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update

Dalkon Shield maker settles 198 lawsuits for $38 million

RICHMOND, Va.—A.H. Robins Co., the manufacturer of the Dalkon Shield intrauterine device, has settled 198 lawsuits filed against it for an estimated $38 million.

It is the largest group settlement so far in the Dalkon Shield litigation and was reached with the Minneapolis law firm of Robins, Zelle, Larson & Kaplan, which represented the plaintiffs.

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The prime cuts

Employers rate cost-containment options

By JERRY GEISEL

NEW YORK—What are the most effective ways to contain health care costs?

Changing the way health costs are financed, boosting employee deductibles and coinsurance levels, requiring employee contributions to health insurance premiums and improving coordination of benefits and plan administration, say employers that are measuring the results.

On the other hand, requiring employees to have annual physicals, membership in employer health care coalitions, voluntary second opinion surgery programs and retrospective review boards can cost as much as they save, said the employers that responded to a survey by Towers, Perrin, Forster & Crosby, a New York-based benefit and management consultant.

The TPF&C 1984 Group Insurance Survey, released last week to participants only, asked 298 employers to identify and rate the health care cost-containment measures they have considered, implemented and measured during the last year.

The survey also was designed to measure employers' evaluation of the services provided by their benefit insurers (see story, page 31).

The plans provided by surveyed employers represent $2.2 billion in paid claims, 1.5 million covered employees and retirees and $126.3 million in retention or administration charges.

Surveyed employers include such Fortune 500 corporations as Boeing Co., General Foods Corp. and Goodyear Tire & Rubber Co., as well as much smaller companies with fewer than 500 employees.

The national survey follows a TPF&C pilot survey last year that asked 94 Chicago and Milwaukee employers similar questions (*BI*, Feb. 7, 1983; Feb. 14, 1983). Those Chicago and Milwaukee employers were not included in the second survey.

While different employers were surveyed, comparisons between the two groups are valid, said David Glueck, a TPF&C vp who coordinated the two surveys.

"My sense is that if we had surveyed the same 98 companies, the results would not have been that different," he said, noting that there were no geographical variations in results among employers interviewed for the national survey.

"We feel reasonably comfortable with the comparisons we've drawn," he said.

The most recent survey was conducted between the spring and summer of 1983, when TPF&C consultants interviewed employee benefit and/or personnel managers at 298 companies.

TPFC asked the employers to rate the effectiveness of cost-containment techniques on a scale of 1.0 to 4.0: one point indicating the cost of the measure exceeded the savings; two, the cost equaled the savings; three, the technique produced a slight savings; and four, the technique resulted in significant health care cost savings.

The strategy that produced the most significant saving was changing the way in which health care

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NESCO will stop writing all new, renewal business

By DOUGLAS McLEOD

SOUTH BARRINGTON, Ill.—Northbrook Excess & Surplus Insurance Co., the nation's fifth-largest surplus lines insurer ranked by 1983 premium volume, will stop writing new and renewal business as of Jan. 1.

In addition, Northbrook Indemnity Co. will stop accepting primary professional liability and New York Free Trade Zone risks after the end of the year.

Northbrook Indemnity, which was used on a "limited basis" for these lines, will continue to write workers compensation and miscellaneous property/casualty coverages through Northbrook branch offices and through the company's national accounts division, a spokesman said.

Both companies are units of Allstate Insurance Co, a subsidiary of Sears, Roebuck & Co.

In a letter to brokers dated Nov. 9, NESCO President Robert A. Leibold said that outstanding quotations on new or renewal business with coverage effective dates of Dec. 31 or earlier will be honored.

"However," the letter added, "we would encourage you to submit any other new business, regardless of inception date, to other markets."

Northbrook executives declined to be interviewed. Laurence P. O'Connor, NESCO's vp of underwriting, answered questions through a spokesman.

"Management review of all aspects of writing E&S business did not indicate that the state of this market would improve significantly in the foreseeable future. Consequently, a decision was reached that our commercial operations should be concentrated in the broadly based primary marketplace where we perceive superior opportunities for growth and profit," Mr. O'Connor said through the spokesman.

Commercial property/casualty business will continue to be written through Northbrook Indemnity, Northbrook National Insurance Co. and Northbrook Property & Casualty Insurance Co., the spokesman said.

Although NESCO's experience on excess/surplus lines business so far has been worse than that of other major markets, some brokers question the company's decision, pointing out that prices on E/S business are on the rise.

"Right now is the greatest opportunity in the history of the business for getting increased rates," observes Donald Sherwood, president of Sherwood Insurance Services in San Francisco, a large NESCO producer.

"It's a classic case of pulling out at the wrong time," commented another broker, who did not wish to be named.

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Keene settling with primary liability insurers

By STEPHEN TARNOFF

WASHINGTON—More than six years after it began, litigation between asbestos defendant Keene Corp. and its four primary insurers over coverage for asbestos injury claims is ending.

And, it appears more likely that Keene, the New York-based subsidiary of Bairnco Corp., will join the asbestos claims facility proposed under the Wellington agreement.

In 1978, Keene went to court seeking a declaratory judgment to determine how its insurers would have to respond to asbestos injury claims from Keene. In 1981, an appellate court interpreted coverage broadly in favor of Keene, and in 1982 Keene amended its complaint against its insurers to seek compensatory damages and punitive damages for bad-faith conduct by the insurers.

But, as of late last week, Keene had signed a settlement agreement with Aetna Casualty & Surety Co. and was working out final, minor details with Hartford Accident & Indemnity Co. and Liberty Mutual Insurance Co. that would end all litigation with these insurers.

It also had reached agreement with Insurance Co. of North America on all issues except INA's duty to defend on pre-1966 policies.

The settlements—whose terms were not disclosed—came only weeks before the Nov. 26 scheduled opening of a trial in the insurance coverage dispute. This would been the first trial to determine whether insurers of a defendant in asbestos litigation are liable for bad-faith conduct in their handling of asbestos claims.

Keene's original 1978 request for a declaratory judgment to determine available insurance for asbestos claims was the basis for the landmark *Keene Corp. vs. Insurance Co. of North America* decision handed down by the U.S. Court of Appeals for the District of Columbia on Oct. 1, 1981 (*BI*, Oct. 12, 1981).

In that decision, the court said all of Keene's liability insurers between 1961 and 1981 that were on the risk at any point from the time a victim was exposed to asbestos through manifestation of the disease, including the latency period between exposure and manifestation, were liable for asbestos injury claims.

This coverage interpretation has been coined the triple-trigger theory. It affords asbestos defendants much broader coverage than the exposure theory, which says only insurers on the risk at the time a person was exposed to asbestos are liable, or the manifestation theory, which says only those insurers on the risk at the time the disease manifested itself are liable.

Following the appellate court decision, Keene in 1982 amended its complaint to include that insurers always knew that the triple-trigger theory was the correct coverage theory, but had deliberately changed their coverage positions to avoid liability.

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NEWSPAPER

Asbestos claims facility plan tempered to attract more players
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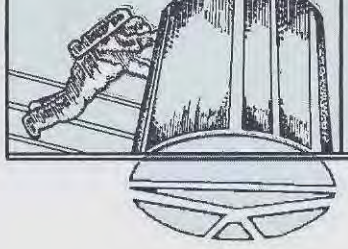

Space adventure pays off for insurers
Page 3

update

Group settlement in IUD suits

Continued from previous page

The cases were brought in state and federal court in Minnesota by women who used the IUD and who claimed injuries including pelvic inflammation, birth defects and infertility.

A spokesman for Robins said that the overall amount involved is substantial and "exceeds amounts historically paid" Dalkon Shield claimants, but he declined to reveal the amount of the settlement.

The spokesman added, however, that Robins believes the high amount of the settlement is "directly attributable" to Judge Miles Lord's public comments over the past several months, which Robins feels "have so inflamed and prejudiced potential jurors that a fair and impartial trial for Robins in Minnesota is no longer possible."

Judge Lord was recently reprimanded by the 8th Circuit U.S. Court of Appeals for his comments about Robins and its officials last February. The comments were ordered struck from the record (*BI*, Nov 12).

As of Sept. 30, Robins had about about 3,600 pending claims against it and, with its insurer, Aetna Casualty & Surety Co., had paid out about $244 million in jury verdicts and settlements for about 6,200 cases, not including litigation expenses. This doesn't include the recent group settlement.

Lockheed settlement covered

WASHINGTON—A Lockheed Aircraft Corp. official says the company has "adequate" liability insurance coverage for its share of a $17.8 million air crash settlement announced last week.

Lockheed and the U.S. government will jointly fund the settlement covering about 104 Vietnamese orphans and others who survived the 1975 crash of a Lockheed C5-A cargo plane near Saigon.

The crash killed 135 of the 327 people aboard, including 78 orphans who were being airlifted to the United States for adoption.

About 54 other survivors have already settled lawsuits at an average of $300,000 per case, says Carroll E. Dubuc, Lockheed's Washington attorney.

Lockheed currently carries $1 billion in liability coverage, the first $400 million of which is divided on a quota-share basis among London underwriters, U.S. Aircraft Insurance Group and others. London underwriters have 80% of the first $400 million and USAIG has 10%, says Robert E. Butler, Lockheed's director of corporate insurance/risk management.

The Lockheed program was structured the same way at the time of the crash, though the liability limit then may have only been $500 million, he said.

Washington state self-insured

OLYMPIA, Wash.—The state of Washington's self-insurance program would pay any awards assessed against the state or state officials named in a lawsuit that alleges the state is responsible for the bond default by the Washington Public Power Supply System, according to a state spokesman.

The state has no outside insurance that would cover an award or settlement, the spokesman says.

The suit, filed last week in King County Superior Court, says the state is responsible for principal and interest payments amounting to $7.25 billion after the WPPSS defaulted on repayment of bonds sold to construct two nuclear power plants (*BI*, May 14).

The National WPPSS 4-5 Bondholders Committee filed the suit on behalf of 70,000 others that hold bonds to help finance the fourth and fifth plants in the system's nuclear power network.

Among the officials named as defendants in the suit are Gov. John Spellman; State Auditor Robert V. Graham; state Senate President John Cherbourg; Senate Majority Leader Ted Bottiger; and House Speaker Wayne Ehlers.

N.Y. loss portfolio rule modified

NEW YORK—The New York Insurance Department has issued a regulation governing the disclosure and crediting of loss portfolio transfers, though the regulation was modified from the department's original proposal in response to industry objections.

A department spokesman says the new regulation, issued Friday, has a narrower definition of a loss portfolio transfer that focuses more closely on financing arrangements. The definition now states a loss portifolio transfer has been made when a loss portfolio has been assumed for a sum that is "derived from present value or discounting concepts based on anticipated investment income."

Industry sources had complained that the previous definition was too broad and would have affected many routine reinsurance transactions (*BI*, Oct. 8).

Among other modifications, the new regulation no longer requires that loss portfolio transfers made before the regulation takes effect on Nov. 30 comply with certain minimum terms. They must still be reported retroactively, however. In addition, structured settlements have been exempted from the regulation.

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Judge rules cigarette warning won't protect firms from suits

By MICHAEL BRADFORD

NEWARK,N.J.—"Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health."

That federally mandated message that appears on cigarette packages does not protect cigarette manufacturers from lawsuits by smokers who claim smoking has damaged their health, a U.S. District Court judge has ruled.

In a recent opinion, Judge H. Lee Sarokin of U.S. District Court in Newark opened the way for a suit to be heard against cigarette manufacturers Liggett Group Inc. of Montvale, N.J.; Philip Morris Inc. of New York; and Loews Corp., also of New York.

The suit, which is similar to at least seven others pending in New Jersey and aimed at various cigarette manufacturers, was filed a year ago on behalf of Rose Cipollone and her husband, Antonio. An attorney for the plaintiffs said that the case should be heard in about a year.

Mrs. Cipollone, who died last month of lung cancer at age 59, and her husband charged the three cigarette makers with producing an unsafe product, negligence and intentionally failing to warn consumers of the specific hazards of smoking.

The suit does not ask for specific damages, since awards must be determined in a jury trial, according to New Jersey law.

In a general response to such charges, the cigarette manufacturers have claimed that they are protected from such lawsuits by the Federal Cigarette Labeling and Advertising Act passed in 1965 and amended later to require the warnings that began in 1971.

However, spokesmen for Liggett Group and Phillip Morris would not comment specifically on the suit or their insurance coverage, and Loews Corp. would not return phone calls from *Business Insurance*..

In his opinion in the Cipollone case, Judge Sarokin used drug manufacturers as an example of how such

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Nomination deadline near

The Dec. 7 deadline to nominate a candidate for the 1985 *Business Insurance* Risk Manager of the Year Award is rapidly approaching.

If you have requested a nominating packet from *Business Insurance*, now is the time to put the finishing touches on your candidate's nomination and return it to us. Those who wish to nominate a candidate and have not yet requested a nominating packet should do so immediately by calling 312-649-5279.

Nominations received after the Dec. 7 deadline will not be considered.

Court voids noise level amendment

By DIANE LYNN KASTIEL

WASHINGTON—Employers do not have to meet a recent hearing conservation amendment to the Occupational Health and Safety Administration's 1971 noise exposure standard, a federal court says.

However, experts say the ruling won't have a great effect on employers—especially large corporations—that have already met the new standard.

The 4th U.S. Circuit Court of Appeals on Nov. 8 declared the amendment invalid and said its regulations exceed the jurisdiction of OSHA.

The amendment, which went into effect March 1, lowers the permissible employee noise exposure level to 85 decibles over an eight-hour, time-weighted average, from 90 db (*BI*, July 18, 1983).

The amendment also dictates that employers monitor workplace noise and test the hearing of employees who are exposed to noise levels that equal 85 db.

In addition, employers must educate workers in hearing conservation and keep records of their hearing conservation programs.

The amendment embellishes the original noise exposure standard,

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Nine-month public broker results
(In thousands of dollars)

	Gross revenues	% change	Net income	% change
Marsh & McLennan	$820,300	12.8%	$32,100	-60.8%
Alexander & Alexander	406,600	-3.6	17,900	-17.5
Frank B. Hall	274,891	4.0	1,659	-85.0
Corroon & Black	143,637	6.8	6,777	-56.7
Crump Cos. Inc.	50,887	21.7	4,059	60.0
Arthur J. Gallagher	47,127	16.8	5,102	29.7
Emett & Chandler	25,229	8.2	81	-90.6
Poe & Associates	17,472	12.3	1,022	N/M*

* N/M-Not meaningful.

Rate hikes don't show in brokers' results yet

By LINDA J. COLLINS

It may take another quarter for rate hikes to bolster the bottom lines of the publicly held insurance brokerages, brokers and analysts say.

Although brokers say they're witnessing rate increases in almost all commercial lines, the hikes did not come soon enough to be substantially reflected in most brokers' third-quarter earnings.

And, although several of the brokers did report improved third-quarter results, nine-month earnings for the largest of the companies still lag far behind the previous year's (see chart).

"Rates are still in transition, and the brokers are not yet at a point where earnings per share have improved considerably," explains analyst Leonard M. Wilson, a special limited partner at L.F. Rothschild, Unterberg & Towbin in New York.

"I expect improved results in the fourth quarter (of this year) or

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Judge OKs Beacon, Cherokee pact

By DOUGLAS McLEOD

CHARLOTTE, N.C.—A court decision moves Beacon Insurance Co. and Cherokee Insurance Co. one step closer to settling their reinsurance contract disputes.

