Ms. Chan. But RIMAS had no funds of its own and its members were not willing to finance a conference that could have been a failure.

"Originally, the conference was thought to be a risky project," said Ms. Tan.

However, RIMAS members found two sponsors to finance conference expenses and bear the loss if the conference failed, said Ms. Tan.

"We were not risk-adverse," she

observed.

The sponsors were Alexander Stenhouse Pte. Ltd., a subsidiary of Alexander & Alexander Services Inc., and privately owned risk management consultant Sterling Knight (Private) Ltd.

The conference was such a success that RIMAS made money after expenses and proudly returned the sponsors' investment checks in a ceremony at the end of the conference.

"It is our privilege and joy that RIMAS within seven months has launched its risk management conference," said Ms. Chan at the opening of the conference. "RIMAS was set up because we see the need for proper management of corporate risk. (The conference) embodies the spirit of RIMAS: to promote and learn from others the practice of risk management."

"We hope that you will be convinced... that risk management is worth our effort and support," she said.

Those attending the conference came from many member nations of the Assn. of Southeast Asian Nations, which includes Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

In fact, some conference participants wondered whether risk managers in other ASEAN nations would become interested in forming their own associations as a result of RIMAS and the conference.

Conference participants also journeyed to Singapore from Australia, India, Europe and the United States.

In addition, RIMAS attracted nine companies to participate in an exhibit area, which included Stenhouse and Sterling Knight.

The other exhibitors were AIU (Singapore) Pte. Ltd., API (Singapore) Pte. Ltd., CIGNA Corp., Gallagher Bassett International, Graham Miller (Singapore) Pte. Ltd., India International Insurance Co. Pte. Ltd. and Sedgwick Chartered (Singapore) Pte. Ltd.

Risk management new to Singapore insurers

By STACY SHAPIRO

SINGAPORE—Many Singapore-based insurers will have difficulty accepting the risk management function in Singapore corporations, an insurance executive here says.

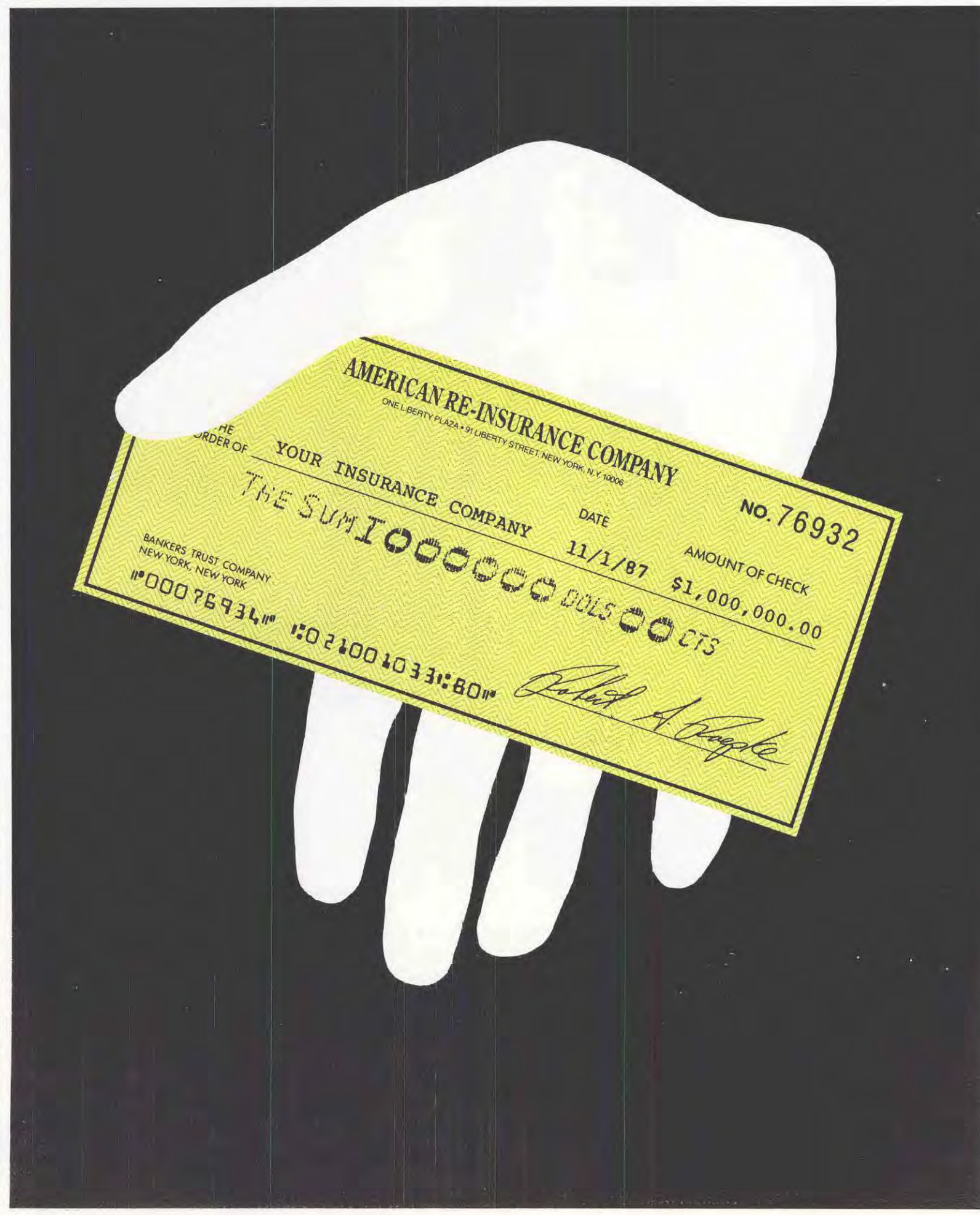
However, other industry leaders agree that risk management and insurance go hand in hand and that insurance is only one risk-financing tool available to risk managers in the Southeast Asian city-state.

Insurers have to accept that risk management will make a serious contribution to minimizing risk and financing losses, other industry leaders told delegates at the first Risk & Insurance Management Assn. of Singapore conference.

Leow Siak Fah, chairman and managing director of insurance holding company Sime Shield Investment Holdings (Pte.) Ltd., does not think that insurers in Singapore will accept risk management readily. It will be a "long time" before the onshore insurance industry in Singapore accepts risk management, he said.

"I am pessimistic of the acceptance of risk management in this market,"

Continued on next page



Continued from previous page management, he said.

"I am pessimistic of the acceptance of risk management in this market," Mr. Leow said.

Mr. Leow was asked by a delegate whether he would rather deal with a sophisticated client or "keep his client in the dark."

"We view risk management as an integral part of management and you do not," the delegate said.

Mr. Leow responded that he was "grossly misinterpreted. There are constraints on risk management to grow."

Indeed, there are few Singapore companies with insurance program budgets large enough to justify a full-fledged risk management function, Mr. Leow said. "As industry grows here, there will be a need for educated, intelligent buyers of insurance," he said. "I welcome that."

Most other delegates and speakers at the conference, however, agreed that risk management is an integral component of corporate finance and loss control and that insurance is an important part of risk management.

"Insurance and risk management are inseparable," said R.K. Thapar, chief executive of India International Insurance Co. Pte. Ltd. in Singapore. "Without insurance, there cannot be

a good risk management program," he said.

For example, in addition to providing coverage, insurers can advise risk managers on risk identification and evaluation and risk avoidance, reduction and control techniques, he said.

Insurers also can initiate risk management training programs and help write risk management manuals, he said.

Nonetheless, delegates—many of whom are just starting their risk management programs—were told that insurance today in many parts of the world is only one factor of the risk management function, and not necessarily the primary factor.

For many companies outside Southeast Asia, insurance is just one of the tools managers can use to finance risk, said Gary Buckingham, president of AIU (Singapore) Pte. Ltd., a subsidiary of American International Group Inc. in New York.

Besides insurance, risk managers have various tools to finance risk, such as self-insurance, captives and cash-flow programs, he said.

"We take the view that as corporate insurance buyers and risk managers become more sophisticated, they will start to make use of a greater variety of risk management tools," he said.

"The dependence on total risk transfer pro-

grams, i.e. guaranteed cost insurance, will diminish. This is going to happen whether we, the underwriters, like it or not.

"If this is going to happen anyway, then we take the view that we should be prepared to participate and be able to provide as many of the tools and services as we can.

"The real cost to a corporation involves the interaction of the three elements of risk control, risk retention and risk transfer," he said.

Mr. Buckingham noted that insurance companies today that are involved in sophisticated risk management programs offer:

- Cash-flow programs that allow insurance buyers to retain a portion of premiums and/or loss reserves until actual loss payments are made.

- Captives, which are "a whole separate chapter in the risk management story," he said.

Insurers can front for captive insurers and give parent companies a full range of engineering and claims handling expertise and access to the reinsurance market.

- Rent-a-captives, which insurance companies, including AIU, manage.

"We as underwriters are prepared to adapt to the needs of the risk management program," Mr. Buckingham said. ■

Premiums flat in Singapore and Malaysia

Growth in the Singapore and Malaysian insurance industry is stagnant.

Although there were 98 insurance companies in Singapore and 60 insurance companies in Malaysia at the end of 1987, premiums have remained flat in the last five years, Leow Siak Fah, chairman/managing director of insurance holding company Sime Shield Investment Holdings (Pte.) Ltd. in Singapore, told delegates to the Risk & Insurance Management Assn. in Singapore conference.

Gross premiums in Singapore in 1987, excluding the 24 offshore captive insurance companies domiciled in Singapore, reached \$622.6 million Singapore (\$314.2 million), up from \$605.6 million Singapore (\$305.6 million) in 1982.

Looking at these figures "there is no growth in the Singapore (insurance market) and there is even a deterioration if we take inflation into account," said Mr. Leow.

"Malaysia is not much better," he continued. In Malaysia, gross premiums have only grown to \$1.2 billion Singapore (\$605.5 million) in 1987 from \$1 billion Singapore (\$504.6 million) in 1982.

The number of non-life insurance companies in Singapore and Malaysia has dropped between 1980 and 1987, Mr. Leow said.

In Singapore, although the number of insurance companies rose 38% to 98 in 1987 from 71 in 1980, the number of non-life companies fell to 43, down 10.4% from 48 in 1980, he said.

And, in Malaysia, there were 60 insurance companies in 1987, down 7.7% from 65 in 1980. In addition the number of non-life companies fell 10.6% to 42 in 1987 from 47 in 1980, he said.

Mr. Leow said that insurers in both countries do not handle their business efficiently, and he called on insurers to "get their act together."

Mr. Leow was asked why insurers in Singapore cannot make any money although the insurers have imposed a rate freeze since the mid-1980s, thus forcing all insurance buyers to pay above-average premiums in the Southeast Asia area.

Mr. Leow responded that because the Singapore insurance industry is small—altogether its size is a fraction of the size of a multi-line U.S. insurance company—it does not have the resources to carry out risk analysis that would be needed in a free rating market.

One delegate asked whether insurers believed that "insurance is the most expensive mechanism to manage risk."

Mr. Leow replied, "I agree with you that we do our business expensively." But, Mr. Leow wondered whether there was justification for the "duplication of services" that brokers, underwriters and risk management consultants provide worldwide.

"First, the insurance buyer has a team of engineers to look at loss prevention, then the insurance company has his set of engineers to rate the business, then the broker says 'I'm also a risk manager and I have engineers.' In the event of a loss, you have three sets of engineers and then the loss adjuster comes in," he said, amidst laughter from the delegates.

"My idea is that all insurers should merge—and take control of the brokers—and cut out the layers and layers of cost.

"So I agree we are doing our business too expensively. But will it change? I doubt it will in a free enterprise."

—By Stacy Shapiro

You can count the days it takes us to pay your claims on one hand.

That's our policy. Five days after confirmation of damages and coverage, your check is on its way. Because we're American Re. And we make prompt payments a reality.

We've committed a higher percentage of our resources to claims service programs than any other reinsurer. Exclusive programs in Arson Identification and Prevention. Massive Injury Management. Catastrophe Management. Litigation Management.

Come to American Re. We're everything we claim to be.



American Re-Insurance Company

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241 (609) 243-4200

Atlanta • Boston • Chicago • Columbus • Dallas

Hartford • Kansas City • Los Angeles • Minneapolis • New York • Philadelphia • San Francisco

Bogota • Cairo • London • Melbourne • Montreal • Santiago • Singapore • Sydney • Tokyo • Toronto

Executives swap risk management tales

By STACY SHAPIRO

SINGAPORE—Three executives' on-the-job experiences described to members of the new Risk & Insurance Management Assn. of Singapore illustrate risk management at work.

From the onset of the building of Singapore's \$5 billion Singapore (\$2.5 billion) subway system in 1985, Mass Rapid Transit Corp. employees from the chairman on down were aware of the importance of risk management and safety, said Dennis Ballou, MRT project director.

A consultant—Alexander Stenhouse Pte. Ltd.—was appointed to assess MRT's risks during the subway's construction, said Mr. Ballou.

And, MRT selected design cor-

sultants and contractors with sufficient experience and quality control to keep exposures to a minimum, he said.

In addition, contractors were required to take full responsibility for on-site safety and were required to have site safety engineers, warning signs and ample lighting for all aspects of the construction.

The MRT, however, was responsible for providing insurance coverage for the contractors, including workers compensation, property, third-party liability and marine cargo, said Mr. Ballou.

During construction of the subway system, MRT had a development management team check the performance of the contractors, and another team made sure that the concrete and steel materials

were of the proper quality and installed correctly, said Mr. Ballou.

MRT even has a special laboratory to check the quality of the materials used in building the subway system. "I am sure we have a first quality system," he said.

Today, 20 out of 42 planned MRT stations are operational, said Mr. Ballou.

Nine workers have been killed during the construction of the subway system since 1985, and no passengers have been killed, he said. Conference members called that record excellent for such a massive construction project.

And, since the project has begun, MRT has reduced its accident rec-

ord to 2.5 accidents per million work hours from 18 accidents per million work hours, he said.

Nevertheless, some of the accidents have included:

- The destabilization of a cathedral during tunneling that had to be reinforced.

- Several tunnel collapses, including part of a road collapsing during tunneling.

- One worker's death when he was changing the oil on a tunnel boring machine and another worker turned the machine on.

- Twenty-five crane collapses, resulting in one serious injury.

The MRT subway system is now considered one of the most modern and clean systems in the world, according to Mr. Ballou.

"I congratulate you and the Singapore government on the vision

and foresight and courage to build the MRT, which is the most advanced and energy-efficient in the world," he said.

The interior trains are "well-designed" for security because they have open gangways between compartments so the whole train is one long corridor with seats, he said.

One of the best loss control designs in the subway happened by coincidence. There are platform screen doors between the tracks and the walk where people stand to get on the subway, which prevent riders from falling on the tracks. However, the platform screen doors were not designed with safety in mind, but "to save on air conditioning costs," Mr. Ballou admitted.

Meanwhile, Tan Teck Nguan, executive director of Acclaim Insurance Brokers Pte. Ltd. in Singapore, pointed out that 10 years ago risk management "was unheard of" in the city-state.

When Mr. Tan was hired at industrial conglomerate MacDermott Group in 1978, he found out that he would be responsible for risk management, although he had no training in the field.

"On my first day on the job, the finance controller said to me, 'I want you to set up a risk management department, recover \$3 million Singapore (\$1.5 million) in claims which have been thrown out by insurers, upgrade the claims procedure, make people aware of insurance in the company and educate the people on risk management,'" said Mr. Tan.

Two other people were assigned to help him with this massive task and one of them—who kept the insurance files—was reluctant to let Mr. Tan see the files.

But after Mr. Tan secured the files and reviewed the \$3 million Singapore in unpaid claims, "I could see why they refused to pay," he said. The company had receipts for the losses, which they sent to the insurance companies, but no documentation. "I put the documentation together and we eventually recovered \$2.5 million (Singapore, or \$1.3 million)," he said.

Next, "raising the consciousness of the employees about insurance was the most difficult thing to do 10 years ago," said Mr. Tan. "It was a real battle to upgrade these people" and their awareness of how to prevent losses. "Convincing the finance controller was easy because he was young. But training the older personnel was not easy."

When Mr. Tan joined MacDermott, the company had \$50 million Singapore (\$25.2 million) outstanding in lawsuits, but with Mr. Tan's new risk management approach, the number of lawsuits was reduced to one by the time he left MacDermott a few years ago.

"I identified losses and the best method of handling risks; and I identified the financial consequences," said Mr. Tan. "At first I called myself the risk management administrator, but no one understood what that meant, so I changed my title to buyer of insurance."

Mr. Tan said he succeeded in implementing risk management programs and making employees more aware of loss control because he had:

- Top management support. "I had increasing losses, increasing lawsuits and a very intelligent boss" to motivate the company into action, he said.

- Respect from managers, which had to be earned.

- A comprehensive risk management plan to identify risks.

- A plan to control risk, whether by transferring the risk contractually or reducing the exposure.

Continued on page 24

Crawford's Light Duty Return-to-Work program saves indemnity dollars.

Another bright idea from Crawford & Company!

If you're in the dark about what Crawford & Company can do to help you introduce a formal light duty program in your company and reduce your Workers Compensation costs, call (404) 847-4470 or mail the coupon below.

When Crawford & Company introduced its Light Duty Return-to-Work program, its first client company was recognized by the National Association of Rehabilitation Providers in the Private Sector as the Employer of the Year for this innovative program. Our client returned its injured employees to work quickly and productively. You can, too.

Crawford earns your confidence . . .
one assignment at a time.



Send me information on your new
Light Duty Return-to-Work
program to reduce my Workers
Compensation costs.

Name _____

Title _____

Company _____

Address _____

Phone _____

John H. Potter, Assistant Vice President
5620 Glenridge Drive (Zip 30342)
P.O. Box 5047
Atlanta, Georgia 30302



Before directors and officers risk their necks, they need experienced legs to stand on.

No one provides stronger support than National Union, the leading source of D&O insurance for more than 20 years.

While others come and go, we maintain a firm footing in the market. Our AAA (S&P), and A + (Best's) ratings assure you that we are a stable, dependable partner for the long term.

That's no small consolation in today's volatile business climate. Without adequate D&O coverage, you'll be hard-pressed to attract and retain quality directors and officers. The kind willing to make tough decisions that keep you competitive.

Our team approach turns this dilemma to

your advantage. First, our insurance, legal and claims experts learn your business and assess your needs. Then we construct a policy giving your directors and officers the protection they expect and deserve.

And our team stands by you, drawing on vast experience to facilitate claims and assist in defense of lawsuits. You can't buy more enduring support.

To find out more, clip the coupon. Or ask your agent or broker to contact the nearest AIG Companies office.

You'll learn why our D&O insurance puts us far above the rest.

Tell Me More.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone _____

Send to: National Union, Dept. A

70 Pine Street

New York, NY 10270

BI 11/14

National Union Fire Insurance Company of
Pittsburgh, PA

Insurance Companies That Don't
Think Like Insurance Companies



Risk management history starts with Noah

By STACY SHAPIRO

SINGAPORE—The formal term "risk management" may be very new in Singapore, but the discipline has been around for centuries, several risk management experts point out.

Some observers suggest the history of risk management began with Noah, who was the first "risk manager," remarked Robert Entriken, resident dean of the Singapore division of Golden Gate University in San Francisco.

"There was no one around to write rain insurance, so being in the tourist industry Noah built an ark and anticipated what might happen," Mr. Entriken told an audience at the inaugural conference sponsored by the Risk & Insurance Management Assn. of Singapore earlier this month.

Man always has sought to identify, evaluate and then prevent or control the risks facing him, his family and his possessions, added William C. Thomas, chairman of broker Alexander Stenhouse Pte. Ltd. in Singapore.

"From this early practice developed the formal discipline of risk management," said Mr. Thomas.

Probably the first corporate "risk management" program, however, occurred during the construction of the Hoover Dam on the Arizona-Nevada border in 1933, said Professor Entriken. The dam was built by six companies that together formed a captive insurer to write workers compensation insurance and that hired safety engineers to work on the project full-time, he explained.

"This may have marked risk management as we know it today," he said.

Some of the early American safety directors and insurance buyers developed the risk management discipline without knowing it, said Mr. Thomas.

These corporate officials wondered why their company should pay the same insurance prices as the plant down the road if their company had a better safety record, he said.

Continued on next page



Photo: Stacy Shapiro

William C. Thomas of Alexander Stenhouse traces risk management's history.

Work expertise

Continued from page 22

Those in a position to appoint risk managers should look for someone who understands the insurance business; who is versatile and technically competent; and who is a good communicator because he will need to sell his risk management ideas, Mr. Tan said.

Meanwhile, George F. Lazovsky, general manager for Johnson & Higgins in Hong Kong, credits the chairman of ITT Corp., previously known as International Telephone & Telegraph Corp., with the founding of risk management at ITT in the United States.

It was a Thursday in 1974, the day after a board meeting, when then-Chairman Harold Geneen heard that the company had lost an entire research facility in France in a fire, said Mr. Lazovsky.

Mr. Geneen, wondering how the whole building had been consumed, found that the insurance companies did not require complete sprinkler systems and dividing walls to protect the building from property damage, said Mr. Lazovsky.

The chairman found that the company was fully insured for the property loss and the physical loss of the research data, but could not start up production of newly developed telecommunication equipment because research data was lost, he said. "After 3.5 years of research they had nothing from the research and found that they would have to start again."

In fact, the loss eventually cost the company four times more than what was insured because of the data loss, he said.

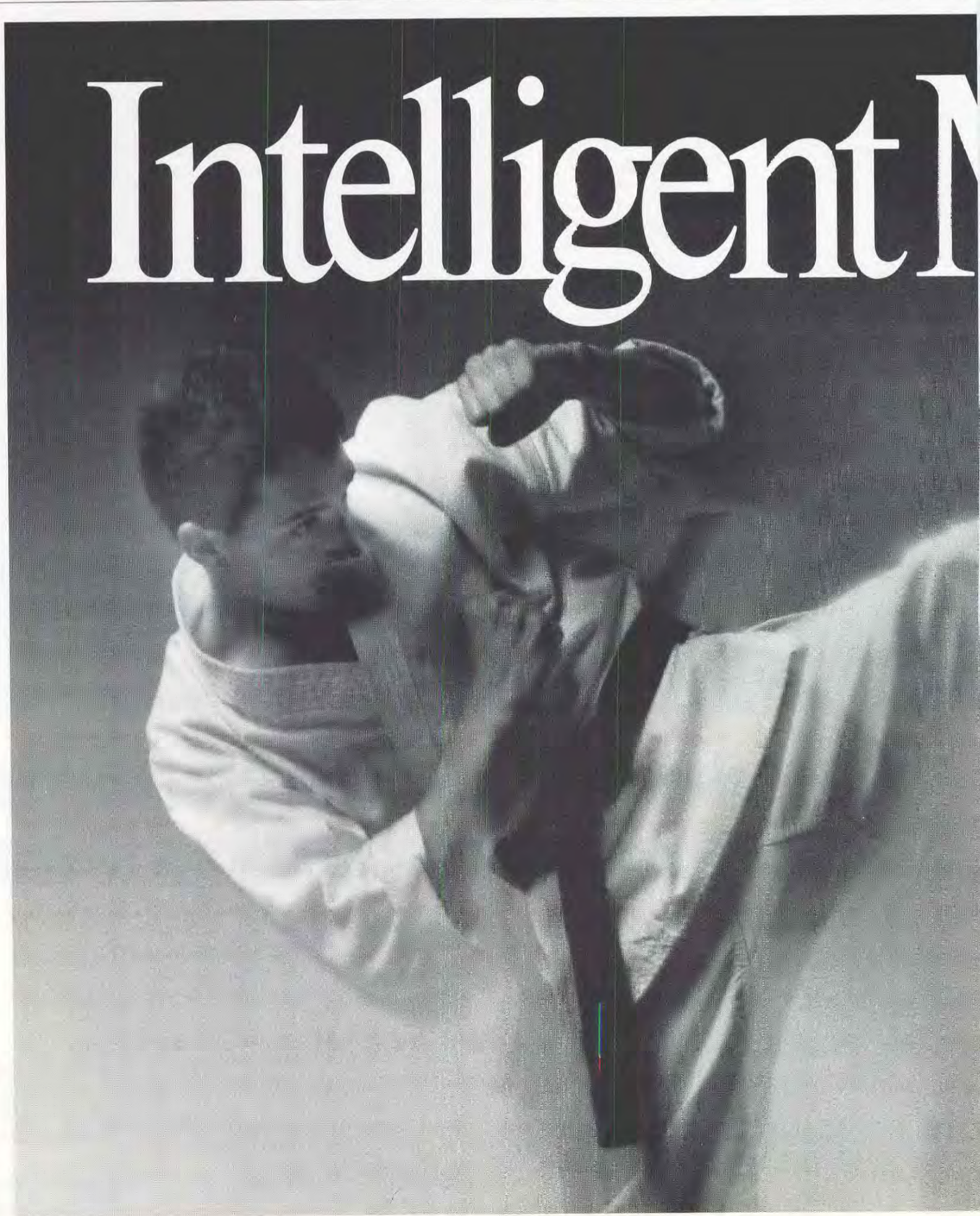
Mr. Geneen further inquired to find out the cost of loss in other areas of the company and "identified what risk managers are involved in—the pure risk—where (the company) can only lose when things go wrong," he said. "The chairman identified other things, too, (such as) there's a cost of loss that includes all those hidden losses. He recognized that it had to be managed."

As a result, Mr. Lazovsky was hired by ITT as casualty manager. Mr. Lazovsky identified the best/worst case scenario and realized that there was some loss allowance in each division's budget that could "fit into the corporate finance structure."

Then, the company could take a buffer layer above the allowance for a loss before insuring the remaining cost of loss, he said.

The result was the smoothing out of losses for the company, which ITT termed "chronological stabilization," said Mr. Lazovsky. However, the company also learned that "the avoidance of loss and the prevention of loss is less costly and more effective than the purchase of insurance," he said. ■

Intelligent M



Continued from previous page

"The insurance buyers and the safety director, working together, developed a formal proposal for the insurance companies identifying their risk and the steps the organizations had taken to eliminate or reduce those risks," Mr. Thomas said.

"They developed a history of losses against the premiums paid out. Armed with this information, the insurance buyer was able to go to the insurance market and obtain a rate reduction due to the factual arguments he and the safety director had developed."

The safety director and the insurance manager then went one step further by investigating the corporate risks and deciding which could be insured and which could be retained, Mr. Thomas continued.

"Our budding risk managers had just changed the insurance-buying activity within the organization from a pure cost center to a center

The goals of RIMS remain the same today as in 1950: 'to pursue professionalism through research, education and good communication, and to foster an open, competitive insurance marketplace,' says RIMS President Mr. Heydinger.

where thoughtful and proactive management actually was generating operating cost savings," he said.

"Without knowing it, these individuals had become our first risk managers."

As these individuals sought to develop the risk management discipline, informal seminars and meetings were organized and, in 1950, the forerunner to the Risk & Insurance Management Society Inc. was formed, Mr. Thomas pointed out.

The group was first called the National Insurance Buyers Assn.

and then renamed in 1955 as the American Society of Insurance Management. The RIMS banner was adopted effective Jan. 1, 1975.

In 1962, the organization held its first conference "to provide a vehicle for risk managers from various organizations to exchange their ideas and views in an open forum," said Mr. Thomas.

The goals of RIMS remain the same today as they were in 1950: "to pursue professionalism through research, education and good communication, and to foster an open, competitive insurance marketplace," said RIMS President

Richard Heydinger, director of risk management at Hallmark Cards Inc. in Kansas City, Mo.

To carry out its aims, RIMS during the 1970s and 1980s defined and communicated the risk management discipline, said Mr. Heydinger. As a result, he said, "the various (risk management) players began to understand one another and their respective roles."

The organization also grew. Now, more than 4,000 corporations are members of RIMS.

When the tight commercial property/casualty insurance market arrived in the United States in 1984 and 1985, RIMS formed a committee that conducted an insurance availability study and held special seminars to look into risk financing alternatives, Mr. Heydinger noted.

"These alternative vehicles, in the opinion of many of us, reduced the length of the hard cycle by many months and perhaps years," said Mr. Heydinger.

As a result of action by RIMS members, more than \$50 billion of commercial insurance premiums now are paid to alternative risk financing mechanisms, like self-insured programs, captives and risk retention groups, he said.

"No one or two risk managers could have mobilized and managed the effort," said Mr. Heydinger. "There is power in numbers... When RIMS speaks, government and the (insurance) industry listens."

Meanwhile, in the early 1980s RIMS started to look overseas to help its members understand foreign risks. As a result, non-U.S. groups explored the possibility of becoming chapters of RIMS, "but RIMS resisted such empire building," said Mr. Heydinger, adding that risk managers in various nations now have developed their own organizations to address issues within their own countries.



A "major milestone" in risk management history occurred when 20 of these associations decided in 1984 to establish the International Federation of Risk & Insurance Management Assns., according to Mr. Heydinger.

"IFRIMA holds the promise of the future: a global network of risk managers assisting multinational business through the application of risk management state-of-the-art techniques," Mr. Heydinger continued.

Against this backdrop of risk management history comes RIMAS, the Singapore risk management association formed in April this year.

Through IFRIMA, which RIMAS has applied to join, Singapore risk managers will not have to "reinvent the wheel" but will be able to build on the "good foundation" that has already been developed by risk managers, Mr. Heydinger pointed out.

"RIMS stands ready to assist you, as do all IFRIMA members," he told RIMAS members. "But this is a two-way street. We will all be looking to you as well, for assistance in this lovely part of the world."

Several challenges face RIMAS members that are unique to Singapore, noted Alexander Stenhouse's Mr. Thomas.

RIMAS must show that the discipline of risk management can benefit Singapore corporations, the national economy, the government and individuals in the society, he said.

"Risk management provides for safer work environments, safer products and an increased standard of living and corporate profitability," he said.

Also, according to Mr. Thomas, RIMAS must:

- Continue to actively organize and attract new members who consider risk management a necessary corporate discipline.
- Work together with the insurance industry to provide a fluid forum for the exchange of ideas. "Insurers must be made aware of your needs and must be flexible and innovative in developing new programs and packages to address the needs of the RIMAS."
- Stress education through internally sponsored conferences and educational facilities in Singapore.
- Take the concepts of risk management and translate them to "address the unique risk management challenges inherent to Singapore's geographic setting, culture, economic, legal and insurance environments."
- Continue to develop and gain recognition for the profession of risk management in Singapore and the other countries belonging to the Assn. of Southeast Asian Nations.



A rare combination in underwriting large risks.

But then that's what makes Hartford Specialty so special.

Strength? It's in our numbers. Consider a staff of almost 200 professional underwriters in locations nationwide with access to \$60 million of in-house capacity.

Savvy? Try an average of at least 10 years experience per underwriter in an operation that's been dedicated to large risks for more than 25 years, backed by a company that's been around for almost two centuries.

The result? Whether your needs call for anything from conventional insurance to paid-loss retro, deductible or alternative forms of risk transfer, our underwriters deliver. Creatively. Flexibly.

At the same time, you benefit from our aggressive stance on loss control. We offer an army of 500 specialists to help you avoid the accidents that lead to claims.

And when a claim is filed, our nationwide network of over 200 claim offices stands ready to handle it.

To test our reflexes, all you have to do is pick up a phone.

For full information, simply contact your broker or the nearest Hartford Specialty office.

If you're interested in a strong risk management program, it's the smartest move you can make.

Test Our Response Ability.



Brokers defend value of their services

By STACY SHAPIRO

SINGAPORE—Insurance brokers are a vital part of a company's risk management program, brokers assert.

And, a company should not switch brokers just because the individual servicing the account changes jobs, brokers add.

However, some risk managers—and one broker—attending a conference earlier this month sponsored by the Risk & Insurance Management Assn. in Singapore challenged those contentions, suggesting that a company should deal with the individual that best knows its own risks.

And, one risk manager suggests that companies should go directly to insurers to place their coverage and directly to independent risk

management consultants for risk analyses.

But brokers at the conference stuck to their guns, pointing out that brokers can provide a wealth of services to buyers.

"To meet the challenge of today's risk management function, many firms look to an outside resource for professional objectives, advice and solutions," said Victor Adam, managing director of Singapore broker Sterling Knight (Private) Ltd.

"Remaining abreast of new developments, recognizing opportunities that are created and evaluating alternatives can be more than a full-time job," Mr. Adam said.

When looking for a broker, risk managers should make sure the broker can provide several important services, Mr. Adam delegates

during a session on risk management services.

For example, the broker should be able to provide financial modeling and actuarial studies to help establish the best risk financing program, he said.

"During the performance of the risk analysis the broker/consultant will seek to

identify areas where risk levels can be reduced and will make the appropriate recommendations," he said.

Also, the broker should have the ability to explore all alternative risk financing techniques before recommending an insurance program, said Mr. Adam.

RIMAS
Singapore

Among other duties, Mr. Adam said the broker should be able to:

- Establish a computer data base in which the data can be customized to fit the needs of each client. The client should be able to use this risk management information system in-house.

- Provide estimates of a company's potential losses, based on past loss experience and future projections.

- Have a thorough knowledge of local and international underwriting practices and pricing structures.

Brokers in Singapore should also be well-versed in the culture, laws and language of the city-state, said Mr. Adam, who is a Singapore-born Malaysian.

"Some risk managers believe that the answer may be found in

bringing experts from overseas," he said. "While this may have its merits, it also has its limitations in their lack of understanding of local culture, customs and mores."

"Some risk managers have found that while the overseas experts are in Singapore and the work is satisfactorily carried out, the overseas expert's sojourn is relatively short and when he returns home the local broker/consultant is unable to give the level of expertise and service that the risk manager requires," he said.

Speaking on behalf of an international broker, Ross Bovill, chief executive of Sedgwick Services Pte. Ltd. of Singapore, said "nothing will assist implementation of an effective program to control total cost of risk internationally than the appointment of a well-represented and experienced international insurance broker.

"On-the-ground insurance risk management advice in each country will be invaluable in overcoming the attitudinal hurdles and leave you free to pursue the (risk management) program rather than be concerned with mechanics and details of the transactions," Mr. Bovill said.

Following the session, conference participants held a lively discussion of brokers' role in the risk management process.

One member of the audience agreed that while risk managers of big corporations need brokers to place risks, "it is a very personal business. Should a risk manager move to another broker if the person (he deals with) leaves one broker and moves to another?"

William C. Thomas, chairman of Alexander Stenhouse Pte. Ltd. in Singapore, said no. "You should choose a company which has in-depth services and you should not be dealing with a company just because of an individual."

T. Ramanan, president of the Indian Institute of Insurance & Risk Management, agreed with Mr. Thomas, adding that friendships with individual brokers usually develop after the choice of brokerage has been made.

But, other delegates disagreed. Jeanne Tan, chairman of the conference and executive officer of group insurance/securities at Jack Chia-MPH Group in Singapore, said her company would stick to one individual broker who provides competent services. "My employee benefit program has followed one broker who has changed jobs three times. . . because he is the best in town," she said.

"I think you should follow the person," agreed Tan Teck Nguan, executive director of Acclaim Insurance Brokers Pte. Ltd. in Singapore. "Getting along with a broker is not easy. In the 10 years that I was a buyer of insurance, I found that the broking company is as good as the people who run it."

One participant suggested bypassing brokers altogether.

"To get away from this problem, the best thing to do is deal directly with the insurer," said Koh Bee Chye, president of the General Insurance Assn. of Singapore.

"If you deal direct with the insurer, your chances of continuity are better," said Mr. Koh. "But management has to bear the responsibility. Whether you deal with a broker or an underwriter, the ultimate responsibility is yours."

A broker in the audience disagreed with Mr. Koh.

"In the event of a claim, you would have a conflict of interest without a broker. If the broker is involved and the underwriter doesn't pay the claim, then you can sue your broker for negligence," said the broker. ■

Every D&O policy looks great on paper.

And we all know how strong paper is.

Major lawsuits have a way of showing what a D&O policy is really made of.

Because, while all D&O carriers are strong on writing policies and collecting premiums, when it comes time to pay losses, some just seem to disappear.

That's not a problem with Great American. Our approach to claims handling is always responsive and cooperative, even in the face of the very complex legal issues D&O claims invariably involve. It's one reason our service reputation is second to none in the industry.

And nothing could be more important when your client's directors and officers are facing legal action.

That's when they need a D&O policy that's worth more than the paper it's printed on.

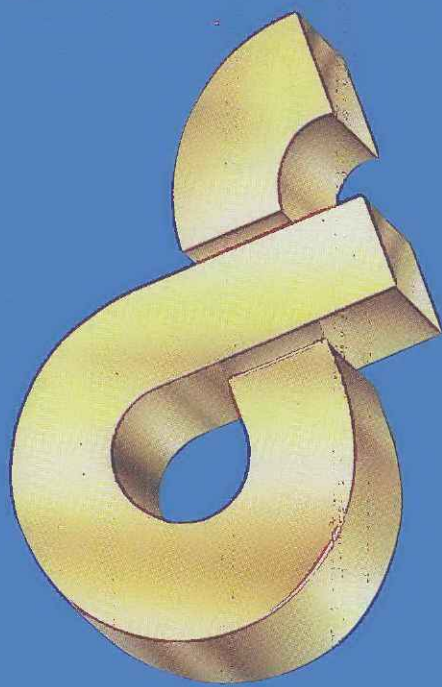
A D&O policy from Great American.



GREAT AMERICAN INSURANCE COMPANIES®

D&O Division • P.O. Box 66943, Chicago, IL 60666 • (312) 330-6750

Inquiries welcomed from all retail producers and select wholesalers. A+ (Superior) Rating - A.V. Best Company.



A Commitment To Innovation And Excellence

Crum & Forster Managers Corporation (Ill.) is the Underwriting Manager for the admitted and non-admitted insurance companies in the Crum and Forster Insurance Group, the 14th largest multiple-line property and casualty insurance group in the United States.

We are committed to providing innovative solutions for your unique product needs. Our current expertise includes:

Monoline Fire • Primary & Excess Umbrella • Non-Profit D&O Liability • Attorneys Professional Liability • Educators Legal Liability • Real Estate E&O • For-Profit D&O Liability • Insurance Agents E&O • Public Officials E&O • Excess Liability • Pension Actuaries E&O • Specified Classes E&O • Municipal Liability • Religious Institutions • Commercial Multi-Peril • Stamp Dealers • Accountants Professional • Architects & Engineers Professional • Stamp Collectors • Coin Dealers • Plate Glass

Call today for more information!



**Crum & Forster
Managers Corporation (Ill.)**

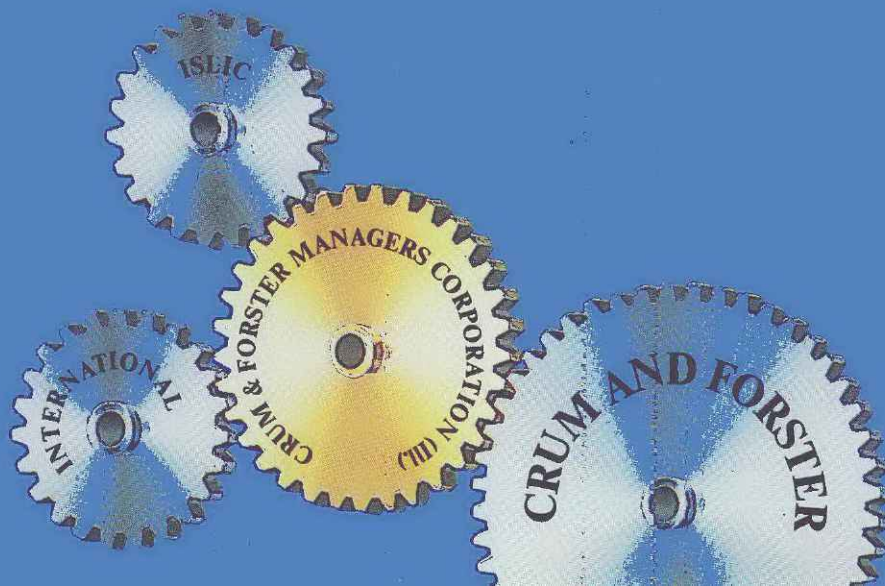
A XEROX Financial Services Company

**Crum & Forster
Managers Corporation (Ill.)**
200 South Wacker Drive
Chicago, Illinois 60606
(312) 993-6300

**Crum & Forster Insurance
Managers and Brokers**
3435 Wilshire Boulevard
Los Angeles, California 90010
(213) 387-7143

**Crum & Forster
Managers Corporation (Fla.)**
6161 Blue Lagoon
Miami, Florida 33126
(305) 261-1500

*Marketed through a select
group of producers*



Few small firms offer pensions: Study

Less than 20% of employers with 60 or fewer workers offer a pension or savings plan, a survey shows.

Yet, while only 18.6% of the small firms surveyed for the National Rural Electric Cooperative Assn. offered a retirement plan, these firms employed 29.3% of the surveyed employees.

The Washington-based NRECA notes that the low prevalence of retirement plans and other types of employee benefits among small employers raises important public policy concerns.

"More than three-quarters of the workers without health coverage and nearly 70% of those without employer-provided retirement coverage are employed in firms with fewer than 100 employees," says Washington economist Sophie

'More than three-quarters of the workers without health coverage and nearly 70% of those without employer-provided retirement coverage are employed in firms with fewer than 100 employees,' says Washington economist Sophie Korczyk.

Korczyk, former senior research associate at the Employee Benefit Research Institute and former director of benefits research at Peat Marwick Main & Co.

"With the relative decline in capital-intensive industries and growth in service-sector employment, small firms will come to employ a larger share of the workforce. Their lack of employee bene-

fits could erode important parts of the social safety net," Ms. Korczyk explains.

The NRECA study included 822 employers in seven states. The companies surveyed employed an estimated 7,930 employees.

The likelihood that a small employer will offer a retirement or savings plan varies with the employer's industry and with the size

of the firm.

For instance, 33.9% of the surveyed employers in the finance, insurance and real estate industries offered a retirement plan, while 28.1% of the services firms surveyed and 24.5% of the wholesale trade employers offered a retirement plan.

However, only 17.1% of the manufacturers with 60 or fewer workers offered a retirement plan.

In addition, just 9.1% of the retail trade employers surveyed offered a plan.

Thirty-six percent of the surveyed small firms that have been operating for 20 or more years offer retirement benefits, compared with 14.9% of the firms in business for 11 to 20 years; 9.9% of those in business from six to 10

years; 11% of those in business three to five years; and 7.3% of those firms fewer than 3 years old.

The most often cited reason for offering a retirement plan, cited by 43.3% of the employers that offer benefits, was that employees need a retirement plan. Another 12% said they offer retirement benefits to compete with other companies for good employees.

Just less than 10% said they offer retirement benefits because the firm's owner wanted the benefits for himself or herself, while 4.3% cited the tax advantages of offering retirement benefits.

However, "the reasons for plan adoption differed in relative importance among employers," Ms. Korczyk says.

"More than half of the employers citing competitive reasons had 10 or more employees, while nearly two-thirds of those citing self-interest had fewer than five employees," she noted.

"These patterns suggest that for the smallest firms a retirement plan is a financial planning tool for the firm's owner, but as the firm grows, the plan can promote more effective competition," Ms. Korczyk says.

While the survey did not ask employers what type of retirement or savings plan they adopted, "the survey suggests indirectly that employers are adopting defined contribution plans," she said.

Cost is the most prevalent reason why small employers do not offer retirement plans, the survey shows.

Some 29.4% of surveyed employers without retirement plans said that cost was the major reason they do not offer a plan. However, while 37.8% of the firms with five to nine employees cited cost as the main obstacle to offering retirement benefits, only 14.7% of the firms with 25 to 60 workers mentioned cost as a factor.