U.S. District Court Chief Judge Robert D. Potter on Nov. 9 approved a settlement agreement proposed by Beacon, Cherokee, a New Orleans reinsurance intermediary and two other parties.

In approving the settlement, Judge Potter dissolved an injunction that had tied up $5.6 million in proceeds from two letters of credit arranged by Cherokee and payable to Beacon (*BI*, Nov. 12).

But, Judge Potter granted Universal Marine Insurance Co. Ltd. 14 days to appeal the ruling to the 4th U.S. Circuit Court of Appeals in Richmond, Va. A Universal Marine lawyer says it will appeal.

Beacon, based in Raleigh, N.C., underwrote a book of business that it reinsured with Cherokee under five quota-share and excess-of-loss reinsurance agreements.

Cherokee then retroceded the business to Universal Marine, a Bermuda-based unit of Ingram Corp., through intermediary New Orleans Reinsurers Inc.

Beacon and Cherokee, a Nashville, Tenn.,-based unit of Dana Corp., are in rehabilitation with North Carolina and Tennessee regulators, respectively.

Universal Marine sued Beacon, Cherokee, the intermediary and a London managing general agency earlier this year, claiming it had been defrauded of $16.5 million in premiums and other income (*BI*, Jan. 9).

Beacon then filed a cross-complaint against Cherokee, claiming that Cherokee owed it $3.9 million in reinsurance payments that should be covered by the letters of credit issued by Cherokee's bank.

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errors & omissions

- The address of Reinsurance Agency Inc. was incorrectly stated in the directory of reinsurance intermediaries in the Nov. 12 issue. The correct address is 111 E. Wacker Drive, Chicago, Ill. 60601.

Rules changed to attract asbestos facility holdouts

By STEPHEN TARNOFF

Members of a proposed industrywide asbestos claims facility are changing the rules to attract some major asbestos producers and insurers that have not yet joined the facility.

Now, producers and insurers that want to join the facility do not have to give up individual coverage buy-out agreements as long as they were finalized before Oct. 24. However, the producers involved in such buy-out agreements would have to contribute to the claims facility the money they gained through such settlements.

The change, which has been circulated among subscribers to the facility, would especially accommodate the July 1984 agreement between Manville Corp. and its three primary insurers—Travelers Corp., The Home Insurance Co. and underwriters at Lloyd's of London.

Prior to the change, any agreement after Jan. 1, 1984, that involved insurers buying back the policies they had issued to a producer to end the insurers' liabilities would have been set aside if a producer or insurer involved joined the claims facility.

"Where there has been a buyout agreement executed in writing, prior to Oct. 24, 1984, the producers and the insurers involved will not have to unravel that buyout agreement," explained James Restivo, an outside counsel for Pittsburgh-Corning Corp. and a major negotiator of the Wellington agreement, which proposes the facility.

"Rather, the producer in question will make liability payments, expense payments and any other types of payments the insurer would have made to the claims facility had there not been a buyout.

"In making those payments, the subscribing producer will spend in the facility an amount equal to the amount he received in the buy-out agreements, plus any investment income, until the amount plus income has been spent."

"The insured would be really acting as a self-insured," explained an attorney close to the claims facility. "It makes the producer have all the obligations the insurer would have had to pay."

Many producers and insurers had balked at giving up all coverage agreements made after January 1984 in order to join the facility.

"It's my understanding that the Jan. 1, 1984, date created problems for potentially interested subscribers," said Mr. Restivo. "This should solve the problem."

"It was to take away the problems for some who had expressed a desire that they wanted to get into the facility," another attorney said.

Last week, Richard B. Von Wald, Manville's corporate counsel, said that moving the cutoff date for agreements to Oct. 24, was a "positive step." It indicates the willingness of the claims facility promoters to accommodate Manville's contention that its insurance agreement be integrated into the claims facility, he said.

Manville, which conditionally signed the agreement last month, conditioned its support on integrating into the claims facility the $315 million settlement reached in July with Travelers, The Home and Lloyd's underwriters.

"This allows us to do that," Mr. Von Wald said.

But, Manville's insurance agreement with Travelers, The Home and

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Found in space

Satellite recovery won't lower rates

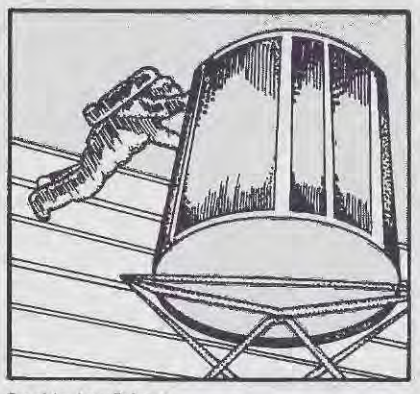
By STACY SHAPIRO

LONDON—After one of two wayward satellites was recovered by astronauts last week, Lloyd's of London Chairman Peter Miller sent a telex to underwriter Stephen R. Merrett.

"Understand one down and one to go. Well done and to all concerned best wishes (on) 100% completion of the slip," read the telex to Mr. Merrett, chairman of Merrett Holdings P.L.C., who was watching the retrieval from the Johnson Space Center in Houston.

By Wednesday, the "slip" was completed, as astronauts aboard the space shuttle Discovery rescued the second probe.

But, although underwriters are overjoyed that the satellite rescue mission financed by Mr. Merrett and other insurers was a success, they note the mission won't have an effect on sky-high satellite launch insurance rates.



Graphic: Amy Palmer

In addition, some speculate the underwriters that now own the two satellites—the $79 million Palapa B2 and the $105 million Westar VI—might have a hard time selling the probes, which could add to their problems.

Brokers and insurers say launch insurance rates will continue to range from 15% to 20% of the insured value of the probes, which is more than double the rates charged to the owners of the two lost satellites. They note that rates charged for satellites launched by space shuttles will be lower than for those launched by rocket.

"I think the market will stay the way it is at the moment for the next 12 months," predicted Jerry Frick, a managing director at Marsh & McLennan Inc. in New York and manager of the broker's aerospace division.

"If over a number of years there are no more failures and there is a bigger spread of business, then rates may even out," said Richard Maylem, underwriter for Lloyd's syndicates managed by Alexander Howden Underwriting Ltd. "But, this year we lost a tremendous amount of money. The satellite market has lost over $200 million this year. That is enormous. We have to get some of that back."

Sources in the satellite insurance market agree, however, that the salvage mission may give underwriters renewed confidence to write space risks. Indeed, the Lutine Bell was rung twice Wednesday at Lloyd's, signaling the good news.

Several underwriters have stopped writing coverage since the loss in February of the Palapa and the Westar and the loss in June of the $102 million Intelsat V probe owned by International Satellite Organization (*BI*, June 18).

"It has to be a good effect on the market," said Richard Rankin, assistant vp at broker Corroon & Black Inspace Inc., which brokered the coverage for the Palapa. "The salvage shows that NASA has the technology to retrieve satellites, and the future sale will show that there is a market for salvaged probes.

"These two points will slow up the hemorrhaging effect on the market and may reduce rates in the future," he said.

However, some observers question whether the underwriters who hold the titles on the Palapa and the Westar will be able to sell the probes. The underwriters reportedly are offering each statellite for a price of between $30 million and $40 million (*BI*, Oct. 29).

"Anybody want to buy a used satellite?" asked James W. Barrett, president and chief executive officer of International Technology Underwriters Inc. of Bethesda, Md., a primary insurer on both satellite risks.

However, observers note that there are several functioning satellites currently on the market, which may be more appealing to potential buyers than either the Palapa or the Westar.

And, even if the salvaged satellites are sold, the underwriters will have recouped less than half of their losses.

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Diagnosing hospital risk management

Computers can help control losses

By STEVE TARAVELLA

SAN DIEGO—Hospital risk managers are following in the steps of risk managers at large corporations and using automated data base systems to control their losses.

"If we're all going to stay competitive in today's hospital market, we're going to have to learn about microcomputers," William E. Rogers, president of the American Society for Hospital Risk Management, said at the group's recent conference.

Mr. Rogers, who is also director of risk management for Conemaugh Valley Memorial Hospital in Johnstown, Pa., noted that automation in hospital risk management departments doesn't yet approach the sophistication of some computerized systems, "but we're getting there."

Mark Dorn, national sales manager for COMTEC Inc., a software vendor based in Farmington Hills, Mich., agreed that hospital risk managers are becoming more aware of the benefits of automation.

The company is now experiencing a 10% to 13% response rate from health care providers to direct mail campaigns touting its main product, RISKMASTER, compared with a response rate of about 5% to 6% a year ago, estimated Mr. Dorn, one of several software exhibitors at the conference.

"A year ago, people were looking at it simply because they were operating manually and (wanted something more efficient). Today, people are looking at it and saying, 'I should have bought it and what can I do now to get this thing (installed)?'" he explained.

Although many hospitals that use automated risk management information systems are self-insured, Mr. Dorn noted that insured hospitals are finding the systems helpful because data they produce can help risk managers negotiate premiums with their insurers, "giving them some control over their own destiny."

The best way to learn what a computer can do for a specific hospital is by "just jumping in and doing it," Mr. Rogers said.

That's what Nu-Med Medical Inc. is doing.

Nu-Med, a hospital system based in Encino, Calif., is in the process of purchasing computer equipment for its risk management department that it hopes will be operational by year-end, reported Barbara Fein, Nu-Med's vp-risk management.

"I'm looking to keep track of losses in a more visual way," said Ms. Fein, noting that color graphic capabilities are one of the features she sought most.

She expects to use the system to keep track of professional liability, general liability and fleet losses, as well as employee benefit programs. She also wants it to monitor claims reserves and employee deductible payments.

"If you don't know what you've been doing historically in an accurate way, then it's very difficult to determine deductibles," Ms. Fein explained.

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Photo: Steve Taravella

These boats on San Diego Bay were among sights enjoyed by conferees at the American Society for Hospital Risk Management.

Malpractice rates skyrocket at renewal

By STEVE TARAVELLA

SAN DIEGO—Medical malpractice insurance renewals are a frequent topic of conversation among hospital risk managers, if the recent conference of the American Society for Hospital Risk Management is an indicator.

Many hospitals saw staggering rate increases for their excess insurance during September and October renewals, particularly those that renewed occurrence form policies, the risk managers said (*BI*, Oct. 21)

Rhode Island Hospital, for example, faced a premium hike of 623% on Oct. 1, for $10 million less in excess coverage, reports Roland C. Loranger, the hospital's director of risk management.

The 719-bed hospital, the state's largest, self-insures its medical malpractice exposures up to $1 million per occurrence and $3 million aggregate.

Before the renewal, the hospital paid a premium of $94,000: $84,000 for a $10 million excess layer and $10,000 for a second $10 million layer, Mr. Loranger explains.

But at October renewals, the Providence hospital was originally asked to pay a premium of $680,000 for only the first $10 million in coverage, Mr. Loranger reports. He says the quoted rate increase was largely because the hospital's insurance also covered about 100 full- and part-time employee physicians.

The hospital and its underwriter—Insurance Co. of North America, a CIGNA Corp. unit—finally negotiated a premium of $269,000 for the $10 million excess layer, letting the second $10 million layer expire and relinquishing insurance on the physicians, who are now covered under a self-insured trust fund, Mr. Loranger says.

The coverage, written on an occurrence form, was placed through broker Frank B. Hall & Co. Inc.

Loss exposure did not spur the increase, since the hospital has no obstetrical unit, very limited gynecological services and has not penetrated its excess coverage, Mr. Loranger says.

Losses apparently were also not responsible for an 100% premium increase at a 336-bed Texas hospital.

While St. Anthony's Hospital in Amarillo hasn't filed a claim with its insurers for at least two years, the hospital had to assume a larger self-insured retention, says James B. King, risk manager.

The hospital is now paying $250,000 annually for $25 million of excess coverage written on an occurrence form, up from $125,000, he says. The excess covers both medical malpractice and general liability, but the increase almost entirely reflects the malpractice exposure, says the hospital's agent, Max Motley of Woodruff, Moore & Motley Insurance Agency in Amarillo.

To keep the premium from increasing further, the hospital had to increase its retention to $500,000 per occurrence and $1.5 million annual aggregate, up from $250,000

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Keene settling with primary liability insurers

Continued from page 1

Keene charged the insurers with breach of contract, misrepresentation, malicious breach of contract and tortious acts arising from the insurers' breaches of their contracts and of their express and implied obligations and duties.

In the amended suit, Keene sought more than $16 million in compensatory and more than $150 million in punitive damages.

However, just last month, seven weeks before trial, U.S. District Court Judge June L. Green, who is presiding over the Keene suit, ruled that Keene could not recover punitive damages from INA because Pennsylvania law, which was controlling, did not permit recovery of such damages.

Judge Green never ruled on whether Connecticut and Massachusetts law, which were controlling in the allegations against Aetna and Liberty Mutual, permitted punitive damages against those insurers. But, some sources believe the decision against INA contributed to the settlement.

Arthur Olick, an attorney for Keene with the New York firm of Anderson Russell Kill & Olick, said that prior decisions by Judge Green, including the decision barring punitive damages against INA, helped spur the settlement.

"It was a number of factors and the time was right," Mr. Olick said of the decision to settle.

"It (the decision on punitive damages) helped," agreed Howard Mileaf, Keene's vp and general counsel.

The only major issue remaining for Keene in the litigation is whether INA has a continuing duty to defend Keene under policies it purchased before 1966. INA says it does not have a continuing duty to defend, while Keene says the insurer does.

> 'There is nothing in the settlement agreement that is an obstacle to Keene joining' the proposed asbestos claims facility, says John F. Shea Jr., Aetna's vp and claims counsel.

In papers filed with the court, Keene and INA say they have reached a "compromise and settlement, without any admission of liability," except on the duty-to-defend issue.

INA was Keene's insurer from December 1961 to August 1968. Aetna was on the risk from August 1968 to August 1971; Hartford from August 1971 to October 1974; and Liberty Mutual from August 1967 to August 1968 and from October 1974 to October 1980.

The court papers say that Keene and INA will attempt to work out the matter of defense costs through the asbestos claims facility.

"Keene and INA will attempt to compromise their differences to this issue through the proposed Asbestos Claims Facility... which is viewed by Keene and INA as providing a framework for a possible global solution to the asbestos litigation crisis," the papers say.

"If Keene and INA are able to reach such a compromise, they will then ask the court to dismiss their respective cross-motions for summary judgment."

If Keene and INA are unable to resolve their differences, they will notify the court by June 30, 1985, and ask it to rule on the duty-to-defend issue.

INA already has joined the claims facility. However, attorneys for Keene emphasized last week that Keene has not joined the claims facility, but if certain differences can be worked out, it would consider signing up.

"There's not been a change of attitude on the part of Keene," said Mr. Olick.

"Keene has maintained all along we would like to join the facility," said Keene's Mr. Mileaf. However, the facility has always said nothing could be changed in the agreement.

Keene had objected to a condition in the Wellington agreement that asbestos producers that join the claims facility would have to give up punitive damage claims against their insurers. The current settlement between Keene and its primary insurers makes the issue of punitive damages a moot point.

However, Keene had sought other changes in the Wellington agreement, too. They include:

- Establishment of a claims handling facility separate from settlement of the insurance coverage litigation.
- Clarification of some coverage issues in the agreement.
- Inclusion of property damage claims (filed by school districts that are replacing asbestos materials in their buildings).
- Disincentives to prevent the facility from becoming a private version of the federal black lung program and to prevent it from generating more claims than would be brought in court.
- Elimination of arbitration or alternative forms of resolution for certain coverage disputes (*BI*, July 30).

Some members of the Wellington group believe Keene's settlement with its insurers could increase the facility's chances of success.

"There is nothing in the settlement agreement that is an obstacle to Keene joining," said John F. Shea Jr., vp and claims counsel for Aetna.

"Any producer that joins is a plus," he added, noting, however, that the success of the facility does not depend on any single insured or insurer signing up.

He also said it could be an incentive for others to join. "Anytime any producer or insurer joins, it serves as further incentive for others to join."

Under a new provision of the Wellington agreement approved within the past few weeks, asbestos producers that enter into buyout agreements with their insurers can come into the facility if those agreements were reached by Oct. 24, 1984 (see story, page 3).

Keene's settlement with its insurers came after that date. However, according to one attorney, the settlement did not involve buyouts of coverages by the insurers and, therefore, there should be no problem in Keene joining the facility.

Keene still has lawsuits pending against its excess liability insurers over coverage for bodily injury claims and suits against all its liability insurers over asbestos property damage claims. ■

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opinions

Space-age adventure

TO STEPHEN MERRETT, astronauts Joe Allen and Dale Gardner, the rest of the Discovery crew and the host of unnamed insurers behind last week's rescue of the two runaway satellites—thanks for a great adventure.

And, hearty congratulations to everyone on a job well done.

It is hard to find anyone on Earth—or probably in space—who did not watch in awe as the successful rescues of the Palapa B2 and Westar VI satellites were recorded live and beamed to television sets all over the world.

Although our nation's 26-year-old space program affords few surprises anymore, catching a 1,200-pound, rotating satellite and packing it up for a safe trip home is an amazing, awesome feat.

And, who else but Lloyd's of London underwriters would be behind the most exciting salvage operation ever?

Lloyd's history is full of adventure tales woven from salvage operations. There are great stories behind the attempt to salvage the frigate Lutine in the 1800s, which in the end did not profit Lloyd's much beyond the ship's bell that now hangs in Lloyd's underwriting room. And, exciting tales surround the salvage of 1 million pounds of gold bullion following the sinking of the liner Egypt in the early 1900s.

When the Egypt's gold was rescued, it took what was then considered a daring, unprecedented plunge in a diving chamber to 400 feet below the surface to pull off the mission. It took no less of a dare this week to go after the two wayward satellites, which were orbiting 200 miles above the Earth.

Even if the salvage is not directly responsible for lowering satellite insurance rates, the fact that something can be retrieved from space makes the new frontier less frightening. This in turn sets the stage for further development and growth in space and subsequently the refinement of the insurance products needed for these new endeavors.

After all, the National Aeronautics and Space Administration and the astronauts aboard the space shuttle did not have to risk the unprecedented rescue attempt, and the underwriters did not have to put up $10 million to finance an effort that was not guaranteed to work.

But, it is a willingness to be innovative that leads to the breaking of new frontiers.

We congratulate Mr. Merrett and the other underwriters on both sides of the ocean who helped make history by spurring the experts on to prove that space rescues are feasible.

It was a dare, but it paid off: The underwriters stand to recoup millions of dollars in losses if the satellites are sold. And, we all have been treated to a great adventure. ■

letters

Public hysteria over PCBs, PVC is unwarranted

To the editor: I noted with interest the articles on polychlorinated biphenyls (PCBs) and polyvinyl chloride (PVC) published Sept. 24.

The PCB article, while factually correct, tends by its tone to perpetuate the kind of hysteria is associated with this class of chemicals. This hysteria borders on a paranoid type of reaction in the public media emanating from well-meaning environmentalists who spout $10 opinions with a dime's worth of substantive facts.

Evidence that is available from the medical literature and from the National Institute of Occupational Safety & Health fails to confirm that PCBs are human carcinogens, despite the fact that they are known to cause cancer in certain animal species.

In fact, there are about 1,500 chemicals that have been identified as causing cancer in animals. Of these, only about 15 have been identified as causing cancer in humans.

Studies relating to the acute toxic effects of PCBs in both humans and animals reveal that this class of chemicals has such a low order of toxicity as to be classed legally non-toxic. Animal studies relating to chronic toxicity of PCBs reveal that, as in the case of most chlorinated hydrocarbons, these compounds produce liver tumors and occasionally liver cancers in rodents.

However, these PCB findings may not be significant because the carcinogenic effect appears to be confined to rodent species.

Evidence exists that in part the chronic toxicity of PCBs is caused by trace impurities in PCB formulations. The latter are dioxins and dibenzofurans. There is no evidence that PCBs contaminated with trace quantities of these chemicals cause cancer in casually exposed human beings such as those mentioned in the Sept. 24 article.

PCBs should be removed from the skin and clothing with soap and water, since if left on the skin they can cause a dermatitis known as chloracne. Contaminated facilities should be washed with appropriate cleansing agents.

But, after the episode is over, individuals should not allow it to become a source of worry and fear that they will develop cancer some 10 or 20 years later. As a matter of fact, statistical evidence indicates that if one lives to age 70, there is about a 25% chance he or she will develop some type of cancer.

Meanwhile, the article on PVC failed to mention polyurethane plastics found in mattresses, furniture, automobile seats and a variety of other products. Combustion products of PVC are primarily carbon monoxide and hydrochloric acid, while combustion products of polyurethanes are hydrogen cyanide (used in gas chambers for executions) and carbon monoxide. These combustion products can be lethal to individuals who inhale them.

Unbalanced articles tend to stoke the fire of public hysteria, which can result in needless and costly litigation. In the final analysis, all of us share in the burden of these costs.

Meier Schneider
Consulting industrial hygienist
Los Angeles

Basing rates on health not 'grossly unfair'

To the editor: Shame on you!

In your editorial on the state of Texas proposal that would charge lower premiums to workers who meet certain health criteria and higher premiums to those who do not (*BI*, Oct. 29), you state that "...it's grossly unfair to further penalize those who don't qualify (for the premium discount) with a surcharge because statistically they are more likely to become ill."

That's ridiculous. A rate differential between the "healthy" and the "unhealthy" is anything but unfair. Your statement is like saying you shouldn't charge a 95-year-old man more for life insurance just because he's more likely to die.

Equity in insurance rates requires charging premiums that are consistent with the risk. Those who are statistically more likely to have a claim ought to have to pay more. Social pressures or administrative considerations sometimes outweigh "pure" rate equity (e.g., unisex rates and average-rate group plans, respectively), but let's not kid ourselves. Charging a rate consistent with the risk is never "grossly unfair."

Practical considerations aside, the Texas plan provides rate equity and an incentive to better health habits. Those are two pretty good things. If the state can make it work, more power to it. If it can't, at least it will have tried. Let's not damn the program because it might tempt someone to cheat or take an "unnecessary" physical. Rather, let's applaud it because it might induce someone to live a better, healthier life.

A little more thoughtful appraisal of future innovations might be in order.

Dennis R. Barry
Second Vp and Group Actuary
The Union Central Life Insurance Co.
Cincinnati

Vermont not the place for reinsurance captives

To the editor: The benefits of establishing a captive in Vermont were lauded by Marlin Henning, who specifically mentioned how very cooperative the government officials were in the commissioner's office in items relating to a captive (*BI*, Oct. 29). It was not without some sense of bitter amusement that I read those words.

Earlier this year, my company sought to establish a reinsurance captive in Vermont. Admittedly, we were a small company, but we did have the backing of a nationally recognized captive management firm. After wasting many thousands of dollars in legal fees and expenses, we were told that a reinsurance captive does not offer sufficient benefit to the state of Vermont to be licensed. Primarily, that was because, as your article pointed out, there is no tax on reinsurance premiums. So, their golden cow, at least as far as reinsurance captives go, is rather low on milk.

Incidentally, we are now licensed in the Cayman Islands.

Jonathan K. Hollin
First Atlantic Insurance Co.
Philadelphia

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Computers vital to hospital risk managers

Continued from page 3

Also, financial data produced by the system will help allocate costs among the company's 16 subsidiaries, she pointed out. Nu-Med owns eight hospitals and eight health care-related businesses.

Another benefit of the computer is its letter-issuing capabilities, Ms. Fein said. This function should save time because it will enable her to mail form letters and standard memorandums by entering only the appropriate personal information, without retyping the entire piece of correspondence.

She estimated that Nu-Med is spending $6,000 to $7,000 on the system, including software, an IBM Personal Computer and a letter-quality printer.

"It was a lot cheaper than hiring another person—you don't have to pay benefits to a computer," Ms. Fein quipped.

A hospital risk management department just starting to automate can spend as little as $3,500 to $7,000, according to Mr. Rogers, adding that a department would need to purchase a cathode ray tube display and accompanying keyboard; the computer hardware and circuitry; two floppy disk drives to store information; and a printer.

Mr. Rogers

Some computers can be shared with other hospital departments to defray costs, said Mr. Rogers, who noted that he shares his microcomputer with the hospital's maintenance director. Nu-Med's risk management department will share the system with the company's internal auditing division.

> 'If we're all going to stay competitive in today's hospital market, we're going to have to learn about microcomputers,' according to William E. Rogers, president of the American Society for Hospital Risk Management.

The University of Texas Medical Branch in Galveston recently installed an automated system by COMTEC Inc. to better track its losses, reported Cindi Worsham, director of patient relations. UTMB spent about $4,500 for COMTEC's system, which included one personal computer terminal, a printer and the appropriate software. There is no mainframe on the premises, and no additional employees were needed to operate the system.

The system, installed Nov. 1, was purchased mainly to provide better access to incident reports, she explained.

Incident reports are the written records of every accident or unusual incident that occurs during the hospital's daily operation and, for many hospital risk managers, these reports are the chief means of predicting malpractice lawsuits or identifying particularly loss-prone areas.

A hospital the size of UTMB, with 1,200 beds, generates several hundred incident reports monthly, Ms. Worsham said. Until this month, those reports were processed manually.

"We were handling them on a day-to-day basis, which isn't really efficient at an institution this large," she explained. "In a small community hospital with 120 beds, you could handle (tracking incident reports manually), but not at a large medical center."

Compiling a month's worth of accident or incident reports will improve the hospital's chances of red-flagging its areas of greatest exposure.

When UTMB first decided automation could help monitor losses, it turned to its in-house workers compensation staff, which was already automated, to see if those personnel could handle the job.

"There was no way they could do it for the same price," Ms. Worsham recalled.

"It's a very easy system to use once it's installed," she says of RISKMASTER, the COMTEC product. She has no real experience to report yet, however; the hospital is in the process of putting incident report records for the past two months into the 3-week-old system.

Ms. Worsham, like Ms. Fein, also hopes to identify trends using the computer, such as the hospital units in which the most medical errors occur and the areas of the institution in which the most slip-and-fall accidents happen.

She pointed out that data generated by the risk management department computer will also benefit the hospital's quality assurance department, which monitors the standard of care delivered by the hospital. "We're very excited about what we can show our administrators so they can improve service," she said.

Mr. Rogers advised hospital risk managers interested in automation to identify the specific applications they're looking for before shopping for a software program. Many make the mistake, he pointed out, of purchasing the hardware first, and subsequently searching for a compatible software system.

The software should only produce the kind of information that can help in decision-making, Mr. Rogers advised. "Don't spin out reams of confusing data just because the computer can spin it out quickly."

Hospital risk managers would be wise to shop only among major-name computer and software manufacturers, Mr. Rogers said, because lesser-known vendors in this fast-growth industry may be more likely to go out of business, creating repair, replacement and modification problems.

The product's ability to be expanded easily should also be a consideration, Mr. Rogers said. "Is this thing going to be able to grow with you?"

He also advised buyers to shy away from manufacturers whose product includes a long-term service contract with monthly maintenance payments. Shopping around can turn up an efficient system that requires only an initial payment and start-up costs, he said.

Ms. Worsham, however, said such maintenance contracts "could be an advantage" because the arrangement provides the buyer with any enhancements made to the product in the future. ■

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Hospital risk managers gather

SAN DIEGO—About 450 hospital risk managers and others gathered recently for the sixth annual meeting and educational conference of the American Society for Hospital Risk Management, part of the American Hospital Assn.

The conference, co-sponsored by the California Society for Hospital Risk Management and the Southern California Assn. of Hospital Risk Managers, was titled "Growing with the Challenges."

And challenges, indeed, were what hospital risk managers said they are facing.

Many discussions focused on ways hospitals can minimize their exposure to loss and still maintain quality care in the face of competition, budget cuts and diagnostic-related group controls.

Risk managers say that as hospitals face increased pressure to release patients after shorter stays, the hospitals' exposure to malpractice suits rises.

Attendees were told, for example, that to encourage doctors to release patients before the hospital's DRG reimbursement expires, one New Jersey hospital applies red stickers to patients' charts the day the allotted funds run out.

And, risk managers were warned about a growing area of lawsuits—those brought by hospital physicians who were fired because they couldn't keep their costs within the guidelines established by the institution.

Dr. John P. Mamana, assistant clinical professor of medicine at Georgetown University Medical School in Washington, noted that there is "a move away from individualism, which is do everything possible for the individual patient, to a new ethic, which is do only that which is appropriate."

Jane J. Reynolds, director of risk management at Greenville Hospital System in Greenville, S.C., was elected president of ASHRM, effective Jan. 1. Three persons were also added to ASHRM's board of directors: Sanford Bragman, risk manager for Sisters of Mercy Health Corp. in Farmington Hills, Mich.; Audrey Vanagunas, director of risk management services for the Chicago Hospital Risk Pooling Program, a captive of the Chicago Hospital Council; and Stephen Trosty, coordinator for risk management and environmental services of the Ohio Hospital Assn. in Columbus.

Hospital risk managers report big rate increases

Continued from page 3

per occurrence and $750,000 aggregate, Mr. Motley says.

The first $10 million in excess coverage was underwritten by Ranger Insurance Co. in Houston and the second $15 million was underwritten by Federal Insurance Co., a unit of Chubb Corp., says Mr. King. The insurance was placed by Woodruff, Moore & Motley and by Myron F. Steves & Co. Inc. in Houston.

Mr. Motley says the market for medical malpractice insurance is changing so much that if the hospital had renewed just one month later, its premium would have increased even further, perhaps to $300,000.

The hospital's location, in a non-metropolitan area in northern Texas, also helped keep rates from going any higher, Mr. Motley explains.

But while many hospitals swallowed hard during recent malpractice coverage renewals, at least one hospital system saw no increase on its first-layer excess coverage this year and knows that its rates won't rise next year, either.

Daughters of Charity Eastern Cooperative Services Inc., based in Baltimore, has what may be the only three-year guaranteed-rate medical malpractice contract in the nation.

ECS, owned by 13 non-profit hospitals in seven East Coast states, signed a contract with Baltimore-based United States Fidelity & Guaranty Co. in July 1983 that provides the hospitals with malpractice coverage at 1982 rates for a three-year period that ends in July 1986, reports Michael R. Feldman, ECS vp.

The contract permits a rate hike only if the chain acquires additional hospital members.

Because of the arrangement, ECS has avoided about $3 million in premium increases, Mr. Feldman estimates.

> Mr. Motley says if the hospital had renewed a month later, its costs would have risen more.

He says the coverage was made possible because of a 27-year relationship with the underwriter, and that its broker, Riggs, Counselman, Michaels & Downes in Baltimore, was "instrumental" in arranging the insurance.

"This is a tangible example of how a client can benefit from a long-term relationship," says Albert R. Counselman, executive vp of the brokerage.

"That's probably unique to the Daughters of Charity, and is only a function of that long-term relationship," he says.