About 20.7% said they do not offer retirement benefits because they believe their companies are too small; 19.6% said they felt there was no need to offer retirement benefits; 6.3% noted that employees' family have retirement coverage through spousal plans or individual retirement accounts; 6% cited the administrative burden; and 1.9% said they were unfamiliar with retirement plans or did not believe there was a plan available to the company.

Nine percent of the employers that do not now offer retirement benefits, accounting for 12.3% of all employees at surveyed firms, say they are either "very likely" or "somewhat likely" to adopt a plan within the next 12 to 18 months.

The survey also notes that employers are more likely to offer health insurance benefits than retirement benefits.

Some 16.9% of the respondents offered only one benefit to employees: 12.3% offered only health coverage, 3.4% offered only life insurance benefits and 1.2% offered only retirement benefits.

In addition, 28.1% of the respondents offered two benefits: 26.5% offered health and life insurance, while 1.6% offered health coverage and retirement benefits.

Finally, 15.8% of the surveyed firms offered all three benefits, while 39.2% offered none of the three benefits.

Copies of the survey, "Retirement Coverage in Smaller Firms: Evidence and Policy Implications," are available free from Rob Lively, National Rural Electric Cooperative Assn., 1800 Massachusetts Ave. N.W., Washington, D.C. 20036; 202-857-9633.

ATTENTION:

We are actively seeking agents and brokers who currently control a book of:

ABSTRACTERS, TITLE INSURANCE AGENTS, AND ESCROW AGENTS PROFESSIONAL LIABILITY.

We cover most activities of searchers, abstracters, examiners, escrow agents, loan closers and opinions (subject to certain exclusions).

Limits from \$100,000 to \$3,000,000.

Deductibles appropriate to size of risk.


PRIOR ACTS COVERAGE
available to most applicants.

If you control a book of this type of business, please call Frank Kovacs to start negotiations.

NACS

North Atlantic
Casualty and Surety
Insurance Company, Inc.

P.O. Box 6056
Indianapolis, IN 46206-6056
(317) 634-7578



Someday soon, every corporation in America will face an AIDS problem.

Managing catastrophic care in the 1990's.

Your company may or may not have documented AIDS cases right now. But it doesn't really matter, because you undoubtedly will in the future.

AIDS will impact all of us. The problem is here to stay.

So for insurance company and corporation alike, the game has changed and the stakes are almost beyond measure.

Over the next decade, the projected costs of AIDS care for both employers and insurers is staggering. Just in the next five years, the bill could reach \$40 billion.

And the projected human costs are even greater because they are incalculable.

Naturally, we don't have all the answers. No one does.

But we are responding.
With compassion. With understanding.
With intelligence.

How?

We've developed a better way to handle AIDS cases with the help of John Hancock's AIDS Case Management Service.

Specifically this service comprises a national network of registered nurses who coordinate the medical care of employees or dependents with AIDS.

Working with Hancock consultants and Employee Benefits personnel, the program effectively reduces costs by seeking alternative forms of care.

Including out-patient clinics. Home health care agencies. Hospice care.

These alternatives can achieve significant savings over the cost of in-hospital stays. They are a smart management option.

But there's an even more important idea here.

Because our AIDS Case Management Service offers much more than cost containment.

By encouraging non-institutional care, it offers AIDS patients more of the one thing they have left to hold on to.

Their dignity.

And there's no way to put a price on that.

For more information contact Mr. Robert Marra, Vice-President, Group Sales and Marketing, John Hancock T-33, P.O. Box 111, Boston, MA 02117.

Real life, real answers.

John Hancock
Financial Services

European changes

Continued from page 3

However, the role of risk managers supervising European-based risks likely will become more complex and demanding despite the possibility of lower insurance rates, participants agreed.

"The (European) risk manager has to equip himself with the changing perception of risk itself, not just the changing European markets," said Geoffrey Saunders, manager of the risk management department of RTZ Ltd., a London-based conglomerate.

"Tomorrow's risk manager's role will be much greater than today. The techniques already are known but the perimeter of the role is going to change," said Christian Rocheteau, vp of the French broker Societe Generale de Courtage d'Assurances during a panel discussion.

Already the "risk manager's role is changing as companies become more multinational," noted Steve A. Schleisman, president of Paris-based UNAT/The European Insurance Co., an affiliate of American International Group Inc.

"Today's risk manager has a changing function and has many far-reaching goals connected with protecting the assets of his company," noted Maarten W. Besseelaar, managing director of Thomas Howell Kiewit (International) B.V., a loss adjuster based in Rotterdam, Netherlands.

"The concept of risk management is beginning to become fundamental and more important than the concept of" insurance in Europe, said Filomeno Mira Candel, president of the Instituto Tecnológico de Seguridad, part of Spanish insurer Mapfre Corp. in Madrid, Spain.

"The concept of risk is developing in industry and beginning to take on new aspects. Industry is very concerned with employee health and possible harm to consumers and company image if there is an accident," said Mr. Mira.

Among the changes now influencing European risk management, the conference participants pinpointed:

- Increasing consumer expectations and legal rights. The 12 European Community countries currently are implementing the EC's controversial product liability directive, which will introduce the concept of strict liability for manufacturers, retailers and importers throughout the Common Market (see story, page 34).

In addition, several non-EC countries in Europe also are introducing the concept of strict liability, putting the burden of proof on the manufacturer rather than the consumer.

"Implementation of the EC product liability directive is likely to lead to increased awareness by consumers of their new legal rights, more product liability claims, increased legal costs and an increased demand for product liability insurance in a number of countries such as Portugal. It should also lead to more emphasis being placed on risk management," said Edward J. Hester, assistant manager in Britain for Zurich Insurance Co. of Zurich, Switzerland.

- Increasing compensation for accidents in Europe, particularly in the United Kingdom.

Already, some companies are offering higher amounts in settlements than would be awarded by European courts to encourage plaintiffs not to sue in U.S. courts.

For example, relatives of the 167 people who died when the Piper Alpha oil platform exploded in July in the North Sea are being offered much higher compensation payments than is customary in Europe to persuade the plaintiffs not to go to court in the United States (BI, Oct. 24).

'The (European) risk manager has to equip himself with the changing perception of risk itself, not just the changing European markets,' says Geoffrey Saunders, manager of the risk management department of RTZ Ltd. in London.

"The Piper Alpha tragedy revealed a very worrying trend in Europe towards 'mid-Atlantic' settlements," noted one conference participant.

"Transatlantic settlements will be a thing of the future," predicted Peter Madge, a director of London broker Willis Wrightson Ltd., a subsidiary of Willis Faber P.L.C.

In addition, the implementation of the EC product liability directive will give residents of EC nations greater flexibility to sue in other EC countries. This will increase forum shopping and likely increase the average level of com-

penetration payments throughout Europe, conference participants predicted.

"Levels of awards for injury in Portugal are very low compared with, say, (West) Germany," said Mr. Hester, noting that Portuguese users of German products could sue in West Germany under the EC directive, increasing consumer expectations in Portugal and leading to a general increase in compensation awards throughout Europe.

- Increasing public concern in Europe about environmental risks.

"Industrial production has always meant the production of pol-

lutants, but the public is becoming much more aware of this and is calling for compensation for damage caused by industrial pollutants," said Otto Graf Lambsdorff, a member of the Bundestag, the West German parliament, and recently appointed chairman of West Germany's Liberal Party.

For example, in West Germany, "people want to make the production process increasingly responsible for risks to the environment. . . Limits of liability are not accepted by the public who wants to extend them," he noted.

- A growing number of large pan-European companies—together with an influx of U.S. and Japanese firms fearful of exclusion from the European market—will increase the diversity and complexity of a European risk manager's role, attendees predicted.

"In the Europe of 1992, corporations will restructure and consolidate, particularly the multinationals. This will require risk

managers to re-examine companies' conventional risk management arrangements," said Aly Sherazee, deputy treasurer for Unilever P.L.C., a multinational industrial conglomerate based in London.

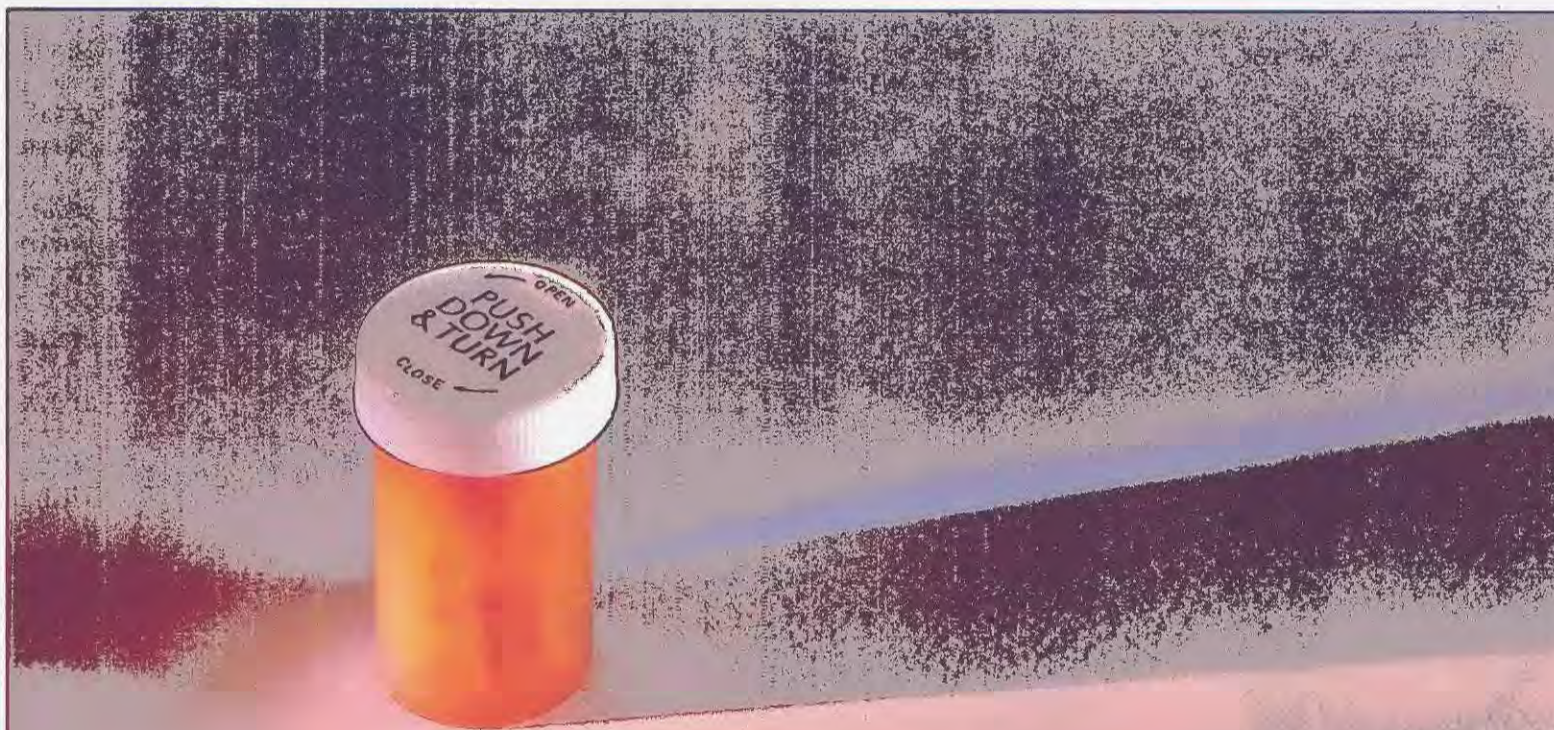
- The increasing complexity of technology and the increasing number of serious accidents throughout the world.

Between 1920 and 1978, major industrial accidents worldwide—accidents that caused more than 50 deaths—occurred about once every five years, according to Michel Albert, president directeur general of Paris-based insurer Assurance Generales de France (AGF).

However, since 1978 there have been at least two serious industrial accidents each year, Mr. Albert pointed out. And, in the past five years alone there have been 30 serious accidents, he said.

"This trend can be explained by the concentration of production

Continued on next page



The one benefit you can add

A prescription drug plan from Medco—the one company with the resources and experience you need to help you reduce soaring drug costs . . . without complicating your life.

As the nation's number one provider of quality drug benefit plans, we apply proven methods of cost control to develop a customized plan design to meet your special needs. Medco is the only company that can provide a variety

of programs: card plans for emergency medications (through more than 50,000 community pharmacies); mail service plans for maintenance medications; and integrated plans that combine both options. No other company can give you this single-source accountability for tracking drug utilization and costs.

We know you have more than drug benefits to worry about, so our plans are simple to

Continued from previous page

and increasing complexity of production processes. Whenever you make production more complex, you increase the number of single incidents which can affect the production," said Mr. Albert.

"We have to become aware that catastrophe risks will only increase," he added.

The increasing importance of manufacturing to maintain production and market share in the event of a catastrophe also increases the risk manager's responsibility.

"In the face of this increase in risks, risk management becomes more than a moral or social obligation. It becomes an unavoidable economic obligation, aiming to assure profitability," he said.

• Changes taking place in the social welfare programs of many European countries.

State sponsored "social security systems in most European countries are meeting financial limits," said Mr. Lambsdorff.

The financial crisis in the state welfare systems throughout Europe is increasing the role of private insurance coverage for health care, he added.

For example, there is "reform in West Germany to limit the pressure on the state health system by excluding some people from it," he noted.

"The private health system has to develop new rates and products. The number of older people in society is going to increase a great deal," said Mr. Lambsdorff.

There will be "new frontiers between insurance and social security systems," agreed Ruy de Carvalho, president of the Portuguese Insurance Assn. in Lisbon, who added that "this is one of the areas most likely to be affected by a possible redistribution between the state and insurers." ■

Executives' growing liability to force tighter risk control

By CAROLYN ALDRED

LISBON, Portugal—Increasing criminal prosecution of corporate executives and employees in European product and pollution liability cases will encourage more thorough risk management, says a West German underwriter.

"The developing field of criminal products and pollution liability is a very important incentive to improve company preventive risk management," said Joachim Schmidt-Salzer, an executive member of the board of management of Hannover, West Germany-based Haftpflichtverband der Deutschen Industrie VVaG. HDI is the parent company of HDI-Kon-

zern, a group of German reinsurers including Hannover Reinsurance Co.

"The personal criminal liability of individual managers at all levels within a manufacturing or distributing company for the marketing of defective products is of paramount value for the goals of preventive risk management," Mr. Schmidt-Salzer told those attending last month's International Insurance & Risk Management Conference in Lisbon.

Growing public pressure in Europe for industry executives to take personal responsibility for industrial accidents and defective products will encourage companies to adopt more rigorous risk man-

agement policies, he said.

This is necessary to balance the likely negative impact the introduction of strict product liability will have on risk management in Europe, he added.

Many countries in Europe currently are switching to a system of strict liability from a system of where negligence by the manufacturer must be proved for the claimant to recover damages (see story, page 34)

"Under a system of negligence product liability, it is easier to persuade sales managers, technicians, and manufacturing departments and the finance people to improve risk management. . . In contrast, strict liability means that the company is liable, even if everything possible and feasible has been done," he said.

"Thereby, strict liability, although improving the position of the injured person in case of a loss, definitely tends to 'de-motivate' risk-prevention activities," he said, adding that a "feeling of resignation is widespread (and) the transfer of liability risks to liability insurers is frequently considered the adequate solution."

However, "experience in the area of risk consulting for medium-sized and large companies shows that there is no better argument to persuade technicians to improve preventive measures. . . than drawing attention to their personal criminal liability," he suggested.

Criminal prosecution in Europe is becoming "more frequent whenever products cause severe and permanent physical harm to the users or to bystanders. Undeniably, the public interest and especially the mass media play a more and more important role in this context," explained Mr. Schmidt-Salzer.

And, experience in Europe shows that every level of manager and worker bears responsibility and can be liable to criminal prosecution and imprisonment.

"Subject to criminal prosecution may be the president of the company as well as top executives, middle-management executives or ordinary workers on the manufacturing floor," he said.

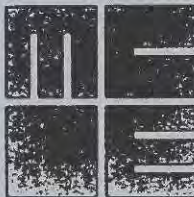
In France, and other Roman law countries such as Belgium, Italy, Spain and Portugal, "it is a long-standing tradition that product liability claims are decided by the criminal courts in cases where bodily injury has occurred and one or more persons have been killed or severely injured," pointed out Mr. Schmidt-Salzer.

Roman law is the state-enacted code of civil law adopted in many European countries, as opposed to common law, which is the accumulation of years of interpretations by the courts. Common law is practiced in the United Kingdom and the United States.

Cases of criminal prosecution against company employees in France include instances where:

• Executives of three companies were prosecuted and sentenced to prison in 1980 after talcum powder was found to be contaminated with hexachlorophene in 1972 due to insufficient standards of cleanliness at the manufacturing plant. The hexachlorophene, a white odorless powder used to destroy and prevent the growth of bacteria, had been stored at the bottling factory for other purposes.

Continued on next page



that actually lowers your costs.

implement, require little or no administrative time on your part, and involve minimal paperwork for participants. And Medco's personalized care and prompt, professional service are unsurpassed in this industry. The thank-you letters we have received over the years reflect our participants' appreciation of this unique benefit and their appreciation of the employees who provide it.

Think of it, a benefit you can add that doesn't complicate your life, reduces your costs, and generates "thank-yous" instead of complaints!

Medco's plans have worked this way for hundreds of other companies. Let them work for you. For more information, call Michael Campbell today at 1-800-654-5336, Ext. 554 or write Medco Containment Services, Inc., 1900 Pollitt Drive, Fair Lawn, New Jersey 07410.



THE MEDCO GROUP
Containment Services, Inc.

Plans that work.

European execs' liability

Continued from previous page

The technical director and a worker at the bottling factory were sentenced to prison for negligence; the president of the pharmaceutical company was sentenced to prison for "unduly selecting and controlling the bottling company"; and a director of the company that delivered the hexachlorophene to the bottling factory was sentenced for failing to attach adequate warnings on the hexachlorophene containers.

• The owner of a dancing club and the president of a company that sold flammable plastic material to the club were sentenced to prison in 1974 after 146 people were killed when the club, decorated with the plastic, caught fire in 1970. It was alleged that the president should have been aware of the purpose for which the plastic was being purchased and should have refused to deliver it.

In both cases, the criminal court also held the companies and executives jointly and severally liable for the payment of damages to the victims, said Mr. Schmidt-Salzer.

For countries like West Germany and Switzerland "the experience is relatively new," he said. However, "Germany has known two spectacular criminal litigations," he said.

These were:

• The 1970 Countergran/thalidomide case in which nine executives from Chemie-Gruppenhal of Stolberg, West Germany, were convicted for negligent and reckless homicide after "overstating the 'undangerousness' of the product.

Whether criminal prosecution can be extended to pollution involving no physical harm to people depends on national statutory regulations, Mr. Schmidt-Salzer says.

Chemie-Gruppenhal held the license and distribution rights for thalidomide in West Germany.

• The Monza Steel case in 1978, when four executives were prosecuted for negligent homicide for "lack of post-marketing surveillance" after defective tires caused several road accidents.

One director was sentenced to one year's imprisonment while two directors were found to be too ill to be sentenced and the fourth director died during prosecution.

Since these two cases, criminal prosecution in both countries has increased, said Mr. Schmidt-Salzer.

Meanwhile, the sentence of imprisonment given by the Court of Appeal in Italy to two top executives of Icmesa after a 1976 dioxin poisoning in Serveso, Italy, is a "classic application of criminal law in matters of pollution; that is, the injury to persons due to the emission of contaminated vapors," he said.

Whether criminal prosecution can be extended to pollution involving no physical harm to people depends on national statutory regulations, Mr. Schmidt-Salzer added.

For example, criminal prosecution has been increasing in West Germany since 1980 when the country extended criminal law relating to pure pollution under an act penalizing the discharge of contaminating substances into lakes and rivers.

Among the prosecutions:

• In 1980, a production manager and a production supervisor were sentenced to prison after glyceric acid-contaminated water was discharged into a nearby river when collecting tanks were full. The alternative would have resulted in a stop in the production process.

A foreman and site worker, to whom the orders to spill the glyceric acid-contaminated water were given, were found not guilty because "they were entitled to rely upon the instructions received from their superiors (and) with regard to their professional education and positions in the company, they did not owe a criminal duty to make sure that the order received was legal," said Mr. Schmidt-Salzer.

• In 1981 five executives of one of Germany's largest companies were prosecuted for the discharge of hydrochloric acid into an adjacent river.

The proceedings ended without a conviction when the court applied a provision of the German Code of Criminal Procedure allowing a charge to be withdrawn on the condition that a payment is made to an institution of public benefit, said Mr. Schmidt-Salzer. ■

**It Takes One Professional
To Recognize Another...**

That's Why Dick Rutan Chose AOA

"In my business, you need to know you're working with the pros. The people at Aviation Office of America understand the entire aviation insurance business. They insure everything from general aviation to warbirds, from corporate fleets to airport liability and from products liability to airport hangars.

I'm flying my Cessna 150, Beech Baron and Long E-Z under the AOA flag, and in my book, that's flying smart."

Dick Rutan: World renowned Captain of Voyager, Test Pilot and decorated Air Force Combat Fighter Pilot.

Call your agent to find out how you can get on board with Dick Rutan.

AOA — WE'VE GOT YOU COVERED.



AVIATION OFFICE OF AMERICA

Love Field Terminal Building • Dallas, Texas 75235-2841
Telephone: 214/353-1400 Telex: 73-363 FAX: 214/353-1417

Regions: Overland Park, KS Parsippany, NJ Atlanta, GA Dallas, TX Los Angeles, CA San Francisco, CA

Captive growth booms among Swedish firms

By CAROLYN ALDRED

LISBON, Portugal—Risk management in Sweden is more highly developed than in most European countries, as the quick pace of captive insurance company formations shows, according to a Sweden-based consultant.

At least 60 captive insurance companies have been set up by Sweden-based companies, said Ulf Nordblad, vp of the Stockholm operation of the Tillinghast division of Towers, Perrin, Forster & Crosby Inc.

Currently, 10 of the captive insurance companies are based in Sweden and 50 are based outside the country, primarily in Luxembourg, he said during last month's International Insurance & Risk Management Conference in Lisbon, Portugal.

In comparison, there are about 232 captive insurers in Europe's most popular domiciles, which are Guernsey, Isle of Man and Luxembourg.

Meanwhile, Finnish companies now are recognizing the value of risk management and also are establishing captive insurance companies, according to Mr. Nordblad, who estimated that five Finnish companies have set up captive insurers during the last year.

Finnish companies are becoming more international and more risk-conscious, agreed William Sennett, managing director of European Risk Management Ltd., based in Weybridge, England.

European Risk Management earlier this year established Finnish Captive & Risk Service Ltd. in Helsinki, Finland, a risk management consultant formed jointly with Industrial Mutual Insurance Co., also of Helsinki.

So far, the new company has helped establish three captives, including one for Finland's huge petrochemical conglomerate Neste Oy and one for Finnish industrial manufacturer Valmet Corp., said Mr. Sennett.

Several captive feasibility studies also are in progress, Mr. Sennett noted.

Meanwhile, Mr. Nordblad predicts at least 20 more captive insurance companies likely will be set up by Scandinavian companies within the next five years. ■



Excess Liability Insurance Without The Adventures In Paradise.

Many companies in need of liability coverage in excess of \$25 million have been literally searching the globe, from the City of London to the sands of Bermuda, for stable and consistent capacity.

Put away the passports. A single policy of \$75 million over \$25 million in excess liability coverage is now available from the American Excess Insurance Association with offices in East Hartford and the World Trade Center in New York City.* Within our policy you can avoid the "adventures" of missing layers, inconsistent language, offshore captives or disputes among multiple carriers.

The members of the American Excess Insurance Association (you may have heard us called the "American Slip") are among the nation's largest and strongest insurance companies. The association is qualified to do business in almost every state of the union.

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

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

And travel is entirely up to you. Just ask your broker or company agent to call this number: (203) 528-1931.

*Note: A few classes are restricted to \$50 million in excess of \$50 million.

Each member is severally and not jointly liable for its share, as specified in the policy, of any assumed risk. Terms and conditions of coverage are as stated in the policy.



American Excess
Insurance Association

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

ONE-CALL 215-265-4170

FOR LONG-TERM AUTO LEASING INSURANCE



- Lessors Excess Liability
- Primary Physical Damage
- Lessors Contingent Liability
- Primary Liability Coverages
- Residual Value Insurance
- Contingent Physical Damage
- Interim Car Coverages • \$5 MILLION CSL LIMIT AVAILABLE

Be sure. Take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves you time, cuts your costs, satisfies your customers. We do the work, you get the credit!

We invite your inquiry and your business. Write or call Ron Ruane.

PAIGE-RUANE, INC. INSURANCE

The Irwin Building
P.O. Box 1562
King of Prussia, PA 19406
(215) 265-4170 - FAX # (215) 265-1240



Strict product liability to force risk management emphasis

By CAROLYN ALDRED

LISBON, Portugal—European insurers must recognize the importance of risk management and the accurate assessment of exposures if they are to cope with the introduction of strict product liability in the European Community, says a London-based broker.

While property insurance underwriters value risk management and make frequent risk surveys of insured property, underwriters of liability insurance do not perform similar surveys, said Peter Madge, a director of Willis Wrightson Ltd. in London.

One must question whether insurers have the skills, the statistics

and the professionalism to underwrite product liability insurance in Europe in the future, he told participants at the International Insurance & Risk Management Conference, held last month in Lisbon, Portugal.

Mr. Madge, together with Edward J. Hester, assistant manager-United Kingdom for Switzerland-based Zurich Insurance Co., discussed the likely impact on insurers from the European Community's product liability directive, which will impose strict product liability on importers, retailers and manufacturers within the 12 EC nations.

"Based on the past experience of the U.S. market, the signs are by

no means encouraging," Mr. Madge said, pointing out that European insurers lost buyer support when they introduced claims-made policies and excluded or withdrew coverage to cope with rising liability costs in the United States.

"In the past, insurers have not demonstrated their ability to cope with long-tail risks. When insurers fail to give customers what they want, then something is wrong," said Mr. Madge.

However, "underwriters must do their utmost to respond to the needs of their clients," said Mr. Hester.

"It would be inadvisable to make assumptions about the anticipated response of insurers to the EC product liability directive based on the attitude of insurers to exposures in the U.S.," Mr. Hester noted.

"The major differences between the social and legal environment in the U.S. and Europe are well-known; and it was to a certain extent the frustration insurers felt about the ever worsening climate... which led underwriters in certain insurance markets in the EC to restrict coverage or cease underwriting U.S. products liability insurance for certain categories of risk a few years ago," he explained.

However, insurers should not regard the U.S. tort system as totally different from Europe's, he acknowledged.

"Already we are seeing pressures emerging in European countries, particularly the U.K., to introduce contingency fees and class actions," he explained.

Meanwhile, the introduction of strict liability in the European Community, which will remove the burden from the claimant of proving negligence on the part of the defendant, will lead to increased awareness among consumers of their legal rights, Mr. Hester said.

This will increase forum shopping in Europe, produce more product liability claims, increase legal costs and increase demand for product liability insurance, said Mr. Hester. It should also place more emphasis on risk management, he said.

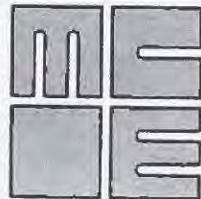
In addition, underwriters will pay increased attention to companies' quality control, record keeping, contract conditions, advertising material, instruction manuals and the existence of an efficient product recall plan, he said.

"Companies which pay insufficient attention to these aspects may face difficulties in obtaining adequate coverage at acceptable premium levels," he warned.

Mr. Hester also outlined the current position of implementation of the directive throughout the EC and whether countries likely will adopt any of the three options available in the directive.

Under those options, individual EC nations can decide whether to:

- Adopt a developmental risk or state-of-the-art defense.
- Adopt a financial ceiling on product liability awards of no less than 70 million European Currency Units (\$81.9 million at current exchange rates) when identical products with the same defect cause more than one injury.
- Exclude producers of primary agricultural products from strict liability.



Compare Asbestos Abatement Liability Insurance Policies.

<input checked="" type="checkbox"/>	True Occurrence Form	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Stock Insurance Company *	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Annual Aggregate or Per Job Limits	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Professional Loss Control Services	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Competitive Rates	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Limits to \$2 Million	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Prompt, Efficient Quotes and Binding	<input type="checkbox"/>
<input checked="" type="checkbox"/>	\$10,000,000 Paid in Capital and Surplus	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Knowledgeable Experienced Management	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Brokers Acknowledged	<input type="checkbox"/>

* Admitted or approved in most states

PROFESSIONAL ENVIRONMENTAL CONTRACTORS, INC.
P.O. Box 8138 600 Alexander Rd. Princeton, New Jersey 08543

1-800-338-1236
(In NJ : 609-520-1155)

Professional Environmental Contractors, Inc. is a purchasing group for asbestos abatement contractors which has chosen Fidelity Environmental Insurance Company (FEIC) to underwrite its coverage. FEIC is America's most trusted name in environmental contracting insurance, offering the highest quality coverage currently available to the asbestos abatement industry: true occurrence policies providing dependable, long-term protection. For further information, call or write today.



Where we come from, you learn to see things from different angles.

From coast to coast, we're the leader in group Long Term Disability insurance *and a top provider of Individual Disability protection.

But we never forget we're from Maine.

You see, finding more than one solution to a problem is a way of life here. By having a different perspective, we're able to introduce income protection plans which are truly innovative and responsive.

And by doing this, we enable you to offer your employees disability, group life, retirement and flexible benefit programs which meet their needs better.

We're UNUM. Ask your insurance professional about all the different ways we can solve your problems. Or call us directly at 1-800-634-8026 (in Maine 1-800-356-8111). And then you'll see why our name means number one in income protection.



Our name means number one.

More services key to retaining clients: Insurer

By CAROLYN ALDRED

LISBON, Portugal—European insurance companies must offer their corporate clients more services like risk assessment and loss control, according to a Spanish insurance executive.

By offering expanded services, insurers will be able to diversify their product range, thus making themselves less vulnerable to rate cycles, according to Filomeno Mira Candel, president of Instituto Tecnológico de Seguridad Mapfre, the technical risk assessment unit of Madrid, Spain-based insurer Mapfre Corp.

Mr. Mira addressed participants at last month's International Insurance & Risk Management Conference in Lisbon, Portugal.

Corporations' concept of risk control and risk management is moving farther away from the insurance industry's preoccupation with financial coverage, he said.

Companies in the future are going to ask more and more for an integrated service in which financial cover is only one aspect," Mr. Mira says.

Corporations' view of risk "is beginning to be deeper and more far-reaching than viewed by insurance companies," he said.

He added that companies are beginning to consider many new aspects of risk such as "employee health and possible harm to consumers and the company's image if there are accidents."

Companies in the future are "going to ask more and more for an integrated service in which financial cover is only one aspect," he

said.

According to Mr. Mira, European corporations are likely to increase their demands for analysis and evaluation of risk; prevention and control of risk; and loss assistance.

Offering more risk management services also will increase insurers' technical awareness and know-how, thus improving underwriting skills, he said.

Moreover, offering alternative services allows insurance companies to help their customers cope with and control a problem that may be considered uninsurable such as pollution, noted Mr. Mira.

However, if an insurance company does provide loss evaluation and control services, the services should be administered through an independent company, said Mr. Mira.

In addition, loss control services should be sold separately and not as part of a total premium package, he said.

"Each service has to have a clear price and

a separate invoice," he said.

The insurance industry already is failing to use the sort of advanced information technology and technical risk assessment that many other industries are using. In addition, new disciplines such as sociology and psychology have not yet been harnessed by insurers, Mr. Mira said.

"If insurance companies cannot change our ideas and move closer to risk managers then we are failing. This is our challenge for the 21st century," he said.

According to Mr. Mira, Mapfre's ITSEMAP division currently is conducting extensive risk assessment surveys for many of Spain's public entities that are recognizing their enormous liability exposures.

For example, the Spanish city of Barcelona, which will host the 1992 summer Olympic Games, and Seville, which is hosting the 1992 World Expo, in particular will need to pay increased attention to risk management issues, Mr. Mira noted. ■

EC directive

Continued from page 34

So far, only three EC nations have passed national legislation to implement the directive. These are:

- The United Kingdom, whose Consumer Protection Act of 1987 became effective March 1, 1988. The British legislation includes the development risk defense, excludes agricultural products and has no monetary limit.

- Italy, where the legislation became effective July 30, 1988, with the same options as in the United Kingdom.

- Greece, which implemented the directive July 30, 1988. In Greece, the development risk defense will be permitted, primary agricultural products are excluded and a monetary limit of 7.2 billion drachmas (\$50.4 million at current exchange rate) has been introduced.

Meanwhile, the directive still is in various stages of parliamentary progress in the remaining EC countries. Currently, it appears Belgium and Luxembourg may be the only two countries to exclude the development risks defense; Belgium and France may be the only two to include agricultural products; and Belgium, West Germany, Portugal and Spain may all adopt monetary limits.

Meanwhile, "other European countries which are not members of the EC are in the process of aligning their laws to the EC directive," said Mr. Hester.

These include Austria, Norway, Sweden and Finland.

Austria passed legislation effective July 1, 1988, which permits the development risk defense, excludes primary agricultural products and has no monetary limit.

Norway's draft legislation probably will be considered by the Norwegian parliament in 1989. The draft legislation excludes the development risk defense, includes agricultural products and does not apply a financial ceiling, except in the case of pharmaceuticals.

In Sweden, the Ministry of Justice is expected to introduce draft legislation during 1989 that is expected to follow the EC directive closely. But, the Swedish legislation likely will extend the statute of limitation to 25 years from 10 years. In addition, the Swedish draft legislation probably will disallow the development risk defense, include agricultural products and have no financial ceiling, said Mr. Hester.

In Finland, consultation with industry, insurers and consumers still must take place before draft legislation is presented to the parliament. However, the present intention is to disallow the development risk defense, impose no financial limits and exclude agricultural products, pharmaceutical products and electricity. ■



"Our marine subsidiary is insuring vessels that are



Covering supertankers to sailboats, our MOAC subsidiary is the leading U.S. marine insurance underwriter. It reached this position by providing specialized products and services to meet marine-industry needs—including coverage for research submarines that are bound to sink.



Photo: Carolyn Aldred

The fire destroyed about four blocks of 18th and 19th century buildings in Lisbon's Chiado shopping district.

10% of Chiado damage insured

LISBON, Portugal—Only about one-tenth of the damage caused by the fire that raged through Lisbon's historic Chiado shopping district in August was insured, according to one of Portugal's leading insurance industry spokesmen.

Moreover, most of the buildings destroyed were commercial buildings like stores and offices, Ruy de Carvalho, chairman of the Portuguese Insurers Assn., told astonished registrants at the International Insurance & Risk Management Conference last month in Lisbon.

"These were... expected to be prudent people. This is something we have to think about and ask whether it's the fault of the insurers or the intermediaries" that property insurance coverage is so scarce in Portugal, he said.

Mr. Carvalho said it was too early to estimate the total damage caused by the fire, which destroyed about four blocks of 18th and 19th century buildings in the Chiado shopping district (BI, Aug. 29).

However, Luis Filipe Caldas, a director of Lisbon-based Sociedade Portuguesa de Seguros S.A., which is 70% owned by Assurances Generales de France of Paris, told *Business Insurance* that total property damage is estimated to be about 24 billion escudos (\$163 million).

Of this amount, only about 3 billion escudos (\$20.4 million) is insured, he estimated. And, only one of the many com-

panies and stores affected by the fire is known to have business interruption insurance, Mr. Caldas said.

British & European Reinsurance Co. Ltd., a subsidiary of Commercial Union Assurance Co. P.L.C. that reinsures several Portuguese insurers, estimated insured losses at 16 million pounds (\$26.9 million) (BI, Oct. 3).

Reconstruction of the whole Chiado area likely will cost more than 80 billion escudos (\$544 million), Mr. Caldas added.

"This is not only a material catastrophe for Lisbon, it is also an artistic catastrophe," Mr. Carvalho said. But, since many of the building facades remain standing, the character of the district will be maintained after reconstruction.

One of the major reasons the fire caused so much damage was that firefighters' access to the area often was blocked, Mr. Carvalho noted.

"Many streets were blocked off... and many offices had doors blocked with books," said Mr. Carvalho, noting that this situation, together with limited insurance coverage, was causing "a lot of reflection" among Portuguese insurers.

The Portuguese Insurers Assn. currently is collecting data and photographs relating to the fire and hopes to produce a report soon, he said.

—By Carolyn Aldred

Open market may increase competition

By CAROLYN ALDRED

LISBON, Portugal—The creation of a single European trading market during the next few years could mean lower commercial property/casualty insurance rates in Europe, insurers concede.

Initially, as insurance companies compete to establish their position in the new European market, corporations will benefit from cheaper property/casualty insurance rates, predicted participants at last month's International Insurance & Risk Management Conference in Lisbon, Portugal.

In addition, insurers will adapt more to risk managers' needs in an effort to secure and maintain business, some observers added.

However, European risk management will become more demanding, despite the probability of lower insurance rates, participants predicted (see story, page 3).

One of the major topics of discussion was the likely effect of the removal of all internal trade barriers throughout the 12 member nations of the European Community by the end of 1992 as called for in the Single European Act of 1985.

The act, passed by the European Council of Ministers on July 1, 1987, will create a single market of more than 320 million people, making it one of the largest and most affluent consumer markets in the world (BI, May 16).

Meanwhile, a directive passed by the Council of Ministers late last year allows risk managers in most EC countries to place large property/casualty risks with insurers based anywhere within the European Community after 1990.

The resulting insurance market "will be a buyers' market, and the sellers will be desperately trying to get their share of the market," predicted Wolfram Rohde-Liebenau, an executive director of West German conglomerate Siemens A.G., director of affiliate Risicom Reinsurance Co. and general manager of Siemens' captive brokerage business.

"I foresee strong competitive pressures in risk rating for the next five years," agreed Michael Butt, chairman and chief executive of Eagle Star Group P.L.C., a London-based insurer.

"A free market in the EC can
Continued on next page

bound to sink."

"That's leadership."

© 1988, The Continental Corporation
180 Maiden Lane, New York, NY 10038

At Continental, we're focusing on excellence in products and service to achieve solid, profitable growth. In areas like ocean and inland marine insurance. Premium financing. Workers' compensation. In selected markets with national brokers. Through our independent Circle Agents.



Focusing on what we do best.™

Editorial Index Service

The Business Insurance Editorial Index Service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes 3 quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

Take advantage of this cost effective tool and fill out the coupon today or call 212/210-0137



Business Insurance Editorial Index
220 East 42nd Street, New York, NY 10017

Please send me the following index(es):
Full Index Service at \$100* 1988
Softcover edition at \$100* each 1986 1987
Hardcover edition at \$150* each 1981 1982 1983 1984 1985

TOTAL ENCLOSED \$ _____
PAYMENT MUST ACCOMPANY ORDER —
 Visa Mastercard Optima
 American Express Check Enclosed
(make check payable to Business Insurance)
* foreign postage additional

Account # _____ Exp. Date _____
Signature _____
Name _____
Title _____ Phone _____
Company _____
Address _____
City _____ State _____ Zip _____

EC competition

Continued from previous page
only mean an increase in competition and a better deal for industry," said David R. Seymour, manager of offshore operations for Royal Insurance (U.K.) Ltd. of London.

The changes in Europe will mean greater international competition among insurers and a premium price war, agreed Christian Rocheteau, vp of the French Society of Insurance Brokers in Paris.

"Competition is going to increase, which will put pressure on premiums," agreed Otto Graf Lambsdorff, a member of the West German parliament and chairman of the nation's Liberal Party.

However, setting premiums for commercial risks under the cost of claims will not be accepted in the long run nor will subsidization of one class of business by another, Mr. Lambsdorff warned.
Meanwhile, "I foresee that the

ability to place risks across EC boundaries should destroy any restrictive practices of the market," said John C. Speller, a director of Sedgwick Risk Management Services Ltd. in London.

EC-based insurance companies already are flexing their muscles in preparation for the battle for market share in the European Community.

The acquisition activity among companies in the EC in all industry sectors, including insurance, is burgeoning, conference participants agreed.

"The growth pattern of acquisitions is far greater in the EC than the U.S. across all industries," said Steve A. Schleisman, president of Paris-based UNAT/The European Insurance Co., an affiliate of American International Group Inc.

Between June 1984 and June 1987, there were 81 mergers and acquisitions involving EC companies in the insurance sector, according to Ruy de Carvalho, chairman of Portuguese Insurance Assn. in Lisbon.

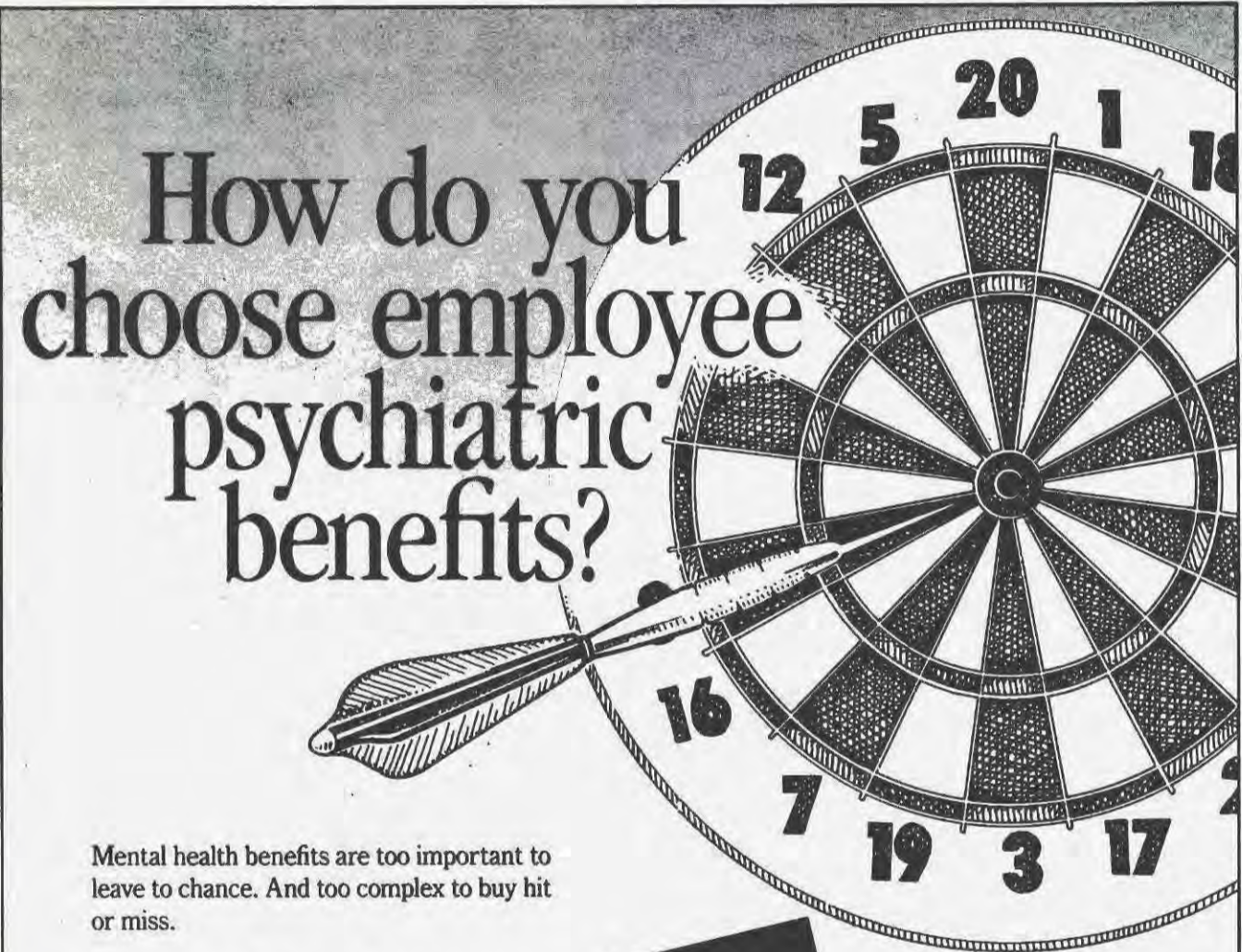
Of these, 45 involved companies in the same country, 22 involved mergers of companies in different EC countries and 14 involved mergers between an EC-based company and a company based outside the European Community, he said.