USF&G, which refused to comment on the coverage, does not normally write medical malpractice risks and is not soliciting any business in that line.

ECS has a self-insured retention of $500,000 per occurrence and $5 million annual aggregate, followed by the $10 million excess layer written by USF&G. ECS hospitals all contribute to the retention fund based on their individual exposure, evaluated in terms of number of beds, outpatient visits and employed physicians.

The institutions are credited or debted annually based on experience.

"If you have a company that's been writing you for 20 years, you don't want to throw away that commitment. It was to my advantage to keep it," explains Mr. Feldman, who declined to reveal ECS premium for the coverage.

The hospital system did, however, see a rate hike on its second excess layer of $30 million, according to Mr. Feldman.

Premiums for that coverage, which is placed with Lexington Insurance Co. and National Union Fire Insurance Co. of Pittsburgh, Pa., both units of American International Group Inc., recently increased 150%, to $100,000 from $40,000.

That coverage was placed by The Graham Co., a Philadelphia broker. ■

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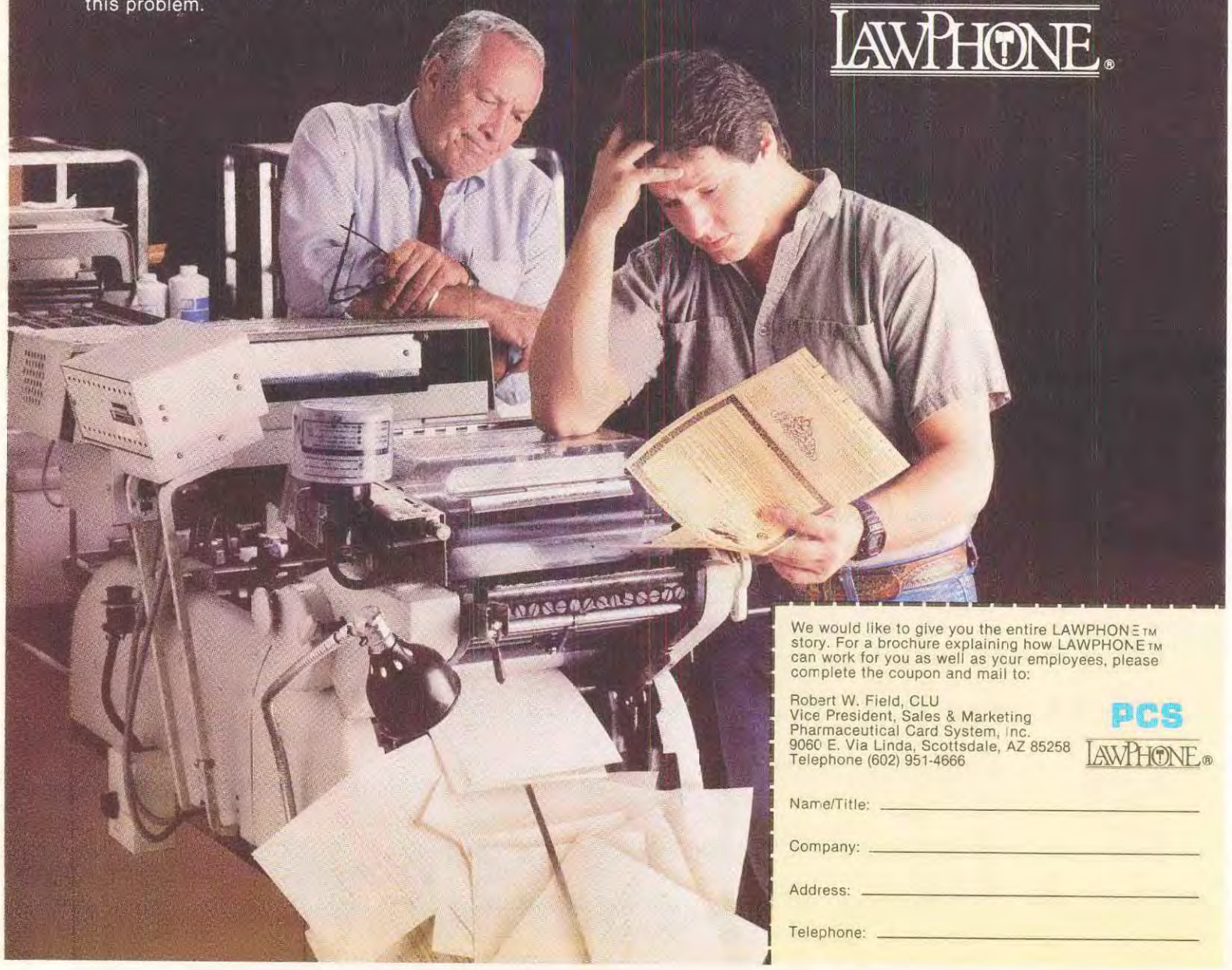

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Continued from page 52

Facilities Corp./The St. Paul Cos. Inc.

Year founded: 1972.

Branch offices: Atlanta; Chicago; Columbus, Ohio; Dallas; Hartford, Conn.; New York; Philadelphia; San Francisco.

Subsidiaries: RFC Management Corp., Los Angeles.

Specialties: Facultative and treaty brokerage for property/casualty, marine, life, accident and health.

Acquisitions or mergers: RFC Intermediaries was sold by Continental Corp. to The St. Paul Cos. Inc. in September 1983.

Principal officers: Jack R. Diehl, chairman; David L. Cargile, president/chief executive officer; Pavittar S. Safir, senior vp/treasurer; Arnold Hale, Fred S. Hitchens, Edward J. Lukco and Keith N. Smaldon, senior vps; James W. Allman, Anita Z. Collins, John W. Dunleavy, Jeffrey C. Gurtler, George R. Jacobbe, Ralph Luna, Nicholas C. Mesogianes, Warner S. Murphy, Linda A. Puccio and Ronald J. Smith, vps; Melvin G. Luce, vp-claims.

Licensed in: New York.

R/I Inc.

2855 S. Church St., P.O. Box 2350, Burlington, N.C. 27215; 919-584-0166

	1983	1982
Premium vol.	$54,220,310	$39,148,333
Gross rev.	1,867,556	$1,711,630
Employees	21	19
Percent treaty	99.5%	99%
Percent facultative	0.5%	1%

Year founded: 1972.

Branch offices: R/I Associates, New York.

Subsidiaries: R/I Management Services Inc., Burlington, N.C.

Principal officers: Richard W. Edens, president; Horace M. Johnson Jr., executive vp; Robert E. Hykes, Neill A. Currie II and Bobby W. Bristow, vps; Charles G. Edens and Edward G. Johnson, account executives; Rogert L. Sims, controller; Lawrence R. Long, manager-data processing; Richard G. Schlieper, manager-accounting.

Licensed in: New York.

Regency Reinsurance Brokers Ltd.

P.O. Box 1224, Hamilton, Bermuda; 809-295-5921

	1983	1982
Premium vol.	$15,000,000	NA
Gross rev.	$500,000	NA
Employees	6	NA
Percent treaty	85%	NA
Percent facultative	15%	NA

Parent company: The Crump Cos. and P.W. Kininmonth Ltd.

Year founded: 1983.

Specialties: Surplus relief, major medical, captive rental facilities.

Principal officers: Phillip R.S. Hancock and Steven J. Wrigglesworth, vps.

Reinsurance Agency Inc.

11 E. Wacker Drive, Chicago, Ill. 60601; 312-329-1484

	1983	1982
Premium vol.	$100,000,000*	$100,000,000*
Gross rev.	NA	NA
Employees	40	35
Percent treaty	85%	85%
Percent facultative	15%	15%

*BI estimate.

Year founded: 1945.

Principal officers: Charles A. Pollock, chairman/CEO; Paul R. Davies, president; John E. Buck, treasurer; Marilyn E. Moll, J. Michael Garrity, Raymond R. Wick, and John Charles, vps; Matthew S. Quay, assistant vp.

Reinsurance Brokers Co.

2325 Severn Ave., Suite 5, Metairie, La. 70001; 504-837-4646

	1983	1982
Premium vol.	$3,200,000	$1,200,000
Gross rev.	NA	NA
Employees	4	2
Percent facultative	100%	100%

Parent company: Sherar, Cook & Gardner Inc.

Year founded: 1982.

Specialties: Marine, oil, construction, international, financial.

Principal officers: J. William Sherar, president; Norman C. Cook, executive vp; James A. Gardner, senior vp; William G. Sherar.

Licensed in: Louisiana and overseas.

Rhulen Intermediaries Inc.

59 John St., New York, N.Y. 10038; 212-285-2139

	1983	1982
Premium vol.	$5,000,000	$4,000,000
Gross rev.	NA	NA
Employees	5	4
Percent treaty	70%	70%
Percent facultative	30%	30%

Parent company: Frontier Columbus Corp.

Year founded: 1980.

Specialties: Animal mortality, products guarantee, credit.

Principal officers: Peter L. Rhulen, president; Walter A. Rhulen, treasurer.

Licensed in: New York.

S

Sargent Wobber & Co. Inc.

68 William St., New York, N.Y. 10005; 212-785-1210

	1983	1982
Premium vol.	$9,700,000	$6,250,000
Gross rev.	$401,000	$236,366
Employees	7	5
Percent treaty	75%	75%
Percent facultative	25%	25%

Parent companies: Sanford Bros. Inc., Adams & Porter Inc., Devitt Group, Sofraci.

Year founded: 1940.

Specialties: Captive reinsurance management.

Principal officers: Robert L. Sanford, president; Edward J. Rock, Michael C. Cunningham and Rose Mazza, vps.

Licensed in: New York.

John D. Sayer & Co.

130 Pennington-Washington Crossing Road, P.O. Box 326, Pennington, N.J. 08534; 609-737-1391

	1983	1982
Premium vol.	$30,000,000	$20,000,000
Gross rev.	$680,961	$461,602
Employees	7	6
Percent treaty	100%	100%

Year founded: 1979.

Branch offices: New York.

Specialties: Surety, financial products.

Principal officers: John D. Sayer, president; John S. Yeuroukis, executive vp.

Licensed in: New York.

Seibels, Bruce & Co.

1501 Lady St., Columbia, S.C. 29202; 803-748-2000

	1983	1982
Premium vol.	$83,000,000	$59,000,000
Gross rev.	NA	NA
Employees	10	10
Percent treaty	100%	100%

Parent company: Seibels, Bruce Group Inc.

Year founded: 1869.

Principal officers: William R. Bruce Sr., chairman; William M. Davis, president; Roy L. Faulks, executive vp; Robah G. Heggie Jr., vp.

Licensed in: New York.

Sellon Associates Inc.

New King St., P.O. Box 800, Purchase, N.Y. 10577; 914-428-3600

	1983	1982
Premium vol.	$130,000,000	$120,000,000
Gross rev.	NA	NA
Employees	26	26
Percent treaty	95%	95%
Percent facultative	5%	5%

Year founded: 1970.

Specialties: Financial guarantee, residual value, special casualty, excess and catastrophe treaties.

Principal officers: Peter J. Sellon, president; Geoffrey C. Spencer, executive vp; Robert E. Kenyon III and Guy W. Hill, senior

Continued on page 63

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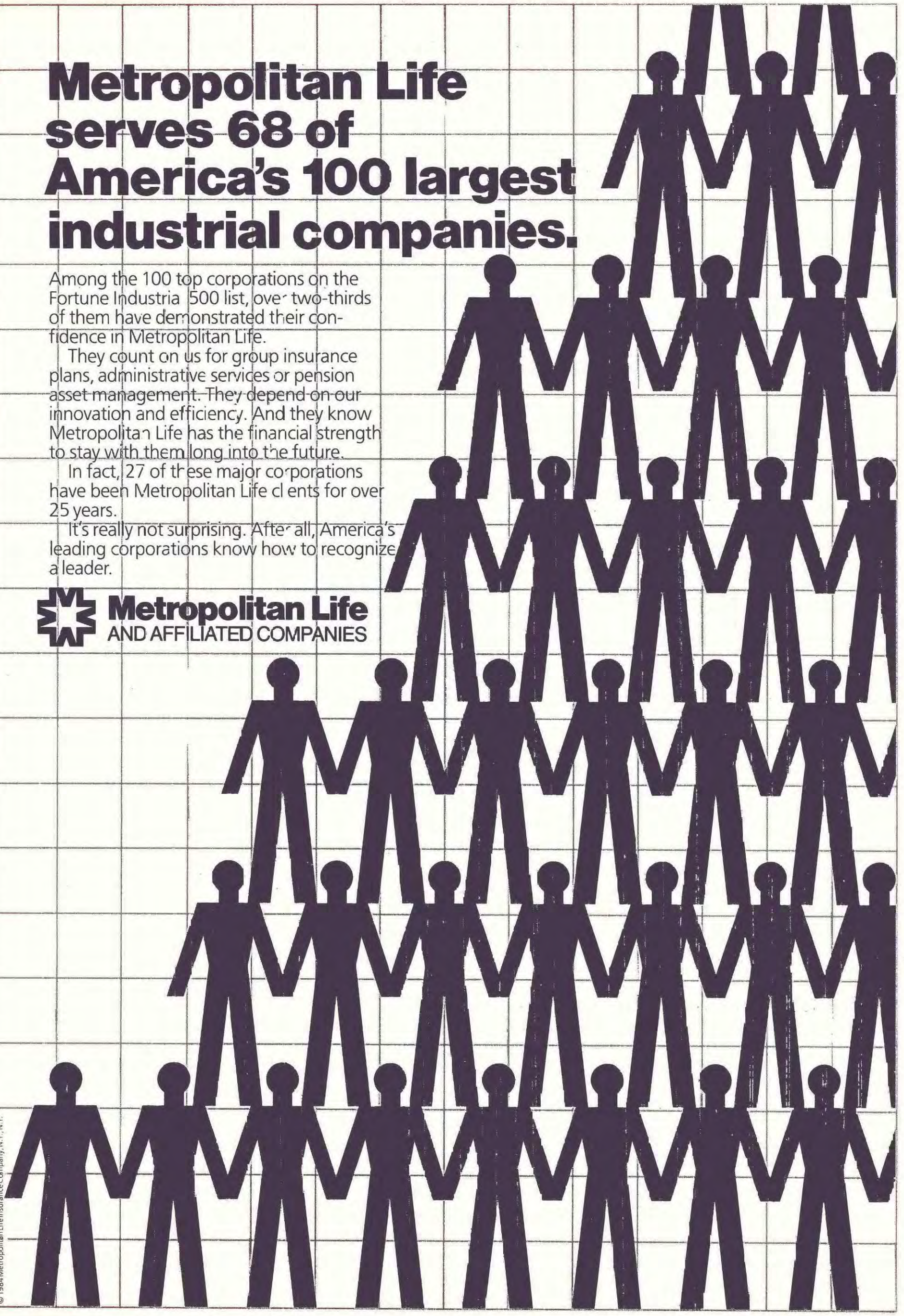

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Km

Continued from page 50

Pearson Webb Springbett (Bermuda) Ltd.

American International Building, Box 1463, Hamilton 5, Bermuda; 809-292-1443

	1983	1982
Premium vol.	$70,000,000	$70,000,000
Gross rev.	$2,300,000	$2,300,000
Employees	9	8
Percent treaty	15%	15%
Percent facultative	85%	85%

Parent company: Pearson Webb Springbett (International) P.L.C.
Year founded: 1975.
Principal officers: Albert W. Hunt, vp.
Licensed in: Bermuda.

Pearson Webb Springbett (USA) Inc.

90 John St., New York, N.Y. 10038; 212-791-9350

	1983	1982
Premium vol.	$25,000,000	$18,000,000
Gross rev.	$1,000,000	$772,310
Employees	23	16
Percent treaty	10%	35%
Percent facultative	90%	65%

Parent company: Pearson Webb Springbett (International) P.L.C.
Year founded: 1974.
Subsidiaries: Trans-Ocean Agencies, Hamilton, Bermuda; PWS Services, New York.
Principal officers: David J. Springbett, chairman/president; Terence E. Armstrong, vp/director; Clifford R. Catt, treasurer/director; Stephen Doran, controller; Gregory Gilpatrick, assistant vp.
Licensed in: New York and New Jersey.

Professional Reinsurance Office Inc.

Suite 105, 8140 Walnut Hill Lane, Dallas, Texas 75231; 214-691-2040

	1983	1982
Premium vol.	$47,197,748	$32,202,523
Gross rev.	$4,027,630	$3,581,024
Employees	37	34
Percent treaty	37%	22%
Percent facultative	63%	78%

Parent company: E.H. Crump Cos. Inc. Subsidiaries are owned by Professional Reinsurance Office and principal officers.
Year founded: 1978.
Subsidiaries: Pro Re Inc. of Atlanta; Pro Re Inc. of New York; Pro Re Inc. of Dallas; Pro Re Treaty of America Inc., Dallas.
Specialties: Facultative underwriting management, specialized programs, hospital malpractice, large accounts, casualty facultative, utilities.
Principal officers: Professional Reinsurance Office Inc.: Alan G. Hardin Sr., chairman/president; William Courtier, senior vp; Sidney A. Stewart and L. Douglas Williams, vps; James M. Power, vp/treasurer; Keith Alden Hill, assistant vp; W.B. Mallory III, secretary. Pro Re Treaty of America Inc.: Alan G. Hardin Sr., chairman/treasurer; Alan G. Hardin Jr., president; Donald A. Thomas, vp/secretary. Pro Re Inc. of New York: Alan G. Hardin Sr., chairman/treasurer; Frank C. Buccafusco, president; Mark M. Bouchane, vp; Donald A. Thomas, vp/secretary. Pro Re Inc. of Dallas: Alan G. Hardin Sr., chairman/vp/treasurer; Alan G. Hardin Jr., president; Nolan Strahan, vp; Donald A. Thomas, vp/secretary; Robert E. Creasy, assistant vp. Pro Re Inc. of Atlanta: Alan G. Hardin Sr., chairman/treasurer; John L. Brozowski, president; Richard J. Whelan and Matt J. Hanke, vps; Donald A. Thomas, secretary.
Licensed in: Subsidiaries are licensed in New York.

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RBI Brokerage Inc.

500 Bloomfield Ave., P.O. Box 336, Verona, N.J. 07052; 201-239-7500

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	4	3
Percent treaty	60%	70%
Percent facultative	40%	30%

Year founded: 1978.
Specialties: Stop-loss for health maintenance organizations and preferred provider arrangements; self-insured plans; surplus relief treaties and other treaties for life insurance companies.
Principal officers: Paul Wolf, president.
Licensed in: New York and New Jersey.

RFC Intermediaries Inc.

2029 Century Park E., Suite 1610, Los Angeles, Calif. 90067; 213-277-3753

	1983	1982
Premium vol.	$222,828,305	$257,697,804
Gross rev.	$11,178,110	$12,690,977
Employees	209	218
Percent treaty	59%	51%
Percent facultative	41%	49%

Parent company: Reinsurance

Continued on page 54

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Continued from previous page

Year founded: 1983.

Principal officers: Robert Thomas III, president; Michael D. Bainbridge, vp.

Licensed in: Florida.

Magnant Re Intermediaries Inc.

110 Harbor Plaza, P.O. Box 560, Hartford, Conn. 06904; 203-324-1144

	1983	1982
Premium vol.	$43,000,000	$24,000,000
Gross rev.	$565,720	$311,758
Employees	9	5
Percent treaty	95%	95%
Percent facultative	5%	5%

Year founded: 1981.

Branch offices: Jericho, N.Y.

Affiliates: Ashford Reinsurance Intermediaries Corp., New York (managed non-subsidiary).

Specialties: Casualty and property treaty, financial guarantee.

Principal officers: Lawrence C. Magnant Jr., president; Byllie Ann Magnant, executive vp; Thomas F. Leonhardt, vp/director; Joan P. Lupo, treasurer.

Licensed in: New York.

Montgomery & Collins International Ltd.

Craig Appin House, Wesley St., Hamilton 5, Bermuda; 805-295-0169

	1983	1982
Premium vol.	$20,000,000	$15,000,000
Gross rev.	$900,000	$500,000
Employees	8	8
Percent treaty	50%	50%
Percent facultative	50%	50%

Parent company: CIGNA Corp.

Year founded: 1982.

Specialties: General international.

Principal officers: Jack Miller, president; B.J. Cutts, vp; J.A. Houghton, senior broker.

Licensed in: Bermuda.

D.G. Morris Inc.

Wall Street Plaza, New York, N.Y. 10005; 212-509-0808

	1983	1982
Premium vol.	$2,800,000	$1,500,000
Gross rev.	$300,000	$150,000
Employees	3	3
Percent facultative	100%	100%

Parent company: Corroon & Black Corp.

Year founded: 1981.

Specialties: Financial guarantee insurance and reinsurance; risk design, structure and placement.

Principal officers: Douglas G. Morris, president; Jean B. Mackenzie.

Licensed in: New York.

Munich American Intermediaries Corp.

560 Lexington Ave., New York, N.Y. 10022; 212-310-1600

	1983	1982
Premium vol.	$132,296	NA
Gross rev.	$30,303	NA
Employees	5	NA
Percent treaty	50%	NA
Percent facultative	50%	NA

Parent company: Munich American Consulting Corp./Munich Re Group.

Year founded: 1983.

Principal officers: John N. Lombardo, president; William J. Albinger Jr., general counsel; James Macdonald and Reinhard Obermueller, assistant vps; Daniel J. Kiely, secretary/treasurer.

Licensed in: New York.

N

NBA Excess & Surplus Lines Inc.

1221 Ave. of the Americas, New York, N.Y. 10020; 212-997-2000

	1983	1982
Premium vol.	$45,000,000*	$39,000,000*
Gross rev.	NA	NA
Employees	125	125
Percent treaty	25%	25%
Percent facultative	75%	75%

*Premium volumes reflect reinsurance business only, which is approximately 30% of total premium volume.

Parent company: Marsh & McLennan Inc.

Year founded: 1959.

Branch offices: Atlanta; Chicago; Houston; Los Angeles; St. Louis; Seattle; Hamilton, Bermuda.

Specialties: Domestic and international facultative, captive and mutual company reinsurance.

Principal officers: J.T. Sinnott, chairman; P.J. O'Donnell, president; J. Belcher, J. Fitzpatrick and R. Tursini, senior vps; L.J. Bianchetta, T.C. Bruett, J.A. Dobbs, P.R. Figorito, M.T. Gould and W.C. Hall, vps; P. Camaj, F.A. Pershep, A.J. Povolny and J.P. Waddell, assistant vps.

Licensed in: New York.

NSEW International Inc.

111 John St., New York, N.Y. 10038; 212-732-0342

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	4	NA
Percent treaty	70%	NA
Percent facultative	30%	NA

Year founded: 1983.

Specialties: Domestic and foreign reinsurance.

Principal officers: Paul J. Apostolos, president; Roger P. Testa, vp; Damian Testa, secretary/treasurer.

Licensed in: New York.

O

O'Connor Associates Ltd.

85 John St., New York, N.Y. 10038; 212-349-3400

	1983	1982
Premium vol.	$57,000,000	$47,000,000
Gross rev.	$5,300,000	$4,300,000
Employees	97	80
Percent treaty	50%	60%
Percent facultative	50%	40%

Year founded: 1975.

Branch offices: Los Angeles; Hartford, Conn.

Principal officers: Joseph A. O'Connor, chairman/president; Salvatore D. Zaffino, executive vp; Michael J. Nasert and George H. McMahon, senior vps.

Licensed in: New York.

Old Dominion Intermediaries Inc.

1503 Santa Rosa Road, Suite 110, Richmond, Va. 23288; 804-368-3583

	1983	1982
Premium vol.	$1,600,000	NA
Gross rev.	$128,000	NA
Employees	2	NA
Percent treaty	10%	NA
Percent facultative	90%	NA

Parent company: Markel Corp.

Year founded: 1983.

Principal officers: Arthur J. Pagnini, president; Anne W. Sinnenberg, assistant vp.

P

Pearson & Georgi International Inc.

1 World Trade Center, Suite 4965, New York, N.Y. 10048; 212-775-0860

	1983	1982
Premium vol.	$40,000,000	$30,000,000
Gross rev.	$1,100,000	$1,000,000
Employees	27	15
Percent treaty	80%	70%
Percent facultative	20%	30%

Year founded: 1978.

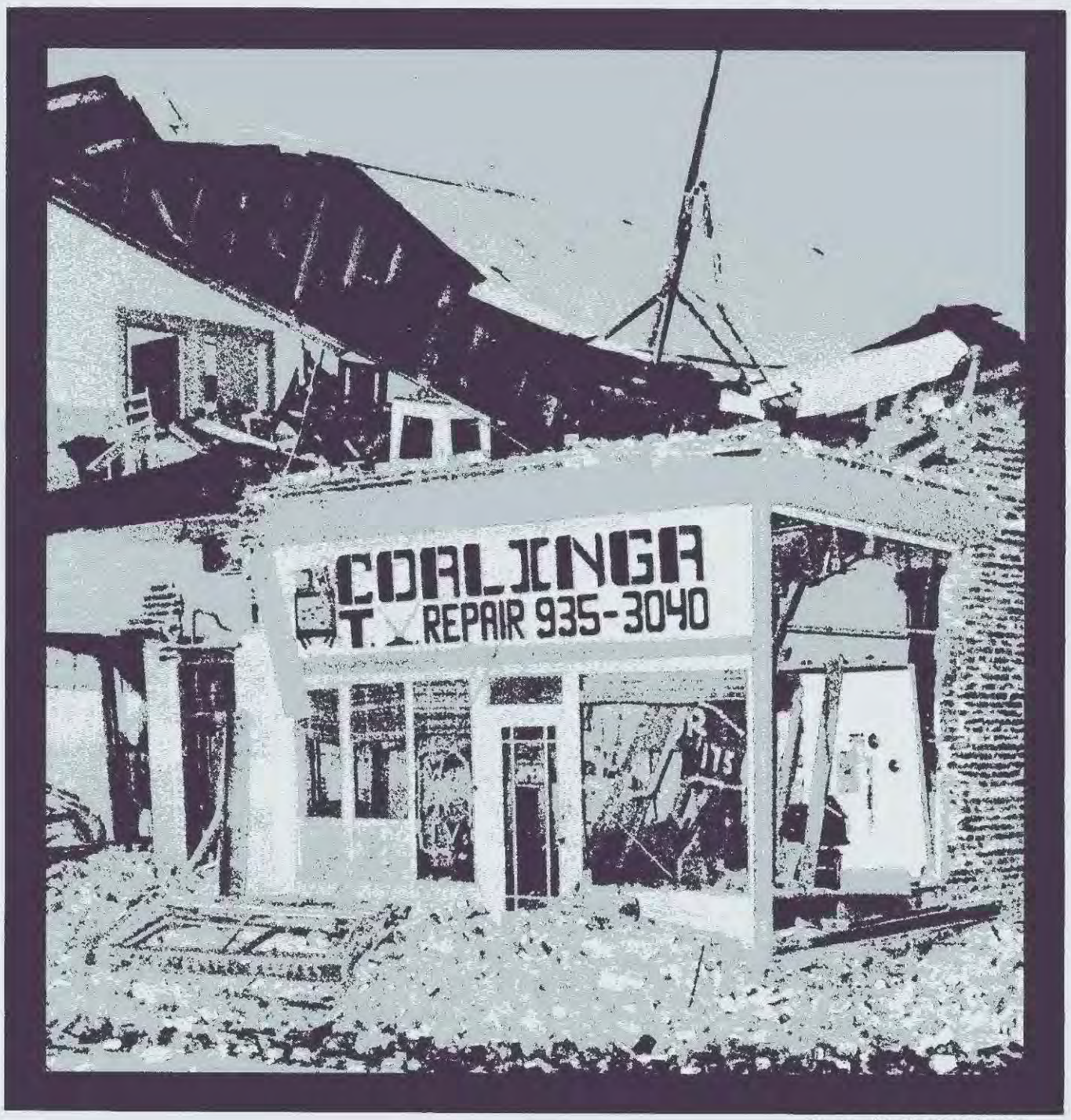
Subsidiaries: P.G.A. Ltd., Athens, Greece.

Specialties: International treaty reinsurance.

Principal officers: F.H. Pearson, chairman; E.G. Georgi, president; C.C. Molano and R.A. Agatep, senior vps; S.M. Menzies, vp; Anne L. Smith and Philip Doronila, assistant vps.

Licensed in: New York.

Continued on page 52



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Continued from facing page

Principal officers: Joel B. Johnson II, president; Joel B. Johnson and Heidi A. Johnson, vps; Molly K. Johnson, secretary/treasurer.

Licensed in: New York.

K

J.L. Kelley Inc.

784 Franklin Ave., Franklin Lakes, N.J. 07417; 201-891-7920

	1983	1982
Premium vol.	$98,000,000	$92,000,000
Gross rev.	$2,795,000	$2,400,000
Employees	30	30
Percent treaty	79%	80%
Percent facultative	21%	20%

Year founded: 1975.

Branch offices: New York; Chicago.

Subsidiaries: J.L. Kelley West Inc., Los Angeles.

Principal officers: Joseph L. Kelley, president; David Gilligan and Gary Kriftner, senior vps; Carl Armitage, president-J.L. Kelley West Inc.

Licensed in: New York.

L

L.L.G. Services (Bermuda) Ltd.

Dallas Building, Victoria St., P.O. Box 1569, Hamilton 5, Bermuda; 809-295-2517

	1983	1982
Premium vol.	$10,000,000	NA
Gross rev.	$400,000	NA
Employees	5	NA
Percent treaty	65%	NA
Percent facultative	35%	NA

Parent company: Lowndes Lambert Overseas Holdings.

Year founded: 1983.

Specialties: Residual value, loss-portfolio reinsurance.

Principal officers: Kevin Chapman, president; Alan Brown, secretary; Leon Nearon, treasurer; Susan Burns, assistant vp; David Senior, director.

Licensed in: Bermuda.

Lincoln National Intermediaries Inc.

1300 S. Clinton St., Fort Wayne, Ind. 46801; 800-348-1776

	1983	1982
Premium vol.	$150,000*	NA
Gross rev.	NA	NA
Employees	NA	NA
Percent treaty	100%	NA

*1984 projection.

Parent company: Lincoln National Corp.

Year founded: 1982.

Principal officers: Thomas M. West, chairman; Donald B. Peat, president; Gerald M. Olney and William K. Tyler, senior vps; John McLaughlin, Francis R. Degnan and James R. Horein, vps; Marilyn A. Vachon, secretary/assistant treasurer.

Licensed in: New York and Indiana.

Information on the U.S. and Bermudian reinsurance intermediaries listed in this directory was compiled from responses to questionnaires sent to the intermediaries by *Business Insurance.*

The listing is printed as an editorial service; there is no charge for companies to be included.