U.S., Japanese and other non-EC-based insurance companies, such as the powerful Swiss insurers and reinsurers, also are developing strategies to ensure they are not excluded from the EC market, conference participants pointed out.

For example, New York-based AIG has united all of its continental European operations into a single European insurance company, UNAT, which is based in Paris (BI, Oct. 19, 1987).

Several Japanese companies are extending their branch networks throughout Europe (BI, May 16), and several Swiss insurers are considering establishing separate holding companies within the European Community, observers say.

Continued on page 40



How do you choose employee psychiatric benefits?

Mental health benefits are too important to leave to chance. And too complex to buy hit or miss.

In the struggle to find a balance between helping a troubled employee and controlling benefit costs, you need up-to-the-minute facts to help you buy the *right* services. Efficient, quality services.

Now there is a new booklet designed to help you provide good psychiatric treatment for your employees and their families. It's called *Ensuring Good Psychiatric Benefits*.

Experts specifically look at the emerging issues of case management and managed care. With detailed check lists for reviewing psychiatric case management services, an exploration of the components of quality care, and updates on recent benefit trends, this is a book you'll want to request today.

National Association of Private Psychiatric Hospitals



BUY RIGHT

Yes! I want to ensure good psychiatric benefits for my employees. Send me a copy of your latest booklet.

Name _____
Company _____
Address _____
City/State/Zip _____

Send to:
National Association of Private Psychiatric Hospitals
1319 F Street, NW, #1000
Washington, DC 20004

FREE!

BI 11/14

From The Reprint Department Of:

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission

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

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3⁵⁰ per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

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

Piece of The Rock.[®] Peace of mind.



You need to know your reinsurance company will be there in tough times. The Rock will. Prudential Re's rock-steady commitment and solid resources give you plenty of reasons to relax.

You'll get premier service from an underwriter who'll get to know you and your business. One

who'll be there day to day to handle your special needs. And our sophisticated underwriting lets us define risks accurately so that your rates reflect only true exposure.

For your own peace of mind, choose Prudential Re. You'll sleep like a rock.

The Rock in Reinsurance
Prudential Re 

Info

• **"Tort Liability Today: A Guide for State & Local Governments"** is an update of changes in state laws in 1987 and contains current information on the liability of government entities and employees. The Public Risk Management Assn. is offering the book compiled by John Pine, a professor at Louisiana State University, in conjunction with the National League of Cities. It is available to PRIMA members for \$15 and to non-members for \$25 from PRIMA, 1120 G St. N.W. Suite 400, Washington, D.C. 20005; 202-626-4650.

• A reprint from the International Risk Management Institute Inc.'s monthly Risk Report is available on **"Liability Coverage Enhancements for a Soft Market."** The article details ways commercial general, auto and umbrella liability policies may be broadened to provide better coverage terms. Free copies are available from Paul Murray, International

Risk Management Institute Inc., 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 214-960-7693.

• A study estimating a firm's **accrued liability for pre-funding employees' post-retirement medical benefits** is available through the International Foundation of Employee Benefit Plans. The study, conducted by Izzet Sahin of the University of Wisconsin-Milwaukee, is based on the assumption that a company will pay all inpatient costs not covered by Medicare Part A for a fully vested retiree. Copies are available to members for \$12 and to non-members for \$15 from the IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• **"An Introduction to Captives and Other Methods of Insuring as an Alternative for Traditional Liability Insurance"** is written by attorney Patricia Rotchford for risk managers, agents and associations considering setting up captive insurance companies. The booklet describes the advantages and disadvantages of forming a captive and ex-

plains the steps necessary to form a captive. The free publication is intended as informational and is not a substitute for legal or tax advice. Copies are available from P.K. Rotchford, Box 4422, Northbrook, Ill. 60062; 312-498-2938.

• **"Recommended Practices for Design Professionals Engaged as Experts in the Resolution of Construction Industry Disputes"** offers guidelines for expert witnesses or "hired guns" to avoid bias in court testimony. Recommendations address conflicts of interest, evaluation of reasonable explanations of causes and effects and questions of confidentiality. The guidelines are offered by The Assn. of Engineering Firms Practicing in the Geosciences in conjunction with 13 other professional groups including architects and certified planners. Copies may be ordered for \$5 each from the association, 8811 Colesville Road, Suite G106, Silver Spring, Md. 20910; 301-565-2733.

• The Workers Compensation Research Institute offers
Continued on next page

EC competition

Continued from page 38

"In the face of uncertainty, companies are looking at new strategies and tactics," said Marc E. Pecquet, senior consultant at Arthur D. Little International Inc. in Paris.

Many studies indicate that the single EC market will be "dominated by 10 to 12 insurance companies," said Portugal's Mr. Carvalho.

"In 10 years' time we will see a concentration of 10 to 15 large European insurers and the rest will be niche/specialist players," predicted Mr. Butt of Eagle Star.

"There will be about 10 single insurers able to underwrite large risks throughout Europe," agreed West Germany's Mr. Lambsdorff.

There will be fewer insurance companies "particularly writing industrial liability and property business, but there will be markets for innovative, small underwriters with tailored products to cover and assist with technical risks," Mr. Lambsdorff said, adding that the future "harsher competition will mean some companies get eliminated from the market."

"There is fairly overwhelming evidence that there will be a lot of 'disappearers' in the insurance industry," said UNAT's Mr. Schleisman.

Not only will European insurers be faced with competition among themselves, there "will be increasing competition from outside, from banks and from U.S. and Japanese insurers," he noted.

"There is going to be a capital concentration among large pan-European companies, and small players will have to be more focused," according to Mr. Schleisman.

Meanwhile, insurance brokers initially will benefit most from the opening European market, many conference participants agreed.

"The biggest opportunities in the large risk market initially present themselves for the brokers. It's a great opportunity and a challenge," said William E. Pool, an executive of the European Commission with responsibilities for insurance.

"If national habits are going to be broken down, they will be broken down by the brokers," he added.

Increasing competition and diversity of commercial insurance products within the European Community will greatly expand the role of the independent insurance adviser, Julian Radcliffe, a director of London broker Hogg Robinson & Gardner Mountain P.L.C., argued in a workshop at the risk management conference examining the future role of brokers in Europe.

"The broker will play a major role in making the European insurance market more competitive and more integrated," according to Mr. Radcliffe, who added that "the insurance companies that know how to work with brokers will gain a significant advantage." ■

**"We'll treat you like a customer.
Or I want to know about it."**

W. Craig Heston

W. Craig Heston
President and CEO

"When we asked you in our last ad what you needed to write more business and improve your hit ratio, you told us — on tapes, in letters, and in personal interviews. Now we're taking action.

"You said you wanted to be treated like a customer. That you needed consistency of market, a clear picture of what we write, and knowledgeable marketing reps with clout.

"I'm going to see to it that Utica Marketing Reps tell you what kind of business we're looking for — and help you write it. Furthermore, our regional newsletters will be reporting what we've been writing recently in your part of the country. So that, as a Utica

Agent, you'll know what's hot with us, including our latest target markets and specialty products.

"You asked for underwriters who'll take the time to get to know *you*. That's why we've invested in a major training program designed to help Utica Underwriters better understand your point of view. And to stay abreast of every agent's experience, performance and local conditions, we have an underwriting review department in each region.

"Most importantly, you reminded us of your right to be treated with all the courtesy and service a customer deserves. To make sure you get it — *always* — I'm implementing an in-house education

Continued from previous page

"Performance Indicators for Permanent Disability: Low Back Injuries in Texas." Single copies of publication WC-88-4 are available free to WCRI members and for \$18 each to non-members from the Workers Compensation Research Institute, 245 First St., Suite 1402, Cambridge, Mass. 02141; 617-494-1240.

• A research report from the Menninger Clinic's return-to-work program, **"The Menninger RTW Scale in Disability Cost Containment: A Dynamic Simulation,"** helps identify rehabilitation potential among new long-term disability claimants. The report

presents a computer simulated cost-benefit analysis of this strategy. Copies of the report, TMF-1013-23, are available for \$25 from the Menninger Return to Work Center, 700 Jackson, Ninth Floor, Topeka, Kan. 66603; 913-233-2051.

• A free booklet on insurance planning during retirement is available from Retirement Advisors, a division of Hearst Business Communications Inc. **"Insurance"** discusses group and individual life, health, automobile and homeowner insurance concerns as well as the importance of disability insurance in retirement planning. Single copies are available by writing on

company letterhead to Retirement Advisors, 919 Third Ave., New York, N.Y. 10022; prices for bulk quantities may be obtained by writing or by calling 212-421-2400.

• Custom-tailored **employee benefit plan documents and summary plan descriptions for self-funded health care plans** are offered by Hunter & Associates, a writing and consulting firm. The documents are designed to be easily understood by staff, clients and plan participants. Samples of the plan documents and summary plan descriptions are available for \$3.50. Payment must accompany the order. Contact David H. Gluck,

President, Hunter & Associates, 9842 Hibert St., Suite 152, San Diego, Calif. 92131; 619-578-7461.

• **"Preferred Provider Organizations: Productive Partnerships for Cost-Effective Quality Health Care"** is a 48-page primer describing the history, operation and future of PPOs. The book was written for the American Assn. of PPOs by Medit Associates Inc., a health care communications firm in Winnetka, Ill. Quantities of one to five books are available to AAPPO members for \$7.95 and to non-members for \$9.95. Quantity discounts are available and pre-paid orders may be sent to AAPPO,

111 E. Wacker Drive, Suite 600, Chicago, Ill. 60601; 312-644-6610, extension 271.

• The **"Recreation and Community Services Risk Management Manual"** is published by the Public Risk Management Assn. and contains sample maintenance checklists and guidelines for parks, community centers and arenas based on the experiences of Flam-borough, Ontario. The 90-page book also offers sample permission forms and accident report forms as well as a glossary of terms. The publication is available for \$12, plus \$2 for handling if not prepaid, from PRIMA, 1120 G. St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

• The Alliance of American Insurers has published **"Hazard Communications Guidelines,"** which offers employers information about chemical inventory, hazard determination, material data safety sheets, labeling requirements and employee training. It serves as a reference for compliance with the federal Occupational Safety and Health Administration's hazard communication standard. The book is available to Alliance members for \$4 and to non-members for \$8. Orders should be sent to the Alliance of American Insurers Customer Service Department, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60173-4980; 312-330-8500.

• **"When Disaster Strikes: How to Handle Law Office Emergencies"** has been published by the American Bar Assn.'s Section of Economics of Law Practice" and is based on the Lawyer's Club of San Francisco's task force on law office disaster planning. The publication covers preparation for natural disasters including earthquakes, storms and floods; technological breakdowns, including blackouts and industrial explosions; social disturbances, including bomb threats and labor strife; and health disasters such as epidemics and pollution. Copies of the publication are available for \$16.95 each plus \$2.50 handling through the ABA, Order Fulfillment Department 511, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-5555.

• A **"Supervisor's Training Manual: Accident & Injury Reporting,"** the accident manual developed by the city of Southfield, Mich., is now available from the Public Risk Management Assn. The procedures outlined include aiding accident victims, reporting guidelines and reporting forms for employees and supervisors. The manual is available through PRIMA's OUTREACH service. Copies are \$12, plus \$2 for handling for billed orders, from PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

• **Strategic planning concepts for self-insured businesses** are available in the second quarter 1988 Risk Financing Newsletter published by the International Risk Management Institute Inc. Free copies of the newsletter are available from Paul Murray, International Risk Management Institute, 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 214-960-7693.

• **Have a new report, booklet or educational brochure you'd like to send to buyers of insurance?** Business Insurance will describe material costing less than \$35 as an editorial service in the Info column. Simply send us a copy of the item to be offered and a short description of it, along with the cost and a mailing address. Address all contributions to Info, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590.



program to keep Utica employees aware of who brings in the business.

"Remember: if you *ever* have a problem, concern, or suggestion and you're not getting action, call your Utica Regional Vice President — or my office directly. I'll straighten it out personally if I have to. It's the least I can do for my customer."

Call Utica now. And start getting treated like a customer today.

If you're already a Utica Customer, we'll be sending you a report on the results of our recent landmark survey of agents across the country.

If you're not a Utica Customer yet, give us a call at 1-800-448-3366 (in NYS 1-800-962-9199). Or drop us your card. We'll send you a free report, plus information on what being a Utica Customer takes — and offers.

 **Utica National Insurance Group**
Insurance That Starts With You

Utica National Insurance Group including Utica Mutual Insurance Company and its affiliated companies, Dept. HPF1, 180 Genesee St., New Hartford, New York 13413.

© General Star Management Company 1987



Sweet Spot for Specialty Risks

Get an advantage on risk placement. For primary and excess liability and excess property coverage, call the underwriting pros at General Star today.



**GENERAL
STAR**

- Market Stability
- Financial Strength
- Underwriting Quality

General Star Management Company, Stamford, CT • Specialty underwriting for primary and excess risks through appointed surplus lines brokers
New York (212) 770-0150 • Chicago (312) 207-5400 • Los Angeles (213) 383-7734 • Stamford (203) 328-5700

A member of **General Re Group**

Case management

Will more psychiatric patient screening lead to disasters?

By Dr. Kenneth D. Gaver

IN RECENT YEARS, psychiatric hospitals and physicians have reported an increasing number of patients screened by case management firms. As many as half of the patients at one East Coast psychiatric hospital, for example, are monitored by case management firms. And the hospital's medical director predicts the number will grow.

As the numbers increase so, too, do questions about the proper role of psychiatric case management and fears that misuse will lead to disasters. For far too many employers, insurers and case management firms, case management is strictly a cost-savings technique. Promises of up to 50% savings pander to this misperception.

Not only may needed benefits be denied, but the problems compound at the worksite if mentally impaired workers are treated inadequately. Consider for example, the cost of lower employee productivity and absenteeism.

Furthermore, the problematic, day-to-day experience that most hospitals confront with psychiatric case management raises several major cautions.

In a recent survey of 94 private psychiatric hospitals conducted by the National Assn. of Private Psychiatric Hospitals, 64% said they believe psychiatric case management arrangements have made it extremely difficult to provide needed care.

How far should a case management firm go in superseding a clinician's role? Is it proper for case managers—often disembodied voices on the phone—to interfere in the delicate bond established between a patient and physician, which is of particular importance to psychiatric care?

Clearly, following up on a psychiatric patient is quite different from contacting someone to check on their broken leg. With all case management—and psychiatric case management in particular—it is vital that case managers be fully trained and experienced in working with and evaluating psychiatric illness.

Meanwhile, the thorny question of legal liability has yet to be played out fully in the courts. If psychiatric care is denied and an adverse reaction occurs, such as suicide, who is responsible? The doctor who let the patient go untreated, or the employer that hired the case manager?

The only legal guidance on case management is outlined in the 1986 California Court of Appeals' *Wickline* decision on a premature medical discharge. The court held that "third-party payers of health care services can be held legally accountable when medically inappropriate decisions result from defects in designs or implementation of cost-containment mechanisms" (*BI*, Sept. 19).

The court also held physicians responsible if they don't question procedures forcefully enough that jeopardize a patient's health. "Physicians who comply without protest with limitations imposed by a third-party payer cannot avoid ultimate responsibility for patient's care," the court ruled.

Surprisingly, case management firms are often unwilling to provide any sort of explanation of the criteria used to flag cases for case management. In NAPPH's survey of the private psychiatric hospitals, 42% said case management firms rarely explain their criteria. In addition, more than half—52%—said case management firms apply criteria inconsistently.

Case management firms claim that screening criteria are proprietary. Says one, "If we teach others how we do our business, we'll go out of business."

But employers should demand a clearer explanation of how employees are selected for review. Guidelines built to cut or guarantee cost savings can be the formula for disaster: dissatisfied

Speaking out

employees and untreated mental illness.

There must be clear communication and documentation between the employer and case management firm.

Employers should, at the very minimum, have the opportunity to review the criteria used by case management companies to be certain that it is soundly based on clinical judgment.

A few case management firms will indicate categories of illness that automatically trigger review by their system. For example, one company flags all schizophrenia diagnoses and all adolescent psychiatric admissions.

Yet a system that reviews every psychiatric case can be costly, and unnecessary. Physicians report they spend an increasing amount of their time on the phone talking about patients with case managers. Many of these time-consuming calls are unnecessary and rob physicians of direct patient-care time.

In addition, some hospitals have reported case management approvals of only one day's inpatient coverage—hardly enough to be a proper evaluation of any sort of intensive treatment. Such arbitrary decisions—based solely on cost, not inpatient care—waste everyone's resources. And they are an inappropriate application of the case management concept.

Because poor case management can cause so many problems, the NAPPH has prepared a checklist to help employers, insurers and case management

firms better understand the issues that need to be reviewed as any contract for psychiatric case management services is developed.

The items to be considered include:

- ✓ History of the organization. Request the names of previous and current clients. Talk with them about their experience with the firm.

- ✓ Staffing patterns. Good psychiatric benefit management requires the expertise of mental health professionals.

- ✓ The contractual agreement. Any and all obligated services should be spelled out clearly in the contract.

- ✓ The organization's flexibility to change. Due to the highly competitive nature of today's health care delivery industry, the more easily a system can react and adapt to market conditions, the more successful it will be.

- ✓ Working relationships. Clear communication of the goals and expectations of the utilization review and case management programs must be maintained with all parties involved.

- ✓ Procedures and appeals processes. Good employee relations demand that any cost-containment program permits an appropriate appeals process for employees.

- ✓ Types of client reports available. Utilization review and case management firms should provide several reports to clients on a monthly and quarterly basis. These reports should show exactly where employers are spending their benefit dollars. Using this data, a company or third-party payer may in some cases compare its employee mental illness utilization experience with that of other employers in the same industry group and/or with other employers. These reports should also be available to the provider, upon request.

Case management can and should be a helpful addition to employees' health benefits. When conducted properly, case management serves as a bridge for employers, insurers, providers and patients by encouraging dialogue and ensuring patients have access to the most appropriate treatment settings for their individual needs.

Dr. Kenneth D. Gaver is president of the National Assn. of Private Psychiatric Hospitals in Washington, D.C., and is medical director of HCA Houston International Hospital. For a free copy of the NAPPH's 16-page booklet "Ensuring Good Psychiatric Benefits: A Primer on Benefit Design, Psychiatric Case Management and Quality," which contains a more detailed checklist, contact the NAPPH at 1319 F St. N.W., Suite 1000, Washington, D.C. 20004.



Captives viable during soft market

By R. Michael Cass

DURING SOFT MARKETS, a time of less expensive insurance costs and the availability of broader coverages, purchasers of commercial property/casualty insurance have a choice of directions they may take in transferring risks. Some obvious options would be to negotiate less costly premiums with their current insurers or to change insurance companies to obtain the best available price.

While these choices may appear attractive, especially from the standpoint of enhancing the current year's budget, it might prove to be a shortsighted approach when compared with the opportunity to stabilize and restructure the risk transfer function.

The captive concept is now recognized as a viable mechanism for practically every purchaser of commercial insurance. Whether the captive is a stand-alone or part of a group arrangement with other buyers, its usefulness in insuring the risks of

owners has reached full maturity. In the past, captives have been created in situations of urgency, when prices from conventional markets were relatively high or coverage was difficult to obtain. Often, the growth of captives slowed as soon as prices decreased and coverage availability increased.

Those organizations that have ever thought about creating a captive should give it serious consideration during the current market. By forming and managing their own insurance

company, they could have the opportunity to negotiate directly with different professionals that may offer more flexible types of coverage. Furthermore, they may encounter longer-term incentives and support both within and without the formal confines of the documented relationship.

An initial step in the process of establishing a captive is for the risk manager and chief financial officer to decide precisely what it is they seek

Continued on next page

Captives viable during soft market

Continued from previous page from the organization's risk financing mechanism. This enables the risk management team to develop a list of priorities that will facilitate decision making. Some points to consider might include:

- Is the security offered by a particular insurer or reinsurer within specified guidelines?
- Will the risk transfer program promote optimal coverage and premium retention/transfer through all types of markets?
- Does the insurer/reinsurer take a long-term view of the relationship?
- Does the insurer/reinsurer understand the organization's program and objectives?
- Have current tax regulations been reviewed as to possible implications?

In operating within a captive structure, the risk manager may begin to realize why many reinsurers have a perspective different from insurers. Reinsurance contracts are individually constructed and reinsurers have consistently taken a longer-term view when entering into client relationships. A primary function of reinsurance is to level operating results. Accordingly, both parties to the relationship must understand that it may require many years of association to create a mutually beneficial equilibrium.

Perhaps a fundamental question to be reviewed by the organization considering a captive is: "Are we a desirable insurance risk?" If the answer is yes, most likely the captive can be structured to attract reinsurance support. The risk management staff must then address those features that would be carefully evaluated by any reinsurer considering

the opportunity to become involved with the captive operation. Some of the more important factors include:

- Adequate capitalization. The proper financing of a captive is the first indication from management of their commitment to the program. Generally, this means maintaining a surplus in excess of any minimum requirements and a retention (participation) consistent with the parent organization's ability to withstand loss.

- Commitment. In addition to proper financing, the captive owner should demonstrate

a long-term commitment to the program by its willingness to enter into risk transfer relationships that are several years in duration. The risk manager and the

captive should have or plan to provide the management or financial controls required for a well-managed facility.

- Mutual confidence. Reinsurers have always preferred developing relationships with organizations that view reinsurers as a valuable asset and resource. This attitude is manifested if the reinsured entity's encourages involvement by the reinsurer in analyzing day-to-day operations of the captive.

A captive insurance company offers its owners more control over the destiny of their risk management program, particularly as to the supply of available capacity.

By forming and operating an affiliated insurance company, management has the opportunity to build its own full-time professional

staff to assist in managing its risk-assuming operation.

It is management's responsibility and prerogative to determine those functions—such as actuarial and systems requirements—that are best suited for purchase from outside vendors.

The importance of loss control and claims handling must not be overlooked. Insurers and reinsurers alike are concerned that their clients be involved in reducing risk wherever possible and in dealing efficiently and professionally with claims. A

A captive insurance company offers its owners more control over the destiny of their risk management program.

well-managed claims function greatly reduces the chance of a minor loss becoming a catastrophic claim because of inadequate administration.

When viewed at arm's length, the captive may be seen as a means for applying more transferred dollars to risk financing. Since catastrophic loss cannot be self-insured, that capacity usually is obtained from reinsurers, which have relatively fewer internal expenses than insurance companies. Generally, this is because reinsurers have fewer policyholders (reinsureds). The result is less bureaucracy, a more efficient system of delivering services and a smaller support staff.

By positioning a captive and maintaining its attendant structure, support services and reinsurance capacity, management acquires greater latitude for reacting to changing market conditions that can severely disrupt budgets and place extraordinary demands on available

personnel. It is much easier to deal with retentions under a reinsurance program than to negotiate total insurance coverages purchased with token or non-existent participation. This is particularly true when the insurer is under significant pressure to improve earnings per share.

The captive company can offer input regarding policy forms, coverage and cost. When applied to its reinsurance, the protection afforded by properly structured reinsurance contracts can be based on experience gained over several years. While reinsurance prices will also increase in a hard market, the impact will be mitigated by varying retentions already in place together with the stabilization of results effected by appropriate reinsurance programs.

This discussion has highlighted the efficiencies of the private, affiliated insurance entity. By purchasing reinsurance and providing for required specific services—either by establishing permanent assistance in-house or obtaining such support on an as-needed basis—the captive operates more efficiently and can apply more net dollars to the payment of losses.

Additionally, the captive represents a means by which the organization can demonstrate a hands-on approach to its risk management program.

R. Michael Cass is president and principal consultant of R.M. Cass Associates, an insurance and reinsurance consulting firm located in Barrington, Ill.



Book offers flex compensation options

"Fundamentals of Flexible Compensation"
By Dale L. Gifford and Christine A. Seltz
John Wiley & Sons, 605 Third Ave.,
New York, N.Y. 10158; 212-850-6497
1988, 484 pages including appendices
and index.
\$95.00

By Stacy Adler

"A FLEXIBLE APPROACH involves opening up a benefit and compensation program to individual choice," write Dale Gifford and Christine Seltz, partners with Hewitt Associates of Lincolnshire, Ill. Their comprehensive text explains the origins, structure and day-to-day mechanics of flexible compensation programs.

"The degree of flexibility offered varies substantially, depending on the type of program adopted. For example, a program allowing employees to use salary reduction to convert contributions for benefits from an after-tax to pretax basis provides more limited flexibility. In contrast, a choice-making program that permits employees to decide among types of benefits, levels of coverage and forms of compensation—cash, savings or benefit purchase—provides a relatively high degree of flexibility," the authors write.

In practice, they say, most of the more than 800 employers that have implemented a flexible benefits

Books & ideas

plan have programs that fall somewhere in between the two extremes.

The book, which is written in an easy-to-understand style, provides information useful to both the novice and seasoned employee benefits manager at both large and small companies.

"Fundamentals of Flexible Compensation" is divided into seven parts:

- Part I provides an overview of flexible benefits programs. Here the authors provide a thorough history of the development of flex plans and a review of the alternatives to flex plans. Also included in this section is a step-by-step guide to implementing a flex plan.

- Part II concentrates on the legal and regulatory environment surrounding flexible benefits plans. Included in this section is a detailed discussion of the Tax Reform Act of 1986, which amended Section 125 of the Internal Revenue Code. This section also provides definitions of key terms and a review of all the documentation, reporting and disclosure requirements facing employee benefits managers who implement a flex plan.

An appendix to this section includes excerpts from Sections 125, 401(k) and 6039(D) of the tax code as well as some of the relevant Internal Revenue Service regulations.

- Part III focuses on the specifics of designing a flexible benefits program. This section is organized by the types of benefits employees can choose from, such as: health care coverage (including medical, dental, hearing and vision coverage); death and disability coverage; flexible spending accounts; vacation time; and retirement options. Each section describes what benefit managers should consider when deciding to offer these benefits.

- Part IV examines the structure and financing of flexible benefits programs. Also included in this section is a discussion on how to work with insurers when developing a flex plan.

- Parts V and VI explain the steps involved in communicating and administering a flexible benefits program. A detailed description of the non-discrimination tests employers must meet is included. An appendix to Section VI has excerpts from the relevant sections of the Internal Revenue Code and the Tax Reform Act of 1986. Section VI also includes information on how to train human resources personnel to handle a flex plan.

- Finally, Part VII of the book focuses on a financial analysis of flexible benefits programs. This section includes a model for performing cost/benefit analysis of a flex plan.

For the benefit manager who is considering implementing a flexible benefit plan, this book contains a comprehensive summary of information he or she will need to carry make a judgment.

SO MAYBE SOME PEOPLE DO KNOW MORE ABOUT RISK THAN WE DO.



Dixon Crossing Niagara, 1890

At Montgomery and Collins, we consider ourselves somewhat of an authority on how to handle risks.

And why shouldn't we?

In our more than 50 years in the E&S business, we've helped place insurance for nearly every risk under the sun. (As well as a few orbiting around the sun.)

From mammoth-sized to minuscule. Banal to bizarre. And since no two risks are created equal, neither are their coverages. Which is why we work with over 40 different E&S specialty companies. All

well-established. All over the world. Solving problems with common risks. As well as complex risks.

Without incurring an additional risk: Wasted time for you and your clients.

So when it comes to marketing a risk, why take a risk?

Talk to the people who are bound to know more about it.

Than almost anyone.

 **Montgomery and Collins, Inc.**

a CIGNA company

Samaritan's death compensable

The widow of an employee killed while the employee was rendering emergency help to a stranger injured on the highway was entitled to workers compensation death benefits, according to the Court of Appeals of North Carolina.

Timothy D. Roberts was a furniture designer with Burlington Industries Inc. in Lexington, N.C. He lived with his family in Thomasville, N.C., and drove his own car to work.

His job did not require any contact with the general public since Burlington sold furniture directly to retailers.

On Nov. 18, 1982, Mr. Roberts went on a business trip with co-employees to another plant in Asheville, N.C. They returned that evening by plane to the Greensboro airport, where each employee picked up his own car.

At about 7:30 p.m., Mr. Roberts was driving his car onto the ramp heading toward the interstate highway. He stopped his car and was asked by another motorist if he could assist a pedestrian who had been hit by an automobile. Mr. Roberts offered to notify the authorities and did so. He remained to wave cars off the ramp.

While standing on the ramp, Mr. Roberts was struck and killed by cars driving down the ramp. Mr. Roberts' widow filed for workers compensation death benefits.

Her claim was denied because the accident was not found to arise out of Mr. Roberts' employment with Burlington.

The appellate court said that the phrase "arising out of employment" refers to the origin of or cause of the accidental injury and there must be some causal connection between the employment and the injury.

The court concluded that Mr. Roberts' humanitarian actions while driving home from work, wherein he tried to save the life of a stranger injured on the highway, benefitted the employer by increasing Burlington's goodwill. The court cited newspaper articles and news items of the accident naming Burlington.

"Although the extent to which Burlington benefitted is uncertain, that benefit need not be direct to show that the employee's injuries arose out of his employment."

The court awarded death benefits to Mrs. Roberts. *Roberts vs. Burlington Industries Inc.*, Court of Appeals of North Carolina, June 16, 1987 (BI/04/June-\$10).

Parking lot injury compensable

An employee's trip to and from work is embraced within the course of employment if the employee is required to bring his car to work for use during the day, according to an Oregon appellate court.

Leonard Jenkins worked as a salesman and manager of the computer department of Tandy Corp. in a store located in a shopping center. The stores in the center were arranged in an "L" shape and fronted on a large parking lot owned and maintained by the shopping center operator. The lot fronted on a public highway.

Mr. Jenkins and his co-workers customarily parked in a certain part of the lot, approximately 11 feet from his employer's premises.

Tandy required Mr. Jenkins to have his personal car available at work to make calls to the homes and businesses of its customers two or three times a week after work.

On Nov. 10, 1985, Mr. Jenkins left work about an hour after closing time intending to go to his car and drive directly home. While en route to his car he was struck and injured by a car driven by a customer of one of the shopping center's other tenants.

Mr. Jenkins' claim for benefits was denied.

On appeal, the court noted that, generally, injuries sustained going to and from regular places of work are not compensable. However, the court said that there are exceptions to the general rule,

Legal briefs

one being where an employee as part of his job is required to bring his own car to work for use during his working day.

In that case, the court said that Mr. Jenkins' trip to and from work is, by that fact alone, embraced within the course of his employment.

The court emphasized that an employer cannot cloak itself in immunity when, for its own advantage, it demands that an employee furnish the car on the job.

Mr. Jenkins was awarded benefits.

Jenkins vs. The Tandy Corp., Court of Appeals of Oregon, June 24, 1987 (BI/02/June-\$10).

CGL insurer denies cover

A provision in a comprehensive general liability insurance policy defining an insurable occurrence as an accident resulting in personal injury or property damage "neither expected nor intended from the standpoint of the insured" excluded a claim against a policyholder by its employees for an alleged intentional tort, according to the Supreme Court of Ohio.

In 1980, Cincinnati Insurance Co. issued a

Intentional torts allegedly committed by an employer against its employees are not covered by a policy that provides protection for bodily injuries 'neither expected nor intended by the employer.'

comprehensive general liability policy to VIP Development Inc. Thereafter, two of VIP's employees were injured when the boom of an excavator came into contact with a high voltage electrical power line.

Both the employees sued VIP alleging an intentional tort.

VIP notified its insurer and requested defense of the litigation. The insurer denied coverage and refused to defend.

Thereafter, VIP brought an action seeking a declaration that the insurer had a duty to defend it in the employees' suits. The trial court ruled against VIP but was reversed by an appellate court.

The state Supreme Court emphasized that the policy under consideration here specifically excluded coverage for bodily injuries to employees of VIP arising out of and in the course of their employment.

According to the court, intentional torts allegedly committed by an employer against its employees are not covered by an insurance policy that provides protection for bodily injuries "neither expected nor intended by the employer."

Thus, the court said that the insurer here had no duty to defend VIP in the suits brought by its employees.

VIP Development Inc. vs. Cincinnati Insurance Co., Supreme Court of Ohio, Sept. 9, 1987 (BI/05/June-\$10).

Only dependents eligible for benefits

In a case of first impression, the Supreme Court of Mississippi has upheld the constitutionality of the state's Workers Compensation Act limiting death benefits to dependents.

Peter John Nosser Jr. was the assistant manager of a store. One Sept. 4, 1982, Mr. Nosser and another employee were killed in the course of and scope of their employment during a robbery.

At the time of his death, Mr. Nosser was unmarried and had no children or any others dependent upon him for support.

Mr. Nosser's parents, brothers and sisters sought compensation.

An administrative law judge determined they were not dependents and, therefore, had no statutory right to recover. The compensation commission affirmed and was upheld by the trial court.

On appeal, Mr. Nosser's heirs argued that the non-dependent survivors of a deceased worker suffered discrimination under the law because the law precluded payments of compensation to non-dependents and any action in tort was barred by the exclusive remedy provision of the law. The court said that, while certain parties and even certain injuries may be excluded from the group designated as those deserving compensation, such exclusions do not necessarily render the provisions unconstitutional.

The court concluded that the purposes and objectives of the act have a rational basis and further a valid state purpose even though it precluded recovery for certain parties such as non-dependents.

Nosser dependents vs. Natchez, Jitney, Jungle, Supreme Court of Mississippi, Aug. 5, 1987 (BI/05/June-\$10).

Exclusions not listed in sales materials

The Supreme Court of Appeals of West Virginia ruled that an insurer could not assert an actively-at-work condition to avoid liability under a group life insurance policy, where no such condition was contained in the sales or promotional materials issued by the insurer.

The Creasey Co., a wholesale food distributor, established a group life insurance program for its employees and customers with the assistance of a local insurance agent.

Melvin Romano, a sole proprietor of a meat market and a customer of Creasey, expressed an interest in joining the group. He signed an enrollment card on Oct. 23, 1977, which was retained by the agent and forwarded to the insurer, New England Mutual Insurance Co.

Thereafter Mr. Romano ended his business operations, sold the inventory but retained several large pieces of refrigeration equipment. After closing, he planned to open a new meat shop and also worked directly for Creasey as a sales consultant.

Mr. Romano received a confirmation from the insurance agent that the start-up for the plan would be July 1, 1978. An enclosure summarized the eligibility requirements as employees working 30 or more hours per week. No mention was made of any policy conditions or additional requirements of eligibility.

Mr. Romano was hospitalized on June 26, 1978, with a myocardial infarction and died July 2, 1978, one day after the master policy became effective.

New England denied coverage for Mr. Romano because he was not "actively at work" on July 1, 1978, which was a condition precedent to coverage under the master policy. Mr. Romano's estate sued the insurance agent and insurer but lost in trial court.

The appellate court said that, when an insurer provides sales or promotional materials to a policyholder under a group insurance policy that the insurer knows or should know will be relied upon by the policyholder, any conflict between such materials and the master policy should be construed in favor of the policyholder.

Thus, the court said that New England was barred from asserting contrary provisions in the master policy.

Romano vs. New England Mutual Life Insurance Co., Supreme Court of Appeals of West Virginia,

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

Liberty Mutual says: The same philosophy that made us No.1 in workers compensation- has made us a leader in property insurance.



That philosophy is simple: teamwork. We believe in today's complex insurance world, that it takes more than one person to make sure your business property is insured properly.

We believe — as with all business insurance we write — that it takes the combined effort of sales, loss prevention and claims professionals as well as underwriting and financial experts, all working directly with you.

Teamwork means working together to determine which of our wide variety of property coverages is right for your business. Teamwork means working with you early on to develop an action plan should a loss occur.

We have a philosophy that works. One that over 100,000 American businesses believe in for their many insurance needs. A philosophy that has made us No. 1 in

AMERICA BELIEVES IN **LIBERTY MUTUAL INSURANCE.** Workers Compensation and a leader in Business Property insurance. **LIBERTY MUTUAL.**



ABA benefits conference

FASB official defends retiree health proposal

By DEBORAH SHALOWITZ

WASHINGTON—Although employers may not like proposed accounting standards requiring companies to recognize retiree health care liabilities and the cost of those liabilities on their financial statements, potential corporate investors need to know this information, says an accounting expert.

The Financial Accounting Standards Board, based in Norwalk,

Conn., plans to issue an exposure draft of the new accounting rules in the next several months, Diana Scott, a FASB project manager, said last month at the "Health and Welfare Benefit Plans" conference sponsored by the American Bar Assn.

When FASB began considering development of an accounting rule for post-retirement benefits other than pensions, the board first addressed the question of whether

there is a liability and if it should be recognized, Ms. Scott explained.

There was unanimous agreement among the board that there is a liability, Ms. Scott recalled. Furthermore, for many companies, these liabilities amount to a very substantial number, she said.

She noted that recent estimates of the total U.S. corporate liability for retiree health care benefits range from \$221 billion to \$247

billion (BI, Sept. 15).

"This clearly is not much ado about nothing," said Ms. Scott.

Furthermore, investors need information about companies—both their assets and liabilities—that is "relevant and reliable," she continued.

Ms. Scott said that FASB examined whether the reporting of these liabilities would make a difference to users of financial statements and decided that "this is a

very relevant disclosure" for the users.

As to the reliability of the estimate of retiree health care liabilities, "any estimate has to be more reliable than zero," she quipped.

Currently employers report only their pay-as-you-go costs for retiree health care benefits—such as the premium paid for a health insurance policy or claims costs if a company self-funds its retiree health care plan—as an expense item on their income statements.

Under the proposed accounting standard, which was revised last month (BI, Oct. 17), employers would have to:

- Recognize on their balance sheets beginning in calendar year 1997 at least the present value of retirement health care liabilities for current workers who are eligible to retire as well as the liabilities for current retirees.

- Accrue as an expense against corporate earnings retiree health care liabilities from the date an employee is hired until the date the employee is first eligible for retirement health care benefits.

- Switch to accrual from cash accounting for post-retirement welfare benefits in calendar year 1992.

Ms. Scott noted that there is a delayed effective date in this provision for companies with 100 or fewer people in any of their health and welfare benefit plans. These small companies must switch to accrual from cash accounting for post-retirement welfare benefits in calendar year 1994, two years later than the standard becomes effective for other companies.

- Amortize on a straight-line basis their accumulated retiree health care liabilities as of the standard's effective date, either over the average remaining service period of employees expected to receive the benefit or 15 years.

Even businesses that do not have a formal, written post-retirement welfare benefit plan are subject to the standards, Ms. Scott noted.

"What's critical is management's intent and management's past practice," Ms. Scott said. If post-retirement welfare benefits have been provided in the past, "you have a plan, whether or not that plan is in writing."

Post-retirement welfare benefits are defined by FASB as all forms of benefits provided after retirement other than pensions, including benefits such as legal assistance and child care.

Ms. Scott also clarified that amendments to the retiree health plan, such as granting additional benefits, are viewed as retroactive unless the amendment specifically states that future years of service are required for the additional benefit.

FASB will release a final exposure draft of the proposed accounting standard for retiree health care liabilities by late December, Ms. Scott said.

After the draft is issued, there will be a six-month comment period and about four days of public hearings.

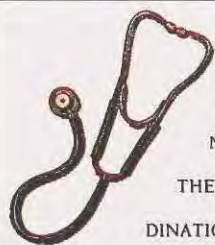
Some benefit consultants expect the proposed accounting standard will force employers to consider ways to limit their retiree health care liabilities, including redesigning retiree health care plans and perhaps reducing benefits under those plans.

However, others say employers will attempt to contain health care costs instead of limiting their retiree health care plans. ■

AVIATION SAFETY SERIES NO. 1



IN A COCKPIT AT 41,000 FEET, AN ANTIHISTAMINE MAY DO MORE HARM THAN GOOD.



YOU PROBABLY KNOW THAT ANTIHISTAMINES CAUSE DROWSINESS. BUT ARE YOU AWARE THAT THEY ALSO MAY AFFECT VISION, COORDINATION, AND ORIENTATION—AND THAT THE EFFECT IS WORSE AT HIGH ALTITUDE?

MANY FATAL ACCIDENTS INVOLVING AIRCRAFT HAVE OCCURRED AS A RESULT OF PILOTS' UNKNOWING MISUSE OF SEEMINGLY SAFE NONPRESCRIPTION OR "OVER-THE-COUNTER" DRUGS. THE FACT IS THAT IN THE COCKPIT, ALL SELF-MEDICATION IS POTENTIALLY UNSAFE AND CAN UNPREDICTABLY COMPROMISE YOUR PERFORMANCE.

SO IF YOU'RE NOT FEELING UP TO PAR, SEEK THE ADVICE OF AN EXPERT—YOUR PERSONAL FLIGHT SURGEON. HE OR SHE CAN HELP YOU AVOID A MISTAKE YOU CAN'T AFFORD TO MAKE.

At Associated Aviation Underwriters, we don't stop at protecting our clients against unexpected financial loss. We've taken on the tougher assignment of loss prevention. For instance, through our skillful and thorough Flight Operations Surveys we help our clients improve their efficiency and safety.

Another way AAU is working to prevent loss is through our NBAA Membership Contribution plan. We feel that adherence to National Business Aircraft Association safety standards and access to their member programs are important elements in maintaining safe operations. So important, in fact, that we are helping our insured clients pay part of the cost of joining the NBAA. For more details, contact Ed Williams at Associated Aviation Underwriters, 51 JFK Parkway, Short Hills, New Jersey 07078 (201) 379-0800.



AAU Raising Your Expectations





Responsive Reinsurance

NR National Reinsurance Corporation
777 Long Ridge Road, P.O. Box 10167, Stamford, CT 06904 203-329-7700 Telex: 965938

Atlanta • Chicago • Dallas • Hartford • Los Angeles • New York

Congress to examine uninsured: Staffer

By DEBORAH SHALOWITZ

WASHINGTON—Congress probably will pass legislation next session to address the problem of the approximately 37 million Americans without health insurance, predicts a congressional health expert.

In its 101st session, Congress also may address long-term care, but that will not be as much of a priority as the uninsured, said Phyllis Borzi, counsel to the House Labor Management Subcommittee.

And it is far less likely that Congress will address prefunding of retiree health care benefits, Ms. Borzi added.

"Congress is very likely to move in the 101st" session regarding the problem of the uninsured, Ms. Borzi said.

Ms. Borzi, speaking last month at an American Bar Assn. conference in Washington on "Health and Welfare Benefit Plans," declined to speculate specifically on what Congress will do about the problem of the uninsured.

However, she noted that "nobody is seriously talking about"



national health insurance. "You will see a discussion and debate on a

policy framework" to deal with the uninsured, Ms. Borzi said.

To help frame that debate, the Congressional Research Service plans to issue by January a summary of some options that could be pursued to extend health insurance to some or all of the 37 million uninsured, Ms. Borzi noted.

Among the options outlined in the CRS report, Ms. Borzi said, will be the development of national health insurance, expanding public health insurance programs, various tax incentives, increasing regulation of employer-sponsored health insurance plans, regulating the insurance market directly, developing tax incentives for insurance companies and government sale of insurance. Ms. Borzi declined to give further details on the content of the CRS report.

The non-partisan CRS study also will include an actuarial cost model for each option. The study is the final part of a comprehensive examination of health insurance and the uninsured (BI, July 4).

While Congress in the next two years probably will address the problem of the uninsured, Ms. Borzi said she is "not convinced the 101st Congress will necessarily see some comprehensive, well-thought-out program with respect to long-term care."

Unlike the problem of the uninsured, long-term care has not been studied a great deal, she noted.

"We don't know what works, we don't know what doesn't work and we don't know what any of this costs," Ms. Borzi said.

The "costs are basically unknowable" at this point because insurance companies and employers are just starting to offer long-term care insurance policies, she added.

Furthermore, there are important public policy issues that have to be discussed, she noted. For example, "Is this something the private sector should do?" she asked.

"The right answer from a policy and financial point of view is that there's got to be a mix" between financing by the public and the private sectors, she said. However, the allocation of that mix will be the subject of numerous complicated discussions. "Clearly nobody wants to pay for it."

While there may be one bill or a series of bills concerning long-term

care passed by Congress, "it won't be the last word" on the issue, Ms. Borzi speculated.

Regarding prefunding of retiree health care benefits, Ms. Borzi said, "I don't think we're going to see quick action in the retiree health care area" in the next session of Congress.

Ms. Borzi explained that when Congress examines the issue, it will discover that only some 20% of current retirees in 1986 had employer-sponsored retiree health benefits, according to Census Bureau reports.

Furthermore, "these benefits are clearly concentrated in medium and large firms," the same firms that are more likely to provide pension benefits, she added.

"So you're looking at (benefits for) workers that are better off"

than the average worker, she noted.

Complicating the issue is the uncertainty about whether employers can legally terminate at will retiree health care plans, Ms. Borzi stated.

For example, retiree health care benefits are not covered under the vesting requirements of the Employee Retirement Income Security Act, she pointed out.

On the other hand, there have been many court decisions saying that employers cannot just terminate at will retiree health insurance plans, she noted.

This uncertainty brings into question the need for legislative action on prefunding for retiree health care benefits, Ms. Borzi explained. "There's no need to permit prefunding if there's no obligation to provide the benefits."

Ms. Borzi speculated that "Congress will ultimately decide to let employers prefund these benefits" but "it won't be soon."

Looking back on some of Congress' accomplishments in the 100th session, Ms. Borzi speculated that the new law expanding Medicare to cover the costs of catastrophic illness, which President Reagan signed July 1, "could backfire on Congress."

She explained that when most of the elderly fill out their tax returns next year, they will discover they are paying a lot of money for coverage they most likely will not use. Ms. Borzi noted that Congress has estimated only 3% to 5% of the nation's elderly actually will use the new catastrophic benefits.

"When the first April 15th (following the bill's passage) comes

around... I think you're going to see a lot of dissatisfaction," she concluded.

Ms. Borzi said employers probably do not have to worry about future extensions of a two-year "maintenance of effort" provision of the law.

Under that provision, employers that provide benefits to employees or retirees that duplicate those provided by the expanded Medicare coverage are required to provide additional benefits at least equal in value to the duplicated benefits or refund the value of the duplicated benefits to the employees or retirees (BI, June 6).

The maintenance of effort provision "doesn't look like it will be extended," Ms. Borzi said. "No one is seriously talking about (an extension) at this point." ■



We Helped Post Properties, Inc. Develop A Few Good Ideas



In trenches, escape ladders placed every 25 feet help workers get out more quickly.

Post Properties, Inc.'s success in developing apartment communities comes from the extra value they put into them. Like their signature landscaping, and the more than five million flowers they planted last year alone.

Post® wanted an insurance company with that same attitude to cover their construction, landscaping and development operations.

At Argonaut, we began by opening the lines of communication from the top down. Our Account Manager made sure he was always available to help. One person to call to find the answer to any question, no matter how simple. Or complex.

He showed top management how they could reduce risks, and future premiums, by implementing their own company-wide



Standard rules on all sites make it easy for everyone to follow them.

American Assn. of Insurance Services meeting

McCarran repeal to foster many changes

By MARK A. HOFMANN

ST. LOUIS—Repeal of the McCarran-Ferguson Act could drive some insurers into insolvency, so small and medium-sized insurers may want to consider "strategic mergers" to assure their survival, says a casualty actuary.

Stephen P. Lowe, a Hartford, Conn.-based vp and principal with Tillinghast, a division of Towers, Perrin, Forster & Crosby, offered that advice during a panel discussion on the effects of a possible repeal of the McCarran-Ferguson Act during the fall conference of the American Assn. of Insurance Services in St. Louis in late October.

Mr. Lowe added that companies

should prepare to withdraw from markets in which they operate simply to accommodate a handful of clients or agents.



Mr. Lowe

All of the speakers agreed that repeal of the 1945 law, which grants insurers limited immunity from federal antitrust statutes, would disrupt the property/casualty industry. Some predicted that financially sound regional and small companies would be forced to close their doors, leaving large portions of the population without easy access

to insurance.

But at another AAIS session, West Virginia Attorney General Charles G. Brown supported repeal of the act as a way to encourage competition among small, aggressive insurers (see story, page 52).

Discussing the probable effect of the act's repeal is somewhat like providing an analysis today of why the Chicago Cubs should lose the 1989 pennant race, said another panelist, Chicago attorney Alan H. Silberman, a partner in the law firm of Sonnenschien Carlin Nath & Rosenthal. No one can predict exactly what collective actions, if any, insurers would be allowed to partici-



pate in if the act were repealed or significantly amended, he noted.

Nevertheless, Mr. Silberman predicted some possible results of the act's repeal. One would be the development of a new breed of insurance experts independent from insurance companies and the current rating organizations, he said. For example, these experts would provide insurers with policy forms for a fee, he said.

In addition, other companies would develop and sell the exper-



Mr. Silberman

tise and data bases required for insurers to develop their own rates, he said.

Mr. Lowe explained that if the McCarran-Ferguson Act is repealed, companies would not necessarily be able to rely on rates set by industry-supported organizations such as the AAIS and the Insurance Services Office Inc. According to how the repeal legislation is worded, such collective activities might be totally forbidden, he said.

"Everyone would have their own rate manual," he said.

A lack of collective rate information would mean higher barriers to entering the insurance business, Mr. Lowe said. Insurers would no longer be able to use ISO rates to "dabble" in markets.

He cited an insurer that currently generates less than \$100,000 in medical malpractice premiums as an example of dabbling. This insurer provides this coverage in only one market as a favor to a star agent. Such a situation would be unthinkable without collective rate-making abilities, he said.

Mr. Silberman suggested several things insurers should do now to prepare for possible repeal of the McCarran-Ferguson Act, including instructing corporate counsel to conduct an antitrust audit. "It's essential to understand what areas need monitoring," Mr. Silberman said.

In addition, managers need to be educated about where antitrust principles will cause problems. Counsel must be prepared to give quick antitrust advice in the altered environment, he said.

And, like Mr. Lowe, Mr. Silberman raised the specter of corporate mergers as a response to the repeal of the McCarran-Ferguson Act. Managers should examine how efficiently their company operates. "In some companies, this will mean pressure for merger," he said. While that is not a pleasant option, mergers may be necessary to save some companies, Mr. Silberman said.

Mr. Lowe recommended that insurers begin preparing for repeal now. One preparatory step would be to begin building in-house rate review capabilities. For example, "hire a math major and buy him a personal computer" to analyze rates, he said. Insurers should also prepare to withdraw from markets where service is provided simply to please a few clients.

And agents are particularly worried about the impact of repeal on smaller, regional companies, said Jeffrey M. Yates, executive vp of the New York-based Independent Insurance Agents of America.

Such companies, which make up the bulk of AAIS' membership, provided markets when national property/casualty insurers withdrew from certain regions and certain lines of coverage during the hard market of the mid-1980s.

Repeal of McCarran-Ferguson could force many of these insurers out of business, and thus deprive residents of small towns and rural areas of potential markets in which to place their insurance, he said.

The "most troubling aspect" of the attack on the McCarran-Ferguson Act is critics' misconception of what repeal would do, Mr. Yates said. Because the insurance industry did not sufficiently explain its actions in the last hard market, industry critics have been able to undermine the industry's credibility, he said. Critics have repeatedly charged that competition among insurers is artificially restricted, and that repeal would foster competition and end availability and affordability problems, he added.

But Mr. Yates predicted that re-



Properties By Planting as Of Our Own.

safety program. And made some suggestions about what it should include. And how to follow up on them.

Suggestions that included a safety course for all workers and subcontractors. And a refresher course each month. Specialized excavation and machine maintenance procedures. And vehicle safety guidelines.

The result was a 67% reduction in the number of claims in one year. Even while Post Properties continued to grow.

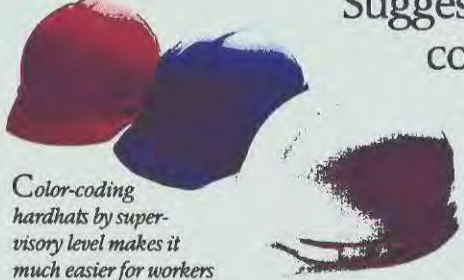
Adding extra value to our insurance products is a good idea that works for agriculture, industry, and service companies, too. Call Michael Crall, our President, at (415) 326-0900.

He'll be glad to show you how it can work for you.

Argonaut



Having foremen and supervisors take advanced first-aid courses results in faster treatment of minor injuries. And reduced claims.



Color-coding hardhats by supervisory level makes it much easier for workers to find answers to questions.

Blue Ribbon.

The insurance industry depends on consistent achievement. And, at Blue Hill, top-of-the-class tenants like **Metropolitan Life**, the **Insurance Services Office** and **Allstate** have found a remarkable business home where insurance pros can achieve their highest potential. Every working day.

The Towers at Blue Hill offer units from **27,500 to 64,000 sq. ft.** of intelligently designed, meticulously maintained corporate space. Just twelve miles north of New York City, Blue Hill's beautifully landscaped campus is home to a dynamic mix of business tenants as well as on-site retailers, dining facilities and support services. Ensure your insurance success in the blue ribbon world of Blue Hill.

For more information about The Towers at Blue Hill call Lee Feld, Sr. V.P., **212-984-8044**



EDWARD S. GORDON COMPANY INC

An Office Network Affiliate



OFFICE TOWERS AT
BLUE HILL

Blue Hill.

Rockland County's Most Cost Efficient Corporate Address

THE NORTHFIELD DIFFERENCE



"There's a lot of competition in this market and we have to work hard to keep ahead. Our success depends on our credibility, so we depend on Northfield. Northfield has financial power and staying power. Their loyalty and the continuity they offer their producers is priceless. We promise our clients the same benefits Northfield promises us, so they better be good. We both plan on being in business a long time."

— Thomas S. Bloom, McAlear Associates, Inc.

NORTHFIELD
INSURANCE
a part of the Northland Group



Northland
Insurance Companies
St. Paul, Minnesota

Our name speaks for itself!

Insurer mergers

Continued from previous page
peal would mean less, rather than more, competition. Insurers will not underwrite business in areas they do not know well, which means that small towns and farms would suffer.

If the repeal of the law is to be blocked, the insurance industry must set as "its highest priority" finding solutions to the problems and perceptions that have led to cries for abolition of the McCarran-Ferguson Act, Mr. Yates said. He suggested that insurers examine issuing multiyear policies to help assure market stability.

Insurers should also put more emphasis on attacking the underlying forces that drive up costs, he said. For instance, Mr. Yates praised the proposal by Kemper Corp.'s property/casualty companies to put together a coalition to hold down automobile claims costs (*BI*, Oct. 10).

Property/casualty insurers, for their part, will have to do a much better job managing their way through the cycles, Mr. Yates said. "The last thing we need to do is put the public through market convulsions comparable to those of the last hard market."

Tillinghast's Mr. Lowe noted that a successful defense of the McCarran-Ferguson Act will be difficult because its foes are attacking from both ends of the political spectrum. The attorneys general and consumer advocates launch their assault from the left extreme of the spectrum, he said. They want to exercise more control over the insurance business, he said.

Critics that Mr. Lowe called "academic competition purists," have fired on the act from the right pole of the political continuum. These free-market theorists view the McCarran-Ferguson Act as an interference with efficient market functions. Mr. Lowe said that the free-market opponents of the McCarran-Ferguson Act do not grasp the practical effects of repeal.

Because of the diverse interests supporting its repeal, the McCarran-Ferguson Act may end up being a "trading card" in the next Congress, Mr. Lowe predicted, with some neutral congressmen swapping support for repeal in exchange for



Mr. Yates

support on legislation they deem important.

Fielding questions from the floor, Mr. Lowe said that without adequate and accurate rate data, some companies will be declared insolvent. He likened the impact of repeal on the insurance industry to that of deregulation on domestic air carriers.

"Just as in the airline industry, rules were changed dramatically and we've seen some significant failures," he said.

Mark S. Rehagen, supervisor of the property/casualty section of the Missouri Division of Insurance in Jefferson City, reiterated IIAA's Mr. Yates' theme that the effect of repeal would be opposite of that claimed by its proponents. He said that, in his opinion, repeal would bring "additional uncertainty, confusion and chaos" in the insurance marketplace.

In addition to that general malaise, repeal would have the concrete effect of driving small companies out of business, the Missouri regulator said. Markets would contract, and some highly specialized lines of coverage would be extremely hard to obtain, if they were obtainable at all, he predicted.

Mr. Rehagen noted that the National Assn. of Insurance Commissioners opposes repeal of the McCarran-Ferguson Act. The loss of standardized forms would greatly hamper effective regulation, he said. He urged his listeners to make their concern known to their congressmen and called upon them to make greater efforts to educate the public about what the McCarran-Ferguson Act does and why it is needed.

Tillinghast's Mr. Lowe said that one of the major problems facing opponents of repeal is that the public does not like the insurance industry. Talking about the McCarran-Ferguson Act is a sure way to make listeners' eyes glaze over, he said.

Mr. Lowe said that the key to educating the public might be to talk about what he called the real aims of some repeal proponents—greater federal regulation of insurance. The public does not view federal regulation with any more favor than it does the insurance industry, he said. Arguing that repeal would simply mean more bureaucracy is an argument consumers can appreciate, he said.

Robin H. Wilcox, counsel and assistant secretary of American Re-Insurance Co. in Princeton, N.J., moderated the panel. ■

State officials disagree on repeal of McCarran

By MARK A. HOFMANN

ST. LOUIS—Repeal of the McCarran-Ferguson Act would decrease, rather than increase, insurance industry regulation and would benefit small, aggressive insurance companies, claims a prominent advocate of revoking the industry's limited exemption from federal antitrust laws.

But West Virginia Attorney General Charles G. Brown's defense of repeal of the 43-year-old law did not seem to sway his listeners during a panel discussion called "Who Do You Trust?" at the annual fall conference of the American Assn. of Insurance Services in St. Louis late last month.

The audience—composed mostly of officers and managers from small and regional insurance companies—was much more receptive to the arguments of Illinois Insurance Director John E. Washburn, who said attempts to repeal McCarran-Ferguson will backfire.

In a question-and-answer session following the prepared remarks, Mr. Washburn disputed Mr.

Brown's contention that repeal of the McCarran-Ferguson Act would have a positive effect on the insurance industry. Mr. Washburn said regardless of how it is drafted, all legislation causes unintended consequences.

For example, he said that a lack of shared data would result in a lack of competition for certain lines of coverage such as liquor liability. A lack of common insurance forms, he noted, would cause problems for regulators, agents and insurers alike.



Mr. Brown

But Attorney General Brown, a proponent of repealing the McCarran-Ferguson Act and one of the initial attorneys general to bring an antitrust suit against several major U.S. insurers and trade associations, reinsurers and Lloyd's of London underwriters (*BI*, March 28), said

Continued on next page

McCarran debate

Continued from previous page
the insurance industry would much better serve the consumers if it were more competitive.

While "there is no question" that small and medium-sized insurers currently compete vigorously, the McCarran-Ferguson Act shields large insurance companies from competition, according to Mr. Brown.

The continued existence of the McCarran-Ferguson Act is "tremendously advantageous to the big companies," he said. Mr. Brown said that he and the other attorneys general who filed the antitrust suits feel that the defendants agreed to place limitations on coverage. Insurance policies were "shrunk" by design, he said.

The antitrust suit is not an attempt at further regulation of the industry, said Mr. Brown. Rather, it represents a move toward deregulation, he said, by eliminating the modified antitrust exemption that, in his eyes, stifles competition.

"If we have competition as a starting point, we're all better off," the attorney general said. Repealing the McCarran-Ferguson Act would allow smaller, well-managed companies to compete more equitably in the marketplace, he said.

His audience did not appear to agree. More than one person replied that without the McCarran-Ferguson Act, small companies would be driven out of business and that competition would decrease rather than increase. Of particular concern to those in attendance was the possibility that they would no longer be allowed to use common forms or participate in collective rating organizations.

Mr. Brown replied that antitrust laws do not prohibit the gathering of data and would not prohibit some joint ventures, although he did not elaborate. He did say that "all of the nuances" of insurance should be taken into account when Congress takes up the question of repealing the McCarran-Ferguson Act.

He urged insurers to be part of the repeal process. By getting involved in the details of repeal, insurers will help guarantee that their concerns are taken into account in the legislation, he recommended. ■

Insurers can improve image: Lawyer

By MARK A. HOFMANN

ST. LOUIS—The insurance industry desperately needs to improve its image with the public, a prominent insurance industry attorney and a state insurance regulator agree.

"One almost assumes that the industry has a death wish," said Frederick B. Karl, a partner in the Tallahassee, Fla., law firm of Karl, McConaughty, Roland & Maida and a former Florida Supreme Court justice.

Through insensitivity and timidity, the insurance industry continues to weaken its position with the public, said Mr. Karl during a

panel discussion titled "Who Do You Trust?" at the annual fall conference of the American Assn. of Insurance Services in St. Louis late last month.

John E. Washburn, Illinois director of insurance and president of the National Assn. of Insurance Commissioners, said the industry's image problem revolves around one question: Is there a gap between public expectations and what the insurance industry can deliver?

Mr. Washburn answered that there is a gap

and always will be a gap.

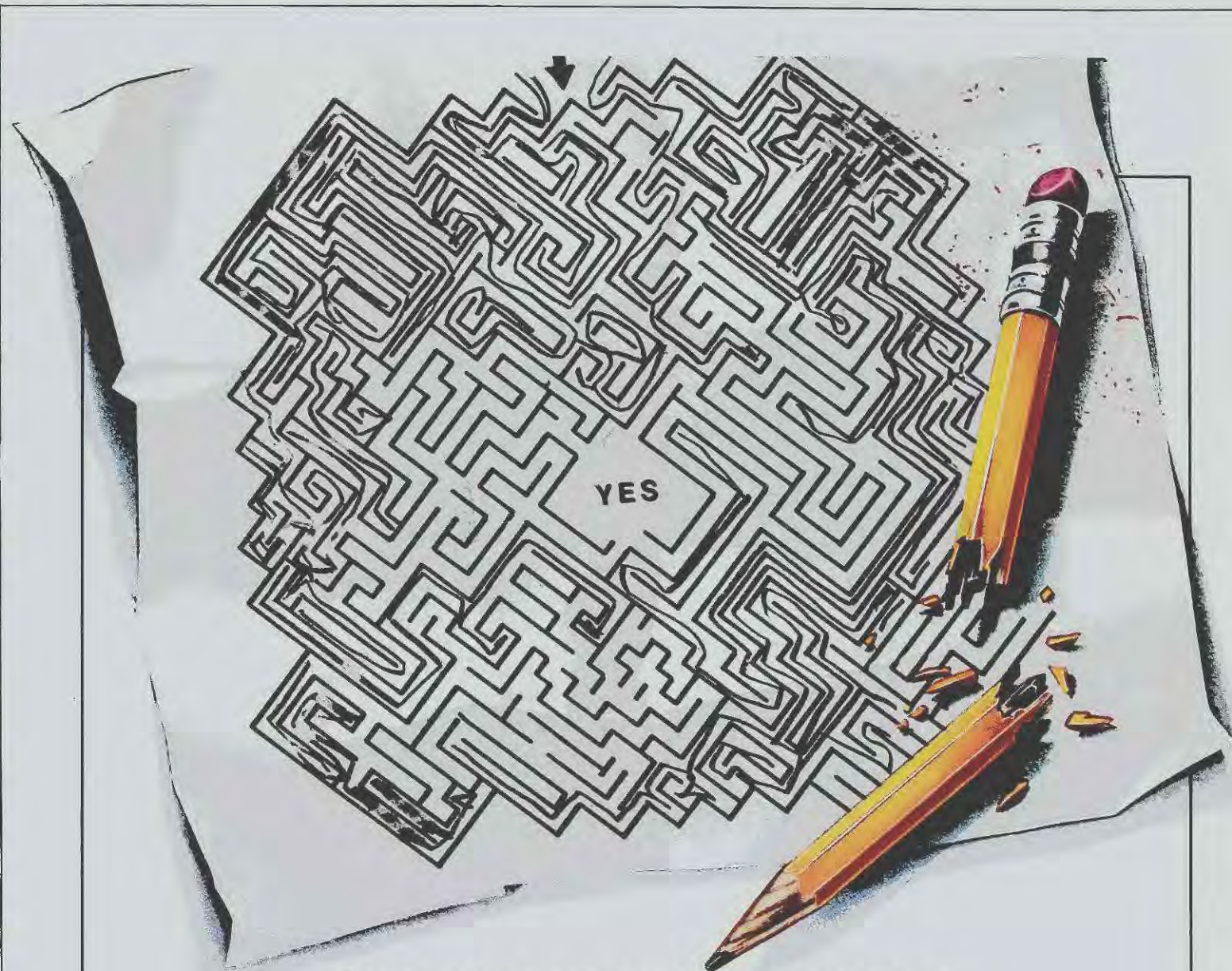
Mr. Karl called claims handling a particular sore point within the insurance industry.

"Every arrogant, unthinking or poorly trained claims adjuster" does damage to the industry, he said. People like to talk, and they like to talk about how they were mistreated, the attorney observed.

People also felt mistreated during the last hard market, he noted. Insurance buyers facing rate increases of 100% or greater that insurers did not adequately explain became irate enough to turn their backs on insurers

Continued on next page

AAIS



IF ONLY YOU'D OFFERED A STRUCTURED SETTLEMENT FOR YOUR LIABILITY CLAIMS.

The frustrations of claim settlements just aren't as frustrating anymore, thanks to structured settlements.

A structured settlement can not only cut the time it takes to reach a settlement, but your costs as well. For a plaintiff, it can offer both a fair settlement and tax benefits not available from a lump sum settlement.

Once you've decided to make use of a structured settlement, your next step is finding someone who can create one for you.

That's where Structured Benefits, Inc. comes in. We can handle your settlement from start to finish,

at absolutely no additional cost to you or the plaintiff. We can provide on-site negotiation assistance and immediate rate confirmations.

If you wish, we can train your claim managers and defense counsel in the techniques of negotiating structured settlements.

Once a settlement is reached, SBI is there to help ensure that your releases are consistent with the settlement terms. And SBI will administer your structured settlement for as long as it is in effect.

Find out about SBI at 1-800-345-3921. We just might have the solution you've been looking for.



STRUCTURED BENEFITS INC.

Tampa Atlanta Philadelphia • Unique Structured Settlements Service 1-800-345-3921 • Hartford Chicago Los Angeles Seattle

THE NORTHFIELD CONNECTION

Northfield is proud to have the expertise and professional knowledge of general agents and brokers located for your convenience in 46 states. These producers are among the most skilled and efficient in the industry, and, as such, are specially trained to find you the best protection for your specialty needs.

We can refer you to the general agent or broker in your area for specific information and answers to your property and casualty questions. Just call us at 612-688-4303.

Northland
Insurance Companies

Insurers' image

Continued from previous page and choose alternative risk financing mechanisms over traditional sources of coverage, Mr. Karl pointed out.

In addition, insurers open themselves up to intimidation in their dealings with regulators. Mr. Karl asked: "Is it any wonder candidates feel comfortable bashing the industry on television" when they know they can turn around and receive hefty campaign contributions from the insurers they had just blasted? When the industry is in the right, it often lacks the backbone to stand up against regulators, he said.

"The insurance industry does not deserve the poor image it has," Mr. Karl said, adding that insurers can take several actions that could burnish that image.

First, insurers should adopt a stronger attitude toward their image, he suggested. Awareness of

and determination to improve their image at the top of the corporate ladder will move down to all rungs, he said.

But for this strategy to work, the industry as a whole has to resolve to carry it out. "Do good deeds and be certain the public is aware of them," he said.



Mr. Karl

Insurers must present themselves as good corporate citizens and should follow the example of the utility industry, Mr. Karl advised. In Florida, for example, utility company executives maintain a high profile and are active in community affairs. As a result, the public more readily accepts positive messages about the utility industry, he said.

"Insurance is an honorable and legitimate business, and there's no

'The insurance industry does not deserve the poor image it has,' Mr. Karl says.

reason to hide." Mr. Karl said. Insurers have to come out of the shadows and make the public aware of what the insurance industry is, what it does and what problems it faces, he said.

Insurers should not be afraid to stand up for their rights, he repeated. They should not write off states where the regulatory climate is unfavorable; instead, they can and should attempt to influence regulation, he said.

"When a regulator goes on a power binge, the industry should realize that this is more than a few fines," Mr. Karl said. A regulator's

attacks cannot help but sully the industry's image and must be answered, he said.

Mr. Washburn of the Illinois Insurance Department followed Mr. Karl's remarks with an analysis that also was generally sympathetic to the insurance industry.



Mr. Washburn

He explained that insurance differs from other products because the goods delivered by insurers are protection, not something that can be seen or touched. And because people are buying protection, they expect insurance to make them whole when they suffer a loss.

But insurance cannot make them whole, Mr. Washburn said. Insurance does not provide total protection partly because doing so could present a moral hazard, he ex-

plained.

Insurers also suffer from a credibility gap, because "this industry is a deliverer of bad news," Mr. Washburn observed. It tells policyholders how much the cost of insured goods and services rises each year when it presents its customers with their bills, he explained.

Mr. Washburn noted that deliverers of bad news have not traditionally enjoyed favorable public images.

The hard market of the mid-1980s further compounded the industry's image problems, Mr. Washburn said. "The innocent got slaughtered with the guilty," he said, adding that the property/casualty insurance industry appeared to be an industry that had lost the ability to price its own product.

If the industry is to polish its public image, it has to convince consumers that it is a stable industry, Mr. Washburn said. And, insurance companies have to convince their producers first, because they are the people who talk to the public, he said.

Insurers also have to strip their industry of its mystique, he said, urging insurers to explain to the public the basics of the industry, including how rates are determined.

"Policyholders have got to know how you do your business," Mr. Washburn said.

The industry also must be ready to spend money to explain to the public why costs go up, he added.

Also speaking during the session was West Virginia Attorney General Charles G. Brown, one of the state attorneys general that have filed federal antitrust litigation against the property/casualty insurance industry.

Edwin S. Overman, president emeritus of the American Institute for Property and Liability Underwriters in Malvern, Pa., moderated the session. ■



Mr. Overman



Done deal!

You did all your homework, pinned down the numbers, and now with the deal in the balance, it was time for one final call. And a few minutes later, as you hung up the phone, you knew you called it right on the money.

Nice going.

And thanks for letting us help.

FIRST STATE



New blood, new spirit, and a new determination to be the best, while we serve the best.

50 Battery March St., Boston, MA 02110 (617) 357-8400 Telex 94-0013
Boston Chicago Los Angeles Atlanta New York San Francisco

From The Reprint Department Of:

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212) 210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3⁰⁰ per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

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

Our Miscellaneous E&O can add a whole lot to your bottom line.

Count up the diverse variety of professions and liability exposures in your community and you can see the potential for new business embodied in our Miscellaneous Errors & Omissions coverages.

In today's legal climate, liability insurance is available for such professions as claims adjusters, EDP specialists, printers, management consultants, as well as a whole list of professions from A to Z: auditors to advertising agents, credit bureau administrators to property managers, travel agents to zoo designers.

Because of our long experience in specialized professions liability, Shand Morahan can offer innovative and uniquely creative underwriting techniques that can address the needs of most exposures. For a complete list of acceptable classes of coverage, contact the Miscellaneous E&O department at Shand Morahan today.

SM Shand Morahan

*Shand Morahan & Company Inc.
Shand Morahan Plaza
Evanston IL 60201 312 866-2800*

Professional Liability and Specialty Insurance



AAIS champions smaller carriers' cause

By MARK A. HOFMANN

ST. LOUIS—A range of insurers, from Midwestern county mutuals to multiline companies writing in virtually every state, were represented by the 115 attendees at the American Assn. of Insurance Services' annual conference in St. Louis last month.

The bulk of AAIS members, though, tend to be regional insurers writing a wide range of commercial and personal lines.

The group traces its origins to the formation of the Transportation Rating Bureau in 1936, according to an association spokesman. The Chicago-based rating bureau was renamed the AAIS in 1975 and moved to its current Bensenville, Ill., headquarters in the early 1980s.

About 500 companies currently use AAIS services, he added.

The fall meeting's theme, "Trust/Antitrust," reflected the smaller companies' widespread concern that repeal or significant modification of the McCarran-Ferguson Act would drive many of them out of business (see story, page 51).

The program also dealt with issues beyond the antitrust question that were in the news last month.

"Public referendum and initiatives are no way to make public policy decisions" in matters as complex as insurance rating, James A. Snyder, executive director of the insurance industry-supported Western Insurance Information

Service in Santa Ana, Calif., told AAIS members.

However, five propositions involving insurance regulation, rating practices and lawyers' fees were on California's Nov. 8 ballot, he remarked (see story, page 1).

The propositions involve some of "the most contentious, bitter and confusing arguments" the property/casualty insurance industry has ever been part of, said Mr. Snyder.

For example, attempts by insurers to work out compromises over auto insurance rate controversies with the California plaintiffs' bar fell through, he said, leading insurers to offer a proposition that would limit attorneys' contingent fees. The limitation was "our way of telling the lawyers that what started as a skirmish has now esca-

lated into nuclear war," he said.

The situation in California should remind insurers that—just like the weather—rate regulatory issues, like those reflected in propositions supported by the plaintiffs' bar and consumer activists, have a tendency to move east from California, he said (BI, Oct. 24).

Another speaker, Michael E. Cobo, project manager with Los Angeles-based Litigation Services Inc., explained the importance of graphics in presenting evidence to juries. Mr. Cobo's firm provides its clients with non-legal advice concerning the best way to deal with a jury trial, regardless of whether the client is plaintiff or defendant.

One way to reach jurors more effectively is by using graphic presentations like charts and graphs, he said. Jurors are visual learners

because "we've spent an inordinate amount of time watching television," Mr. Cobo said.

Television viewing also has affected jurors' attention spans, he said. The average juror's attention span is keyed to the time spent in front of the television, he said. Because of the format of television programs, attention spans tend to run 20 to 30 minutes, he said.

Richard Bugajski, advertising manager for the State Farm Insurance Cos. in Bloomington, Ill., discussed how insurers should strive to get another message to the public. The message was providing customers with a positive image of the company.

Mr. Bugajski said that an organization the size of State Farm can draw on resources small companies lack. He said that smaller insurers may want to turn to outside consultants in their efforts to devise effective advertising programs.

In addition to the addresses, the AAIS meeting featured the installation of new officers. David H.

Elsbree, president of Pioneer Insurance Co. of Greenville, N.Y., was named AAIS chairman. Mr. Elsbee succeeded Denis J. Walker, president of McMinnville, Ore.-based Oregon Mutual Insurance Co.

Howard C. Stevens, president of Penn Mutual Fire Insurance Co. of West Chester, Pa., succeeded Mr. Elsbee as chairman-elect. Keith H. Langston, president of Buckeye State



Mr. Walker



Mr. Elsbee

Mutual Insurance Co. of Covington, Ohio, assumed office as vice-chairman.

The AAIS seeks to provide responsiveness and services, including specialized service to its affiliated companies, said AAIS President Paul A. Baiocchi. "Our emphasis is on service," he said.

Such services include spending time researching coverage questions and writing coverage analyses, added an AAIS spokesman.

As an example of the AAIS's responsiveness, the spokesman said that while the Insurance Services Office Inc. changed its rating basis for owners, landlords and tenants general liability insurance from square footage to gross receipts, the AAIS did not. The AAIS kept the square footage system because its affiliates wanted that, he said.

The spokesman said that the organization also strives to provide specialized service to its constituents. It will help affiliated companies develop individualized versions of AAIS forms, provide a manual with any kind of deviation an affiliate wants and will file an individualized program on behalf of an individual company, he said.

"Accommodating change is one of the big things you need to do to survive," the spokesman said. "We're telling companies we're here to help you survive and compete."

Next year's AAIS fall conference is scheduled for Oct. 23-24 in Seattle. For more information contact the AAIS, 1035 S. York Road, Bensenville, Ill. 60106; 312-595-3225.



Mr. Baiocchi



CAN YOUR REINSURER BE TOO BIG?

Yes and no.

When it comes to meeting commitments, you want a reinsurer with strength and stability.

And with Hart Re Management Company, that's exactly what you get.

After all, we're the reinsurance people of The Hartford and backed by nearly \$25 billion in assets.

On the other hand, you don't want a reinsurer so big that it's unable to respond with speed and agility. Here again, the answer is Hart Re.

Our standard turn-around time on claims is five days or less.

What's more, our claims staff is available to answer questions and help solve problems on a daily basis.

To minimize and balance your

potential exposure, our consulting underwriters will work with your underwriting team to analyze and evaluate your existing book of business, as well as any new or anticipated lines.

Through our Catastrophe Evaluation Program, we can even determine probable and worst-case hurricane loss scenarios on a county-by-county basis.

Add to all this the experience, expertise, and flexibility that only Hart Re can provide.

And remember, we won't try to run your business—just give you help when you need it.

Don't let the wrong reinsurer threaten your survival.

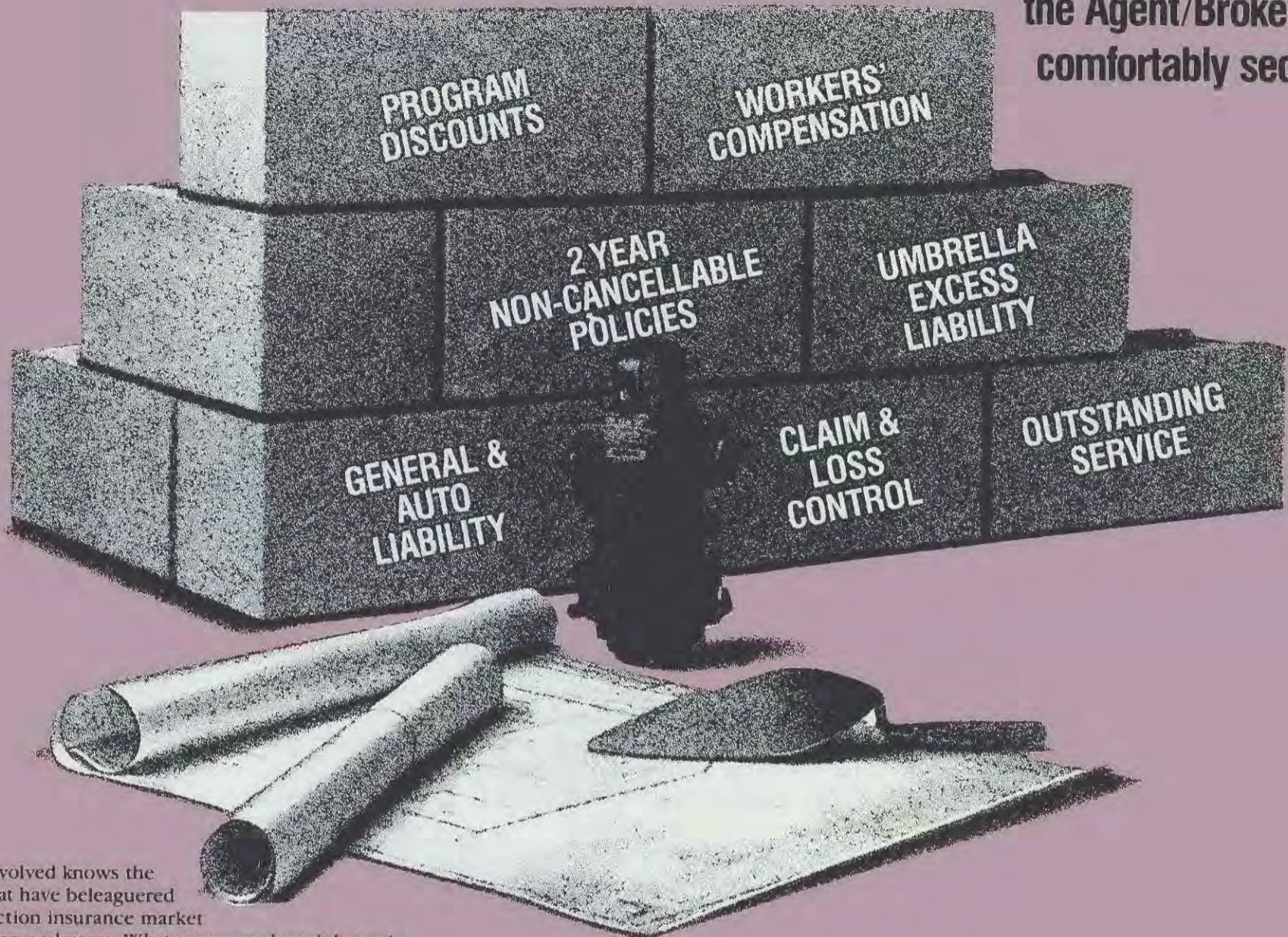
Contact your reinsurance intermediary about **HART RE** Hart Re today.



The Insurance People of **ITT**

CISCO HAS BUILT A GREAT CONSTRUCTION INSURANCE PROGRAM

Engineered to make
the Agent/Broker...
comfortably secure



Everyone involved knows the problems that have beleaguered the construction insurance market for the past several years. What everyone doesn't know is that the CISCO program had the strength of performance to weather that period and emerge as the flagship of comprehensive construction insurance programs.

The professionals at CISCO have worked long and hard developing this program. A program that not only provides broad coverage and stable pricing but... a TWO YEAR renewal guarantee. And... a program that boasts a proven track record for over 3 years.

WORKING CLOSELY WITH AGENTS/BROKERS... NOT REPLACING THEM

As Program Managers, CISCO works closely with contractor's agent or broker. This ensures, among many things, a close liaison between the policyholder, the agent/broker and the underwriter. Also, CISCO conducts an in-depth analysis of all submissions for eligibility in keeping with underwriting criteria.

THE PROGRAM SUMMARIZED

Workers' Compensation

Workers' Compensation written selectively on guaranteed cost, deviations, dividend and retention plans.

General Liability, Automobile Liability and Physical Damage

1. Each contractor is subject to individual underwriting and rating sensitive to the contractor's exposure and loss experience.
2. General and Automobile Liability and Physical Damage policies are issued including a TWO YEAR non-cancellable clause.
3. The non-cancellable provision also provides a renewal premium, *rate guarantee formula, based upon the individual experience of the contractor.*

Umbrella and Excess Liability

First and Excess Layer Umbrella capacity utilizing domestic and international markets.

Wrap Up Programs

Primary and excess markets for term of project including... total service package... individual policy issuance... Claim and Loss Control... statistical data...

KEY SERVICES PROVIDED

Underwriting/Service

1. Provide underwriting evaluation, guidelines and loss analysis.
2. Issuance of policies, endorsements and certificates of insurance and collection of premiums.

Claim Control

Monitor specialized Claim Service to ensure quality handling... submit an analysis of claims to each participant.

Cost-of-Risk Management

Provide the policyholder with up-to-date loss information.

Loss Control

1. Review services provided by insurance companies Loss Control operations.
2. Design a Loss Control schedule of service, sensitive to the contractor's exposure and needs.
3. Ongoing review of accident experience to measure effectiveness of Loss Control activities and the need for remedial action.

To find out how this great program is in serving the needs of contractors and... if you're serious about establishing a relationship that provides long-term stability in coverage and pricing, call TOLL FREE

1-800-HI-CISCO,
(442-4726)

FAX: 516 294 5826



C I S C O

QUALITY + LONG TERM PROTECTION

Construction Industry Services Corp.
300 Old Country Road, Suite 31
Mineola, New York 11501

Market forecasts

Continued from page 2

Mr. Argle elaborated that the property insurance market "never gets really hard. Absent a catastrophe of any kind, the property business will continue to get softer" until late next year, Mr. Argle said.

"On the umbrella side, it continues to amaze me that prices were halved in '87, and in many cases, halved again in '88. And if the majority of people are not looking for a turnaround in '89, how many halves can you take off premiums before you're not even paying your expenses?" Mr. Argle asked.

Peter Scobie, president of the American Assn. of Managing General Agents and of Eau Claire, Wis.-based Midwest General Agency, also concurred that the soft market cycle is near its nadir.

"We've just about hit the bottom of the soft market, I guess, because

'Facultative reinsurance underwriters are really reluctant to lead the downward spiral. They really are just not ready to throw in the towel and do what it takes to compete with some of the bigger stock companies,' says Robert Argle.

of the new tax law, which I think will have an effect on the soft market," he said.

Mr. Scobie said he also believes that "the majority of the companies are more responsible than they were in the last soft market" regarding slashing rates to compete for business.

"Without any major changes, I would see (the cycle) begin to turn towards the end of '89, the beginning of '90," he said.

Mr. Scobie added that "there were so many different variables in the last market, it was hard to define trends."

But "this time, it's not as complicated," he added.

"I think we'll be coming to the bottom of the cycle, hopefully," said Glenn Slat, who is in charge of property facultative reinsurance at Skandia American Reinsurance Corp. of New York.

"It's getting close to the bitter end, probably."

According to Mr. Slat, for property facultative business, rates are now as much as 50% less than they were about a year to 18 months ago.

Al Amato, senior vp at reinsurance intermediary C.L. Frates &

Co. of New York, predicted that the market will get only "a bit softer."

Mr. Amato said that rates will not plummet to the levels they reached during the soft market of 1981-1985 because insurer management is better, and more sophisticated management information systems have given insurers a "better handle on the business."

Management's attitude used to be "if it ain't broke, don't fix it."

But insurance company executives then woke up to find they were almost bankrupt. Now, management is aware that the soft market situation must be looked at carefully, said Mr. Amato, who specializes in working with start-up insurers, including risk retention groups.

But others believe that the market will soften more before it hardens.

Thomas S. Bloom, president of New York-based Willis Faber Holdings Inc., predicted that "the

market is going to soften further in 1989."

He first expects a turnaround in the second half of 1990. "Obviously, we hope we're wrong," Mr. Bloom said.

He added that his prediction bars "some catastrophe, like the earthquake or hurricane that's going to suck a lot of surplus out of the business overnight."

Thomas M. Thie, senior vp at J.W. Beresford Wood & Co., a Concord, Calif.-based reinsurance intermediary, predicted the market will begin to harden "in '90, and happen in '91."

"Generally, I would guess that the rates won't go as low as they did in the last cycle," however, he said.

A reinsurer who asked that his name not be used said he was among those who are more pessimistic. It will be at least two years before the market turns hard, he said. "I think a year from now here (at the NAI) people are going to be in the deep, deep dumps," he predicted.

He added that unlike the previous soft market, "this one was not caused by reinsurers, but by primary insurers who have a lot more capacity," which will keep the soft market going longer.

Montgomery & Collins' reinsurers are "traditional" reinsurers that "seem to have learned a lot more from the last cycle than a lot of the agency system companies," Mr. Argle said.

"Facultative reinsurance underwriters are really reluctant to lead the downward spiral. They really are just not ready to throw in the towel and do what it takes to compete with some of the bigger stock companies," Mr. Argle said. Mr. Eager of National Re said he has not "seen a tremendous weakening in reinsurance."

"There's more terms and cash-flow agreements being made, but not a tremendous weakening of rates, yet," he said.

Willis Faber Holding's Mr. Bloom agreed with Mr. Eager that to date, reinsurers have not been actively contributing to the softening market. "So far, the reinsurers are not really as aggressive as they were in the last soft cycle."

But, he warned, there are a "number of increasingly hungry reinsurers out there who could get aggressive in the next 12 months."