Reinsurance intermediaries that would like to be added to the mailing list to receive the questionnaire next year should write: Directory Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; or call 312-649-5279.

Lodderhose & McGinn Inc.

150 S. Wacker Drive, Suite 325, Chicago, Ill. 60606; 312-332-0995

	1983	1982
Premium vol.	$11,500,000	NA
Gross rev.	$789,255	NA
Employees	10	NA
Percent treaty	5%	NA
Percent facultative	95%	NA

Year founded: 1983.

Branch offices: Lodderhose & McGinn of New York Inc., New York.

Specialties: Heavy commercial property/casualty, performance, efficacy, force majeur.

Principal officers: William H. McGinn, chairman; Daniel J. Lodderhose, president; William C. Snyder, executive vp; C. John Geisbush, senior vp.

Licensed in: New York.

M

MacDuff Exchange Inc.

Insurance Exchange of the Americas, 245 S.E. First St., Miami, Fla. 33131; 305-374-4111

	1983	1982
Premium vol.	$15,000,000*	NA
Gross rev.	NA	NA
Employees	3	1
Percent treaty	65%	NA
Percent facultative	35%	NA

*1984 projected figure.

Parent company: MacDuff Underwriters Inc.

Continued on next page

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Continued from page 46

Parent company: Le Blanc Eldridge Parizeau Inc./Sodarcan Inc.
Year founded: 1975.
Specialties: All classes of property/casualty, life, financial.
Principal officers: Mario Myre, chairman; Peter V. Dale, president; Thomas H. Friedberg, Kenneth G. Hague, James A. Oliver and John W. Waite, vps.
Licensed in: New York.

International Insurance Brokers of the Americas Inc.

Insurance Exchange Building, Suite 406, 245 S.E. First St., Miami, Fla. 33131; 305-374-4111

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	2	NA
Percent treaty	NA	NA
Percent facultative	NA	NA

Year founded: 1983.
Specialties: Property/casualty, aviation.
Principal officers: Leslie P. Pantin, chairman/president; Jesus Suarez, vp/secretary; Ives Chabanne, executive vp; Eduardo Mendez, vp/treasurer.
Licensed in: Florida.

International Intermediaries Inc.

131 E. Main St., Elmsford, N.Y. 10523; 914-592-2070

	1983	1982
Premium vol.	NA	NA
Gross rev.	$200,000	$150,000
Employees	2	2
Percent treaty	95%	95%
Percent facultative	5%	5%

Year founded: 1982.
Branch offices: Greenwich, Conn.
Subsidiaries: International Intermediaries (Conn.) Inc.
Specialties: Investor note surety bond, long-tail casualty, credit life and health, financial guarantee.
Principal officers: Benjamin S. Richman, president; John Caltabiano, vp-finance; Marlin Henning and James K. Wolosoff, vps.
Licensed in: New York and Connecticut.

International Reinsurance Services Inc.

200 W. Monroe St., Chicago, Ill. 60606; 312-782-9547

	1983	1982
Premium vol.	$10,000,000	$9,000,000
Gross rev.	NA	NA
Employees	8	8
Percent treaty	6%	6%
Percent facultative	94%	94%

Parent company: Cameron General Corp.
Year founded: 1979.
Branch offices: Scottsdale, Ariz.
Specialties: Larger casualty facultative placements.
Principal officers: Fred Pearson, president; Ron Moore, executive vp; William Braet, vp.
Licensed in: New York and Illinois.

J

J & H Intermediaries Ltd.

Reid House, Church St., Hamilton 5, Bermuda; 809-292-1552

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	12	13
Percent facultative	100%	100%

Parent company: Johnson & Higgins.
Year founded: 1978.
Specialties: Captive and financial reinsurance.
Principal officers: Patrick J.T. Stephenson, chairman; Brian R. Hall, president; Roger C. Gillett, vp/managing director; Catherine S. Lord and Alan F. Convey, assistant vps.
Licensed in: Bermuda.

J.B. Johnson Intermediary Inc.

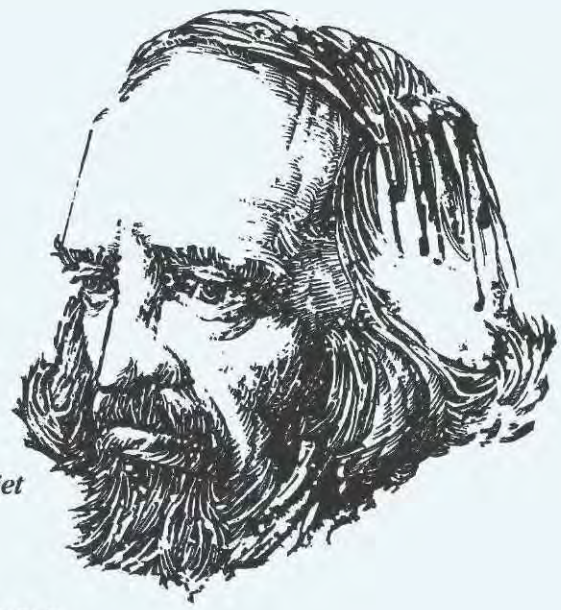
1717 Woodstead Court, Suite 206, The Woodlands, Texas 77380; 713-292-4023

	1982
Premium vol.	$2,500,000
Gross rev.	$160,000
Employees	4
Percent treaty	100%

Year founded: 1979.
Specialties: Life, accident and health, property/casualty.

Continued on facing page

"What's in a Name"?



William Shakespeare: Romeo and Juliet

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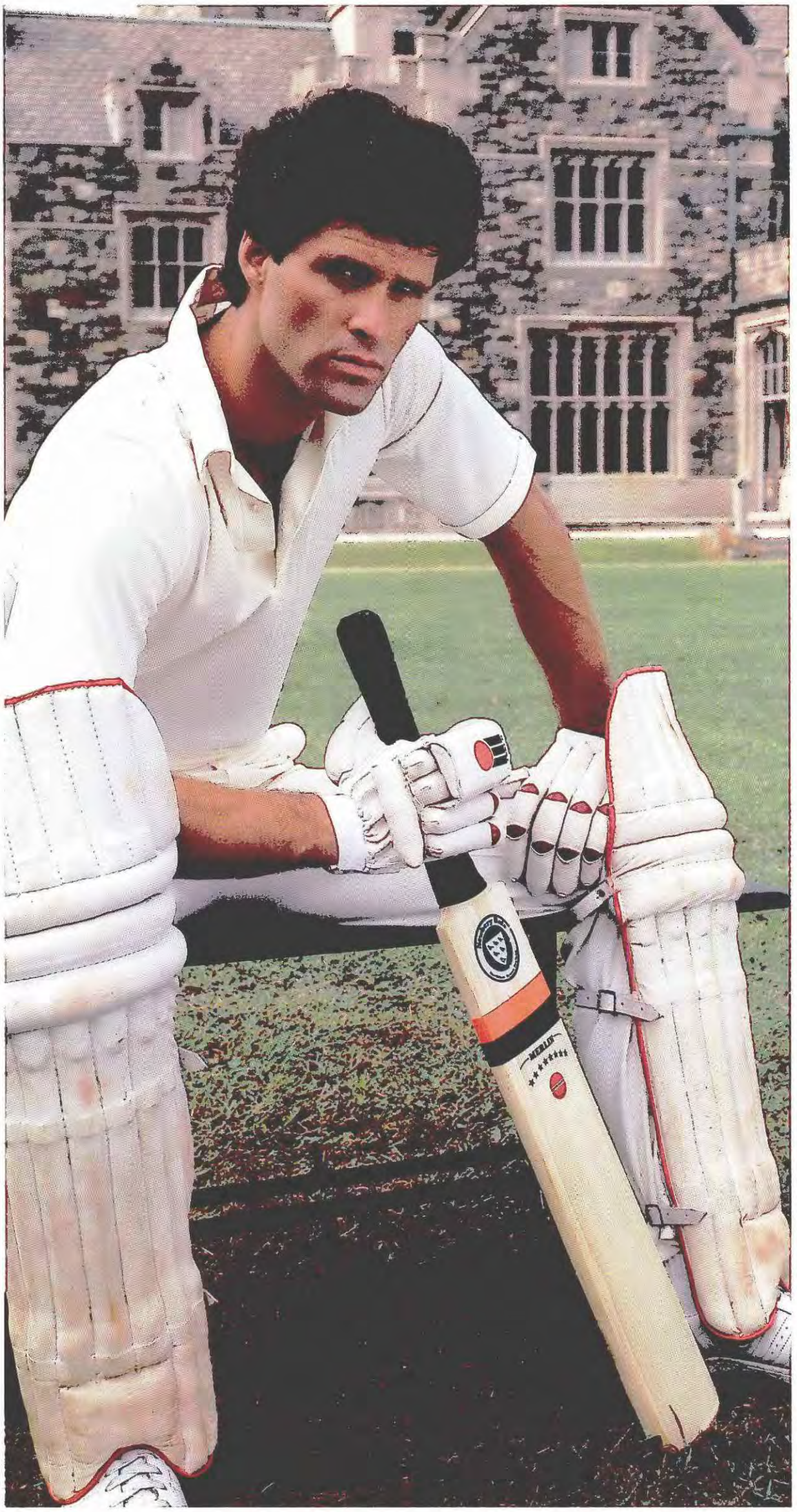

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Continued from preceding page

Parent company: Corroon & Black Corp.

Year founded: 1947.

Branch offices: Atlanta, Los Angeles, New York.

Subsidiaries: G.L. Hodson & Son Inc. of Minnesota; G.L. Hodson & Son Inc. of Georgia.

Principal officers: Robert G. Hodson, chairman/chief executive officer; Thomas M. Hearn Jr., president; G.W. Davis, M.E. Rothpeltz, P.B. Nedza, R.M. Hestwood and T.J. Kennedy, senior vps.

Licensed in: New York, California and Georgia.

Hosken Intermediaries Inc.

130 William St., New York, N.Y. 10038; 212-608-3030

	1983	1982
Premium vol.	$1,971,000	$600,000
Gross rev.	$305,887	$173,000
Employees	7	3
Percent treaty	15%	4%
Percent facultative	85%	96%

Parent companies: Viga Holdings and Triangle International Holdings.

Year founded: 1982.

Specialties: Construction all-risk, power stations, utilities, financial, domestic property and casualty, international facultative and treaty accounts.

Principal officers: Rory K. O'Farrell, president/director; K. Ralphs, secretary/treasurer; P. Farina, vp.

Licensed in: New York.

I

INRE International (Los Angeles) Ltd.

3600 Wilshire Blvd., Suite 318, Los Angeles, Calif. 90010; 213-389-1579

	1983	1982
Premium vol.	$700,000	$500,000
Gross rev.	$70,000	$50,000
Employees	5	4
Percent treaty	10%	0%
Percent facultative	90%	100%

Parent company: INRE International Group.

Year founded: 1982.

Branch offices: New York and London.

Subsidiaries: INRE Insurance Brokers, Los Angeles; INRE International Ltd., London; INRE International (New York) Ltd., New York.

Specialties: Property and marine.

Principal officers: P. Grieg, president; R. Paras, vp/treasurer; E.C. Garcia, manager.

Licensed in: New York office is licensed in New York.

Independence Intermediaries Inc.

1 Hollow Lane, Lake Success, N.Y. 11042; 516-627-4390/212-347-6601

	1983	1982
Premium vol.	$27,890,000	$23,730,595
Gross rev.	$2,353,000	$1,957,985
Employees	33	29
Percent treaty	10%	10%
Percent facultative	90%	90%

Parent company: The Charter Group.

Year founded: 1973.

Branch offices: Hartford, Conn.; Dallas.

Principal officers: Edmund J. Hanley, president; Sam Hartman, senior vp; Anthony Maltese, vp/comptroller; Carl Bach, Cathy Fabiitti, Mary Kaphengst and Phil Lombardo, vps.

Licensed in: New York.

Independent Brokers Ltd.

P.O. Box HM2070, Hamilton 5, Bermuda; 809-295-1646

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	7*	NA
Percent treaty	10%*	NA
Percent facultative	90%*	NA

*1984 projections.

Parent company: Independent Management Group Ltd.

Year founded: 1984.

Specialties: Medical benefits.

Principal officers: Peter Strong, president; John Neal, vp.

Licensed in: Bermuda.

Insurance Risks International Inc.

2621 E. Camelback Road, Suite 150A, Phoenix, Ariz. 85016; 602-957-6494/800-321-1341

	1983	1982
Premium vol.	$11,900,000	$7,000,000
Gross rev.	$713,463	$477,610
Employees	14	15
Percent treaty	26%	20%
Percent facultative	74%	80%

Year founded: 1983.

Branch offices: Beverly Hills, Calif.

Principal officers: William H. MacFarland, president; Christopher J. Williams, vp-marketing; Edward Snyder, vp/chief underwriter; David D. Alecksen, vp-Beverly Hills office.

Intere Intermediaries Inc.

130 John St., New York, N.Y. 10038; 212-344-1100

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	163	151
Percent treaty	100%	100%

Year founded: 1919.

Branch offices: Atlanta, Chicago, New York, San Francisco, Dallas.

Subsidiaries: Intere (Bermuda) Ltd., Hamilton, Bermuda; Intere Far East Ltd., Taipei, Taiwan; Port Cove Associates Inc., New York; Intere Copenhagen ApS, Copenhagen, Denmark.

Specialties: All domestic and international property/casualty, marine and aviation reinsurance.

Principal officers: Ward B. Gordon, chairman; Wallace E. Winter, president/chief executive officer; Roland G. Roth, executive vp/vice chairman; John C. Follansbee, executive vp; John R. Gale, senior vp/treasurer; John N. Broadnax, Clifford English Jr., Charles F. Harrison, Thomas F. McGrath III, W. Brian Smith and Michael G. Woll, senior vps; Ronald C. Fazio, vp/secretary.

Licensed in: New York.

Intermediaries of America Inc.