Mr. Bloom predicted that the Jan. 1 reinsurance renewals "are going to kind of set the tone for what happens for the rest of the year" in the reinsurance market.

Mr. Bloom predicted that reinsurance renewals will be completed promptly this year. "You're not going to have things go down to 12/31 this time like you do when the market is tight."

Mr. Eager, of National Re, agreed that reinsurance renewals are going well. "From my point of view, they're early," he said. "We're pretty close to finishing them. We're ahead of renewals this year."

"Everything will be done before mid-December," he said, referring to new as well as renewal business.

However, another observer said it is still too early to tell how the reinsurance renewals will go.

Another reinsurer said: "There have not been a lot of year-end renewals out," which is not unexpected, because it is too early.

But, he added, if the Oct. 1, Nov. 1 and Dec. 1 renewals are any indication, the process will go well. "Things went pretty smoothly," he said. "Information was out early, and programs were wrapped up quickly."

One of the reasons is that there was a "tremendous" amount of re-underwriting done during the hard market. Those insurers and reinsurers who established strong relationships with one another during that period tend to continue to work together, he said.

Keep up with the State-of-the-Art in Risk Management

Practical Risk Management

"The Professional's Handbook"

The risk manager's #1 working tool . . . Here's why:



- Over the past 15 years, all pertinent aspects of risk management as well as property, liability, and workers compensation insurance have been carefully researched and condensed into a comprehensive handbook.

- Developments are continually monitored; copy is revised and passed before a large staff of advisors so that bi-monthly supplements can keep material up to date. Out-of-date copy is discarded so you work always with current data.



- Words have been pared to the minimum, headings and sub-headings are widely used, and it is thoroughly indexed. No other publication packs so much in so little space.

- Several industry sessions at RIMS conferences voted **Practical Risk Management** the most recommended reference.

- **Practical Risk Management** is widely accepted and used by:
 - the majority of the top 1,000 U.S. corporations,
 - all the 10 largest insurance brokerage firms, and
 - professionals in 32 countries.



Practical Risk Management • Box 10093, Oakland, CA 94610, U.S.A. • Telephone: (415) 653-3687



Price: Two binders with all topics to date: B
 First year: \$295 (plus postage outside U.S.A.)
 Subsequently: \$135 annually (plus air postage outside U.S.A.)

Check enclosed (\$295) Please bill (add \$10 for handling) Send brochure

Check payable in \$US to:
Practical Risk Management
 Box 10093, Oakland, CA 94610, U.S.A.

Send a subscription to:

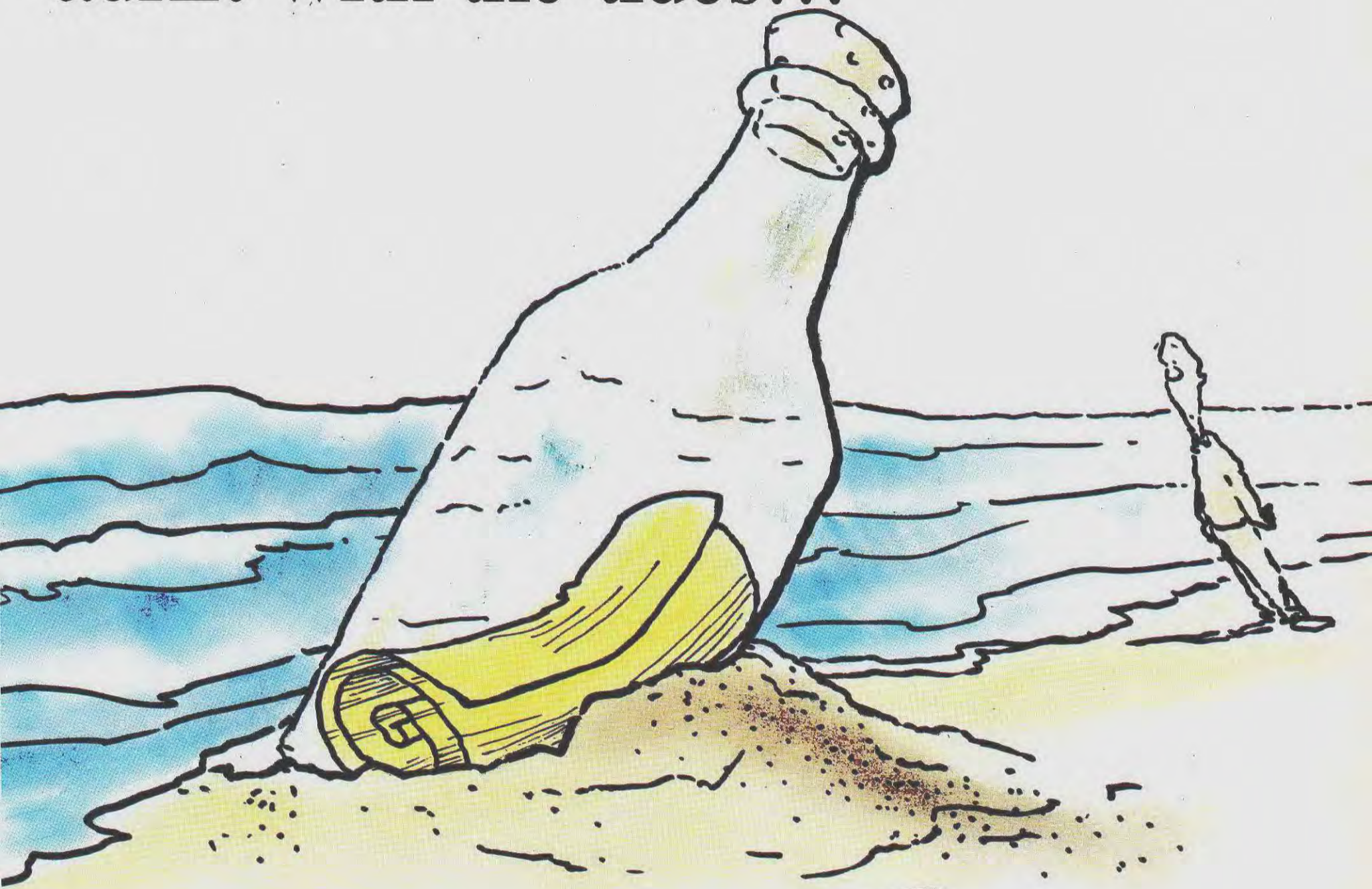
Name _____

Company _____

Address _____

City, State _____ Zip _____

If your ad message is set
adrift with the tides...



SHILLERSON

your sales may get all washed up!

When the bottom line is your top priority,
share of market is a critical issue. And when
your market spans the diverse universe of
commercial insurance,
the best way
to get your ad
message across

is in Business Insurance. That's because
everyone who's anyone in the world of
business insurance reads Business Insurance.

First with the news.
First in readership.
And, first among
advertisers.

**Business
Insurance**

For reach, readership, response and results.

Congress probes insurer insolvencies

By JUDY GREENWALD

BOSTON—The threat of federal regulation of the property/casualty insurance industry is growing as Congress shifts its focus on the industry to insurer insolvencies from affordability problems, warns the Republican counsel to the House Energy and Commerce Committee.

"The consideration of insurance issues has decidedly shifted" to a "keen interest and focus" on insolvency issues, said John B. Shelton.

Congressional concern about insurance company solvency has emerged from its study of the coverage affordability problems during the mid-1980s liability insurance crisis, he said at a session on the future of insurance regulation at the National Assn. of Independent Insurers' 43rd annual

meeting earlier this month in Boston.

However, two other speakers at the NAI meeting—New York State Sen. Donald M. Halperin, D-Brooklyn, and president of the National Conference of Insurance Regulators, and John E. Washburn, Illinois director of insurance and president of the National Assn. of Insurance Commissioners—defended the states' ability to regulate the property/casualty insurance marketplace.

Mr. Shelton explained that Congress now is more interested in the "nuts and bolts" of how the insurance industry operates, including the mechanics of state regulation, the nature of reinsurance, the relationships between insurers and the international aspects of insurance.

Also partially spurring Congress'

growing interest in insurer solvency is the recent financial difficulties faced by savings and loan institutions, Mr. Shelton said. Congress does not want to see the insurance industry travel the same "slippery slope" followed by the S&L industry, he added.

As part of this congressional interest, Mr. Shelton pointed to hearings held by the House Oversight and Investigations Subcommittee, chaired by Rep. John Dingell, D-Mich., which is investigating the Mission Insurance Co., Transit Casualty Co. and Integrity Insurance Co. insolvencies (*BI*, Sept. 19).

The latest estimate of the Mis-

sion insolvency is \$1.5 billion, making it the largest commercial property/casualty insurer insolvency. The subcommittee's staff estimates that Paramus, N.J.-based Integrity is insolvent by \$300 million. "Those numbers are big even by Washington standards," Mr. Shelton said.

Mr. Shelton listed three factors that he said led to the downfall of Mission, which was ordered liquidated by a California court in February 1987 after being placed in conservation in October 1985 (*BI*, Feb. 9, 1987):

- As often happens in a soft market, particularly when interest rates are high, Mission underpriced its business and expanded into lines of business in which it had no particular expertise to generate additional revenues to invest.

- Inadequate reserves.

- Mission heavily reinsured its business, increasing its reinsurance to 60% of its premium volume during the 1981-1985 period from 40% previously. Mission's collapse is partially blamed on the failure of some of its reinsurers to honor their commitments.

Mr. Shelton noted last month's ruling by an arbitration panel that six Mission reinsurers must pay nearly \$94 million, including interest, to Pacific Reinsurance Management Corp., Mission's defunct reinsurance pooling subsidiary (*BI*, Nov. 7; Oct. 17).

Mission's insolvency still raises the issue of whether its problems "should have been caught sooner," and whether additional state or federal regulation is needed, he said.

Speaking before last Tuesday's election, Mr. Shelton said that if California voters approved Proposition 103, which called for a rollback in rates for all types of property/casualty insurance, similar legislation might be sought on the federal level (see story, page 1).

While the subcommittee has not made any final recommendations, suggestions made by subcommittee members include improving the early warning system to identify financially troubled insurers and an insurer rating system to give regulators and policyholders a better sense of insurers' quality.

In addition, Rep. James J. Florio, D-N.J., has questioned the ability of state guaranty funds to absorb the shock of a major insurer insolvency, Mr. Shelton said.

And, no discussion of congressional concerns about insurer insolvency would be complete without touching on the McCarran-Ferguson Act, which grants insurers limited immunity from federal antitrust law and gives states primary regulation of the industry, he said.

Those who support proposed changes in McCarran-Ferguson will "jump on the insolvency bandwagon," he predicted.

In his remarks, New York's Mr. Halperin spoke in favor of continued state regulation of insurance.

The federal government cannot solve all problems, and even if it could, insurance regulation may not be appropriate for the federal government to tackle, he noted.

For instance, he explained that he tells constituents with sanitation problems to contact their city councilman, because the state should not be involved in such issues.

Historically, the regulation of insurance has rested with the states, which have done a "credible" job in this area, he continued.

However, "we are now confronted with a very real effort" to shift regulatory responsibilities to the federal government, he said, noting that a House Judiciary subcommittee this summer approved legislation that virtually would have wiped out insurers' current limited exemption from federal antitrust law.

The bill was not enacted before Congress adjourned in October. Rep. Jack Brooks, D-Texas, who authored the legislation, is slated to become chairman of the House Judiciary Committee next year (*BI*, June 27).

Mr. Halperin criticized the legislation for what he described as its unclear terms and imprecise language. For instance, one provision of the bill prohibits tying the sale of insurance to any unrelated insurance product, he said.

But, there are no definitions of terms in the bill, Mr. Halperin said. And sometimes, it is cheaper to buy insurance and unrelated products as a package, he pointed out.

Continued on next page



Who spends over

402 BILLION

annually on property/casualty & group benefit premiums?

The executives listed in the *Business Insurance Directory of Corporate Buyers* represent a large segment of this powerful multi-billion dollar market. Executives who are directly responsible for the purchase of commercial insurance and employee benefits are listed in this most valuable resource tool.

1988-89 BUSINESS INSURANCE DIRECTORY

of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

Updated and expanded, the 1988-89 *Directory* includes information on more than 2,135 companies of all sizes located throughout the U.S. Plus, vital statistics on all companies listed including:

- primary type of business
- sales or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for:
 - employee benefits
 - pension/retirement plans
 - personnel
 - risk & insurance management
 - property/casualty insurance
 - international employee benefits and/or risk management

To gain access to these important buyers of insurance, benefit plans and risk management services order the 1988-89 *Business Insurance Directory of Corporate Buyers* today. Available in print or on tape. To order call:

313/446-0477

For tape sales or information call: 313/446-0476.

Business Insurance
a publication of Crain Communications Inc

Continued from previous page

"I think the federal government should act to leave this to the states," he said.

Another provision would prohibit "geographic allocations" of business among insurers, he said. "Once again, there is no definition of what 'geographic allocations' means," he pointed out.

Mr. Halperin added that he assumed this provision was designed to prevent "redlining," or insurers divvying up business among themselves. While this may have been a major problem 15 years ago, today "we rarely hear about it in that particular form," he said.

This provision could hurt joint underwriting associations since insurers in JUAs are assigned to write coverage in particular geographical areas, he said.

State regulators should illustrate to the federal government their efforts to regulate the insurance industry, Mr. Halperin advised. For instance, they should point out new efforts in the areas of guaranty funds, non-cancellation laws, market assistance programs and flex rating.

And the federal government should be cautioned that "all change is not progress, and everything that looks good isn't good," Mr. Halperin concluded.

Illinois' Mr. Washburn also said he favors continued state regulation of insurance, a system that he said has succeeded for 120 years.

State regulation operates using an "expansion system," Mr. Washburn noted. For example, state insurance regulators have to worry only about companies operating in their states, he said. And, if an insurer operates in three states, for example, then the insurer must submit to the regulatory environments of all three states.

"State regulation is not a mom-and-pop shop," Mr. Washburn stated.

The question, he continued, is not whether state insurance departments have a large enough staff or adequate resources, but whether they are used correctly and organized collectively.

For example, state insurance departments need uniform information, Mr. Washburn noted.

"We are always trying to come up with better systems," Mr. Washburn said, though he added there is no test to determine which insurers will become insolvent.

Another need is in the area of the oversight of troubled insurers, he said.

In the "old days," there was an informal network of chief examiners for insurance departments who exchanged information among themselves, Mr. Washburn said. But today, "it's no longer really applicable" for several reasons, including:

- Many of those chief examiners have retired.
- More importantly, the "whole marketplace changed drastically over the past 20 years," first of all because of its volatility and secondly because losses on long-tail lines of business do not appear immediately.
- There is a "lot more disagreement between ceding companies and their reinsurers," which complicates the job of regulators.
- The 1986 amendments to the federal Risk Retention Act, which "took the system and turned it upside down."

Previously, he explained, Illinois regulations applied to every insurance company that operated in the state, and the state could take away an insurer's certificate of authority, if necessary, if it ran afoul of those regulations.

But under the expanded Risk Retention Act, a risk retention group licensed in one state can operate in all states without interference from regulators in each state. This makes the quality of every state's regulation more critical, he said.

The NAIC has done several things to keep up with the changing state of insurance, Mr. Washburn said, including:

- Adding more financial staff members. These staffers are not regulators, but NAIC employees whose purpose is to "enhance the states' ability to regulate."
- Helping disseminate innovative ideas to states more quickly.
- Enhancing training for regulators.
- Improving research. "Some of it is useful, some of it is not, but we're getting a lot more of it."
- Looking into establishing financial standards for states to follow in evaluating insurers. Such standards have been set by indi-

vidual states, but now the states are "much more dependent on each other," he said.

In addition, the NAIC is looking at different tests, including a means to check whether an insurer is adequately reserved, Mr. Washburn explained. He said he thinks the NAIC will eventually have to use a different system, based on the exposures insured by each company, to examine reserves.

- Investigating what states can do when they find a troubled company. "It's a very difficult process," he said.

- Reviewing the examination process. "Are we really doing a good job with examinations?" he asked. ■

Working Partnership Or Conflict Of Interest?

The sophisticated Risk Managers we work with consider it a conflict of interest for a brokerage firm to manage their captive. Captives are an alternative to conventional markets represented by brokers. In Vermont, go with the independent captive manager that offers a spectrum of choices for savings and better service.



TOLL FREE 800-USA-RISK

H. Lincoln Miller, CEO

Vermont Insurance Management

P.O. Box 306, Montpelier, Vermont 05602

STATE'S LARGEST INDEPENDENT



Meet the Bonnie and Clyde of the 80's.

They hold advanced degrees, not tommyguns. But just because today's criminals are clean-cut and more difficult to identify doesn't mean they won't rob your business blind.

That's why people rely on Honesty Insurance from F&D to protect their businesses from the damaging, even crippling losses, today's white-collar felons can inflict.

Find out why F&D's Honesty Insurance is your best policy. Just ask your agent or broker or write: A. Macdonald Rees, Marketing, P.O. Box 1227, Baltimore, Maryland 21203.

 **The Fidelity and Deposit Companies**



NAII leader fears protracted soft market

By JUDY GREENWALD

BOSTON—It could be at least three more years before the commercial property/casualty insurance market hardens, says the outgoing chairman of the National Assn. of Independent Insurers.

"Based on what I see currently, I find it difficult to predict a bottoming out of the competitive part of the cycle much before four years, including 1988," said R.M. Jamieson, chairman of Zurich-American Insurance Co. in Schaumburg, Ill., and president and chief executive officer of Universal Underwriters Insurance Co. in Overland Park, Kan., at the NAI's 43rd annual meeting in Boston earlier this month.

"There are some who, by a process of logical deduction, have concluded that the current soft market period will only be of two years' duration and that underwriting results will start to improve by 1990," Mr. Jamieson said.

"In my view, this is very optimistic. Current trends, particularly in commercial lines, indicate not only an increasing deviation" from the Insurance Services Office Inc.'s advisory rates, "but an increasing rate of deviation."

And even if by year-end the industry passes through the "first phase" of aggressive competition triggered and driven

by ample capacity to the "more defensive phase" in which insurers begin defending their market share, this phase likely will take two years to develop, he said.

These phases "in no way contribute to improved underwriting results," said Mr. Jamieson, who concluded his term as NAI chairman at the meeting.

The next phase reflects insurers' "dawning realization" of a probable deterioration of underwriting results. Management then begins to resolve to firm up prices.

But, at this point, "buyer resistance becomes a serious factor, and so this phase is tentative and slow to gain momentum, with a lot of churning of business but little real improvement in the pricing adequacy" he said.

Furthermore, he said, it is ironic that to the extent insurers manage the cycle and preserve their capacity by protecting assets and avoiding excessive price cutting, many insurers are encouraged to attempt to increase market share and prolong the cycle even longer.

Mr. Jamieson said that while he does not believe the cycle will bottom out for some time, he "strongly" urges insurers

"to find and apply the business disciplines" that will prove his prediction to be pessimistic.

In his analysis of the industry, Mr. Jamieson said that its volatility from 1979 through 1987 was excessive, "meaning a higher-than-average risk and a return on equity lower than the U.S. industrial average."

Mr. Jamieson said several factors "at least to some degree" contributed to this situation, including:

- Price-driven competitive cycles, which he said are inevitable in the property/casualty insurance industry.
- Economic forces beyond the industry's control.
- Less than competent management.

"Price-competitive cycles are inevitable, but what starts them and what sustains them are different influences," Mr. Jamieson explained.

"Capacity, increased by a period of profitability, is the principal trigger which starts the soft phase of the cycle," Mr. Jamieson said.

Following strong premium growth in 1986 and 1987, the industry emerged with a strong premium-to-surplus ratio of 1.8-to-1 and a "relatively high" return on net worth of 13.7%.

Continued on next page



Atlantic Star presents:

EXPRESS SERVICE OCCURRENCE FORM RAILROAD PROTECTIVE LIABILITY COVERAGE!

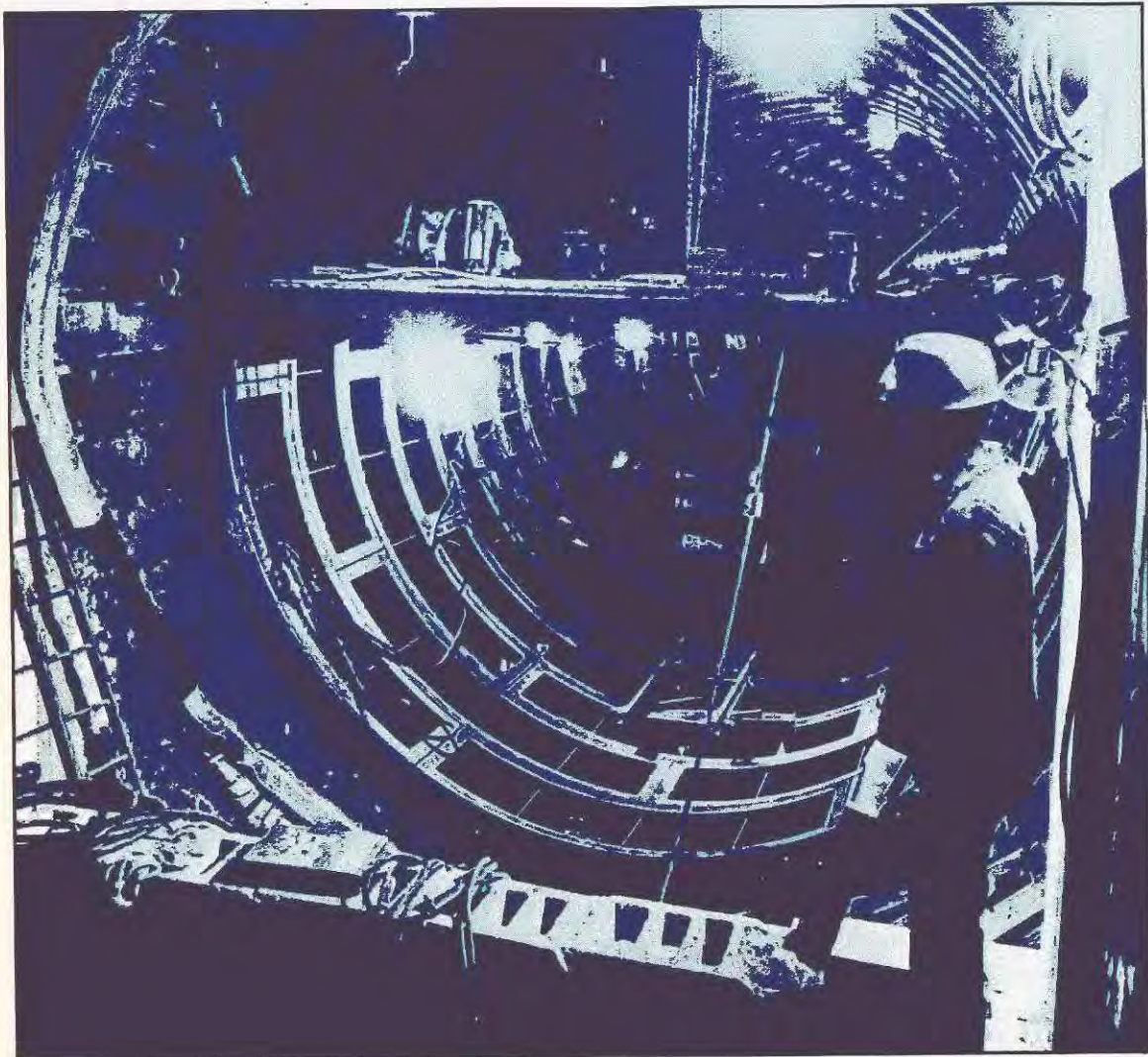
Excess Owners
Protective Coverage, too!

Atlantic Star's liability coverage is just the ticket when railway construction projects require insurance that the contractor has difficulty in obtaining. Our express service puts construction contractors right on the job without costly delays

- High limits up to \$6 million
- Occurrence form
- Fast in-house policy issuance
- Competitive rate

For the coverage your insureds require, get on the fast track with Atlantic Star. Call your agent or broker, or contact us direct at: Phone (516) 626-3057 • FAX (516) 626-0738 TELEX 141351

165 Renslyn Road
Roslyn Heights, N.Y. 11577



NAII elects chairman, several other officers

BOSTON—John W. Head, executive vp of the Southern Farm Bureau Casualty Insurance Co. in Jackson, Miss., was elected chairman of the National Assn. of Independent Insurers at the organization's 43rd annual meeting here earlier this month.

He succeeds R.M. Jamieson, chairman of Zurich American Insurance Co. of Schaumburg, Ill., and president and CEO of Universal Underwriters Insurance Co. in Overland Park, Kan.

Mr. Head had previously been vice chairman of the NAI, which represents more than 550 insurers. Replacing him in that position is William B. Snyder, chairman and chief executive officer of the Washington, D.C.-based Government Employees Insurance Co.

Two insurance officials also were elected to three-year terms on the NAI's Board of Governors: Donald C. Cole, senior vp-specialty operations of the Greenwich, Conn.-based W.R. Berkley Group; and Robert E.H. Rabold, president and chief operating officer of the Columbus, Ohio-based Motorists Mutual Insurance Co.

Another seven officers were re-elected to three-year terms on the board. They are: H. Max Tanner, chairman and chief executive officer of the Auto-Owners Insurance Co. of Lansing, Mich.; Marston Nauman, president of California Casualty Insurance Co. of San Mateo, Calif.; Duane L. Miller, executive vp and chief executive officer of Country Mutual Insurance Co. of Bloomington, Ill.; and Dean W. Case, chief executive officer of General Casualty Cos. of Wisconsin, based in Sun Prairie, Wis.

Also re-elected were J.J. Miranda Jr., executive vp of the Louisville-based Kentucky Farm Bureau Mutual Insurance Co.; Joseph E. McMennamin, president of the Philadelphia-based Keystone Insurance Co.; and Joseph J. Pero, president and chairman of the executive committee of the Detroit-based Motors Insurance Corp.

—By Judy Greenwald

RISK RETENTION INDUSTRY WE CAN HELP YOU

The National Risk Retention Association is THE VOICE representing the alternate risk sharing industry.

Benefits of membership include:

- representation before federal and state regulators/legislators
- continuing education
- networking with the country's top alternate risk sharing experts
- monthly publications addressing regulatory, legislative and related matters
- member and service providers directory

If you are (or think you might be) interested in the development of alternate risk sharing mechanisms (i.e. Risk Retention Groups or Purchasing Groups), you should be a member of NRRRA.

For further information, please call 1-202-965-7510 or write to: NRRRA

3299 K Street, N.W.
7th Floor
Washington, DC 20007

Continued from previous page

Given the "twin benefits" of premium growth and profitability, "almost any established and reasonably well-managed company could and should have made money in those years," Mr. Jamieson said.

"I have read dozens of annual reports, however, in which the CEO, usually with modesty and even some subtlety, nonetheless attributes the improved results to his own and his management team's superior performance."

"You get the feeling that they start believing that rhetoric, forgetting that a rising tide lifts all boats. And so with two or three successful years and restored surplus providing the capacity, we have seen companies sailing into 1988 with a confidence that growth and profitability are assured for them, and thus, a new cycle is born."

There are many conditions that sustain the downward cycle once it has started, Mr. Jamieson said.

Some of the current factors are beyond the industry's control, he said: general business trends; the rate of inflation and its effect on premiums, losses and investment yields; new federal income tax burdens; the type and extent of future regulation; the "meritless" antitrust litigation filed by 19 state attorneys general against the industry; and the judiciary, "with whom we seem to have virtually no dialogue."

"Even the value of the U.S. dollar in relation to other European and Asian currencies can have a major effect on the U.S. market," he said.

"Considering the relative ease of entry into the U.S. market and the perception by many that the dollar is undervalued, the potential for substantial foreign capital to be employed in the North American market, adding to capacity and hence competition, is a considerable threat to stability in the market."

"We can only speculate on the impact these activities may have on the industry, but at the very least they should cause management to proceed with caution," Mr. Jamieson said.

However, Mr. Jamieson said, if the property/casualty insurance industry becomes "sufficiently pro-active," it can influence several variables, including:

- State and federal legislation. The industry should attempt to shape tort reform and uniform product liability laws, as well as help defeat the drive to eliminate insurers' limited immunity from federal antitrust laws under the McCarran-Ferguson Act.

Mr. Jamieson observed the industry "seems to have lost momentum" on the tort reform issue. "Two years of profitability have taken the edge off the urgency of this issue" although it should still be a major concern, he said.

Mr. Jamieson pointed out that "in the process of getting even this far" in their push to reform tort law, property/casualty insurers have "indulged in a lot of lawyer-bashing and made powerful enemies."

While plaintiffs' attorneys, "who see their livelihood under attack," regard tort reform as a critical issue, insurers seem to have relegated it to the back burner, Mr. Jamieson said.

Lawyers' political action committees have raised large sums of money to fight against tort reform, he observed. While the insurance industry has its own PACs as well, the industry seems "to be afflicted with a combination of parsimony and ethical high-mindedness that results in fund-raising that is pitiful by comparison."

Besides tort reform, insurers also should have a strong voice in the "greatly increased interest in rate, form and profit regulation," he said.

- The establishment of a dialogue with "more enlightened" trial lawyers.

- Experiments in "grass-roots democracy such as the potentially dangerous California initiatives," said Mr. Jamieson before the election, referring to the insurance-related reform initiatives on the California

ballot.

- The increased demand for costly insurance data collection and interpretation at the federal level.

- The push by state regulators for more money—usually in the form of "dedicated funding over and above premium tax"—to increase regulatory oversight and state regulators' request for more data.

- The behavior of the independent agency system "as it pursues its self-interest."

- Indications that the federal government is seeking more tax revenue from the industry.

- Consumer advocacy movements.

"We must not simply throw up our hands in despair" over consumer advocates, "whose pursuit of illogical and often inequitable solutions continues with a persistence which is hard to comprehend, much less come to grips with," Mr. Jamieson said.

- Information and messages delivered to consumers at the grass-roots level.

Mr. Jamieson suggested that insur-

ers use the following 10 practices to moderate the cycle:

- Be careful when planning for and committing to premium growth for at least the next two years.

Companies that think in terms of 10% to 15% annual premium growth reach that only by taking someone else's business, "and that someone else will retaliate," Mr. Jamieson explained.

- Think and plan long-term.

"The cycle will not go away, but it can be tamed," Mr. Jamieson said, suggesting that insurers "act defensively" during soft markets.

- Underwrite defensively. A balanced book of business minimizes the cycle's influence on pricing.

- Establish clear price guidelines.

"It is not my perception that field office line underwriters in most companies are adequately trained or particularly well paid to execute this function, and yet, the latitude given to them is generally very broad," he said.

In larger companies, the branch

underwriter tends to become "bullet-proof" from home-office directives when his primary concern is responding to market pressure to keep business coming in, he observed.

- "Be true to yourself in loss reserving."

The chances of an insurer being over-reserved, particularly for long-tail business, "range from slim to none," he said.

- Select reinsurers carefully.

- Do not underestimate the new federal tax burdens under the Tax Reform Act of 1986.

"Given that the greatly increased taxes will take anywhere from 2% to 8% of the premium transacted, it is amazing that we are seeing accelerating price competition," Mr. Jamieson said.

If a catastrophic loss were to cost the industry a comparable amount, "it would have a very chilling effect. I can only assume that the full impact" of the new tax burden "is not yet realized or accommodated in companies' plans and projections,"

he said.

- Shun cash-flow underwriting.

"It's a dangerous game," Mr. Jamieson said.

- Dedicate adequate resources to good communication.

- Never short-change claimants.

"Claims efficiency is important but should not be confused with fairness or lack of it," he said.

"The public's reaction to the excessive price swings and market restrictions of the last four years has unleashed very powerful forces moving to change and regulate and restrict our business," Mr. Jamieson also pointed out.

The momentum in Washington and in state legislatures to tighten regulation continues, even though price competition has returned, he noted.

But, he added, insurers have not lost these battles. Insurers can do a better, more efficient and more cost-effective job for the consumer, but it will take responsible management, and better, more open communication, Mr. Jamieson stressed. ■

Mistakes can't be erased, but they can be covered.



Everyone makes mistakes. But who says your clients have to pay a king's ransom for them? In the suit-happy '80s, more and more businesses and service organizations have become especially vulnerable to suits caused by their actual or alleged errors and omissions.

Media/Professional Insurance, Inc. has designed policies for a multitude of unusual or complex exposures. Our on-staff attorneys, underwriters and claims experts work as a team to ensure a comprehensive understanding of each policy's coverage. And by using only A-rated companies, Media/Professional can offer thorough coverage at realistic premiums.

Media/Professional is a leader in errors and omissions and specialized coverages. For a lot of very sound reasons.

So before your client's seemingly small mistake prompts a massive lawsuit, call or write Media/Professional. For all the mistakes you can't correct.



Media/Professional Insurance, Inc.

Two Pershing Square, Suite 800 • 2300 Main Street
Kansas City, Missouri 64108 • 816-471-6118

Continued from previous page
ing hundreds of millions are pending. They will now have to be amended or dismissed."

A third court decision favorable to insurers was by the U.S. Court of Appeals in New York, which ruled in favor of a suit that the NAII and others filed challenging the state's medical malpractice rate regulation, said Mr. Beck.

Two years ago, the Legislature granted New York Superintendent James P. Corcoran the authority to set medical malpractice rates without a hearing, Mr. Beck said (BI, June 30, 1986).

"The rates he set later were grossly inadequate," said Mr. Beck. The NAII and others went to court claiming this was unconstitutional, he said (BI, Jan. 19, 1987). "It was taking property without even a hearing."

"That situation was desperate and it still is," said Mr. Beck. The Medical Malpractice Insurance Assn.—a statutorily created joint underwriting association—and the physician-owned and -operated Medical Liability Mutual Insurance Co. have a combined deficit of more than a billion dollars, which eventually will have to be paid by all insurers through assessments against them, according to Mr. Beck.

A U.S. District Court decision denied the law was unconstitutional and furthermore said it should abstain from interfering in state regulation.

But on appeal, the appellate court ruled that the legislation could be considered unconstitutional, and that the case deserved to be tried on its merits. A trial will be held in U.S. District Court, said Mr. Beck "and we believe that we have a good chance of winning."

A fourth case, which was decided June 24 by the U.S. Supreme Court, involved a Marine officer who died in a crash of a military helicopter during a training exercise (BI, July 4). The Marine's father sued the helicopter's manufacturer, alleging a defect in the design of the escape hatch, said Mr. Beck.

The Supreme Court ruled that private contractors that design products for the federal government cannot be held liable under state tort laws for accidents caused by defects in the product if the product meets government specifications and the company warns the government of any defects known to the contractor.

The Supreme Court found that state tort law was displaced by the federal torts claim act, which "prohibited state courts from second-guessing the government's discretionary functions," said Mr. Beck.

"What makes this case important is the awareness of the court that all liability is not an individual burden to be carried by every defendant who has funds available, regardless of what the contract says or what the previous understandings might have been," he said.

"This attention by the courts to the far-reaching and unintended effects of their decisions is to be welcomed by our industry and the public we serve," said Mr. Beck.

In attempting to reach the "noble goal" of compensating whoever suffers harm, "some court decisions went too far," Mr. Beck said. And, along with the expansion of liability and broadened use of joint and several liability that developed out of these cases, the insurance availability crisis hit.

This forced the industry into a nationwide drive for tort reform, "and now we're contending with its backlash," said Mr. Beck. This contributed to the attorneys general's antitrust suits, the insurance-related propositions in California (see story, page 1) and a "renewed attack" on the McCarran-Ferguson Act.

The courts' attention to the 'effects of their decisions is to be welcomed,' says Lowell Beck.

Turning to a discussion of the NAII's public relations campaign, Mr. Beck said: "The continued health and indeed the survival of our business depends on an informed and educated public.

"The people who don't know anything about us or, worse yet, have poor views of us sit on juries, respond to polls, file complaints and write their congressmen."

Mr. Beck noted that despite the contradiction, the public frequently expresses a low opinion of the insurance industry but thinks its own insurer or insurance agent is "terrific."

"We are using that insight as a springboard for a substantial public education program in 1989," he said. The NAII is designing monthly "company resource" packets, each of which is devoted to a single message, including rates, profitability and safety, he explained.

"We are also resuming the executive media program, through which we previously reached a TV and radio audience of more than 39 million," Mr. Beck said.

The NAII also is producing a film, "Coming Through the Storm," which describes the value of insurance and how it works for the public, Mr. Beck said. Copies will be sent out early next year.

Urging the NAII's members to participate, Mr. Beck said the program's main thrust is "to take advantage of a priceless commodity, the existing access you have to your customers and the good opinion that your own policyholders have of you."

SECURITY GUARD & ALARM COMPANIES

GENERAL LIABILITY INSURANCE PROGRAM

NAPSI, The National Association of Private Security Industries, Is A Purchasing Group Serving The Private Security Industry.

AGENT AND BROKER INQUIRIES INVITED

For Complete Information Call

214-243-8525

2711 LBJ Freeway

Suite 356

Dallas, Texas 75234

We're behind this publication

Right now you're holding an incredible resource. *Business Insurance* is one of the 25 business, trade and consumer publications of Crain Communications—one of the world's largest privately owned publishing companies.

This publication, and all of its information, is backed by the news expertise of over 300 reporters and editors, plus the skills of technical and support people who work for Crain from all parts of the globe. Linked by state of the art communications, computerized editing and graphics systems, *Business Insurance*, in addition to its own staff of experts, draws upon the resources of all Crain publications and services.

Business Insurance, one of the resources of Crain.

Crain Communications Inc

Chicago	Detroit	New York
Los Angeles	Cleveland	Washington, D.C.
Dallas	Florida Keys	Akron
London	Frankfurt	Tokyo

Advertising Age • Automotive News • AutoWeek • Business Insurance • Business Marketing • City & State • Florida Keys Magazine
Crain's Chicago Business • Crain's Cleveland Business • Crain's Detroit Business • Crain's New York Business
Crain News Service • Electronic Media • Modern Healthcare • Detroit Monthly
Humm's Guide to the Florida Keys • Pensions & Investment Age • Tire Business • Rubber & Plastics News
American Trade Magazines • In Europe: Advertising Age's Euromarketing • European Rubber Journal • Urethanes Technology

Insurance offered for small computers

Atlantic Mutual Cos. is introducing a new insurance policy for smaller computers similar to its mainframe computer insurance program.

"The Minicomputer insurance program is a companion policy to the EDP (electronic data processing) coverage," which Atlantic Mutual introduced earlier this year (BI, July 18), said Alan K. Crater, assistant vp.

"We now have the ability to provide specialized coverage for all sizes of computer systems, from laptops to mainframes," he said.

The EDP policy—which covers computer systems valued from \$250,000 to \$25 million—and the minicomputer policy—which provides coverage up to \$500,000—share many of the same features,

Products & services

Mr. Crater said.

For example, both policies cover the full replacement costs for hardware damaged by flooding, fire, electrical power surges, temperature or humidity changes, and even earthquakes, he said.

Those companies that have coverage for both mini and micro systems can obtain mainframe coverage at lower deductibles and premiums.

The policy also covers: computer programs and data; business interruption; expenses for arranging alternative computer facilities when offices are closed because of damage to the premises or an adjacent

building; and expenses for cooling computer facilities during temporary loss of air conditioning.

"Our policy covers risks that are uniquely associated with computer operations," Mr. Crater said. For example, equipment operated or stored at unscheduled locations is covered for 30 days and newly acquired equipment for 60 days.

"We will pay for software and hardware losses caused by power surges, wherever they may have occurred, within the building or miles away," Mr. Crater asserted.

The minicomputer policy is available nationwide except for Hawaii, Michigan, New York and South Carolina, where it is awaiting state approval.

For more information contact Alan K. Crater, Assistant Vp, Atlantic Mutual Cos., 430 Mountain Ave., Murray Hill, N.J. 07974; 201-771-0660.

Mental health review

Intracorp Inc. now is offering outpatient mental health and substance abuse review among its cost-containment and disability management products.

"Outpatient mental health and substance abuse care is an alternative to expensive inpatient psychiatric care, both for its cost-saving potential and because it is often more effective to treat the patient in an atmosphere where family and friends can provide support," said Doug Leland, vp of product development and management for Intracorp of Wayne, Pa.

One way the service contains costs is by interfacing with all of Intracorp's current full-service capabilities, Mr. Leland said.

For example, because mental illness and substance abuse frequently increases the need for

other types of medical and surgical care, the firm can also access the history of patients who have been involved with its medical/surgical review program, providing valuable information that may impact the patient's treatment and effective cost management, explained James L. Connor, Intracorp's manager of product development.

Due to the varied nature of mental health and substance abuse diagnoses, treatment and illness duration, Intracorp's review process compares proposed treatment plans to objective outpatient criteria—developed with the American Psychiatric Assn. and mental health care consultants—for medical necessity and appropriateness, Mr. Connor noted.

According to Mr. Connor, if at any stage of the review process an Intracorp licensed mental health and substance abuse professional concludes that treatment efforts are inappropriate or unnecessary, they will report this to the patient, his or her insurer or claims payer and the treatment clinician.

However, he added, it is the patient, along with his or her clinician, who ultimately decides whether to continue treatment.

The new service is available on both a capitated and per-review basis.

For more information contact James L. Connor, Intracorp Inc., 701 Lee Road, Chesterbrook Corporate Center, Wayne, Pa. 19087; 215-687-9450.

Medical malpractice

Frank B. Hall & Co. Inc. has introduced a medical malpractice insurance program for ambulatory care centers.

Dubbed ACCUGuard, the policy was developed "by working closely with the National Assn. for Ambulatory Care," said Arthur P. Tourville, a Hall vp and one of ACCUGuard's developers.

The malpractice coverage is available through Hall's 51 domestic offices and is underwritten by Reliance Insurance Cos. Policies provide limits of up to \$1 million per claim and \$3 million aggregate.

Costs vary according to territory; there are four territories in the United States.

Mr. Tourville estimates that there are more than 5,000 free-standing ambulatory care centers—located in areas like shopping malls, as opposed to hospital premises—in operation nationwide, with an estimated growth rate of 250 centers per year.

For more information contact Harvey Kopff at Frank B. Hall & Co. Inc., 549 Pleasantville Road, Briarcliff Manor, N.Y. 10510; 800-325-7172.

Containment system

A new containment system from Environmental Products Inc. is available to help companies and institutions that handle hazardous materials safeguard against environmental pollution.

The portable E.P. Containment System is a prefabricated building for storage of hazardous chemicals that "features a 100% leakage-free containment floor" and meets current federal regulations, according to the company.

"Our containment system provides a simple, cost-effective way to prevent soil and groundwater pollution," said Ken Lazar, Environmental Products' corporate director of marketing and sales.

EP's product manager, Jeffrey D. Binder, said the system is ideally suited to companies that handle small amounts—50 gallons to 100 gallons—of hazardous materials

needing temporary storage.

For example, companies can use the system as a "way station," prior to permanent storage, Mr. Binder noted. Also, the spill accountability feature—required by law—facilitates use as a dispensing station, he added.

The smaller, 22.5-square-foot building has one door and holds 10 55-gallon drums, while the two 46.3-square-foot models—one with two doors—hold 18 55-gallon drums.

Other standard features include: side wall to roof venting, interior static grounding, chemical-resistant epoxy finish and loading ramp.

Interior/exterior lighting, forced air ventilation, liquid level indicator and a dry chemical fire suppression system are among the optional features.

"This system will enhance worker safety while reducing the risk of incurring reporting and clean-up costs," Mr. Lazar explained.

For more information contact Jeffrey Binder, Environmental Products Inc., P.O. Box 900, 1669 S. Main St., Orrville, Ohio 44667-0900; 216-682-7015.

Carwash liability

A property/casualty insurance program designed to meet the needs of professional carwash operations is now available through George F. Brown & Sons Inc.

"Professional carwashes need the all-around protection that a package can offer," said Robert Moroney, assistant vp and manager of the program.