1 World Trade Center, New York, N.Y. 10048; 212-775-9010

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	15	12
Percent treaty	100%	100%

Continued on page 48

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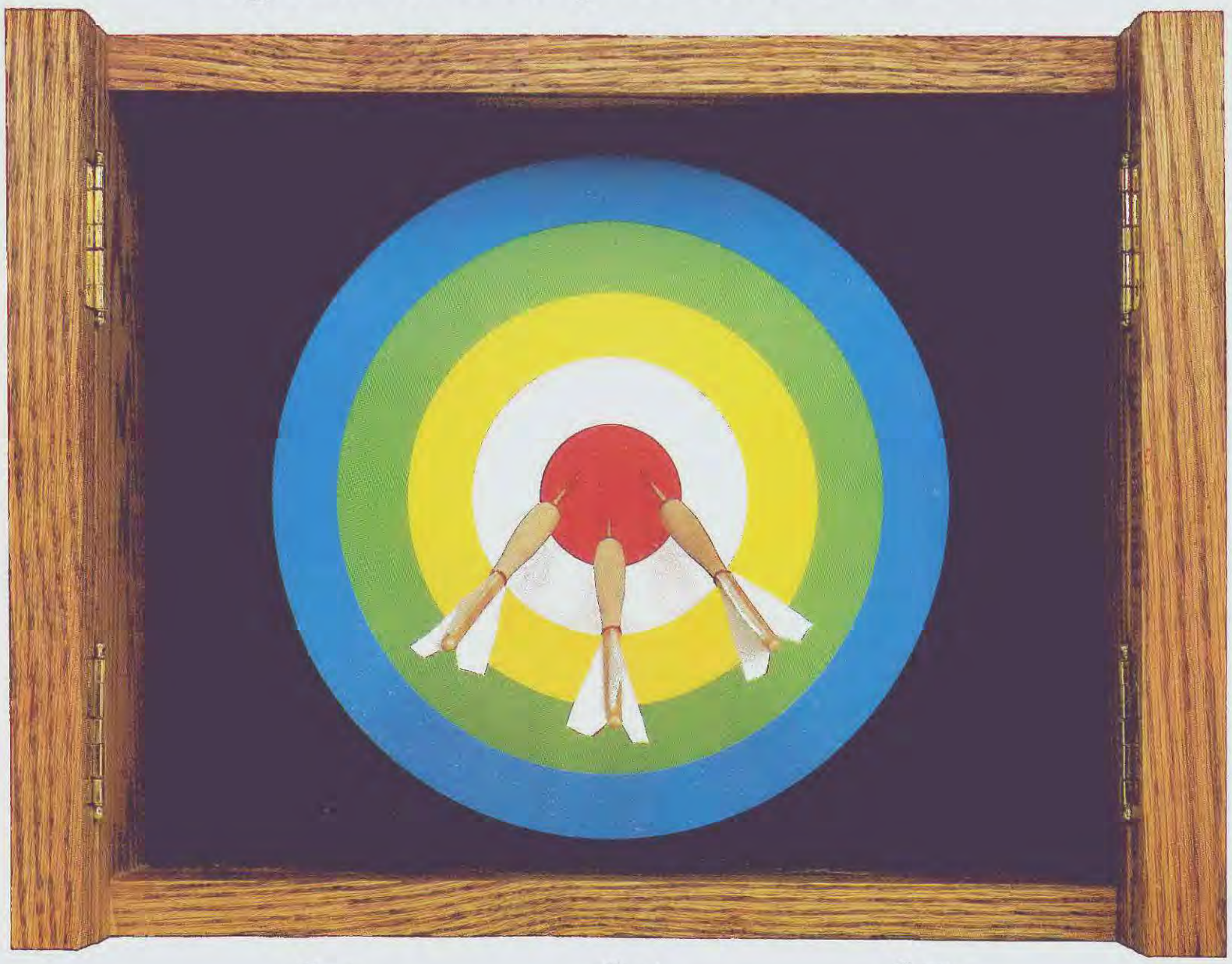

Target: Corporation's Assets

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Target: The Plan's Assets

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Continued from preceding page

Greig Fester (North America) Inc.

116 John St., Suite 1410, New York, N.Y. 10038; 212-619-0140

	1983	1982
Premium vol.	$8,000,000	$4,500,000
Gross rev.	$903,000	$333,000
Employees	17	13
Percent treaty	98%	98%
Percent facultative	2%	2%

Parent company: Greig Fester Group Ltd.

Year founded: 1981.

Subsidiaries: Ashwood Reinsurance Intermediaries Inc., New York; Greig Fester (Australia) Pty. Ltd.; Greig Fester (South Africa) Pty. Ltd.

Principal officers: Charles B. Penrucdocke, vice chairman/chief executive officer; Irving Bloom, president/chief operating officer. Leonard B. Wagner, secretary/treasurer; James D. Whyte and Matthew C. Albanese, assistant vps.

Licensed in: New York.

Group Resources Inc.

P.O. Box 1318, Kailua, Hawaii 96734; 808-262-4556

	1983	1982
Premium vol.	$33,000,000	$31,000,000
Gross rev.	$165,000	$152,000
Employees	2	2
Percent treaty	100%	100%

Year founded: 1980.

Subsidiaries: Professional Reinsurance Organization Inc., San Francisco.

Specialties: Individual and group accident and health, individual life insurance.

Principal officers: Donald K. Anderson, president; Dean C. Anderson, vp.

H

H & H Reinsurance Brokers Ltd.

H&H House, Hurst Holme, Trott Road, P.O. Box 1861, Hamilton 5, Bermuda; 809-295-3342

	1983	1982
Premium vol.	$12,000,000	$8,000,000
Gross rev.	NA	NA
Employees	10	9
Percent treaty	95%	95%
Percent facultative	5%	5%

Year founded: 1977.

Branch offices: H&H Group Services of Bermuda Ltd., Douglas, Isle of Man.

Affiliated companies: H&H Management Services Ltd., T.S.T. Management Ltd. and Hurst Holme Insurance Co. Ltd., Hamilton, Bermuda.

Specialties: Structuring protection for captives, management of captives, captive rental facilities.

Acquisitions: T.S.T. Management Ltd. and Hurst Holme Insurance Co. Ltd., Hamilton, Bermuda.

Principal officers: John S. Orr.dge, director/president; Simon C. Everett, director/vp; David P. Pickering, director/treasurer; W. Stuart Thompson, director; Michael T.D. Budge, director/secretary.

Licensed in: Bermuda.

Frank B. Hall (Reinsurance) Holdings Inc.

261 Madison Ave., New York, N.Y. 10016; 212-867-4380

	1983	1982
Premium vol.	$750,000,000	$750,000,000
Gross rev.	$25,000,000	$25,000,000
Employees	175	175
Percent treaty	65%	65%
Percent facultative	35%	35%

Parent company: Frank B. Hall & Co. Inc.

Year founded: 1946.

Branch offices: Frank B. Hall Re (IOA Re), Philadelphia; Frank B. Hall Re Southeast Inc., Coral Gables, Fla.; Interocean Agency Inc., San Francisco; Frank B. Hall Re, Paris; Copenhagen, Denmark; Milan, Italy.

Subsidiaries: Frank B. Hall Re De Mexico S.A., Mexico City; Frank B. Hall Re of Venezuela, Caracas and Maracaibo, Venezuela; Frank B. Hall Re, Lima, Peru; Frank B. Hall Re, Bogata, Colombia.

Specialties: Casualty, petroleum, marine, highly protected risks property, international risks.

Principal officers: Paul Butler, chairman and president; D.W.H. Smith, president-Frank B. Hall Re International; Joseph A. Zaffarese, president-Frank B. Hall Re of New York; Gustavo Cisneros, president-Latin America; Jacques de Cazotte, president-Europe.

Licensed in: New York.

Harnett & Richardson Ltd.

P.O. Box 836, Hamilton 5, Bermuda; 809-292-7500

	1983	1982
Premium vol.	$500,000	$500,000
Gross rev.	$5,000	$5,000
Employees	10	12
Percent treaty	50%	50%
Percent facultative	50%	50%

Year founded: 1900.

Principal officers: Nick Cochrane, vp/manager; Barbara Bogg, director/assistant manager.

W.O. Hart & Co. Inc.

2777 Summer St., Stamford, Conn. 06905; 203-357-1714

	1983	1982
Premium vol.	$11,203,047	$4,977,121
Gross rev.	$615,982	$488,136
Employees	11	10
Percent treaty	95%	95%
Percent facultative	5%	5%

Year founded: 1977.

Subsidiaries: W.O. Hart & Co. Inc. of New York.

Principal officers: Warren O. Hart, president; Donald J. Salierno, vp; Sharon Niederschmidt, treasurer/controller; Thomas J. McQuaid, assistant vp.

Licensed in: New York.

D.M. Hatwell Associates Inc.

10 E. Main St., P.O. Box 519, Chester, N.J. 07930; 201-879-5636

	1983	1982
Premium vol.	$15,000,000	$12,000,000
Gross rev.	NA	NA
Employees	9	9
Percent treaty	100%	95%
Percent facultative	0%	5%

Year founded: 1974.

Subsidiaries: Hatwell International Ltd., Chester, N.J.

Specialties: Retrocessions, London market excess-of-loss.

Principal officers: David M. Hatwell, president.

Licensed in: New York.

G.L. Hodson & Son Inc.

3333 New Hyde Park Road, New Hyde Park, N.Y. 11042; 516-365-9000

	1983	1982
Premium vol.	$475,000,000	$395,000,000
Gross rev.	$22,000,000	$17,500,000
Employees	192	170
Percent treaty	95%	93%
Percent facultative	5%	7%

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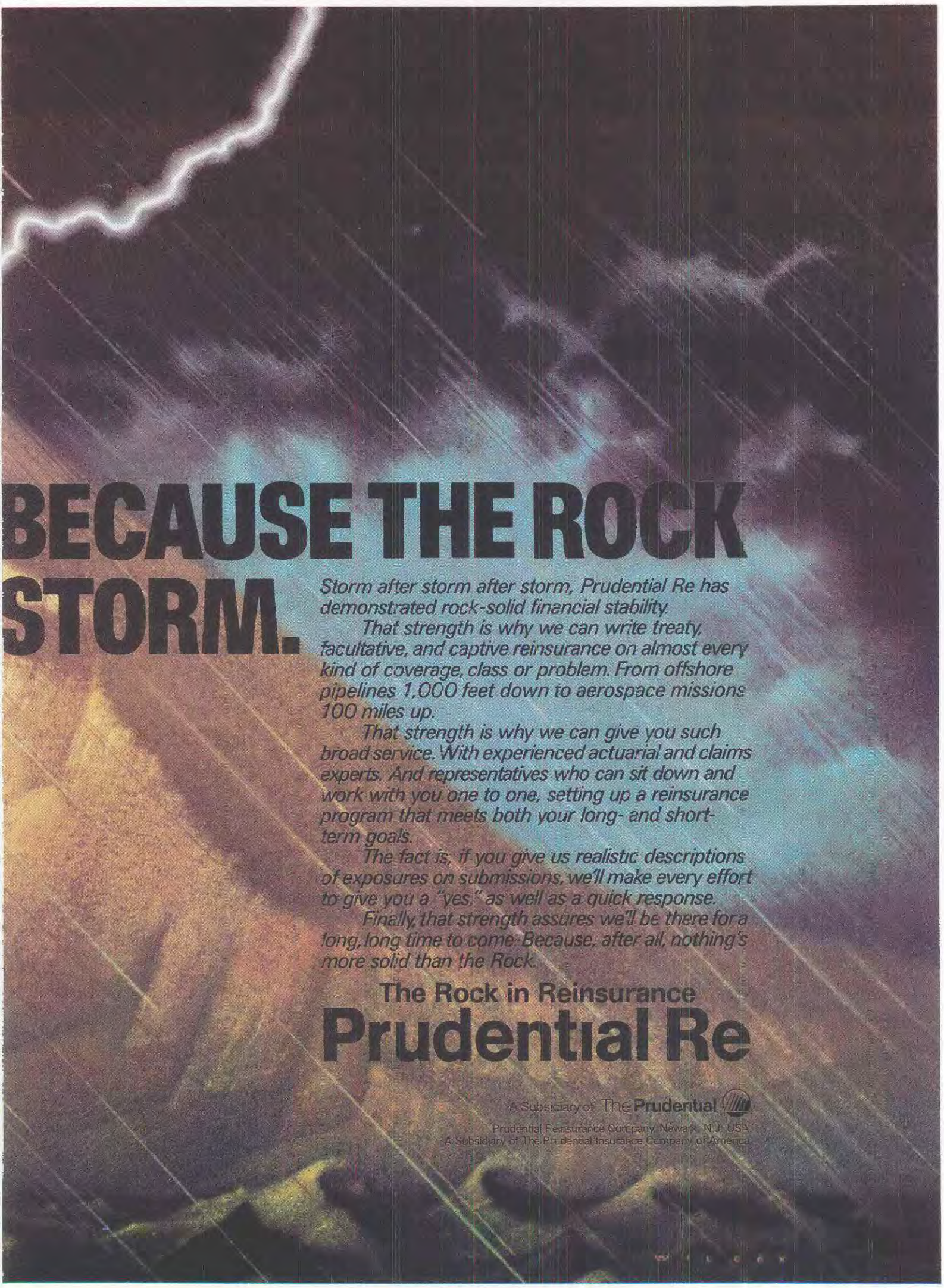


F

Fairway Intermediaries Ltd.

Box HM2261, 73 Front St., Hamilton 5, Bermuda; 809-295-8473

	1983	1982
Premium vol.	$25,000,000	NA
Gross rev.	$350,000	NA
Employees	6	NA
Percent treaty	85%	NA
Percent facultative	15%	NA

Parent company: Dana Corp.
Year founded: 1982.
Specialties: Captive programs.
Principal officers: Carl Pingel, president; Colin Davidson, executive vp; Wolcott Outerbridge, vp; Roderick Gilbert, general manager.

Falcon Intermediaries Ltd.

736 Springdale Drive, P.O. Box 100, Exton, Pa. 19341; 215-363-5540

	1983	1982
Premium vol.	$8,000,000	$5,500,000
Gross rev.	NA	NA
Employees	8	7
Percent treaty	90%	85%
Percent facultative	10%	15%

Parent company: Roehrs & Co. Inc.
Year founded: 1982.
Specialties: Captives, association programs, managing general agencies, issuing insurers, ceded and retroceded programs.
Principal officers: Walter E. Roehrs Jr., chairman; Geoffrey C. Roehrs, vice chairman; Paul C. Bransombe, president; J. Christopher Ambrogi and John S. Godley, vps.

Foa & Son Intermediaries

1 World Trade Center, New York, N.Y. 10048; 212-432-1234

	1983	1982
Premium vol.	$10,200,000	$9,318,000
Gross rev.	$550,000	$500,000
Employees	5	5
Percent treaty	90%	85%
Percent facultative	10%	15%

Parent company: Foa & Son Corp.
Year founded: 1861.
Subsidiaries: Franrea, Paris; Great Asian Development Corp., Seoul, South Korea; C. Martinez, Buenos Aires, Argentina.
Principal officers: Mario Foa, chairman; Conrad Foa, president; Dick Impastato, executive vp; Stanley Apicella, senior vp; S. Fantauzzi, manager.
Licensed in: New York.

Freisenbruch-Meyer Insurance Services Ltd.

P.O. Box 1125, 1 Parliament St., Hamilton 5, Bermuda; 809-295-9208

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	7	7
Percent treaty	95%	95%
Percent facultative	5%	5%

Year founded: 1980.
Associated companies: Freisenbruch-Darrow Management Ltd. and Atlas Management Ltd., Hamilton, Bermuda.
Principal officers: Michael D. Freisenbruch, president; Alasdair G. Barclay, secretary; Michael G. Warren and Terence G. Orchard, managers.
Licensed in: Bermuda.

G

Arthur J. Gallagher & Co. (Bermuda) Ltd.

P.O. Box 2000, Perry Building, Church St., Hamilton 5, Bermuda; 809-292-4654

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	5	8
Percent treaty	60%	60%
Percent facultative	40%	40%

Parent company: Arthur J. Gallagher & Co.
Year founded: 1972.
Subsidiaries: Arthur J. Gallagher & Co. (Cayman) Ltd.
Specialties: Financially oriented reinsurance coverage, political risk, commercial credit.
Principal officers: J.P. Gallagher, president; R.E. Gallagher, vp; J.F. Gelot, managing director/chief executive officer.
Licensed in: Bermuda.