Created specifically to protect self-service and full-service carwashes, the program covers: property on an all-risk basis; general liability to a combined single limit of \$1 million, with higher limits available on request; on-premises autos; glass; extra expense; valuable papers and records; accounts receivables; and money and securities.

The minimum premium is \$750 for the package and \$500 for general liability coverage only.

According to Mr. Moroney, the company recently reduced rates by 35% for self-service operations, and 30% for conveyor operations in most states to stay competitive.

The program, which is available through the broker's regional offices in Atlanta, Chicago, San Francisco and Los Angeles, is also offered to brush roller operations, Mr. Moroney said.

A wholesale commercial property/casualty insurance brokerage, George F. Brown & Sons Inc. is a unit of Interstate National Corp., a Fireman's Fund Insurance Cos. subsidiary.

The policy is underwritten by Chicago Insurance Co., another Fireman's Fund unit.

For more information contact John Voelker in Atlanta at 404-396-7620, Joe Hucker in Chicago at 312-977-9400, Rod Neitzel in Los Angeles at 213-383-7501, or Roy Cody in San Francisco at 415-777-3278.

Carpal tunnel test

The NervePace Electroneuro-meter provides employers with a way to verify carpal tunnel syndrome in the workplace as well as screen potential employees.

The ailment, which develops primarily in the wrists, is prevalent "in the industrial community and stems from repetitive motion," explained Randall K. Stock, Advantage Health Systems' vp of sales and marketing.

Developed at the University of

NEW ACCREDITATION COMMISSION

The American Commission of Quality Assurance and Utilization Review Accreditation Organization is a new association recognized by the American Board of Quality Assurance and Utilization Review and the American Board of Quality Assurance and Utilization Review Physicians. ACQAURAO is looking for Peer Review Organizations who are motivated to increase the quality of the care they provide as they decrease the cost.

ACQAURAO will make a positive impact on the world of Peer Review by accrediting organizations which meet a standard of excellence. Our purpose is to provide necessary recommendations to help improve the quality of your organization. Once accredited, you will enjoy the status of being a Certified Peer Review Organization.

If you would like to be one of the first Peer Review Organizations to achieve this certification, please contact:

ACQAURAO
1777 Tamiami Trail, Suite 205
Port Charlotte, FL 33948
(800) 544-0920

WIN-WIN RECOVERY MANAGEMENT

That's what we call our special brand of medical and vocational rehabilitation services. Because when injured workers recover fast and come back to work fast everybody wins: employers, insurance companies and claimants. Find out about win-win recovery management today. Let me send you our information. **Call me at 215-251-9510 or send me your business card.**



GENERAL REHABILITATION SERVICES INC.

1436 LANCASTER AVENUE ■ BERWYN, PA 19312 ■ (215) 251-9510

THE FAST TRACK TO A COMEBACK

Continued on next page

Continued from previous page
Iowa Medical Research Center, the instrument measures motor latencies of the carpal tunnel's median nerve in the wrist, which would indicate the presence of carpal tunnel syndrome, said Mr. Stock.

Carpal tunnel syndrome is the biggest cause of physical incapacity in the workplace next to back injuries, Mr. Stock said, noting that the average cost of surgery, including rehabilitation costs, is about \$30,000.

In addition to pre-employment screening and verification, employers can use the hand-held battery-powered instrument on an on-going basis, Mr. Stock said. In doing so, they are able to control and manage problems as they develop, by rotating employees to tasks requiring less repetitive motion, for example.

The electroneurometer is designed to operate on a very low intensity stimulus for maximum safety and comfort, and gives results instantly.

The LCD digits show latency time in milliseconds.

With increasing awareness of keyboard operators' susceptibility to this type of injury, "response (to the instrument has) been overwhelming," Mr. Stock said.

The tester is \$2,995 and a box of 60 electrodes is available for \$50. Three electrodes are required per test.

For more information contact Randal K. Stock, Vp of Sales and Marketing, Advantage Health Systems, 406 W. 34th St. Kansas City, Mo. 64111; 800-346-2139; 816-531-4848 in Missouri.

Caterer coverage

Mobile catering truck owners/operators in California and Arizona can now purchase general and product liability coverage from Anderson & Murison Inc.

The Los Angeles-based managing general agent is offering the policy, which excludes commercial auto exposures, for single vehicle as well as fleet owners/operators, according to a statement.

Premiums are \$300 for \$300,000 in coverage limits, \$500 for \$500,000 in limits and \$750 for \$1 million in limits, said Casualty Manager Sorn Harn. He would not identify the underwriter of the program.

When Colonial Penn Insurance Co.—until recently a major underwriter of this type of insurance—pulled out of the market, it created a void while opening up a window of opportunity for A&M, said Mr. Harn.

While other insurers offer a similar product, he observed, their "prices are not in the ball park."

Meanwhile, A&M is not authorized to sell the program outside of California and Arizona, he said.

For more information, contact Sorn Harn, Anderson & Murison Inc., 800 W. Colorado Blvd., P.O. Box 41911, Los Angeles, Calif. 90041; 213-255-2333.

Books/videos

"Miller's Standard Insurance Policies Annotated" is a four-volume collection of cases reported in the United States since 1978 that interpret 140 different types of insurance policies and endorsements. The **insurance case annotations** are arranged by policy, section, jurisdiction and date. Readers can find insurance precedents for all recently reported cases that discuss the particular section or clause of common policies. Periodic supplements will be available to keep the book current. The set, which costs \$445, is available on a 30-day trial basis. To order, contact Legal Research Systems Inc., P.O. Box 2071, Hartford, Conn. 06145; 800-437-5200.

"Driving Down Health Care Costs: Ideas and Strategies" takes

a close look at which **health care cost containment** measure are working and which are not. Compensation and benefits professionals provide a "hands-on" review of cost containment methods in key areas, including: catastrophic illness expenses; preferred provider and health maintenance organizations; employee assistance programs; worksite wellness programs, etc. To order, send \$59 to Panel Publishers Inc., 14 Plaza Road, Greenvale, N.Y. 11548 or call 516-484-0006.

A new, consumer-oriented audiovisual presentation from Laventhol & Horwath helps explain the recently enacted **Medicare Catastrophic Coverage Act**. The \$295 audiovisual package includes: 46 color slides; a narrative audio-cassette; a copy of the audio script; a guide to organizing and publicizing the presentation; take-home brochures for the audience that recap major features of the act; and a copy of the L&H 1989 "Guide to Social Security." For more information or to order, contact Robert MacKenzie, Laventhol & Horwath, 1845 Walnut St., 11th Floor, Philadelphia, Pa. 19102; 215-299-1863.

"Policies in Review," a new service offered by the John Liner Organization, is a monthly property/casualty information service delivering **comprehensive analyses of non-ISO insurance policies**. A one-year charter subscription is now available for \$144, a \$48 savings off the regular annual subscription rate. To order, contact the John Liner Organization, in care of Shelby Publishing Corp., 210 Lincoln St., Boston, Mass. 02111-2491; 617-423-0978 in Massachusetts; 800-682-5759 elsewhere.

A series of **international country reference guides** published by William M. Mercer-Meidinger-Hansen Inc. helps employee benefit managers for multinational corporations effectively manage compensation and benefit programs in each country in which their companies operate. Nineteen country reports are currently available, and several more are in production. The guides, averaging 40 pages in length, are available in both printed and diskette form. Copies are available through local Mercer offices or can be ordered for \$250 each (plus \$25 for a diskette copy of each report, and shipping and handling charges) from William M. Mercer Inc., Market Post Tower, Suite 1650, 55 S. Market St., San Jose, Calif. 95113. Quantity discounts are available if 10 or more reports are ordered at one time.

"An Employer's Guide to Purchasing Managed Health Care Services," written by Laird and Joanne Miller in collaboration with the National Assn. of Employers on Health Care Action-Blue Book Inc., assists employers in **purchasing quality managed health care services** at the lowest possible price. The guide is available for \$49.50 from NAEHCA-Blue Book Inc., 104 Crandon Blvd., Suite 304, Key Biscayne, Fla. 33149.

The Risk & Insurance Management Society Inc. has released "**Case Studies in Risk Management**," a compendium of nine previously published case studies for use in risk management education. Questions and suggested answers have been added to each of the cases, which consider products/pollution liability, workers compensation and rehabilitation, employee safety, contracts, acquisitions and crisis management. "Cases" is available for \$37.95, \$32.95 for RIMS members, from Risk Management Society Publishing Inc., 205 E. 42nd St., New York, N.Y. 10017. Add \$2.50 postage for up to three books; \$4.50 for four to seven books; and \$6.50 for eight or more. ■

LAW ENFORCEMENT LIABILITY

- \$1,000,000 Limit Available
- Additional Limits In Some Cases
- Primary or Excess
- Claims Made Form
- Broad Policy Language
- Eligible in Most States
- In-House Servicing
- Quick Turnaround
- Competitively Priced

Excellent Brokerage Opportunity
Call or Write Today

U.S. RISK

INSURANCE AGENCY, INC.

5910 N. Central Expressway, Suite 1580
Dallas, Texas 75206

Direct: 214/891-6440
National WATS: 800/232-5830
Texas WATS: 800/942-4140
Fax: 214/891-6442
Telex: 75-8692

Today, the insurance market is sharp-eyed. Clients are more sophisticated. More informed. More aware of their options. What counts is substance. Here's ours: RLI's niche is specialty products and personal and small business umbrellas. To be the best in our niche, we're investing in better service systems, more streamlined claims processing capability. We're expanding our staff with specialized experts. Pros you can depend on for answers and action. Our image is substance.

If you need a market for personal or small business umbrella or coverage for targeted groups then call us at (800) 445-5468 (National Accounts); in Illinois (800) 322-7344.

IMAGE

VS

SUBSTANCE

RLI

Reliability • Leadership • Innovation

© 1988 RLI Corp.

Morrell sues OSHA in response to fines

By DEBORAH SHALOWITZ

WASHINGTON—John Morrell & Co. is suing the Occupational Safety & Health Administration in response to the \$4.3 million fine the agency proposed against the meatpacker last month.

The suit, filed Oct. 31 in U.S. District Court in Sioux Falls, S.D., charges that OSHA violated Morrell's due process and equal protection guarantees by creating a "selective enforcement posture" through which Morrell "would be arbitrarily held to a higher standard of safety... than that required of other... meatpacking companies," according to a spokesman for the company.

OSHA has proposed to fine Morrell, a subsidiary of Cincinnati-based United Brands Inc., for alleged violations of hundreds of federal safety and health standards at its Sioux Falls packing plant. The fine is the largest ever imposed by OSHA against a single employer.

OSHA cited the meatpacker for allegedly willfully ignoring a crippling illness, called cumulative trauma disorder, which affected more than 40% of the Sioux Falls workforce in a single year. Cumulative trauma injuries, which include carpal tunnel syndrome, are caused by repeated hand, wrist and arm motion involved in an occupational task.

Company illness and injury records show that 880 of Morrell's 2,000 employees sustained serious

and sometimes disabling cumulative trauma injuries between May 1987 and April 1988, according to OSHA.

The cumulative trauma incidence rate at Morrell's Sioux Falls plant is nine times greater than the meatpacking industry average of 4.8 per 100 full-time workers per year and more than 600 times the rate for all U.S. industries, according to the agency.

During a six-month investigation of the plant, the National Institute for Occupational Safety & Health found that in 173 jobs examined at the plant, 722 employees were exposed daily to a significant risk of contracting cumulative trauma disorder.

Assistant Secretary of Labor and OSHA chief John A. Pendergrass charged that the plant's management knew about the causes and remedies for the disorder perhaps as early as 1984 but failed to correct the problems.

Instead, the company allegedly forced its afflicted employees to continue working on the production line, OSHA charged.

"This case involves an employer who knew about a serious health hazard, saw the tragic toll on its workers and chose to ignore it," Mr. Pendergrass said.

However, Morrell Chairman Milton J. Schloss charged that OSHA "completely ignored the tremen-

Washington

dous safety advances we have made in the past few months."

According to statistics compiled by Morrell, the meatpacker's cumulative trauma injury rate has dropped from a high of 26.23 per 100 full-time employees in April 1988 to 3.06 per 100 full-time employees in October 1988.

New FICA wage base

Employers and employees will pay Social Security taxes on a greater portion of wages next year, the Social Security Administration says.

On Jan. 1, the FICA taxable wage base will rise to \$48,000 annually from the current \$45,000 base. However, the rate at which these earnings are taxed will remain at 7.51% for both employees and employers in 1989, the same as in 1988.

The increase in the taxable wage base will raise the maximum tax paid by employers to \$3,604.80 per worker in 1989 from \$3,379.50 in 1988.

Social Security recipients also will receive a 4.0% cost-of-living increase beginning in January.

The maximum job-related income a retired worker under 65 can earn without a reduction in Social Security benefits will be \$6,480 in 1989, up from \$6,120 this year. Workers between the ages of 65

and 69 can receive \$8,800 in job-related pay in 1989 before Social Security benefits are reduced, up from \$8,400 this year.

Staffers depart

A key Senate staffer on benefit issues is leaving Capitol Hill to join a benefit consulting firm.

Helen Darling, a senior health policy adviser to Sen. David Durenberger, R-Minn., this month will join benefit consultant William M. Mercer-Meidinger-Hansen Inc. in the company's Stamford, Conn., office.

As an aide to Sen. Durenberger, Ms. Darling was involved in a wide variety of benefit issues, including the new law that expands the federal Medicare program to give retirees better protection from acute-care catastrophic expenses.

Meanwhile, another important congressional staffer on benefit issues has left his post to join a Washington law firm.

Kent Mason, a staffer with the congressional Joint Committee on Taxation, has joined the law firm of Caplin & Drysdale.

Mr. Kent was heavily involved in efforts to change Section 89 non-discrimination rules for welfare plans as well as establish new penalties for violations of the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

Finally, in yet another change, Harry Conaway, one of the Treasury Department's top staffers on benefit issues, is expected to leave his position by the end of year, probably to join a benefit consultant.

Mr. Conaway played a major role in the drafting of Section 89 back in 1986. He also helped develop recently published rules governing 401(k) salary reduction plans.

Pension assets grow

Although pension assets are growing, they have not reached the level they were at before last October's stock market crash.

According to the Employee Benefit Research Institute, pension assets grew 13.8% to \$1.24 trillion as of Oct. 19, 1988, from \$1.09 trillion on Oct. 19, 1987, the day of the stock market crash. The stock market decline culminated in a one-day record 23% decline in the Dow Jones Industrial Average.

Only three weeks prior to the

crash, on Sept. 30, 1987, pension fund holdings had grown to \$1.3 trillion—the highest end-of-quarter level on record. This build-up primarily was due to large increases in stock values, according to EBRI.

Surveillance rules

The Occupational Safety & Health Administration is seeking comments on whether it would be appropriate and feasible to develop generic standards on medical surveillance and monitoring of employees exposed to toxic and hazardous substances.

Many of OSHA's health standards for individual substances contain medical surveillance and exposure monitoring provisions that address issues such as initial monitoring and frequency of monitoring, the use of individual or area sampling and record-keeping results.

A generic standard would not be substance or industry-specific, but would be applied to a broad number of chemicals or industries currently not covered by individual medical surveillance and worker exposure monitoring provisions.

OSHA is seeking comments on whether generic standards on medical surveillance and worker exposure monitoring should apply to hundreds of widely used chemicals for which the agency recently lowered acceptable air contaminant levels (BI, June 13).

The agency also is requesting comments on:

- What is the value of workplace medical monitoring and surveillance?

- What criteria should OSHA use to determine when and what medical intervention is appropriate?

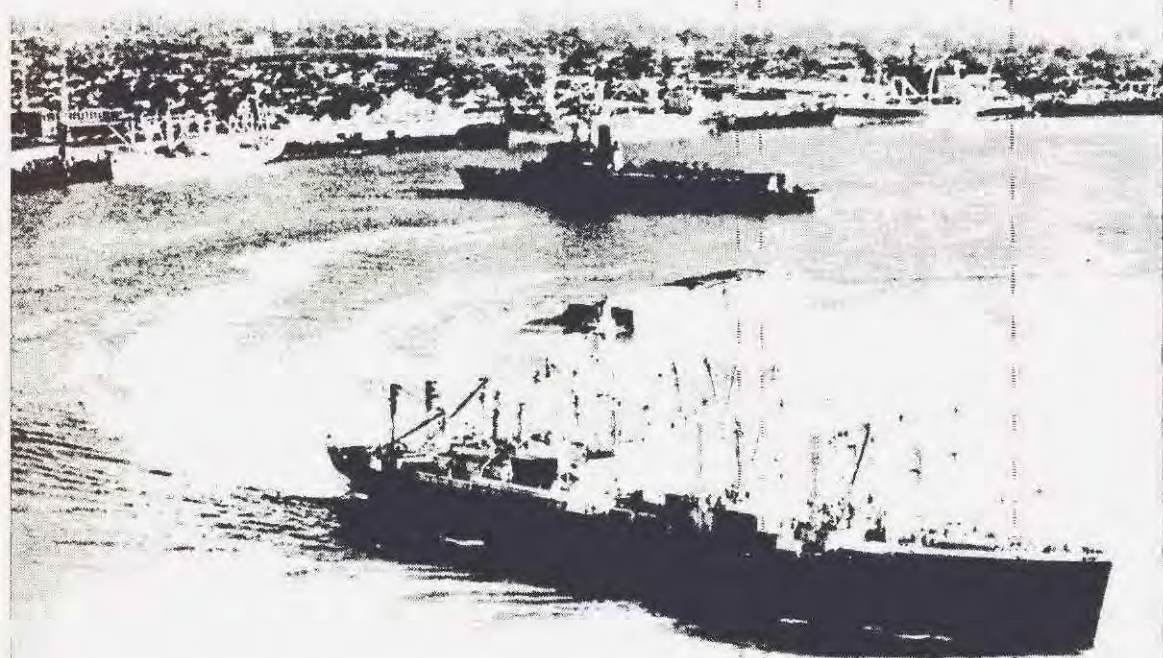
- How effective are medical surveillance and monitoring requirements in existing OSHA standards?

- What should the scope and application of the generic standard be?

- What should the economic effects of a generic medical surveillance and monitoring standard be?

Comments should be sent in quadruplicate by Dec. 27 to the OSHA Docket Office, Docket No. H-031, Medical Surveillance, or Docket H-029, Exposure Monitoring, Department of Labor Building, 200 Constitution Ave. N.W., Room N-2439, Washington, D.C. 20210. ■

SEASONED SPECIALISTS IN MARINE INSURANCE



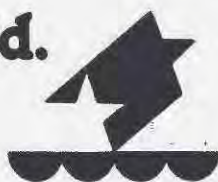
For almost two decades, our firm has been serving a clientele that ranges from multinational corporations to fishing boat operators to provide security for marine related risks. The extent and quality of our services are equally broad. As our clients will attest, we have built a reputation based

on fair competitive rates and on experience and professionalism in the development of terms, conditions and special clauses for coverage of complex, unusual marine risks. And our claims department is one of the most efficient in the business. Problem solving is our specialty.

Quality With Consistency

Continental Underwriters, Ltd.

419 Decatur St. New Orleans, Louisiana 70130
Telephone (504) 581-7493
Telex: 754622 CULTD UD • Telefax (504) 581-7497
"Lloyd's, London, Correspondents"



WE OFFER AGENTS QUICK TURNAROUND TO BONDING NEEDS

BID • FIDELITY • LICENSE

PAYMENT • PERFORMANCE • PERMIT

Contact The Bond Professionals

SURETY BOND

UNDERWRITERS, INC.
GENERAL AGENTS

P. O. Box 32179
Baltimore, MD 21208
301/653-7200
(MD) 800-638-9640

RUCKER &
ASSOCIATES

Managing General Agents

P. O. Box 1919
Carrollton, Georgia 30117
(404) 836-0120
NAT'L 800-221-1787

Amtrak proposal

Continued from page 3
next year to enact the pilot program, according to a spokesman for the senator.

In addition, Rep. Bob Whittaker, R-Kan., in September proposed an amendment to another railroad bill that would have exempted short-line railroads from FELA. However, he also withdrew his amendment after he was assured that a hearing would be held on the issue by the House Transportation, Tourism and Hazardous Materials Subcommittee, said a spokesman for Rep. Whittaker. That hearing is expected to be held in early 1989.

Amtrak expects to reintroduce its proposal in February as part of its legislative program and there is "a much better chance that legislators will consider the matter seriously next year," said Mr. Carol.

Railroad industry officials generally hope that the results of the pilot program will show that the new approach saves money, improves the treatment of workers and increases safety. And, they hope that such data will encourage Congress to expand the program to other railroads.

Since 1908, FELA has required workers to sue employers in state or federal courts—and prove that the employers behaved negligently—to recover damages. Recoveries can include non-economic damages for pain and suffering, which are prohibited under state workers compensation statutes.

However, in 1987, 78% of all railroad injury claims were settled without a lawsuit, Mr. Harsh said.

In contrast, states' work comp systems require that no determination of negligence be made before a worker receives compensation for a work-related injury. Depending upon the nature of the injury, each state fixes the schedule of benefits based on specific injuries and duration of disability.

Amtrak officials argue that the tort-based FELA system is too costly, unfair and inefficient.

FELA "is an anomaly in today's society where timely, dignified and certain compensation for on-the-job injuries under workers compensation is the employee's right and the employer's obligation," said W. Graham Claytor Jr., chairman and president of the National Railroad Passenger Corp., the for-profit corporation that operates Amtrak.

"FELA is a tort-based system that requires lengthy and often bitter litigation to determine who was at fault for the employee's injury. Under FELA, if the employee was responsible for the injury, he or she cannot recover any compensation for the injury, no matter how severe. On the other hand, because juries decide this issue of fault as well as the amount of compensation, excessive jury awards inevitably occur from time to time," Mr. Claytor said June 22 in testimony before the Senate subcommittee.

There are "numerous" instances where one employee may recover nothing while another employee may recover a windfall for the same type of injury, he said.

"Unfortunately, from a cost perspective, it takes only one excessive jury award to compel companies to agree to settle cases that may be of dubious merit or for amounts higher than should otherwise be dictated," Mr. Claytor said.

Exacerbating the problem is the rising cost of FELA compensation and the inability to foster an environment conducive to a cooperative safety program, Mr. Claytor maintains.

"In 1982, (Amtrak's) total FELA costs, including legal expenses, medical, payments and administrative costs, totaled \$17.4 million. By 1987, despite little change in



Photo: Stan Miskiewicz

Amtrak's plan would radically alter the way railroad workers are compensated for on-the-job injuries.

the number of FELA claims filed against the corporation, total FELA costs had almost doubled," he said.

"FELA is costing Amtrak over \$93,000 per day in claims and expenses," Mr. Claytor said.

"I could possibly justify this cost if I believed the mechanisms were in place to decrease the number of claims each year and to promote workplace safety," he said. "But the very system that is increasing the costs for which I must annually ask Congress to reimburse us is interfering with the efforts we are taking to reduce those claims."

For example, Amtrak requires every job-related accident or injury or illness to be investigated as soon as possible after the accident occurs by an ad hoc investigation committee composed of a management employee, the injured employee's supervisor and one additional co-worker or safety officer. A report of the committee's findings is submitted at the completion of the investigation together with recommendations to prevent further occurrences.

"A management member of such a committee, looking out for the department's or the company's budget, may be inclined to place the blame for the accident on employee error, while a labor member of the committee, realizing that attributing fault to the employee may result in no compensation whatsoever for the injured employee, may be just as inclined to fault the corporation," he said.

"As a result, the critically important task of learning from past accidents to prevent future ones is inherently undermined and necessarily deficient," Mr. Claytor said.

To bolster its case, Amtrak points to the results of a Government Accounting Office report that compared the railroad's FELA costs with estimated costs under two state workers compensation systems: Connecticut, which provides very high benefits, and Indiana, which provided much lower benefits during the survey period, though benefit levels in Indiana were raised significantly in July.

GAO analyzed Amtrak employee injury claims resolved in 1984, categorizing the injuries both as to type and duration and then calculated the benefit levels under applicable state statutory payment schedules.

GAO estimated that Amtrak's payout for injury compensation under Connecticut's work comp law would have been \$2.7 million less than Amtrak's actual FELA payout of \$23.9 million, a savings of 11%. GAO estimated that injury compensation under Indiana's law would have been \$17.4 million less than Amtrak's actual FELA payout, a savings of 73%.

Applying these percentage sav-

ings to Amtrak's anticipated fiscal 1989 FELA payout of \$38 million, Amtrak's cost for employee injury compensation would be reduced by between \$4 million and \$28 million.

Employee fears of substantially lower compensation under state work comp laws than under FELA are unwarranted, Mr. Claytor said.

"The GAO also found that Amtrak's injured employees hired attorneys to represent them in 41% of all cases and that these cases accounted for 88% (\$21.7 million) of all the dollars paid out in FELA awards. Accepting GAO's conservative estimate that attorneys collected between 25% and 33% of any award of settlement check to the plaintiff, then of the \$23.9 million

paid out by Amtrak in 1984, between \$5.4 million and \$7.1 million actually was paid directly to attorneys," he said.

"Moreover, litigation expenses—such as deposition, court, travel, witness and medical expert costs—are also deducted off the top of any award or settlement. The likely result is that only between 55% and 70% of Amtrak's payments in FELA cases actually goes to the injured employees," he said.

Much of this cost would disappear if Amtrak were covered under state work comp laws, he said.

"While claimants who appeal workers compensation commission decisions may hire counsel, most workers compensation cases proceed without representation and in

some states fees charged by counsel are strictly limited," he said.

Despite Amtrak's contention that its proposal will benefit both the railroad and employees, others—including union officials, plaintiffs' attorneys and Sen. Howard Metzenbaum, D-Ohio, who chairs the Senate Labor subcommittee that oversees FELA—argue that FELA offers broader protection for workplace injuries and illnesses and allows workers to collect higher amounts than under some state workers comp systems.

In addition, they say FELA enhances safety by more directly penalizing employers found guilty of negligent acts.

"I truly do not look favorably on any proposal to remove the Amtrak employees from the FELA jurisdiction," Sen. Metzenbaum said at the hearing.

"It would be a step backward...to use Amtrak employees as guinea pigs by stripping them of the FELA benefits enjoyed by their counterparts in the rest of the railroad industry," said Geoffrey N. Zeh, vice chairman of the Railway Labor Executives' Assn.

He challenged Amtrak's projected savings as "misleading."

"We will reconsider our position when the Dodgers move back to Brooklyn," said a spokesman for United Transportation Union, which represents most railroad operating employees.

"We ought to leave FELA alone," said a spokesman for the Assn. of Trial Lawyers of America. "The industry should be accountable for injuries to those working on the railroads."

State work comp administrators also are concerned about Amtrak's proposal because of the increased workload they would face if the proposal is approved.

Continued on page 70

WORDS VS WISDOM

Talk, talk, talk. That's just hot air. But talking. Listening. Probing. Analyzing. Solving. That's good business. And that's how RLI works with clients. We stick to our strength: specialty insurance lines such as Directors and Officers Insurance for hard to place risks and Professional Liability for miscellaneous classes. We deliver quality in all of our services. In underwriting, pricing, claims handling and customer service. When you're good, the word spreads. So ask your colleagues about RLI. If you are a wholesaler, call direct at (201) 288-8620. Either is a wise move.

RLI

Reliability • Leadership • Innovation

© 1988 RLI Corp.

Negrier named interim chief of SCOR Re

Francois Negrier, president of Societe Commerciale de Reassurance in Paris, is serving as interim president and chief operating officer of SCOR Reinsurance Co., the operating subsidiary of SCOR U.S. Corp.

SCOR U.S. is 64% owned by SCOR Paris.

Mr. Negrier, who also is vice chairman of SCOR U.S. and SCOR Re, assumed the post following the resignation of SCOR U.S. President Pierre Croizat (BI, Nov. 7).

Mr. Croizat and SCOR Re Executive Vp and Chief Underwriting Officer Francois Chavel resigned earlier this month to pursue their own entrepreneurial interests.

"Mr. Croizat's and Mr. Chavel's contributions to Scor have been outstanding. We wish them well," said Patrick Peugeot, chairman of SCOR Paris and SCOR U.S.

Jacques Blondeau, who recently joined SCOR Paris as executive vp, was named president and chief operating officer of SCOR U.S. Mr. Blondeau came to the SCOR Group from Pechiney Group in Paris, one of Europe's largest industrial and financial groups. He spent 13 years in the Pechiney Group, most recently in Australia as chairman and president of Pechiney (Australia) and before that spent four years as senior vp of Pechiney's U.S. operations headquartered in Greenwich, Conn.

Mr. Negrier, who has 37 years of experience in international reinsurance, is dividing his time between New York and Paris, spending three days a week in New York.

SCOR U.S. plans to recruit an American for the SCOR Re's presi-

Comings & goings: industry

dent's post and to appoint a French chief underwriting officer, said Mr. Negrier, adding that the board anticipates a new president will be appointed by year-end.

In other reinsurer changes:
Ronald E. Kaizar was promoted to vp-treaty underwriting of American Re-Insurance Co.'s treaty division in Princeton, N.J.

Kevin B. Ruane joined intermediary Richard Whiley Inc. in New York as vp and chief financial officer. Previously, Mr. Ruane was manager of reinsurance accounting for Crum & Forster Corp.

John W. Dunleavy promoted to senior vp of J.L. Kelley Inc. in Franklin Lakes, N.J.

Agents/brokers

Ray M. Warren named president of Bayly, Martin & Fay Inc. of Fort Worth in Texas.

Lawrence J. Babbitt named managing vp of the Tampa, Fla., office of Alexander & Alexander Inc.

Jay C. Pick joined Williams-Manny Inc. in Rockford, Ill., as vp. Previously, Mr. Pick was with R.W. Coyle Co.

Richard S. Hartung joined Blankinship & McCurdy Inc. in Atlanta as senior vp. Most recently, Mr. Hartung was a vp with Alexander & Alexander in Atlanta.

Nancy Lehtinen promoted to vp at Walter Kaye Associates Inc. in New York. Also, **Jane Williams** promoted to vp of Walter Kaye Corp. of Rhode Island.

Cameron J. Bruce Jr. and M. Patricia Casey named vps of Johnson & Higgins in New York.

David D. Nichols joined Johnson & Higgins National Construction Group in Dallas as vp. Most recently, Mr. Nichols was president of Artex Insurance Agency.

Fred S. James & Co. of Georgia Inc. in Atlanta announced the following promotions: **John F. Barry** to vp, **Des A. Yawn** to vp and **Ronald A. Santaniello** to vp.

Insurers

Anthony F. Trani appointed vp-group insurance marketing of Metropolitan Life Insurance Co. in New York.

Joseph T. Recine promoted to senior vp at Providence Washington Insurance Co. in Providence, R.I.

Martin G. Boost promoted to executive vp of Pacific States Casualty Co. in Los Angeles.

W. Glenn Yancey and Ronald L. Jones appointed executive vps at Arkwright Mutual Insurance Co. in Waltham, Mass.

Also, **Allen D. Alexander** named senior vp and area manager at Arkwright's Schaumburg, Ill., office.

Excess/surplus

Swett & Crawford Group of Los Angeles announced the following appointments to executive vp and divisional manager: **Daniel V. Colaurcio** of the western division in

Los Angeles, **Ronald Wartick** of the central division in Minneapolis and **Thomas J. Sullivan** of the eastern division in Philadelphia.

In addition, **Robert A. Scott** in Los Angeles named executive vp and chief financial officer.

Also, appointed to senior vps and regional managers at Swett & Crawford were **Denise D. Dockendorf** in Orange County, Calif.; **Ronald F. Stone** in San Francisco; **Michael E. Hamby** in Seattle; **Alexander Wayne** in Chicago; **Donald J. Tarrence** in Dallas; **W. Robert Jones** in Atlanta; **Peter A. Wilkens** in New York; **Robert J. Lyons** in Boston; and **Herbert F. Moulton** in Portland, Maine.

Swett & Crawford also appointed **Donald F. Privett** and **Robert F. Ougheltree**, both in New York and **Augustus Gallup** in Los Angeles to senior vps.

Other suppliers

Bruce D. Schobel joined the Social Security Services unit of William M. Mercer-Meidinger-Hansen Inc. in Louisville, Ky., as a senior consultant. Previously, Mr. Schobel was a senior adviser for policy in the U.S. Social Security Administration.

John T. McNamara named regional managing director of the New York metropolitan region of Godwins Inc., the employee benefits and actuarial services subsidiary of Frank B. Hall & Co. Inc.

Martin E. Segal Co. in New York announced the following promotions: **Richard A. Rezek**, senior vp-Midwest region, to director-multiemployer national accounts; **Richard M. Frenzel**, senior vp, to

regional manager of the company's Midwest region; and **Lall Bachan**, senior vp, to head of the company's Chicago office.

Kenneth W. Aaron named vp-managed care for August International Corp., a health care cost-containment management company.

Craig Adams joined Buck Consultants Inc. in New York as a benefit consultant.

Mr. Adams was previously a senior vp-national benefit consulting division with Corroon & Black Corp.

Alan Mills joined Cascade Technologies Inc., a software firm in Carle Place, N.Y., as president. Most recently, Mr. Mills was a consultant with TPF&C, a division of Towers, Perrin, Forster & Crosby Inc.

Executive dies at NAI meeting

BOSTON—G. William Gunnison, executive vp of Employers Reinsurance Corp., died of a heart attack earlier this month while attending the National Assn. of Independent Insurers' annual meeting in Boston.

Mr. Gunnison, 64, formed Employers Re's facultative underwriting department in 1966. He was promoted to vp in 1974, senior vp in 1977 and executive vp in 1983, when he assumed responsibility for the individual lines underwriting division.

When you need to settle for less, don't settle for less.

MLSS, one of the country's top rated settlement services companies simplifies the settlement process by offering:

- Creative settlement design
- Complete document preparation
- Settlement conference attendance
- Training plans and seminars
- Administrative follow-through
- Competitive costs

All services are performed with painstaking attention to detail and your interests always in mind.

MLSS First and foremost in structured settlements
ML SETTLEMENT SERVICES, INC.
1-800-327-MLSS (6577)
1-800-548-1557 (in California)

CALL NOW FOR INFORMATION

Amtrak proposal

Continued from previous page
The International Assn. of Industrial Accident Boards & Commissions briefly reviewed Amtrak's proposal at its annual convention last summer. The IAIABC is expected to appoint a subgroup in March to review the proposal so the organization can take a position on it later next year, said J.T. Noblin, the IAIABC's executive director.

In response to an informational mailing from Amtrak about the proposal, state work comp administrators also expressed concerns about determining which work comp statutes would govern accidents involving highly mobile railroad workers, Mr. Carol said.

Amtrak's proposal calls for an employee's jurisdiction to be determined by where he normally reports for duty. If a worker has no normal location at which he reports for duty, the state where his supervisor reported to work would have jurisdiction, Amtrak suggested.

However, most state work comp administrators did not want Amtrak employees to be treated differently

from all other employees when it came to the jurisdiction issue, Mr. Carol said. Most states define jurisdiction on the basis of whether an employee lived in the state, works in the state or if the accident occurs in the state, he said.

In addition, most state administrators objected to Amtrak's proposal that it be allowed to self-insure its workers compensation risks without meeting individual states' bonding requirements, Mr. Carol said.

Amtrak, which self-insures the first \$50 million of all liability risks, including FELA liability, may be able to address those concerns through a fronting arrangement, Mr. Carol said.

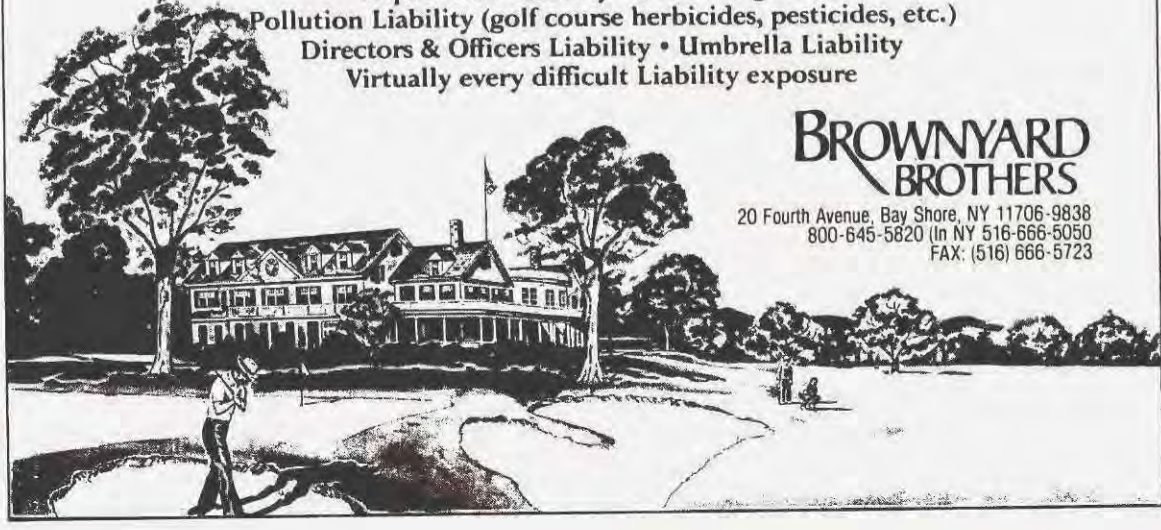
In addition, state work comp administrators questioned whether Amtrak was backed by the full faith and credit of the U.S. government to ensure that employees' claims would be paid should Amtrak become insolvent.

The issue of whether the federal government would pay Amtrak's debts if it became bankrupt "has never been clearly determined," he said.

Country Club insurance will never be the same

How would you like to sit down with the Board of your local Country Club and offer them a new innovative and comprehensive insurance program that includes coverage for:

- Wood frame buildings—even without a sprinkler system
- Liquor Law Liability • Swimming Pools
- Pollution Liability (golf course herbicides, pesticides, etc.)
- Directors & Officers Liability • Umbrella Liability
- Virtually every difficult Liability exposure



BROWNYARD BROTHERS

20 Fourth Avenue, Bay Shore, NY 11706-9838
800-645-5820 (In NY 516-666-6050
FAX: (516) 666-5723

CGL forms

Continued from page 1

Management Society Inc., the National Assn. of Insurance Brokers and others blasted the proposals.

Letters will be mailed by ISO today to all state insurance commissioners. ISO is expected to set a new effective date for the proposals next month, the spokesman said.

Jon Harkavy, RIMS' director of governmental affairs, among those who objected to the proposals at the hearing, applauded ISO's decision to postpone implementation.

It removes the pressure of a "false deadline," said Mr. Harkavy, who added that he hopes the delay will lead to a dialogue on the proposals among regulators, insurers, producers and risk managers.

"I would hope the discussion can be more constructive as opposed to adversarial," he said.

At the hearing earlier this month, held by the National Assn. of Insurance Commissioners, risk managers and brokers fired a barrage of criticism at ISO's proposals.

While "ISO has publicly stated that these proposals are 'technical in nature and intended to clarify'... We as buyers of insurance strongly disagree with the simplification," said William Blick Jr., assistant treasurer of the Melville, N.Y.-based Allen Group Inc., in written testimony submitted at the hearing.

"We believe that here again we are faced with a slick, calculated and well-orchestrated effort to reduce some of the insurance coverages we have had in the past, and that they are cutting back on the amount of risk we think we are transferring to an insurance company when we pay our premiums," Mr. Blick argued.

However, ISO in its testimony reiterated that the proposed CGL revisions represent only a "fine-tuning" of its current program.

The hearing at which Mr. Blick spoke, held under the auspices of the NAIC's Commercial Lines (D) Committee, is part of the NAIC's study of the proposed CGL form modifications, which were originally submitted by ISO in July (BI, July 11). A forum on the proposals also is set to be held at the NAIC's annual meeting Dec. 11-16 in New Orleans (BI, Sept. 12).

Presiding over the hearing were: New York Insurance Superintendent James Corcoran; Arkansas Insurance Commissioner Robert M. Eubanks III, who is chairman of the Commercial Lines Committee; Ohio Insurance Director George Fabe; Virginia Insurance Commissioner Steven Foster; and Etti Baranoff, who represented the Texas State Board of Insurance.

Insurance commissioners "recognize the need for state regulatory involvement," rather than giving ISO's proposal a "rubber stamp" approval, said Mr. Harkavy after the meeting but before ISO's decision to postpone the changes. "I think RIMS' points were recognized."

In its written testimony, ISO said the proposals are meant to clarify intended coverage, eliminate possible sources of ambiguity and keep step with statutes and emerging case law.

But Mr. Blick, who also is chairman of RIMS' products and services committee, disagreed.

"I believe that now is the time to send a clear, concise message to the Insurance Services Office that they do not have a mandate to re-vamp, rework, tinker with or dictate to the entire insurance-buying public just what risk should be transferred for a premium consideration. That should be left to the marketplace," he said.

Mr. Blick added that "I can only state that my company wouldn't stay in business very long if we

were constantly cutting down on the amount of product we were selling to the public and still charging the same or higher prices." The Allen Group manufactures and distributes automotive test products.

Insurers are in the business of accepting risk, said Mr. Elick, "but if all they want to accept are those that are clearly and concisely defined, then I believe that is not insurance. I am certain that we can find other ways to fund for the known risk. It is the unknown or unexpected event that we buy insurance for."

RIMS' Mr. Harkavy said in his

statement that "we are not trying to paint ISO as the force of darkness. They are an extremely able organization, effectively representing the members who fund them—primary insurance carriers."

Mr. Harkavy added, however, that "unless we have a strong regulatory counterweight to ISO's self-interest, consumers will continue to be faced with the narrowing of basic policy coverage coupled with amorphous assurances of buy-back endorsements, which are often unavailable, expensive or inadequate."

Continued on next page

ERRORS & OMISSIONS PROFESSIONAL LIABILITY FOR:

- General Agents/Brokers
- Wholesale Brokers
- Managing General Agents

PRIMARY OR EXCESS COVER
USING ADMITTED XIV PAPER

CALL: PLRM

Professional Liability Risk Managers, Inc.
P.O. Box 723363, Atlanta, GA. 30339
PHONE: 1-800-223-PLRM/FAX: 404-436-1521

RLI

1988 Results Even Stronger

Consolidated Statutory Financial Information

RLI Insurance Company and
Mt. Hawley Insurance Company

STATUTORY SURPLUS <i>(000 Omitted)</i>	COMBINED RATIO
1983 — \$12,238	1983 — 94.9
1984 — \$16,739	1984 — 97.0
1985 — \$37,037	1985 — 99.7
1986 — \$53,063	1986 — 84.1
1987 — \$57,243	1987 — 84.2
*1988 — \$64,951	*1988 — 93.9
<p style="margin: 0;">5-YEAR COMBINED RATIO: 89.8 <i>(1983-1987)</i></p>	

ASSETS <i>(000 Omitted)</i>	LOSS RESERVES <i>(000 Omitted)</i>
1983 — \$ 35,156	1983 — \$ 4,985
1984 — \$ 48,719	1984 — \$ 9,150
1985 — \$105,993	1985 — \$22,784
1986 — \$159,568	1986 — \$46,243
1987 — \$168,859	1987 — \$59,712
*1988 — \$173,861	*1988 — \$63,544

*Six months results ended June 30, 1988

SOLID.

To Protect Policyholders • To Honor Obligations

RLI Corp.

9025 North Lindbergh Drive
Peoria, IL 61615

Underwriting Branch Offices

Atlanta • Chicago • Hartford • Kansas City • Los Angeles
San Francisco • St. Paul

RLI Insurance Co. — Mt. Hawley Insurance Co. — American Capacity Insurance Co.
For Specialty Insurance Coverages

In 17 Months Bel-Aire Insurance Company Has....

- Increased surplus 200%
- Maintained a 30% loss ratio
- Increased liability programs from one to ten
- Added domestic "A" rated reinsurers

HOW?

To find out, call
Bill Whiting today.
800-727-4446
314-997-3660
Fax 314-993-4209
Liquor Liability, Real Estate E & O, Day Care Centers, Saddle Animal Liability, Tanning Salons & Health Centers



Bel-Aire Insurance Company
10420 Old Olive Street Road
P.O. Box 66967
St. Louis, MO 63166-6967

Hurricane Gilbert

Continued from page 3

path. Had it gone on as originally thought, our clients in Galveston and Houston would have suffered huge losses," observed Frank White, director of the Southern region for broker Corroon & Black Corp. in Nashville, Tenn.

Jamaica was the nation most severely punished by Hurricane Gilbert, with resort hotels and some segments of the agriculture industry suffering large losses.

Among the resort hotels hardest hit on Jamaica's north coast was the 516-room Holiday Inn at Montego Bay.

Brian Pountney, group insurance risk manager for Bass P.L.C., which leases the hotel from National Hotels & Property Agency of Jamaica, reported estimated property damage to the hotel in excess of \$10 million.

"The hotel was hit very hard," Mr. Pountney said. "It took the full force of the hurricane.

CGL forms

Continued from previous page

"Insurance buyers are becoming profoundly cynical at a process in which a consumer 'victory' is maintaining the status quo, and an ISO 'loss' is not getting everything they asked for," he added.

It is "not entirely coincidental" that alternative risk financing markets now have a 30% market share despite the softening rates, Mr. Harkavy said. "Nor is the preference of many risk managers for the London market and other alien insurers based on whim or snobbery." These markets, he said, still underwrite by making the effort to distinguish between insurable and uninsurable risk, not by following ISO's technique of excluding tough exposures.

If predictable losses were insurers' only purpose, banks and self-

There was nothing to stop the winds."

Mr. Pountney said the hotel, which was insured entirely by Factory Mutual International, sustained significant structural damage, primarily to the upper floors. He said hotel officials hope to have the restoration completed by early next year.

Jamaica's banana industry was destroyed and the coconut groves on the east end of the island were badly damaged by the intense winds. The island's multimillion-dollar poultry business was also hurt.

However, Jamaica's sugar crop was not extensively damaged, and the island's precious bauxite industry was virtually passed over by Hurricane Gilbert.

The mining of bauxite, the ore from which aluminum is obtained, is Jamaica's second-largest industry behind tourism. The bauxite mines were quickly closed when it became evident the hurricane would tear through the island.

"We stopped our operations and sent all our

cargo ships out to sea," explained Dorothy Chapman, manager-property and marine risk management for Oakland, Calif.-based Kaiser Aluminum & Chemical Corp.

Ms. Chapman reported property damage to administrative and storage buildings in the range of \$300,000. She said damage occurred mostly to roofs and windows while damage to mining equipment was slight. "The conveyer belts, loading equipment and dock facilities remained intact," she said.

The loss will fall within Kaiser's self-insured retention for property losses.

A spokesman for Aluminum Co. of America said the company was not sure if "losses would exceed the deductible." He said the ALCOA Foundation, a support branch of the company, financed essential emergency items for ALCOA employees in Jamaica. He added that corporate aircraft flew roofing materials to damaged facilities, and the company's employee fund in the

Continued on next page

insurance could fill what would essentially be a cash-flow function, he said. "Yet it is precisely this limited cash-flow role which ISO seems determined to create for its members."

Speaking on behalf of the NAIB, Rose Mazza, senior vp at Smyth, Sanford & Gerard, a New York-based broker, noted that ISO's commercial general liability forms initially were developed to address some of underwriters' uncertainties in pricing their products.

"Some of these problems still exist," she said. "However, we do not think the solution is to continue to restrict policy coverage and shift the burden of the risk from the insurer back to the policyholder. The purpose of insurance is to transfer risk.

"The trend toward narrowing coverage continues with the newest ISO proposal, and our alarm over its impact on the policyholder is no less today than it was in 1985," she said, referring to the fierce battle over adoption of the new CGL forms in the mid-1980s.

In defense of its proposals, ISO's testimony says: "as in any business transaction, a liability insurer must have reasonable certainty that it knows what it is selling. Potential ambiguity or expansive court interpretations of policy language serve to disabuse the insurer of that basic assumption."

ISO is "merely clarifying existing exclusions on the basic CGL contract," said the testimony.

If insurers can be confident that policy language will be upheld in the courts, it will result in "more stable and more equitable pricing," said ISO, which was represented at the hearing by Gary Shapiro, ISO's assistant general counsel, and Melissa Knever, manager of its commercial casualty division.

Several critics of the ISO proposal specifically noted insurers' attempt to eliminate coverage for all pollution-related losses from the CGL forms.

"ISO is here today to exclude any modicum of pollution coverage

which they failed to eradicate during the last round of CGL filings," Mr. Harkavy said.

The CGL policy's current pollution exclusion does not apply to product liability and completed operations exposures nor does it preclude coverage for certain contracting operations.

Now, ISO is proposing an absolute pollution exclusion through endorsement to the CGL policy. The other endorsement would delete the policy's pollution exclusion, providing pollution coverage for all but cleanup costs and emissions from waste facilities and underground storage tanks.

"Does the NAIC or any of the regulators here today have any doubt as to which endorsement will be overwhelmingly used in the marketplace?" Mr. Harkavy asked.

"RIMS believes that the blanket exclusion will find itself in the CGL policies of most insureds. We do not believe that the buy-back pollution endorsement will be used in the marketplace or with realistic limits afforded."

Norman B. Chanis, risk management director for New York-based American Standard Inc., commented that the absolute pollution exclusion "allegedly" would allow member companies to offer a number of "buy-back" opportunities subject to underwriters' assessments of individual risks.

"To date, however, the buy-back provisions with respect to sudden and accidental pollution would only grant coverage for such pollution following a 'hostile' fire.

"Contrast this with the excess liability markets, both here and abroad, who in recent years have continued to broaden such coverage to include damage as a result of pollutants which escape following fire, explosion, windstorm and collision, among other perils."

ISO said in its testimony that the purpose of the pollution proposals is to more clearly state what insurers intended to cover when ISO rewrote the CGL forms.

Referring to the issue of distinguishing between sudden and

gradual pollution, ISO states that "we've reached the conclusion that such an attempt is doomed in many fact situations to continued misinterpretation by the courts."

And, in a reference to comments that the total pollution exclusion endorsement would "sweep the marketplace," ISO states: "We hope that the competitive market will regulate the usage of any and all optional endorsements, including the proposed 'total' pollution exclusion."

Insurers and brokers have said that while forms totally excluding all pollution exist in the marketplace now, they did not expect insurers to widely use either proposed endorsement (BI, July 25).

Mr. Harkavy also criticized ISO for what he described as its "meat-ax" approach in removing employment liability coverage from the CGL forms and offering the coverage as a buy-back endorsement.

But ISO said in its testimony that one reason that the CGL forms should not provide coverage for employment practices is that some employers may prefer retaining absolute control over employment-related claims, and would not willingly turn such cases over to an insurer. Another is that there are likely to be wide variations in the actual exposure from one employer to the next.

The exclusion is a "necessary and logical response to current trends in the law which have resulted in creating significant unintended or unanticipated coverage under the CGL," said ISO.

On the issue of denying additional policyholders the right to purchase supplemental extended reporting coverage from a claims-made insurer, Mr. Harkavy said "ISO created the claims-made CGL and has a responsibility to address potential coverage gaps of additional insureds contained in such a policy."

In its testimony, ISO said, "Quite simply, ISO erred when we made the final revisions to the claims-made contract in February 1986 when we substituted 'you' for the 'first-named insured.' Our filing is merely an attempt to correct this inadvertent editorial error."

Others who submitted written testimony at the hearing were Tom W. Clarke, chairman of the Independent Insurance Agents of America's commercial lines committee, and William A. Broome, chairman of the National Assn. of Professional Insurance Agents' national technical review and research committee.

Also submitting written testimony were Eugene R. Anderson and Jordan W. Siev of New York-based Anderson Russell Kill & Olick, which represents policyholders in coverage litigation; Michael L. Rodburg, chairman of the environmental law department at Lowenstein, Sandler, Kohl, Fisher & Boydland in Roseland, N.J.; and Robert D. Lynch, executive vp of the Empire State Petroleum Assn. in Elmsford, N.Y.

TIME AFTER TIME D V A HAS THE ANSWER

Managing
General
Agents

Surplus
Lines
Brokers

Since 1947

A PENN INDEPENDENT CORPORATION

CORPORATE
HEADQUARTERS
420 S. YORK RD.
HATBORO, PA 19040

(215) 443-3500

New York, NY
Chicago, IL
Charleston, WV
Pittsburgh, PA
Cleveland, OH
Portland, OR
Springfield, NJ

RUSSELL REINSURANCE SERVICES, INC.

THE AMERICAN CENTER
27777 FRANKLIN ROAD
SUITE 420
SOUTHFIELD, MI 48034



TELEPHONE (313) 353-6040
RAPIFAX: (313) 353-3568
TELEX: 23-0453
("RUSS RE SOFD")

AN EXPERIENCED AND STABLE TREATY REINSURANCE
MANAGEMENT COMPANY

REPRESENTING
THE FIRST REINSURANCE CO. OF HARTFORD

ASK YOUR REINSURANCE INTERMEDIARY, OR
WRITE US DIRECTLY, FOR OUR INFORMATIVE BROCHURE.

Continued from previous page
United States made contributions to aid ALCOA employees victimized by Hurricane Gilbert.

As reported, New Brunswick, N.J.-based Johnson & Johnson Products Inc. suffered approximately \$2 million in looting damages to its Jamaican facility after the storm, though a J&J spokesman declined to comment on the company's losses.

Overall, however, "Losses will be lower than expected because the country got to grips very quickly considering the level of devastation," said Mr. Lalor of ICWS. "The utilities were speedy in getting lights, power and telephones working," he said, explaining that this helped hold down business interruption losses.

Initial estimates of losses due to Hurricane Gilbert may also have been high because the insurance industry has learned to be conservative, suggested Tony Dodd, treaty underwriter for British & European Reinsurance Co. Ltd., a unit of Commercial Union Assurance Co. Ltd.

Mr. Lalor noted that domestic Jamaican insurers have sustained net losses of only about \$3.7 million. The Jamaican insurers, he said, rely heavily on proportional treaty reinsurance and catastrophe excess-of-loss coverage.

Two U.S. insurers writing direct insurance business in the Caribbean sustained heavier losses from the hurricane: American International Group Inc. and CIGNA Corp.'s Insurance Co. of North America unit each reported net losses of about \$20 million.

"A sizable portion of our losses came in Jamaica. We also had a piece of each of the islands that were hit," said Larry Walters, director of investor relations at AIG in New York, who added that the insurer's losses in Mexico were "modest."

AIG declined comment on its gross losses from Hurricane Gilbert.

Several international insurance sources said that CIGNA incurred gross hurricane-related losses exceeding \$100 million, but a spokesman for the Philadelphia-based company would confirm only losses of \$20 million after reinsurance recoveries.

International reinsurers and the London excess-of-loss reinsurance market are expected to be hit the hardest by Gilbert, with London sources estimating that 50% to 70% of the losses will ultimately be paid by the London market.

"Gilbert is very likely to enter the spiral in the London non-marine market," Mr. Dodd said. "The LMX market is still reeling from Hurricane Alicia in 1983, and 87J," the hurricane-force storm that pounded England, France and Norway in October 1987, he said.

Royal Group P.L.C. in London reported losses from Hurricane Gilbert of \$65.9 million, down from an original estimate of \$108.6 million, according to Mr. Dodd.

Swiss Reinsurance Co., meanwhile, reports hurricane-related losses of about \$27 million.

"The majority of our losses are in Jamaica," said Herbert Haag, executive vp for Swiss Re in Zurich. "Maybe 10% to 15% comes from Mexico."

"It's a big loss for the market, and certainly we have our share," added Hans Hefti, property claims manager with Swiss Re. "But it is a loss we always have with hurricanes and catastrophes. We have had single losses greater than Gilbert."

Officials at Abeille-Paix Reassurances in Paris, meanwhile, report losses in the range of \$10 million, while losses at Great Lakes Reinsurance Co. of Toronto will range between \$4 million and \$8 million.

"Our losses stem essentially from Jamaica," said Michel Alparra,

deputy general manager for Abeille-Paix. "It is a newly built country where tourism is very important. We reinsure the bulk of the dozen or so domiciled carriers there."

Mr. Lalor praised the international reinsurance community, saying quick payments are very much responsible for helping Jamaica to get back on its feet.

"European reinsurers including Swiss Re, Munich Re, Great Lakes, Frankona Re and Abeille-Paix should be commended for their good faith," said Mr. Lalor.

A spokesman for Munich Re said official loss figures for the company were not yet available. Munich Re declined to give an estimate of losses.

Insurers and reinsurers declined to speculate on whether Hurricane Gilbert might trigger a tightening in the commercial property insurance market.

However, Mr. Dodd noted that "the hopes are that capacity will

decrease and rating levels will increase. Rates were inadequate to pay back Alicia and underwriters don't like to raise rates to recoup for losses."

In Mexico, the lion's share of the losses were spread among three major insurers. Seguros America incurred the heaviest losses with nearly \$100 million, according to Mr. Rettig. Seguros La Comercial suffered losses approaching \$21 million, according to Mr. Dugelby. La Provincial was hit for about \$17 million in losses.

The remainder of insured losses are spread mostly among smaller Mexican insurers, Mr. Dugelby said.

Most of the damage was to resort hotels along the Mexican coastline, which suffered extensive interior water damage after the hurricane blew out windows.

Raul Tapia, a broker with Interproteccion in Mexico City, reports that 90% of the damage done to property in Mexico was to con-

tents. Structures, Mr. Tapia said, held up extremely well.

Mr. Tapia estimated the business interruption portion of total losses in Mexico at about 20%. "It's all very difficult. Cancun has not been hit by a hurricane in 70 years," Mr. Tapia said.

"Gilbert hit the hotel industry hard," said Mr. Rettig. "Ninety percent of Seguros America's losses related to Gilbert came from damage to Cancun hotels," some of which include the Westin Camino Real, the Hyatt Cancun, the Sheraton and El Presidente.

But, Mr. Rettig added, "The hotel industry aims to be 100% operative by Nov. 15 and they'll be there because there was little structural damage to speak of."

Mr. Rettig also noted that while losses from Gilbert may compare in size to those caused by the 1985 Mexico City earthquake, where losses neared \$146 million (1985 exchange rates), they do not pose some of the same problems the

earthquake losses posed.

"The \$100 million in property claims due to the earthquake is similar to what we could pay for Gilbert, but the damage from the earthquake was caused by fire. There were hundreds of smaller losses to smaller buildings requiring individual adjustment," Mr. Rettig said.

The insurance industry was fortunate because so much of the damage caused by the earthquake was underinsured, said Mr. Dugelby.

"Repairs (in the Yucatan region) are going fast, as are settlements. Losses are concentrated to a small number of buildings. We're getting a good response from our reinsurers so we can't complain," Mr. Rettig added.

Damage to U.S. property, mostly beachfront homes and yachts in the southern Texas coast, is estimated at about \$40 million, according to a spokesman for the Insurance Information Institute. ■

GOOD MORNING

When the Sun Came Up This Morning, you expected your facilities to be in one piece, operating and productive. And sure enough, they were. If you are an IRI insured, you know the odds are in your favor each dawn and each year. Consider this. In the last three years, the number of losses by IRI insureds has declined. While there are many factors affecting this favorable trend, the most compelling reason is the determination of IRI insureds to reduce the probability of a significant loss to a minimum. Here are some ways we help support this commitment.

- **Training.** IRI loss prevention representatives, who serve our accounts and average 11 years experience with IRI, have taken basic and advanced studies at our Training Center. During the past 43 years, more than 15,000 men and women have graduated from this facility. These 15,000 alumni include insurance agents and brokers, representatives of insureds (risk or insurance managers, plant engineers and others), municipal firefighters, members of rating organizations and government agencies, employees of our Member Companies, and every IRI loss prevention representative since 1945. Programs conducted at the Training Center provide IRI personnel with better knowledge of various fire protective equipment and loss prevention techniques. Today, the Training Center is an industrywide and internationally known teaching facility, attracting students from nearly every state and many foreign countries. The graduates come away from the Training Center with a greater awareness of the benefits of loss prevention and the role it plays in preserving the jobs and property of business and industry worldwide.

- **Technology.** IRI computers help us help you. Our Plan Department, using the latest computer-assisted drafting technology, prepares detailed diagrams of your facilities. These diagrams contain a variety of different computer-generated symbols that identify loss prevention and construction features as well as the overall site layout. The diagrams help provide a clear analysis of risk for our personnel and for your insurance and risk management staff. Our Total Information System, which contains 1.5 billion bytes of information, helps us analyze losses and plot loss trends which assist us in preparing loss prevention and control programs, such as OVERVIEW, for you and your staff. Also, IRI loss prevention surveys of your facilities are produced on computer to provide you with prompt confirmation of each survey. Keeping up with technology, however, means more than just hooking up more computers. It means keeping up with advancements and developments. That's why our loss prevention representatives participate in numerous professional organizations and work on some 50 technical committees of the National Fire Protection Association with impact on 120 standards. To serve you properly, we are not satisfied with what we know today. We are looking for the answers to tomorrow.

Since We Want Your Next Tomorrow to be as worry-free as yesterday, we invite you to become familiar with our library of loss prevention information. For a complimentary copy of "The IRI Index," which lists our publications, sound-slide presentations, videotapes and films, contact Mrs. P. A. Sasso, IRI, 85 Woodland Street, Hartford, CT 06102 (203) 520-7412.

**Industrial
Risk
Insurers**

**66,000 properties
insured worldwide**

N.J. comp rates to be cut by 7% in 1989

TRENTON, N.J.—Workers compensation insurance rates in New Jersey will be reduced by an average of about 7% effective Jan. 1.

The decrease should save New Jersey employers approximately \$11 million in workers compensation premiums, according to the Insurance Department.

Workers compensation rates have gone down in New Jersey every year since 1982, with the exception of the last two years. New Jersey increased rates 9.6% in 1988 and 10.6% in 1987.

New rates will range from 28 cents per \$100 of payroll for clerical workers to \$41.99 per \$100 of payroll for certain longshore op-

Around the states

erations, according to the Insurance Department.

The overall downward trend in work comp rates can be attributed to the Workers' Compensation Reform Act of 1980, which helped reduce the number of minor claims by tightening requirements for claim eligibility, Insurance Commissioner Kenneth D. Merin said.

The decrease also was made possible by growth in the state's economy and the continuing shift to service, research and high-

tech industries in New Jersey from manufacturing jobs, he added.

"Payrolls have been up. Therefore we have a bigger base to draw from," a spokesman for the department said. "The high-tech industry is cleaner. There are fewer work-related claims."

Also on Jan. 1, the maximum weekly benefit paid to injured workers, which is 75% of the average weekly wage, will increase to \$342 from \$320.

—By Mike Schachner

Defense cost offsets

NEW YORK—Insurers in New York have until July 1 to discontinue writing certain liability insurance policies that include defense costs within policy limits.

An amendment to Regulation 107 gives insurers an extension from a Jan. 1 deadline to shift professional liability, errors and omissions and certain hospital liability programs written in the state to a "defense outside limits" basis, the New York Insurance Department announced.

Regulation 107 generally bars insurers from offsetting defense costs against liability

Continued on next page

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$101.50 per column inch, minimum of one inch. Straight classified is \$8.25 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$17.50 charge for blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340.

BROKER OPPORTUNITIES
For further information contact:
Tracy Stone
Wells Financial Executive Search
25 East Washington
Chicago, IL 60602
(312) 346-8474.
Producer: National broker seeks experienced producer for comm'l P&C business. Salary to 70K + comm, renewals, car, relo, etc.
Account Executive: Lg. lines service person for nat'l broker. Must have sound company technical experience. Salary to 50K.
Account Executive: Nat'l broker needs experienced small accounts service rep for comm'l lines dept. Salary to 38K.

EXECUTIVE DIRECTOR EXCESS LINE ASSOCIATION OF NEW YORK
A legislatively created association encompassing all NY E&S licensees, will also function as central stamping office i.e. similar to CA, IL, TX for all E&S placements. Beginning 1/1/89 Exec. Dir. will coordinate start-up, establish & implement procedures, hire personnel, communicate with Ins. Dept., licensees, surplus lines companies, legislature. Qualified candidates should be motivated self-starter with admin. background, company and E&S experience.
For prompt and confidential consideration send salary reqs and resume to:
ELA of New York
P.O. Box 1745
Pearl River, NY 10945

MEDICAL MALPRACTICE SALES
BRIGHT, ENERGETIC, MOTIVATED INDIVIDUAL. MALPRACTICE BACKGROUND ESSENTIAL. EMPHASIS ON TELEPHONE SALES. SALARY PLUS COMMISSION AND BENEFITS. TREMENDOUS POTENTIAL. NEW YORK CITY AND L.A. LOCATIONS.
CALL 800-NAPI-NOW.

CLASS "A" PARK CITIES OFFICE TOWER DALLAS, TEXAS
Immediate Occupancy
Developer/Owner interested in trading annual commissions on property/casualty account for office lease to qualified agency.
Contact Frank Johnson at 214-528-1905

STRUCTURED SETTLEMENTS
National structured settlements organization seeks candidates for expansion in our Northeast, Midwest, and Southeast offices. Casualty claims experience helpful. Please reply to:
Box 2475
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

HELP WANTED
RISK MANAGEMENT FINANCIAL SERVICES MANAGER
N.C. League of Municipalities. Professional staff position to provide financial services for 3 self-funded governmental insurance programs-workers' compensation, health and property/casualty. Assists the Director of Risk Management Services in working with and coordinating activities with various third party administrators in the overall financial administration of the League's Risk Management Services Programs currently totaling \$30 million in annual premiums. Responsible for preparation of financial statements, investment oversight, internal auditing, and related financial functions. Good working knowledge of computer operations utilizing accounting software packages on IBM PC equipment. Minimum of 5 years experience in insurance financial accounting. Graduation from a recognized 4-year college or university with a degree in accounting or related degree plan. CPA designation desirable. Salary commensurate with experience and qualifications. Reply to: **Director of Risk Management Services, P.O. Box 3069, Raleigh, NC 27602** by 12/2/88. EOE.

CAROLYN DAVIS ASSOCIATES, INC.
STAFFING CONSULTANTS TO THE INSURANCE INDUSTRY
701 Westchester Avenue
Suite 317W
White Plains, N.Y. 10604
914-682-7040

ATTENTION: RETAIL AGENTS
Aggressive M.G.A. needs quality agents for all types of specialty E&S programs. Top commissions for volume producers.
CONTINENTAL RISK MANAGEMENT, INC.
800 Rio Grande Blvd. NW
Suite #10
Albuquerque, NM 87105
505-842-8070

NEWSLETTER FOR SALE
Weekly, property/casualty insurance Newsletter. 31 Years. Annual Income: \$95,000.
SMART'S
Darrell Heppner 415/632-2200

CORPORATE CLAIMS MANAGER
PEP BOYS, the Nation's leading Automotive Aftermarket Retailer has a newly created position of Corporate Claims Manager. The selected candidate will manage the claims programs for our general liability, workers compensation, and auto exposures. Qualified candidates must have 5 to 10 years experience in a multi-state environment, supervisory expertise and a bachelors degree. The position will report to the Assistant Treasurer, and is based in our Philadelphia Corporate Office.
PEP BOYS offers a complete benefits package including a 401K Savings Plan and Stock Option program. Resumes detailing your experience and salary requirements should be forwarded to:
PEP BOYS
3111 W. Allegheny Avenue
Philadelphia, PA 19132
Attn: Personnel Director

INSURANCE VICE PRESIDENT CLAIMS \$75,000
Our client is a major health care organization located in the Southwest. They are seeking a professional claims executive to assume full responsibility as VP of Claims, with an emphasis on medical malpractice. You will supervise 10 adjusters as well as 50 independents. You will also have excellent supervisory skills & a strong legal background. For further information, call or send resumes to:
Bill Perry or Mike Tannenbaum
212-227-8000
LOGIC
170 Broadway, Suite 1208, NY 10038
FAX 212-766-0188

SPD'S OUT OF DATE? NON-EXISTENT?
We Specialize in:
Summary Plan Descriptions
Administrative Manuals
Procedural Manuals
Welfare, DB & DC Plans
More than 20 years experience
For More Information write:
TWOFRER ASSOCIATES
3435 Ocean Park Blvd.
Rm. 201-72
Santa Monica, CA 90405

BUSINESS OPPORTUNITIES
\$\$ SAVE 20,000 \$\$ CLAIMS PROCESSING
Turnkey Computer System. Cost-effective, efficient claims adjudication and administration. Software—handles multiple employers, calculates benefit amounts, adjusts bills against medical fee schedules, processes claim payments and checks, performs on-line inquiries, customized mgmt. reports. Hdwe—Wang VS15, 300 LPM Printer, 9-workstations. System will work well for self-funded or MET. Will handle up to 10,000 lives w/o upgrade. 30 hrs. FREE training!!! **Box 2477, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

Insurance Broker
A highly promotable position that involves servicing major commercial accounts
For 60 years, Amalgamated Programs has been helping businesses to protect their assets. Today, we're one of the largest, privately-owned independent insurance brokerage firms in the country. An outstanding opportunity currently exists for a professional with a minimum of 10 years' property and casualty experience and strong technical and communication skills. Your background must include at least 5 years' experience managing premium accounts in excess of \$3,000,000. This position deals extensively with top management.
Working within a highly professional environment, there are extraordinary opportunities for advancement. In addition to growth, we offer a comprehensive package that accurately reflects your expertise.
Qualified candidates are invited to submit a resume, complete with salary history, in confidence to:
Arthur Ostrow, Senior VP
AMALGAMATED PROGRAMS CORP.
85 John Street
New York, NY 10038
An Equal Opportunity Employer M/F

COMMERCIAL INSURANCE PRODUCER
FIRST UNION INSURANCE GROUP, a subsidiary of First Union Corporation, a \$28 billion banking and financial services organization in the Southeast, seeks seasoned professionals to develop and administer commercial property and casualty insurance programs in Charlotte, Raleigh and Fayetteville, N.C. Positions require individuals with a minimum of four years successful commercial insurance sales experience with a major local, regional or national firm. Qualified candidates should possess strong analytical and decision-making skills as well as appropriate and required state insurance licenses.
First Union offers a competitive salary + incentive and benefits package. For consideration, please send resume to:
FIRST UNION CORPORATION
One First Union Center
301 S. College Street
PERS-4 (JM)
Charlotte, N.C. 28288-0953
An Equal Opportunity Employer M/F/H/V

STRUCTURED SETTLEMENT SPECIALISTS Unusual Opportunity! \$100K+
If you have experience as a settlement specialist or background in property & casualty claims, we have a place for you! Dynamic, rapidly expanding, national firm. Special consideration to Detroit, New England, South Florida and Texas candidates. Reply to:
Box 2437
Business Insurance
740 Rush Street
Chicago, IL 60611-2590

HELP WANTED
EXPERIENCED PRODUCERS WANTED by major Bay Area Firm. Preferably with five years minimum experience in insurance sales, with or without existing book of business. Desire to develop extensive clientele important. Our clients and influence cover the entire state of California. Our clients and influence cover the entire state of California. Our support staff and flexibility are second to none and include special underwriting departments for property, casualty, workers comp, personal lines, employee benefits, life, disability, bonds, and aviation. Our aggressive approach to new business combined with a professional marketing department have earned us the position as the West's largest producer for numerous major U.S. A+XV insurance carriers. Please send resumes to: Cindy Nowak, P.O. Box 5922, San Mateo, CA 94403.

POSITIONS WANTED
RISK MANAGEMENT position sought. Lic. agent, CIC, ARM. 15 yrs P&C exper, seeks position in So. West Michigan. Respond to: P.O. 732, Portage, MI 49081-0732.

VICE PRESIDENT UNDERWRITING START UP OPPORTUNITY
New England based stock, direct writer of Lawyers Professional Liability coverage needs energetic individual with recent hands-on experience to work in an entrepreneurial environment as a key member of a small, highly professional staff. Will participate in start up marketing effort. Salary commensurate with experience and proven ability. Good benefits package plus equity participation for the right person. Send resume to:
Box 2474
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

VICE PRESIDENT MARKETING
Houston based agency specializing in Group Professional Liability programs seeks marketing professional experienced in marketing of casualty insurance and/or reinsurance. Professional Liability experience helpful. Excellent verbal and written communication skills essential. Responsibilities include interfacing with underwriters and reinsurers in the development and maintenance of market relationships. Excellent benefit package and salary potential commensurate with experience. Send complete resume to: **M. Nunnelee, Healthcare Insurance Services Inc., P.O. Box 79519, Houston, Texas 77279-9519.**

Business Insurance Circulation Breakdown* Commercial Consumers
Administrative:
CEO's Presidents and Owners 2,621
Vice-Presidents, General Managers and Other Administrative Personnel 3,657
Financial:
Chief Financial Officers and Vice-presidents of Finance 2,993
Secretaries, Treasurers, controllers and other Financial Personnel 4,454
Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,994
Sub-total 24,719
Associations: 477
Government, Unions and Educational Institutions 979
Commercial Consumers
Sub-total 26,175
Insurance Agents and Brokers 10,557
Insurance Companies 7,380
Actuaries, Attorneys, Adjusters, Appraisers and Consultants 3,843
Others Allied to the Field 2,991
TOTAL 50,946
* Source: Business/Occupational breakdown of qualified circulation, May 30, 1988 issue, as submitted to BPA for June 1988 BPA Publisher's Statement.

Continued from previous page
limits on policies with limits of less than \$10 million and sets standards for the few specialized coverages that are exempt from the prohibition.

Exceptions include environmental impairment liability policies with limits of at least \$500,000; and directors and officers liability, employee benefit liability, fiduciary liability, and media, publishing and advertising liability policies with limits of at least \$1 million (BI, Aug. 24, 1987).

As amended last year, the regulation also had exempted E&O, professional liability and hospital malpractice policies with limits of more than \$1 million that were issued or renewed before Jan. 1, 1989. After that date, insurers were to eliminate defense offset provisions on programs with limits of less than \$10 million.

However, the Insurance Department last month amended the regulation again to extend the deadline and to offer insurers an alternative under which they may continue to write coverage that includes defense costs within policy limits for those three risk classes.

Under the alternative, an insurer may offer the coverage option with a defense offset provision if the policy limit is at least \$2 million and if the insurer also offers the option of policies with no defense offset with limits of \$500,000, \$750,000 and \$1 million. Any policy with a defense cost offset provision written under the alternative must include a signed statement in which the policyholder acknowledges declining all three defense-outside-limits options.

The alternative will be available for E&O and professional liability policies issued or renewed after July 1, but will be available only on renewals of hospital malpractice policies after that date.

—By Douglas McLeod

Work comp increase

RICHMOND, Va.—A 5.7% workers compensation rate hike for new and renewal business took effect Nov. 1 in Virginia.

Meanwhile, Virginia Insurance Commissioner Steven T. Foster is asking the state Legislature to change the way property/casualty insurers' rate filings are determined.

In approving the rate hike, the State Corporation Commission denied a motion by Attorney General Mary Sue Terry to suspend the rate hike pending an appeal to the Virginia Supreme Court. The SCC also rejected a 25.2% rate hike request by the National Council on Compensation Insurance.

This is the first workers compensation rate increase in Virginia since 1985. Last year, the SCC approved an aggregate change of zero percent for new and renewal policies, while the NCCI had asked for a 19.7% increase.

Mr. Foster's proposal for changing property/casualty rate filings calls for insurers to determine their own average expense factor when setting commercial insurance rates, rather than relying on rating organizations like the Insurance Services Office Inc. to provide average expense factors. However, commercial insurers would still be able to use pooled loss information to determine rates.

The proposal, which would require amending state insurance law, already has been presented to the Legislature's Joint Subcommittee on Affordability and Availability of Insurance and could be brought before the General Assembly when it convenes in January.

—By Mike Schachner

Product liability

CHICAGO—A group of 25 corporations and 19 business associa-

tions is spearheading an effort to draft product liability reform legislation to be introduced next year in the Illinois General Assembly.

Under the Illinois Product Liability Project banner, the group will propose modifications to the current product liability system to reduce its costs to manufacturers.

"The goal of these reforms is to fairly compensate parties who are injured due to the negligence of others while protecting the rights of responsible Illinois businesses that act in good faith," an IPLP statement says. The group is still drafting its proposals.

The group sponsored a briefing earlier this month for Chicago-area business leaders focusing on

recent legal decisions and their impact on American businesses. The featured speaker was Peter W. Huber, senior fellow at the Manhattan Institute for Policy Research in New York, who wrote the recently released book, "Liability: The Legal Revolution and Its Consequences."

Strict product liability laws stifle innovation and technological advances in American businesses, Mr. Huber said in an interview. "The legal system's current message to scientists and engineers is: Don't innovate, don't experiment."

That message has emerged over the past 60 years, as a group of judicial activists swept aside legal precedent and common law tradi-

tions governing personal injury lawsuits to turn the tort system into a social insurance program, Mr. Huber says in his book.

Such a system can never conclusively establish that a product is safe, so it blocks "good, bad and ugly" technologies alike, he said.

Thus, he said, many companies have stopped producing products like vaccines and pregnancy-related drugs because they have decided that the risks are too great.

—By Meg Fletcher

Interim director

JEFFERSON CITY, Mo.—Missouri Gov. John Ashcroft has named Larry C. Call, deputy direc-

tor of the state Insurance Division, as interim director.

Former Insurance Director Lewis R. Crist resigned from the post earlier this year to become president of the St. Louis-based Missouri Bar Plan, which provides professional liability insurance for Missouri lawyers.

Mr. Call, a 15-year veteran of the division, will serve until a permanent director is named. If Gov. Ashcroft, who won re-election last week, fails to name a successor to Mr. Crist before Jan. 30, the state Senate will hold a confirmation hearing to determine whether Mr. Call will become the permanent director.

—By Mike Schachner

Insurance services guide

To learn a lot about the world's largest & oldest privately-held insurance brokerage firm and to read about a "prat-boy" to partnership, get a copy of

"Recollections of Johnson & Higgins—1935-1979"

by David H. Winton

Send \$20.00 to: Mr. Winton, Merrily Farm, So. Woodstock, VT 05071 and receive your copy of this interesting book by return mail.



- ProFlex™ Back Support
"The industrial back support that feels good"
- Carpal-Lock™ Wrist Splint
"To prevent Carpal-Tunnel Syndrome"
- Employee Disability Prevention
Programs including pre-employment medical standards and employee assistance

DARRELL HEPNER
RISK MANAGEMENT SERVICES, INC.
154 Sunnyside Drive, San Leandro, CA 94577
(415) 632-2200



VALUE LEADERS IN RISK & BENEFIT MANAGEMENT SOFTWARE
INSURANCE SOFTWARE PACKAGES, INC.

- WORKER'S COMPENSATION
- EMPLOYEE HEALTH BENEFITS
- MEDICAL BILL REVIEW
- MULTI-LINE LIABILITY
- COMMERCIAL AUTO
- COBRA

MICRO & NETWORK BASED SOFTWARE
CALL FOR A FREE DEMO DISKETTE

5118 N. 56TH ST., TAMPA, FL 33610 (US) 800-237-8133, (FL) 813-621-6069

Advanced Insurance Software and Services

Software - Workers Compensation and Liability Claims Administration
- Association and Risk Retention Program Management
- Risk Management Claims Tracking and Analysis
- COBRA Administration

Software or Services - Section 125 Plan Administration
- Section 125 Enrollment and Personal Tax Impact Models
- Section 89 Discrimination Testing

Pyramid Services, Ltd.
203-438-3883

Call William Kuebler or Robert Heaney

Medical Plan • Workers' Comp. MEDICAL ACCESS MANUAL
Reduce cost and improve relations with
• Doctors • Problem Cases • Workers' Comp.
Industrial Medical Access
P.O. Box 1426 Winchester, VA 22601
1-800-942-9666 (Ask For Ext. 501)

Captives, Claims/Audits All Phases of Insurance Consulting.
Patricia Kathleen Rotchford, J.D.
Counsel For Insurance Success
4105 Terri Lyn Lane
Northbrook, Illinois 60062
312-498-2938 FAX 312-498-3323

ENVIRONMENTAL CLAIM AUDITS & RISK ASSESSMENTS ACTUARIAL CONSULTING
Financial Evaluation of Environmental Losses
TILLER CONSULTING GROUP, INC.
2833 N. Geyer Road / St. Louis, MO 63131-3320 314/567-7480

CASUALTY ACTUARIES, INC.
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
• Statutory letters of opinion on loss and loss expense reserves.
12115 Lackland Road, Suite 370
St. Louis, Missouri 63146-4012
(314) 878-5002

USE THE INSURANCE SERVICES GUIDE TO REACH YOUR BEST PROSPECTS!

RISKMASTER™ Software

by **Tillinghast**

a Towers Perrin company

ONSITE TRAINING
ONGOING SUPPORT

- GENERAL CLAIMS
 - WORKERS' COMP
 - VEHICLE ACCIDENTS
 - CHECK WRITING
 - EXP. MODIFICATION FACTORS
 - ACTUARIAL REPORTING
- FOR PC/MINI/MAINF

Installed in Over 38 States & Canada

For Marketing Questions or to Attend a Free Seminar, Call (313) 567-6616

EIL Underwriting Management and Claim Support

E.I.M. offers comprehensive underwriting management and claims services to Reinsurers, E & S, Primary, Captive, and Self-Insurers. We have the experience and resources to evaluate, offer solutions to, or resolve your environmental exposures, or to develop a responsible EIL program for your insureds.

Toxic Tort • Asbestosis • Silicosis • Underground Storage Tank • Dump Sites • Defense Agreements • Coverage Issues • Audits • Common Cause Programs • Potential Responsible Party

Call or write: **Environmental Insurance Management, Inc.**
7900 Westpark Drive Suite A300 McLean, Virginia 22102
Telephone: 703/893-0900 Telefax: 703/847-0440

PRO ★
CLAIMS PROCESSING SYSTEM

ADMINISTRATORS -

We have the AFFORDABLE system for Self Administrators and TPA's

- Processes: Medical, Dental, Disability, FLEX and COBRA
- runs on IBM PS/2, COMPAQ, DEC ... and compatibles

\$14,999 for a complete in-house Claims Administration System

Call Pro★Systems (216) 731-2323

Incumbent regulators re-elected

By MEG FLETCHER

All incumbent insurance commissioners who sought re-election last Tuesday will retain their posts.

But, the fate of at least two commissioners is uncertain after voters in two states with appointed regulators elected new governors whose political parties differ from their predecessors.

Among the new governors is W. Gaston Caperton III of West Virginia, chairman of McDonough Caperton Insurance Group, the 18th-largest U.S. insurance brokerage. Mr. Caperton, a Democrat who captured about 59% of the vote in his first race for public office, unseated incumbent Gov. Arch Moore.

Five incumbent insurance commissioners won their posts by comfortable margins in Delaware, Montana, North Carolina, North Dakota and Washington.

David Levinson, a Democrat who ran against Ruth Maturder for the Delaware insurance commissioner's post, captured about 63% of the vote.

Republican Andrea Bennett was unopposed for her seat as Montana auditor, which includes the posts of insurance and securities commissioner.

North Carolina's James Long, a Democrat, beat Hal "Pete" Rednour with about 57% of the vote.

In North Dakota, Democrat Earl Pomeroy beat Margaret Bushee with about 75% of the vote.

And, Washington's Richard Marquardt, a Republican, captured about 56% of the vote in his contest with Al Rainwater.

In Florida, Republican Tom Gallagher was elected Florida's insurance commissioner and treasurer. He will succeed incumbent Bill Gunter, a Democrat who agreed last summer to resign in January 1989 after 12 years as insurance commissioner and treasurer before launching his unsuccessful bid for the U.S. Senate.

In a Sept. 6 primary election, Mr. Gunter garnered a plurality of 381,271 votes in a field of six candidates. However, a majority was needed to win a spot on the November ballot. In an Oct. 4 runoff primary race between the Democrats' top two vote-getters, Buddy MacKay received 52% of the vote to beat out Mr. Gunter.

Mr. Gunter, a former president of the National Assn. of Insurance Commissioners, "has been a positive force for good regulation," said Illinois Insurance Director John Washburn, the current NAIC president.

"Through the years he has been with the NAIC, he has provided stable leadership and a quality of decision making whereby everyone had an opportunity to get involved and all

points of view were considered," said Nevada Insurance Commissioner David Gates, the NAIC's vp.

Since most insurance commissioners are appointed by state governors, changes in state houses can effect regulators' tenure. For example, in West Virginia, Mr. Caperton, a Democrat, will succeed incumbent Gov. Moore, a Republican.

West Virginia's Acting Insurance Commissioner Hanley Clark was appointed by Gov. Moore in July. Mr. Clark succeeded Fred Wright, who resigned to become director of the West Virginia Public Employee Insurance Agency (BEI, Aug. 1).

"Both Fred Wright and Hanley Clark have been very competent commissioners," said McDonough Caperton President W. Marston Becker. However, Mr. Caperton has not made any decisions about appointments at this time, according to his press secretary.

Mr. Caperton will resign his post as chairman of McDonough Caperton in Charleston, W.Va., and place his holdings in a blind trust, Mr. Becker said.

The brokerage, which reported \$28.4 million in gross revenues in 1987 (BI, June 20), withdrew from the administration of a state health care plan in May to avoid any conflict of interest, Mr. Becker noted.

Mr. Caperton built a coalition of business, labor and education supporters during his 15-month campaign to win the "very tough" race, Mr. Becker said.

The fate of Indiana Insurance Commissioner Harry Eakin, who was appointed by incumbent Gov. Robert Orr, a Republican, in 1985, also is uncertain. By law, the two-term governor could not seek re-election, and Democrat Evan Bayh won the gubernatorial race with 52% of the vote.

In Rhode Island, with 99.6% of the vote counted late last week, Republican Gov. Edward DiPrete had 50.3% of the vote, while Democrat Bruce Sundlun had 49.2% of the vote.

Robert J. Janes took office as director of the Rhode Island Department of Business Regulation on Oct. 31 following an appointment by Gov. DiPrete. Mr. Janes succeeded Mark Pfeiffer, who recently was appointed associate justice of the state Superior Court.

In addition, wins by incumbent governors in several other states relieved insurance regulators there: Insurance Commissioner Harold C. Yancey in Utah; Insurance Commissioner Gretchen Babcock in Vermont; and Acting Director Larry Calls in Missouri.

In New Hampshire, the governor's office was won by Republican Judd Gregg, who shares the same party affiliation with his predecessor. New Hampshire Commissioner Louis Bergeron was re-appointed to a five-year term in June. ■

Tort reforms post win, loss in balloting

Voters in Alaska abolished joint and several liability, while Florida voters rejected a \$100,000 cap on non-economic damage awards in last week's elections.

And in Missouri, a plan to establish three health care insurance pools was defeated.

The new law approved by voters in Alaska, which takes effect immediately, restricts liability for damage payments in civil cases to the same percentage of fault assigned to each defendant.

The initiative qualified for the Alaska ballot in January after supporters gathered 24,500 petition signatures (BI, Jan. 18).

The measure received an overwhelming 70.5% "yes" vote based on results from 88% of Alaska precincts. Vote totals, based on returns available Nov. 9, were 95,856 in favor and 40,247 against.

The total number of ballots cast on the issue nearly matched the number cast in the presidential race, indicating the issue was known and understood by voters, said Gene Roguska, president of the Citizens Coalition for Tort Reform.

"That's clearly an indication that the people of Alaska had their minds made up on the issue," Mr. Roguska said.

The coalition, which sponsored the initiative, represents individuals and business groups such as truckers, physicians, engineers, day-care center operators, hospitals and restaurants.

In Florida, voters defeated a proposed state constitutional amendment that would have placed a \$100,000 cap on non-economic damage awards in bodily injury cases.

The measure was defeated by a margin of 57% to 43% after a heated campaign that pitted physicians against attorneys (BI, Sept. 12).

Dr. Harold Norman, president of the Dade County Medical Assn. and chairman of the Florida Medical Assn.'s Council of Medical Society Officers, said voters were swayed by the high-priced advertising blitz

Continued on next page

The 2nd annual

H M O / P P O

1 9 8 9 D I R E C T O R Y

Updated and expanded, BI's 1989 Directory of HMOs and PPOs offers advertisers a unique, cost effective vehicle. Executives responsible for health care cost containment will turn to BI's Directory issue first and foremost for specifics on HMOs and PPOs — from detailed reports on the alternative health care marketplace and opinions on HMOs and PPOs offered by benefit managers nationwide ... to listings of approximately 1,000 HMOs and PPOs across the country.

**Publishing
December 1988**

Directory listings include:

- firm name
- address
- telephone
- date operational
- profit/non-profit status
- ownership/sponsorship
- regions served
- users
- actual enrollment figures as of 9/30/88
- estimated enrollment as of 1/1/89
- extensive staff listings
- facilities listings
- officers
- revenues
- plus, specialized information

On the cutting edge of market developments in insurance, employee benefits and risk management, only Business Insurance provides readers with timely, comprehensive information affecting corporate decisions and bottom line.

Make your reservations now!

Advertise in the 1989 Directory of HMOs and PPOs and reach more than 155,000* readers who are influenced by, and take action, as a result of reading Business Insurance.

*Includes pass-along.

**Ad Closing
November 16**

Business Insurance

Ballot initiatives

Continued from previous page

waged by trial lawyers in the state.

"The thing doctors had to gain was the ability to bring down health care costs," Dr. Norman said. "Unfortunately, they will keep going up because the cost of liability insurance will keep going up."

But, "we're not giving up," Dr. Norman vowed. "Exactly what phase two will be, I can't tell you."

Last week's vote came 18 months after the Florida Supreme Court struck down a \$450,000 cap on all non-economic damages established by the Tort Reform & Insurance Act of 1986 (BI, May 4, 1987).

Although there are no limits on non-economic damage awards in most cases, Gov. Bob Martinez earlier this year signed a law that caps at \$250,000 non-economic damages in medical malpractice cases settled through arbitration (BI, Feb. 8).

The Missouri health care proposition, which would have been funded in part by new taxes on employers and employees, lost by a margin of 71% to 29%.

The three pools would have provided:

- Subsidized health insurance for low-income residents, with copayments, deductibles and premiums based on their ability to pay.

- Catastrophic health insurance coverage to all Missouri residents with copayments based on annual income and underlying insurance coverage.

- A high-risk health insurance pool for Missouri residents unable to find health care coverage, with premiums capped at 150% to 200% of the standard risk rate.

The program also would have widened eligibility for

Medicaid coverage.

MedAssist was to be funded through: a 0.6% tax on the net income of Missouri-based for-profit businesses; a 0.6% tax on the gross earnings of workers in the state; premiums paid by participants; and federal matching funds for the Medicaid portion.

However, under MedAssist, employers that provided health care insurance could offset some or all of the tax. The proposition was expected to cost Missouri employers about \$20 million annually. Missouri workers would have paid an average \$120 per year in taxes for the plan.

More than 440,000 uninsured or underinsured state residents would have received coverage under the plan, according to supporters' estimates.

Prior to the advertising blitz, opinion polls indicated that Missouri voters strongly favored the MedAssist plan (BI, Nov. 7).

Support for the initiative declined after opponents—including Gov. John Ashcroft and the Missouri Chamber of Commerce—waged an extensive advertising campaign in the last few days before the elections, according to Dian Sprenger, senior vp of the Missouri Hospital Assn. in Jefferson City.

The ads "raised peripheral issues that had nothing to do with the issue of health insurance," Ms. Sprenger said. For example, she explained, ads warned that the program, known as MedAssist, could prompt an influx of AIDS victims into the state seeking medical treatment.

The ads also warned that the earnings tax might apply to retired workers' pensions, which Ms. Sprenger said was not the intent of the measure. ■

Key insurance legislators won't return to Congress

By JERRY GEISEL

WASHINGTON—Two of the leading antagonists in the debate over mandated employer-sponsored health care coverage will not be returning to their Senate seats when the new congressional session begins in January.

Sen. Lowell Weicker, R-Conn., the only Republican on the Senate Labor and Human Resources Committee this year to vote for legislation that would require all employers to offer health care benefits, was narrowly defeated in last week's elections.

At the same time, Sen. Dan Quayle, R-Ind., who also was a member of the Labor and Human Resources Committee and who frequently blasted the Kennedy bill, was elected vice president.

Sen. Weicker's support for the federal health care benefit mandate was perhaps second only to the bill's sponsor, Sen. Edward Kennedy, D-Mass.

Connecticut Attorney General Joseph Lieberman narrowly edged out Sen. Weicker, a three-term veteran.

But even without the support of a friendly Republican, Sen. Kennedy will continue next year to push his mandated health care legislation through the Labor and Human Resources Committee.

"Sen. Kennedy will be as aggressive as ever, if not more so," said Frank McArdle, a consultant with Lincolnshire, Ill.-based Hewitt Associates.

Other congressional leaders who were involved in risk management or benefit issues and will not be returning to Congress include:

- Rep. Peter Rodino, D-N.J., chairman of the House Judiciary Committee.

A harsh critic of the insurance industry, Rep. Rodino is a powerful advocate of curtailing the McCarran-Ferguson Act, the 1945 law that gives the industry a partial exemption from federal anti-trust law and leaves primary regulation of insurers with the states.

Rep. Rodino did not seek re-election; he was first elected to the House of Representatives in 1948.

- Rep. Fernand St Germain, D-R.I., chairman of the House Banking, Finance and Urban Affairs Committee.

As committee chairman, Rep. St Germain had a strong interest in resolving to what extent banks and their affiliates should be allowed to underwrite and sell insurance.

Rep. St Germain, first elected to the House in 1960, was upset by Republican political newcomer Ronald Machtley, a Newport, R.I., attorney.

But, as has been the case in the last several elections, nearly all incumbents seeking re-election held on to their seats.

Incumbents returning to the 101st Congress who have been involved in employee benefit and risk management issues include:

- Rep. Rod Chandler, R-Wash., a member of the House Ways and Means Committee, has been one of the few members of Congress who has taken a positive interest in employee benefits legislation.

Rep. Chandler, for example, made an unsuccessful push to give employers tax incentives to pre-fund their retiree health care liabilities.

- Rep. James Florio, D-N.J., chairman of the House Commerce, Consumer Protection and Competitiveness Subcommittee.

Rep. Florio has played a major role in shaping environmental liability and hazardous waste legislation.

He also was a House sponsor of the 1986 amendments to the Risk Retention Act and his support was critical to their passage.

More recently, Rep. Florio has expressed interest in holding oversight hearings to analyze the impact and problems caused by the 1986 amendments.

- Sen. Howard Metzenbaum, D-Ohio, a member of the Labor and Human Resources Committee, has been the leading congressional figure in the drive to restrict employers' right to recover surplus assets from terminated overfunded pension plans.

- Rep. Bill Richardson, D-N.M., a member of the Commerce, Consumer Protection and Competitiveness subcommittee, introduced federal product liability reform legislation during the opening months of the 100th Congress. The measure, later substantially watered down, cleared the full House Energy and Commerce Committee.

Meanwhile, Slade Gorton, the former Republican senator from the state of Washington, will be returning to the Senate. Mr. Gorton lost re-election in 1986, but last week defeated Rep. Mike Lowry, D-Wash., to fill a vacancy left by the retirement of Sen. Daniel Evans, R-Wash.

In 1986, then-Sen. Gorton took an active role in product reform liability legislation. ■

Update

Fibreboard settles with insurer

Continued from page 2

In return, Fibreboard has agreed to drop its bad-faith lawsuit against Chicago-based Continental, one of its primary insurers.

Fibreboard also has modified its proposed structured settlement program so that the holders of structured settlement obligations will receive increased financial protection in the event the producer goes bankrupt (BI, Sept. 5).

Chubb settles with farmers

CINCINNATI—Chubb Corp. estimates it will pay \$48.1 million to settle the class-action suit filed against it by farmers in 10 Midwestern states stemming from the insurer's failure to bind \$400 million in drought coverage sold by its agents.

The settlement, which was reached last Tuesday in U.S. District Court in Cincinnati, includes \$5.1 million to pay farmers' attorneys fees. The offer was made Nov. 3 (BI, Nov. 7).

Under the settlement, which is subject to final approval by Judge Carl B. Rubin, farmers will receive amounts equal to the losses Chubb would have been paid if the insurer would have bound the coverage for the farmers, less any premium reimbursements or goodwill payments the farmers already have received.

Upon court approval, which Chubb expects this week, the insurer will deposit \$48.1 million with the court.

Specifics of the disbursements will be determined by the court. However, Chubb has released to state insurance commissioners an estimated breakdown of disbursements, which includes: \$14.6 million to Illinois farmers; \$13.8 million to Indiana farmers; \$7.6 million to Iowa farmers; \$5 million to Minnesota farmers; and \$2 million to Michigan farmers.

The agreement would void an earlier settlement reached in Minnesota and potential agreements in other states (BI, Aug. 8).

Although Chubb is still subject to administrative action in Illinois, Ohio, Indiana and Iowa, regulators from these states met with Judge Rubin last week and "came a long way to resolving the regulatory problems," said plaintiffs' attorney Michael J. Freed of Much, Shelist, Freed, Deneberg, Ament & Elger P.C.

Chubb said it will take an aftertax charge in the fourth quarter of approximately \$13 million to reflect the cost of the settlement.

Interim Piper Alpha payments

LONDON—Interim compensation payments will be made to more than 60 survivors of the Piper Alpha oil platform disaster as soon as possible, said a spokesman for Occidental Petroleum (Caledonia) Ltd., a major shareholder and operator of the drilling rig.

Undisclosed interim payments will be made to the more than 60 people injured in the explosion while their full medical records and reports are compiled to determine final claims, he said.

Meanwhile, the company still is negotiating compensation payments with lawyers representing relatives of the 167 people who died when fire engulfed the platform in the North Sea (BI, July 11).

Compensation payments totaling more than 100 million pounds (\$177 million) have been offered to the families. However, terms of the offer have not yet been finalized.

For example, Occidental last week agreed to drop a clause that required victims' relatives to give evidence in any litigation Occidental may file against third parties stemming from the explosion.

However, the company is refusing to drop a clause that bans claimants from seeking compensation from other parties after accepting Occidental's offer, the spokesman said.

P&I club may cover tanker

HALIFAX, Nova Scotia—Compensation to the survivors of 27 crew members who were feared dead last week when a Liberian-registered oil tanker sank in a storm in the North Atlantic could be covered by a British mutual.

Newcastle Protection & Indemnity Assn. in Newcastle-upon-Tyne, England, insures the owners for legal liabilities, including crew, cargo and oil pollution, confirmed Peter Fryer, manager of the association. The P&I mutual could also pay for the estimated \$13 million in crude oil lost and other legal liabilities if the owner of the vessel is found liable for the loss.

The 17-year-old ship's hull and machinery is believed to be insured in Italy's insurance market.

The Odyssey, which was recently purchased by Diamond Port Shipping Corp. of Monrovia, was loaded with 132,157 tons of North Sea oil and bound for Come-by-Chance near St. John's in Newfoundland, when she sank 700 miles off the coast of Nova Scotia Nov. 10. None of the 15 Greek and 12 Honduran officers was found.

Polembros Shipping Ltd., the London representatives of Diamond Port, would not comment on the loss.

Interim Texas regulator named

AUSTIN, Texas—A.W. "Woody" Pogue, deputy commissioner at the Texas State Board of Insurance, will direct the agency while investigators determine whether the board mishandled the insolvency of a Dallas-based insurer.

Mr. Pogue replaces Insurance Commissioner Doyce Lee, who agreed to step aside while allegations of mismanagement levied by some Texas legislators are investigated (BI, Nov. 7).

A spokesman said that a State Board "administrative inquiry" into the handling of the insolvency of National County Mutual Fire Insurance Co. is being headed by Jim Adams, an independent consultant and the former director of the Texas Department of Public Safety. National County Mutual was found to be insolvent in October by approximately \$54 million, making its failure the largest ever of a Texas property/casualty insurer.

An outside investigator will be hired to look into charges that the state board has been mismanaged and has inadequately failed to monitor insurers known to be in financial trouble.

Californians vote to restore Cal/OSHA

LOS ANGELES—Californians voted to re-establish the state's workplace safety program, known as Cal/OSHA, by passing Proposition 97 last week.

The measure will again allow the state to finance workplace safety oversight. The state had operated its own safety agency until Gov. George Deukmejian vetoed the program's \$7 million appropriation in 1987 (BI, Feb. 23, 1987).

At the time, Gov. Deukmejian contended that the program duplicates the effort of the federal Occupational Safety and Health Administration.

However, other state officials, labor groups and some business organizations argued that the state program was more effective and responsive to safety issues in California (BI, Aug. 15).

About 53.7% of Californians voted in favor of re-establishing Cal/OSHA.

Reinstatement of Cal/OSHA is "a victory for us, and it's a victory for workers in the state and citizens who are concerned about safety issues," said Richard Holober, education director of the California Labor Federation in San Francisco.

The Proposition 97 campaign, which the federation spearheaded, raised about \$1.4 million to promote the measure, Mr. Holober said. The measure had no organized opposition.

The initiative became effective immediately following the election, but state officials have not yet indicated how long it may take to put the agency back in business, Mr. Holober said.

Although it removed itself from private-sector workplace safety in early 1987, the state's program for public-sector safety remained in operation.

—By Glenn Huntley

Proposition 103

Continued from page 1

torium soon, a spokesman said Friday. "We hope that within a few days we will be back to business as usual," the spokesman said.

Said James W. McElvany, executive vp with Johnson & Higgins in Los Angeles, "We've seen a number of contracts that would actually have rate increases under the rollback provisions."

For example, directors and officers liability insurance rates, which have gone down in recent months, could be increased again if insurers of the coverage are forced to charge 20% less than the rates they charged in November 1987, Mr. McElvany explained.

"This would indicate that the drafters of the proposition really didn't consider the commercial market," he added.

"We've found that the renewals for fairly sophisticated, competitive risks have been about 35% below November 1987 rates," said George Andreini, vp and treasurer of Andreini & Co., a San Mateo, Calif.-based broker. "So, there could actually be an increase in rates for some commercial accounts."

Risk managers' first reactions after Election Day was one of concern for the impact of Proposition 103 on their insurance markets.

"I really think that this is going to hurt the insurance companies and our ability to get coverage in California," predicted Barbara Landis, manager of risk management and insurance for Carl Karcher Enterprises, an Anaheim-based owner and operator of fast food restaurants.

"I'm really surprised that Proposition 103 passed. It is a very frivolous thing that really isn't a good thing for the commercial market," said Anita Perceccio, risk manager for C.J. Segerstrom & Sons, a real estate development company in Costa Mesa.

"It does not seem actuarially correct to make everyone drop their rates 20% or more. Insurance is a pooling mechanism where everyone has to share risks," she added.

While the city of San Diego, which is self-insured for its property/casualty exposures, would not be directly hurt by availability problems created by the initiative, Insurance/Claims Manager Julian Johnson has one concern.

"Given the fact that so many insurers have already suspended their business, I think the issue here is what about the thousands of contractors and consultants the city purchases goods and services from. They are required to have an additional insured endorsement naming the city" on their own insurance policies to contract with the city, he explained.

"My crystal ball is cloudy right now, but I'm wondering about the effect this will have on the city's ability to enforce the terms of its contracts or agreements with outside suppliers. The fallout will be that the city will not be able to transfer a lot of its risk" and then will have to increase its own claims reserves, he said.

Other risk managers think public entities could be hit hard if there is an availability crisis generated by Proposition 103.

"Public entities have a hard enough time finding coverage anyway," said Jeff Stevens, risk manager for the city of Santa Ana.

The city has a self-insured retention of \$2 million for liability risks but purchases \$8 million in excess coverage through a pool. This excess coverage was just renewed on Oct. 1 and the city also renewed its property insurance on Nov. 1, he said.

"If the voters wanted this (Proposition 103), they should have limited it to personal lines because we already have a hard enough time

on the commercial side" securing coverage, said Tom Vance, risk manager for the city of Anaheim and president of the Public Risk Management Assn.

Asking insurers to drastically roll back their rates "to me is no different from people in California going to the grocers and saying, 'We pay too much for groceries. So, we want to cut the prices without doing anything to reduce the grocers' costs of doing business,'" Mr. Vance said, referring to the fact that Proposition 103 does not contain provisions to control claims and litigation costs.

"I think we're going to see some insurers pull out of the California market" if Proposition 103 is upheld, Mr. Vance added.

"I can understand everyone being frustrated with insurance rates, but the general public really doesn't understand what this will do to the availability of insurance," Ms. Landis of Carl Karcher Enterprises said.

The proposition states: "For any coverage for a policy for automobile and any other form of insurance subject to this chapter issued or renewed on or after Nov. 8, 1988, every insurer shall reduce its charges to levels which are at least 20% less than the charges for the same coverage which were in effect on Nov. 8, 1987."

And, beginning in November 1989, "good driver" discounts of 20% would be required for motorists who do not have more than one moving violation during the previous three years.

Proposition 103 also repeals insurers' immunity from state antitrust laws, which have allowed insurers to share loss history data and rate information. As a result, the Insurance Services Office Inc. has suspended dissemination of California-specific loss and rating information (BI, Oct. 31).

Additionally, Proposition 103 requires the state insurance commissioner to be elected by voters beginning in 1990. The commissioner now is appointed by the governor.

In the wake of the election victory for Voters Revolt to Cut Insurance Rates—the Santa Monica-based consumer group that sponsored Proposition 103—some insurers sued to block its enactment and others began announcing they would follow through on earlier promises to withdraw from California or suspend writing new business in the state.

Fireman's Fund Insurance Cos., State Farm Insurance Cos., Allstate Insurance Co., Farmers Insurance Group, CalFarm Insurance Co., the Assn. of California Insurance Cos. and ISO filed suit challenging the proposition.

Other insurers also filed briefs in support of the lawsuit or their own lawsuits in courts in San Francisco and Los Angeles.

The legal action seeks to establish that Proposition 103 violates insurers' constitutional rights, said John Crosby, executive vp of the insurer-backed No-Fault Cam-

paign, which sponsored a no-fault auto insurance proposition that was defeated.

"The issues here involve the constitutionality of Prop. 103's provisions mandating that insurance companies sell insurance at a loss until they stand at the brink of bankruptcy. Requiring a business to sell its product at a loss is simply not realistic. No insurer, or grocery store or any other enterprise can stay in business under those conditions," Mr. Crosby said.

Under Proposition 103, insurers can escape the rollback provisions during the first year only if they prove to the state Insurance Department that reducing rates would threaten them with insolvency.

An analysis by the department concluded that as many as 35 insurers could become insolvent within the first two years Proposition 103 is law.

Harvey Rosenfield, chairman of the Proposition 103 campaign, said he was not concerned about the insurers' legal challenge.

"We're confident that the court will not permit itself to be used as a shield against a measure approved by the people," he said.

Although expected, the court fight indicates that insurers consider themselves "as an industry that is above the law," Mr. Rosenfield said.

State Attorney General John Van de Kamp said he would "vigorously defend" Proposition 103 against challenges by the insurance industry. Mr. Van de Kamp's office is the leader in the antitrust litigation pending against 30 property/casualty insurance industry defendants.

Policyholders who receive renewal notices that do not include rollbacks should register complaints with the state Department of Insurance, Mr. Van de Kamp said.

About 20 insurers had notified the department that they planned moratoriums on new business, either on auto only or all property/casualty lines, but several had already changed those plans after the state court stayed Proposition 103, said Insurance Commissioner Roxani Gillespie.

Even if several insurers withdraw from California, there would be little impact on the market, she said. About 650 property/casualty insurers are admitted in the state.

"In California, it's going to take a lot" of insurer withdrawals to cause a substantial availability crisis, Ms. Gillespie said. "We're monitoring the situation on a daily basis."

Travelers Corp. announced it would "withdraw from certain segments of the California property/casualty market," including commercial and personal auto, homeowners and most other property/casualty lines, but declined to be more specific. These lines produce about \$225 million in annual premium volume, a spokesman said.

Proposition 103 "will produce an unacceptable business environment which necessitates this action," according to a statement by Travelers. "Our primary responsibility as an insurer is to meet our claim obligations to policyholders. The environment we see under Proposition 103 would produce losses and a drain on our capital. This is not in the interests of our current customers."

Fireman's Fund, while remaining in some commercial lines, withdrew from the state's personal automobile insurance market.

Fireman's Fund wrote \$177 million of personal lines and \$760 million in commercial and specialty insurance premiums in California in 1987. Specialty lines primarily include surety and ocean marine.

"Fireman's Fund deeply regrets the business decisions that have been forced on us," said Chairman William M. McCormick. Proposition 103 would cost the company "a financial drain in excess of \$100 million" and impair its ability to do business in the state, he said.

"For this reason we have no choice but to immediately take action to protect our business and our rights. We hope that this situation will be corrected so that we can maintain our strong presence in the state of California," Mr. McCormick said.

Farmers Insurance Cos. of Los Angeles, the state's third-largest auto insurer, has not stopped writing new policies but will issue them at current rates pending the Supreme Court's ruling, a spokesman said.

State Farm does not intend to suspend operations or withdraw from the market. However, it estimates it would have to cut rates by 26% below current rates under Proposition 103, costing the insurer \$1.3 million in lost premium every day, a spokesman said. State Farm wrote about \$1.5 billion in auto insurance premiums in the state in 1987.

Allstate, which had suspended writing commercial and private auto and property insurance in California on Nov. 8, decided Thursday following the Supreme Court stay to resume that business in the state, a spokesman said. Allstate, the state's fourth-largest auto insurer, wrote \$864 million in auto insurance premiums in California last year.

Insurers suffered the worst possible defeat at the California polls because consumers were angry.

"California voters have registered their displeasure with insurance rates by their support of Proposition 103," Mr. Crosby conceded Wednesday. "The property/liability insurance companies doing business in California regret that the real reforms contained in Proposition 104 were not adopted by the voters."

In an earlier interview, Mr. Crosby said lack of support for no-fault auto insurance in California was due largely to the industry's

inability to overcome low public opinion of insurers.

The no-fault campaign also spent much of its time and money responding to consumer advocate Ralph Nader, who had endorsed Proposition 103 and had campaigned for it in the closing weeks of the campaign, said Marjorie Berte, chairman of Citizens for No-Fault, the industry's grassroots group.

"Every time Nader came to the West Coast, it (Proposition 103) would pop up a few points (in the polls) and it would take a million bucks in advertising to bring it back down," she said.

Insurance industry trade groups expressed disappointment with the results of the California battle.

Voters there were "beguiled by the quick-fix proposals of our opponents," said Franklin Nutter, president of the Alliance of American Insurers in Schaumburg, Ill.

Instead of dealing with the costs behind insurance rates, Proposition 103 proponents chose to use emotional appeals to make their case, he said.

"This vote also proves that the initiative process is not the best means of dealing with complicated and technical public policy problems like these," Mr. Nutter said.

He also noted that Proposition 103 passed by a narrow majority. Outside of Los Angeles County voters generally rejected the initiative.

If the initiative is upheld, it will not only disrupt the California insurance market, but also will threaten the economic viability of some insurers, said Lowell Beck, president of the National Assn. of Independent Insurers in Des Plaines, Ill.

"The survival of the private (insurance) industry as we know it is at risk here," Mr. Beck said. "The public is making a decision here about whether the private industry remains in the business or if it's turned over to government."

The ultimate decision, however, probably will come through the courts, he said.

"What concerns us now is the constitutional question of whether California can order insurers to commit economic suicide. We hope that the industry's lawsuit will clarify that issue," Mr. Beck said.

The American Insurance Assn. in Washington, D.C., has filed an amicus curiae brief in the case with the state Supreme Court, said AIA President Robert E. Vagley.

"Proposition 103 is in fact a consumer's nightmare. We urge other states not to let this Trojan horse of automobile insurance reform into their borders and instead to enact real solutions, such as strong and effective no-fault systems," Mr. Vagley said.

Insurance industry experts have expressed fears that California's insurance revolt might be exported to other states that have initiative processes (BI, Oct. 24).

Mr. Rosenfield said last week that dozens of consumer groups from throughout the nation have contacted his group to ask how to launch similar reform efforts. He predicted that insurance reform efforts are likely to "happen everywhere within a year."

But Mr. Beck said that the prospects for a tidal wave of reform measures such as Proposition 103 sweeping the country are remote.

California was vulnerable to the popular uprising primarily because auto insurance rates had become extraordinarily high there, particularly in the Los Angeles area, he said. Those conditions do not exist in most regions in the country, Mr. Beck said.

Mr. Nutter, other insurance industry leaders and risk managers urged the state Legislature to work toward a compromise.

The Legislature, currently in recess, will return for its next regular session in January.

Prop. 103 receives 51% of vote

LOS ANGELES—California voters approved Proposition 103 by only the smallest of margins last week, while voters rejected the four other insurance and tort reform proposals on the state's ballot.

Only 51.1% of the state's voters favored Proposition 103, which mandates that rates for most types of property/casualty insurance be rolled back to 20% less than year-ago rates.

However, in Los Angeles County, where auto insurance rates are the highest in the state, Proposition 103 won the support of 62.8% of the voters.

Proposition 104, the insurance industry-sponsored proposition that would have established no-fault automobile insurance in California, was supported by only 25.3% of the voters despite an insurer-financed, \$60 million campaign.

The no-fault initiative fared even more poorly in Los Angeles County, winning "yes" votes from only 22.2% of the electorate.

Another insurance-related proposal, Proposition

100, fared better than the no-fault proposal, but still fell short of the 50% of votes needed to become law.

The proposition, which would have reduced auto insurance rates for "good drivers" by 20% from January 1988 rates, was favored by 41% of the voters.

Proposition 101—sponsored by Coastal Insurance Co. of Van Nuys, Calif., attracted support from only 15.4% of the voters. The proposal would have cut bodily injury auto insurance rates by 50% from Oct. 31 levels.

California voters also defeated Proposition 106, which would have capped contingency fees for trial attorneys. Proposition 106, which also was supported by the insurance industry, received "yes" votes from 46.7% of the voters.

Insurers had promoted Proposition 106 as means to control the costs of litigation related to insurance cases, but its opponents, including the California Trial Attorneys Assn., argued that it would do nothing to lower insurance rates in the state.

Section 89 survey

Continued from page 1

tests to determine whether a sufficient percentage of their non-highly compensated employees are covered or are eligible to participate in welfare plans, like group health and life insurance programs. If a company fails the non-discrimination tests, its highly compensated employees will be taxed on all or a portion of their benefits.

As a result, depending on which test the employer fails, highly compensated employees in "discriminatory" health care plans could be hit with between \$2,000 and \$3,000 in additional taxable income annually, Mr. Mead said.

Of the 505 surveyed companies, 280 have more than 1,000 employees and 225 have fewer than 1,000 workers. The surveyed firms have 3 million employees in their welfare plans.

The survey found that 30% of large employers do not know yet whether their health care plans will pass the tests, and 15% predict their programs will fail the non-discrimination tests. But, 55% of large firms believe their health care programs will pass the Section 89 non-discrimination tests.

Small employers are somewhat more optimistic that their health care plans will pass Section 89 muster.

Sixty percent of small companies predict that their health care plans will pass the non-discrimination tests, while 16% said their plans will fail and 24% were not sure.

The survey also found that a high percentage of companies also either are unsure whether their group life insurance plans will fail the non-discrimination tests or predict their plans will fail the tests.

For example, 30% of large companies do not know whether their life insurance plans will pass the non-discrimination tests, while 21% expect the plans to fail.

However, 49% of large companies predict their life insurance plans will pass.

Among smaller companies, 23% do not know whether their life insurance plans will be discriminatory, while 13% expect their plans to fail. Sixty-four percent of small firms believe their life insurance plans will be non-discriminatory.

The percentage of surveyed employers that believe their group health care plans will pass the non-discrimination tests varied by industry.

At the high end, 68% of surveyed insurers and 65% of the health service industry, such as hospitals and health maintenance organizations, expect their group health care programs to pass the tests.

Twenty-four percent of insurers say they do not know whether their health care plans will pass, and 8% expect that their plans will fail.

In the health service industry, 24% of the surveyed employers cannot predict whether they will pass the non-discrimination tests and 11% believe that their plans will fail.

At the low end, just 44% of the surveyed employers in the wholesale/retail industry say their health plans will pass the tests, and 49% of professional/technical firms predict that their plans will pass the non-discrimination tests.

Thirty percent of wholesale/retailers predict their plans will flunk the non-discrimination tests and 26% are not sure.

Among technical/professional firms, 36% are not sure and 15% predict failure.

Not surprisingly, large employers expect more difficulty than smaller companies in collecting the enrollment data needed to run the Section 89 non-discrimination tests.

For example, 92% of large companies said they expect Section 89 data collection to be either somewhat difficult or very difficult, compared with 78% of small employers.

Meanwhile, 22% of small employers do not expect data collection to be difficult, compared with 8% of large employers.

The disparity arises because large employers are much more likely to offer more plans than small companies, and the plans offered by large firms tend to be more complex than those offered by small employers, according to Foster Higgins.

The survey points out, for example, that employers with fewer than 1,000 employees have an average of five plans for Section 89 non-discrimination testing purposes compared with 57 plans for companies with between 2,500 and 10,000 employees and 136 plans for companies with more than 10,000 employees.

A major reason that many employers believe that their benefit plans will fail the non-discrimination tests is that Section 89 requires companies to count employees working at least 17.5 hours each week when running the non-discrimination tests. But only a handful of companies extend benefit coverage to part-timers working few hours.

However, about 25% of employers do not know how many of their part-time employees work at least 17.5 hours a week—the threshold for counting employees in the non-discrimination tests.

"Seventeen and a half hours suits almost no corporation's definition of what is a part-time employee," said David Rahill, a Foster Higgins principal in Princeton, N.J.

"It is an arbitrary number," he said.

Indeed, the Foster Higgins survey found that just 6% of companies provide group health and life insurance coverage to employees working fewer than 20 hours a week.

Among the remaining employers, 30% require employees to work 20 hours a week before they are eligible for coverage.

Another 6% of employers require employees to work between 21 and 29 hours a week to be eligible for coverage, 24% require employees to work at least 30 hours and 13% require employees to work between 31 and 39 hours a week before the employees are eligible for benefits.

Twenty percent of employers limit benefit plans to employees working 40 hours a week.

One implication of the 17.5-hour work week standard may be a reduction in the use of part-time employees, the survey notes.

"The trend toward use of part-time employees to reduce costs may be slowed due to the severe penalties imposed on other employees due to failure to cover part-timers," the survey said.

"Section 89 is a very tough law" to comply with, Mr. Mead said.

The survey also found that despite fairly explicit rules under Section 89, a hefty 20% of employers with more than 1,000 employees do not know what percentage of their employees will be considered highly compensated. Under Section 89, the highly compensated group includes employees earning more than \$75,000 and employees earning more than \$50,000 who also are among a company's top paid 20%.

While such salary information appears fairly basic, benefit managers who work in decentralized firms may not have access to salary data, said Edward J. Davey, a principal with Foster Higgins in New York.

"There has been a downstreaming of corporate structure in which there has been more autonomy for local operating units. Therefore, data retention has been local," Mr. Davey said.

He added that one effect of Section 89 will be a greater corporate centralization of benefit and salary information.

Only about one-third of the employers that believe their health care plans will fail the non-discrimination tests say they are "inclined" to revise the plans.

But more employers—47%—that offer group life insurance plans found discriminatory are "inclined" to amend the plans, the survey found.

If those predictions prove accurate, then the ostensible purpose of Section 89—encouraging employers to expand their welfare plans to more lower-paid employees, such as part-timers—will be defeated.

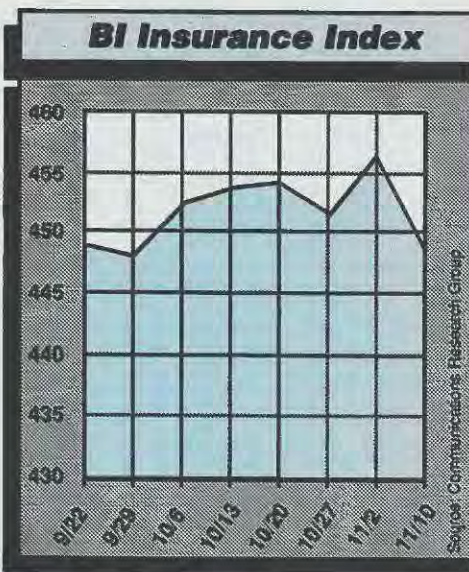
Indeed, Foster Higgins consultants say employers with many part-time employees may find it cheaper to offer "discriminatory" plans and then reimburse highly compensated employees for the additional tax bite.

"In some instances, employers will 'gross up' highly compensated employees. That could be a lot less expensive than offering coverage to 30,000 part-time employees," said Mr. Davey.

Rather than expanding coverage, Section 89 then would really become a back door way of taxing benefits for the highly compensated, Mr. Rahill observed.

"It is a mechanical way of setting" a cap on tax-free benefits to the highly compensated, Mr. Mead said.

Free single copies of the executive summary of "Survey on Section 89 Non-Discrimination Requirements," are available from Paul Mead, A. Foster Higgins & Co. Inc., 345 California St., San Francisco, Calif. 94104; 415-981-5009.



Insurance industry stocks followed the rest of the market down last week, as the *Business Insurance Index* fell 8.2 points to 448.9 on Nov. 10, from 457.1 on Nov. 3. Advancing issues were led by Tokio Marine & Fire Insurance Ltd., up 8.9%; Arthur J. Gallagher & Co., up 4.9%; Fremont General Corp., up 4.5%; Phoenix Re Corp., up 3.7%; and Hilb, Rogal & Hamilton, up 1.8%. Declining issues were led by Frank B. Hall & Co., down 15.4%; Chandler Insurance Co., down 10.1%; Sears, Roebuck & Co. (Allstate) and Provident Life & Accident Insurance Co., each down 9%; and SCOR U.S. Corp., down 7.5%. Issues showing the most activity during the period were: Sears, Roebuck & Co. (Allstate), 5.4 million shares traded; Farmers Group Inc., 4.2 million shares traded; and United States Fidelity & Guaranty, 1.6 million shares traded. The *Business Insurance Index* dropped 1.8% for the period, faring better than the leading market indicators: The Dow Jones 30 Industrials fell 2.6%, while the Standard & Poor's 500 and the New York Stock Exchange Composite each lost 1.9%.

Nov. 10 Companies	Price pence	P/E	Div. pence	Yield %	High-Low pence
Comm Union	328	10.6	25.3	7.7	336-328
Gani Accident	844	8.4	58.0	6.7	849-844
Gdn Royal Exch	175	9.4	13.1	7.5	179-174
Royal	373	8.1	30.0	8.0	382-373
Sun Alliance	1019	7.8	54.7	5.4	1025-1012

Brokers	Price	P/E	Div.	Yield	High-Low
Bradstock	211	11.4	8.0	3.8	223-211
CE Heath	448	14.5	34.5	7.6	448-440
Hogg Robinson	154	13.1	8.0	5.9	156-153
Lloyd Thompson	208	16.4	8.0	3.8	208-208
PWS Holdings	144	20.6	6.0	3.6	144-134
Sedgwick Grp	226	18.8	16.0	7.1	230-226
Steel Brl Jones	221	19.7	13.3	6.0	222-221
Willis Faber	236	13.2	16.0	6.8	241-236

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kiteat & Aitken Stockbrokers, London

BI Industry Stock Report

NOVEMBER 10, 1988 11/4/88 THRU 11/10/88

Company	Exchange	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value
					High	Low						
BROKERS												
Alexander & Alexander Svcs	NYSE	25.00	1.0	40.6	28.13	17.75	426	1.00	4.0	17.1	3.71	6.74
Corroon & Black Corp.	NYSE	30.38	-0.4	7.5	34.75	28.00	26	1.08	3.6	4.6	5.43	5.59
Gallagher Arthur J. & Co.	NYSE	18.50	4.9	15.6	19.13	13.88	230	0.48	2.6	12.8	5.16	3.59
Hill Frank B. & Co.	NYSE	2.75	-15.4	-4.5	5.50	2.75	158	0.00	0.0	12.8	0.00	N/A
Hilb, Rogal & Hamilton	OTC	14.00	1.8	43.6	14.50	9.75	18	0.00	0.0	12.8	0.00	N/A
Marsh & McLennan Cos. Inc.	NYSE	56.38	-4.0	13.9	59.63	45.25	365	2.50	4.4	13.8	6.74	8.36
Poe & Assoc. Inc.	OTC	8.25	0.0	17.9	9.25	6.75	0	0.40	4.8	12.7	0.27	30.56
BROKERS AVERAGE -1.7 19.3												
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	29.63	0.9	23.5	30.00	23.50	399	0.36	1.2	6.4	17.63	1.68
Berkshire Hathaway Inc. DEL	OTC	4775.00	0.0	61.9	5000.00	2755.00	117	0.00	0.0	21.1	77.66	1.93
ITT (Hartford Group)	NYSE	50.63	-4.5	12.5	54.88	43.25	1134	1.48	2.9	6.4	52.23	0.97
Sears Roebuck & Co. (Allstate)	NYSE	41.88	-9.0	24.5	46.13	32.25	5369	2.00	4.8	10.9	34.74	1.21
CONGLOMERATES AVERAGE -3.2 30.6												
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	47.88	-4.2	5.8	52.50	39.50	599	2.76	5.8	7.9	53.56	0.89
American General Corp.	NYSE	31.88	-6.2	0.4	36.38	27.50	921	1.40	4.4	8.1	28.04	1.14
Amer Heritage Life Inv't	NYSE	26.50	-0.5	9.3	27.00	24.00	0	1.08	4.1	11.2	20.98	1.26
Amer Indly Fin'l Corp.	OTC	10.00	0.0	11.1	12.00	8.25	5	0.56	5.6	17.5	15.26	0.66
American Int'l Group	NYSE	64.13	-3.0	6.9	68.75	49.00	712	0.40	0.6	9.5	33.56	1.91
Aon Corp.	NYSE	28.50	0.0	24.6	28.75	21.88	336	1.28	4.5	9.3	15.13	1.88
Argonaut Group	OTC	43.00	-0.5	44.5	49.00	29.50	104	0.00	0.0	6.0	29.19	1.47
AVEMCO Corp.	NYSE	24.00	1.6	22.3	28.75	17.88	33	0.34	1.4	11.2	7.74	3.10
Belvedere Corp.	AMEX	4.63	-2.5	5.7	6.00	4.00	7	0.04	0.9	6.8	7.87	0.59
Chandler Insurance	OTC	8.88	-10.1	82.0	10.25	4.25	31	0.00	0.0	4.3	7.18	1.24
Chubb Corp.	NYSE	56.13	-0.2	0.4	63.38	51.25	329	2.16	3.8	6.4	46.13	1.22
CIGNA Corp.	NYSE	49.13	-2.5	12.0	55.38	42.75	374	2.96	6.0	9.1	49.19	1.00
CNA Fin'l Corp.	NYSE	59.00	-3.3	6.1	66.13	51.00	135	0.00	0.0	9.3	46.40	1.27
Continental Corp.	NYSE	36.25	-5.8	-6.5	41.63	34.75	348	2.60	7.2	11.6	42.10	0.86
Durham Corp.	OTC	32.75	-7.1	52.3	36.75	21.50	83	0.92	2.8	38.1	26.00	1.26
Farmers Group Inc.	OTC	73.13	0.5	81.7	73.00	40.50	235	1.44	2.0	17.2	22.02	3.32
Fireman's Fund Corp.	NYSE	29.63	-2.9	14.0	33.50	25.75	418	0.50	1.7	128.8	26.17	1.13
Forum Re (Bermuda)	OTC	2.38	0.0	-29.6	4.00	2.13	0	0.00	0.0	6.6	2.58	0.92
Fremont Gen Corp.	OTC	11.63	4.5	20.8	13.50	8.75	958	0.60	5.2	6.6	16.24	0.72
General Re Corp.	NYSE	54.50	-3.3	-2.5	59.38	45.50	551	1.20	2.2	11.1	26.21	2.08
Home Group Inc.	NYSE	11.25	-4.3	-5.3	14.38	10.75	258	0.20	1.8	2.8	17.76	0.63
Hanover Ins Co.	OTC	27.00	-0.9	16.1	27.75	20.50	35	0.36	1.3	5.1	25.10	1.08
Harleysville Group Inc.	OTC	16.00	0.0	22.0	16.38	13.38	37	0.48	3.0	6.3	16.65	0.96
Hartford Steam Boiler	OTC	32.13	-0.4	39.7	32.75	22.50	70	1.20	3.7	11.0	10.65	3.02
Kans City Life Ins	OTC	32.50	0.8	23.8	32.50	25.25	9	0.00	0.0	11.0	29.60	1.10
Kemper Corp.	OTC	24.00	-2.6	17.1	27.50	20.75	738	0.72	3.0	7.6	26.50	0.91
Lawrence Ins. Group	AMEX	10.38	-2.4	130.7	11.63	4.50	2	0.24	2.3	17.0	2.90	3.58
Liberty Corp. S.C.	NYSE	39.88	-0.9	12.3	47.25	34.50	1124	0.80	2.0	13.8	17.40	2.29
Lincoln Nat'l Corp.	NYSE	48.25	-3.3	20.2	53.00	40.25	212	2.36	4.9	12.5	36.62	1.32
NAC Re Corp.	OTC	30.75	0.0	73.2	31.50	18.50	37	0.00	0.0	13.7	19.92	1.54
Navigators Group	OTC	20.25	1.3	39.7	20.25	14.50	12	0.00	0.0	9.8	12.88	1.57
Nobel Ins Ltd.	OTC	5.88	-2.0	-32.8	9.50	4.50	6	0.44	7.5	28.0	9.37	0.63
Northwestern Nat'l Life	OTC	31.50	-5.3	37.7	34.50	22.63	430	1.12	3.6	7.6	35.05	0.90
Ohio Cas Corp.	OTC	35.25	-2.1	-2.8	38.25	32.25	75	1.88	5.3	6.6	27.86	1.27
Old Rep Int'l Corp.	OTC	24.63	0.5	23.2	25.88	19.13	97	0.74	3.0	5.8	27.82	0.89
Orion Cap Corp.	NYSE	15.38	-3.9	13.9	17.63	13.13	30	0.76	4.9	5.2	9.34	1.85
Phoenix Re Corp.	OTC	10.50	3.7	61.5	11.00	6.75	80	0.00	0.0	5.7	11.08	0.95
Protective Life Corp.	OTC	13.25	0.0	8.2	15.13	12.25	38	0.70	5.3	16.2	17.2	

*"A disk full of risk information?"
"I thought you wanted a desk full!"*



You won't hear that from Zurich-American. That's because our Automated Insurance Management System (AIMS), provides risk managers with comprehensive, easy-to-use information on regularly updated personal computer disks.

So instead of wading through books or searching for reports, you can have instant access to data related to claims inquiries, pre-defined reports, summary reporting — in short, the information you need to effectively and efficiently manage your company's loss activities.

Which is one more creative approach to better insurance. And one you can depend on. From Zurich-American.



ZURICH-AMERICAN

American Creativity. Swiss Dependability.

ZURICH-AMERICAN INSURANCE GROUP
Zurich Insurance Company • American Guarantee and Liability Insurance Company • Executive Offices, Schaumburg, IL 60196

A MEMBER OF THE WORLDWIDE ZURICH INSURANCE GROUP