John Gilbert Intermediary Group

123 William St., 22nd Floor, New York, N.Y. 10038; 212-732-7410

	1983	1982
Premium vol.	$40,000,000	$38,000,000
Gross rev.	NA	NA
Employees	20	20
Percent treaty	95%	95%
Percent facultative	5%	5%

Parent companies: CIGNA Corp. and Clarkson Puckle Group.
Year founded: 1976.
Principal officers: John L. Gilbert, chairman/president; Ronald C. Ade, senior vp; Wilbur A. Clarke, treasurer/comptroller; Linda Bishop Young and Thomas G. Reid, assistant vps.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0910

	1983	1982
Premium vol.	$2,000,000	1,200,000
Gross rev.	NA	NA
Employees	22	22
Percent treaty	80%	80%
Percent facultative	20%	20%

Year founded: 1968.
Subsidiaries: Compass Insurance Group of Agencies, Compass Surplus Lines, Creative General Insurance Agency, Joseph J. Porrazzo Adjustment Co., Glendale, Calif.
Specialties: Property and catastrophe.
Principal officers: H.W. Gorst, president; R.C. Blackwell, chief financial officer; M. Heagerty, executive vp.
Licensed in: California, Florida, Arizona, Kansas and Missouri.

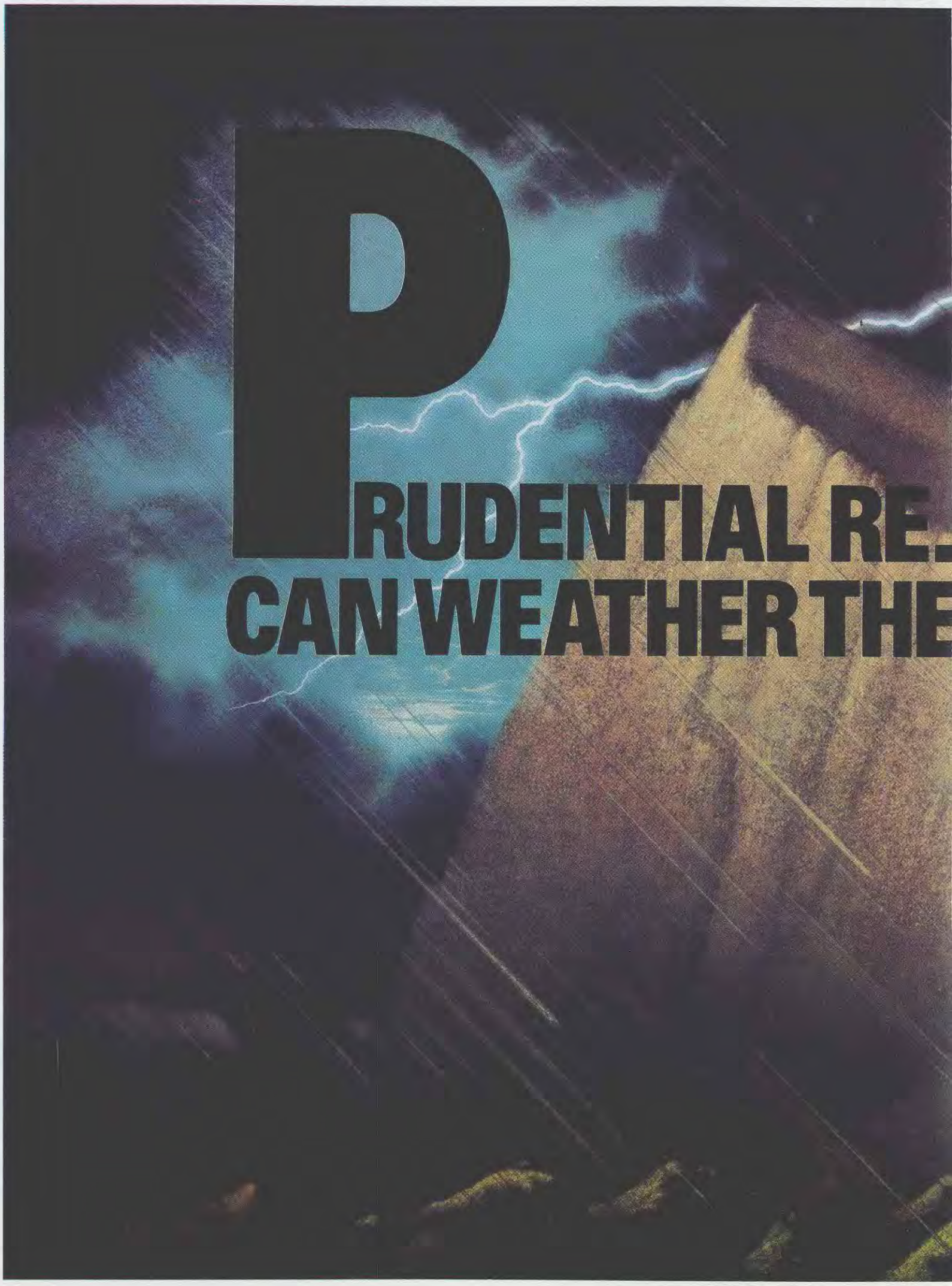
Thomas A. Greene & Co. Inc.

1270 Ave. of the Americas, New York, N.Y. 10020; 212-664-0200

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	200	215
Percent treaty	70%	50%
Percent facultative	30%	50%

Parent company: Alexander & Alexander Services Inc.
Year founded: 1980.
Branch offices: San Francisco; Chicago; New York.
Principal officers: Thomas A. Greene, chairman/president/chief executive officer; Peter F. Malloy, executive vp/chief operating officer; A. Roy Thomson, Robert H. Brandon, John L. Busi, John W. Bing, Craig J. Ott, J.J. O'Connell, Michael D. O'Halleran, F.L. Kleiner, Edward W. Tuescher Jr., William Coleman, senior vps.
Licensed in: New York.

Continued on facing page



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NORTH AMERICAN REINSURANCE CORPORATION 100 EAST 46TH STREET NEW YORK, NEW YORK 10017 TELEPHONE 212-907-8000

Continued from page 40

Specialties: General property/casualty treaty, crop hail, life, professional liability.

Principal officers: E.W. Blanch Jr., chairman; Frank S. Wilkinson Jr., vice chairman; Michael W. Cashman Sr., president; John B. Collins, John H.S. Jamieson, Edward W. Frye Jr., Paul S. Mavros, Casandra M. Mihalchick, Paul M. Egeland, Russel L. Funk, John E. Galleger. Jerome R. Hanson, Leo T. Heifetz, Arthur M. Horwitz, Peter M. Mahon Jr., Andrew M. O'Brien and Richard E. Swager, senior vps.

Licensed in: New York.

Booth, Potter, Seal & Co. Inc.

726 Public Ledger Building, Philadelphia, Pa. 19106; 215-925-4600

	1983	1982
Premium vo.....	NA	NA
Gross rev.....	NA	NA
Employees.....	32	45
Percent treaty....	70%	80%
Percent facultative	30%	20%

Parent company: Rollins Burdick Hunter Co./Combined International Corp.

Year founded: 1939.

Branch offices: Denver.

Principal officers: Frank J. Froio, chief financial officer; John Van Fossen, Albert F. Davis and Thomas B. Stolp, senior vps; Charles R. Link, vp; Kenneth W. Dorsey, assistant vp.

Licensed in: New York.

Bradstock Inc.

120 Broadway, Suite 3010, New York, N.Y. 10271; 212-619-0355

	1983	1982
Premium vol.....	$4,500,000	$3,000,000
Gross rev.....	$278,000	$190,000
Employees.....	3	2
Percent treaty....	99%	99%
Percent facultative	1%	1%

Parent company: Bradstock, Blunt & Crawley.

Year founded: 1981.

Specialties: Excess-of-loss loss treaties.

Principal officers: Michael H. Morland, president; Richard C. Moody, executive vp.

Licensed in: New York.

C

Guy Carpenter & Co. Inc.

110 William St., New York, N.Y. 10038; 212-791-8600

	1983	1982
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	1,200	1,200
Percent treaty....	NA	NA
Percent facultative	NA	NA

Parent company: Marsh & McLennan Cos. Inc.

Year founded: 1923.

Branch offices: San Francisco; Los Angeles; Chicago; Hartford, Conn.; Coral Gables, Fla.; Atlanta.

Subsidiaries: Guy Carpenter & Co. Inc. of Minnesota, Minneapolis and Dallas; Balis & Co. Inc., Philadelphia; Guy Carpenter & Co. (Canada) Ltd., Toronto; Guy Carpenter Italia S.R.L., Trieste, Italy; Guy Carpenter & Co. (Asia) Ltd., Hong Kong; Guy Carpenter & Co. ApS, Copenhagen, Denmark; Guy Carpenter & Co. (Stockholm) AB, Stockholm, Sweden.

Principal officers: Richard H. Blum, president/chief executive officer/director; Michael J. Cody, Robert S. Constable, Michael S. Cooper, John Kean Jr., Edward G. Maher, Frank J. Tasco, Gabriele J. Troiano and James D. Weaver, directors.

Licensed in: New York.

Herbert Clough Inc.

10 Stamford Forum, Stamford, Conn. 06904; 203-357-8883

	1983	1982
Premium vol.....	$50,000,000	$50,000,000
Gross rev.....	NA	NA
Employees.....	17	17
Percent treaty....	95%	95%
Percent facultative	5%	5%

Parent company: General Reinsurance Corp.

Year founded: 1926.

Principal officers: J.J. Van de Graaf, president; George T. Derfus, vp; Lynn R. Biggart, second vp.

Licensed in: New York.

Cravens & Co., Special Insurance Services

555 California St., San Francisco, Calif. 94104; 415-622-7530

	1983	1982
Premium vol.....	$112,000,000	$112,000,000
Gross rev.....	NA	NA
Employees.....	17	14
Percent treaty....	100%	100%

Year founded: 1978.

Branch offices: Seattle.

Subsidiaries: Affiliated with Cravens Re Treaty Facilities Inc., Cravens Re Facultative Facilities Inc. and Cravens, Dargan Enterprises.

Principal officers: Malcolm Cravens, chairman; Hartley D. Cravens, vice chairman; E.L. Stutsman, president; Robert J. Reynolds, executive vp; Leon Button, senior vp; Jim M. Rusk, vp/assistant secretary; Jim McLean, vp.

Licensed in: New York.

ARIG

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Telex: 9395BN, 9396BN

London Contact Office:
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31-35 Fenchurch Street
London EC3M 3DX
Tel: 01-626 4155/8.
Telex: 893281 Arig G

D

Delaney Offices Inc.*

30 Cliff St., New York, N.Y. 10038; 212-267-9339

	1983	1982
Premium vol.....	$150,000,000	$125,000,000
Gross rev.....	$3,126,015	$1,725,182
Employees.....	53	39
Percent treaty....	90%	90%
Percent facultative	10%	10%

Parent company: DMT Financial Group Inc.

Year founded: 1954.

Specialties: Captive, self-insured, financial guarantee, specialized treaty programs.

Principal officers: Timothy D. Delaney, chairman; William F. Delaney Jr., president; John M. Kwaak, executive vp; Thomas A. Mangold, vp; Daniel F. Maher Jr., secretary; Gail W. Reilly, treasurer.

Licensed in: New York.

*Information reported reflects company's status in 1983. Effective Oct. 1, 1984, the partners separated. William F. Delaney Jr. is now operating Delaney Offices Inc. under his sole ownership as president, with a staff of five. He projects 1984 premiums of $20 million. The remaining officers are operating as Delaney Intermediaries Inc., with Timothy D. Delaney as president. Delaney Intermediairies, with a staff of 53 and projected 1984 premiums in excess of $150 million, remains a subsidiary of DMT Financial Group Inc. Both organizations retain the same address and telephone number.

E

E & S Intermediaries Inc.

111 John St., New York, N.Y. 10038; 212-732-9855

	1983	1982
Premium vol.....	$13,564,890	$9,369,723
Gross rev.....	$907,412	$685,478
Employees.....	10	8
Percent treaty....	5%	0%
Percent facultative	95%	100%

Parent companies: H.S. Weavers (Holdings) Ltd., Transit Casualty Co. and National Underwriting Agency.

Year founded: 1980.

Specialties: Casualty.

Principal officers: Stephen L. Gandley, president; Robert L. Osborne Jr., vp; Randall S. Jensen and Randolph Roppelt, assistant vps; Robert G. Schloerb, secretary.

Licensed in: New York.

Continued on page 44

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Continued from page 38

Ashford Reinsurance Intermediaries Corp.

160 Water St., New York, N.Y. 10038; 212-514-8550

	1983	1982
Premium vol.	$7,400,000	NA
Gross rev.	$115,000	NA
Employees	6	NA
Percent treaty	90%	NA
Percent facultative	10%	NA

Parent company: Ashford Holding Corp.

Year founded: 1983.

Specialties: Large-risk commercial casualty, commercial property (including highly protected risks), professional liability, political risk, portfolio transfers, limited partnership surety.

Principal officers: Henry J. O'Shea, president; Donald B. Sharp, vp.

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HEAD OFFICE: 280 Park Avenue, New York, N.Y. 10017

Associated Intermediaries Inc.

3 Piedmont Center, Suite 310, Atlanta, Ga. 30305; 404-237-1170

	1983	1982
Premium vol.	$50,000,000	$7,000,000
Gross rev.	NA	NA
Employees	10	4
Percent treaty	80%	95%
Percent facultative	20%	5%

Parent company: Provident Life & Accident Insurance Co.

Year founded: 1982.

Subsidiaries: Associated Intermediaries-S.C. Inc., Columbia, S.C.

Principal officers: Alph H. (Buddy) Browne, president/chief operating officer/chief executive officer; Samuel S. Miller, secretary/treasurer; Robert H. Sanders, senior vp; William M. Allen, vp.

Licensed in: New York.

B

B.R.I. Agency Inc.

156 William St., New York, N.Y. 10038; 212-233-7171

	1983	1982
Premium vol.	$2,400,000	$2,400,000
Gross rev.	NA	NA
Employees	10	10
Percent treaty	20%	20%
Percent facultative	80%	80%

Parent company: B.R.I. Holding Corp.

Year founded: 1981.

Principal officers: Donald P. Ferrarini, president; Joseph Zweig, senior vp/general manager; Bruno Rumignani and Howard Miller, vps; Fred Ghawi, vp-ocean marine; Arthur Ostrow, secretary/treasurer.

Licensed in: New York.

Bailey Townsend Inc.

111 John St., New York, N.Y. 10038; 212-233-9076

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	5	4
Percent treaty	75%	65%
Percent facultative	25%	35%

Parent company: John Townsend & Co. (Holdings) Ltd.

Year founded: 1979.

Specialties: Ocean marine, international reinsurance, professional liability.

Principal officers: John R.C. Townsend, chairman; Robert W. Bailey, president.

Licensed in: New York.

Bates Turner Inc.

4500 College Blvd., Suite 200, Overland Park, Kan. 66211; 913-383-1339

	1983	1982
Premium vol.	$30,000,000	NA
Gross rev.	NA	NA
Employees	12	4
Percent treaty	100%	100%

Parent company: Employers Reinsurance Corp.

Year founded: 1982.

Branch offices: Morristown, N.J.

Principal officers: Prewitt B. Turner Jr., chairman; Michael G. Fitt, president; Michael E. Fisher, executive vp/chief operating officer.

Licensed in: New York.

E.W. Blanch Co.

3500 W. 80th St., Minneapolis, Minn. 55431; 612-835-3310

	1983	1982
Premium vol.	$1,728,300,000	$1,317,940,000
Gross rev.	NA	NA
Employees	223	253
Percent treaty	99%	98%
Percent facultative	1%	2%

Year founded: 1961.

Branch offices: Chicago; Stamford, Conn.; San Francisco; Atlanta; New York; Copenhagen, Denmark.

Subsidiaries: E.W. Blanch (Bermuda) Ltd., Hamilton, Bermuda; G.V. Jensen Co. ApS, Copenhagen, Denmark; AgRe Management Inc., Minneapolis; MRM Inc., Minneapolis.

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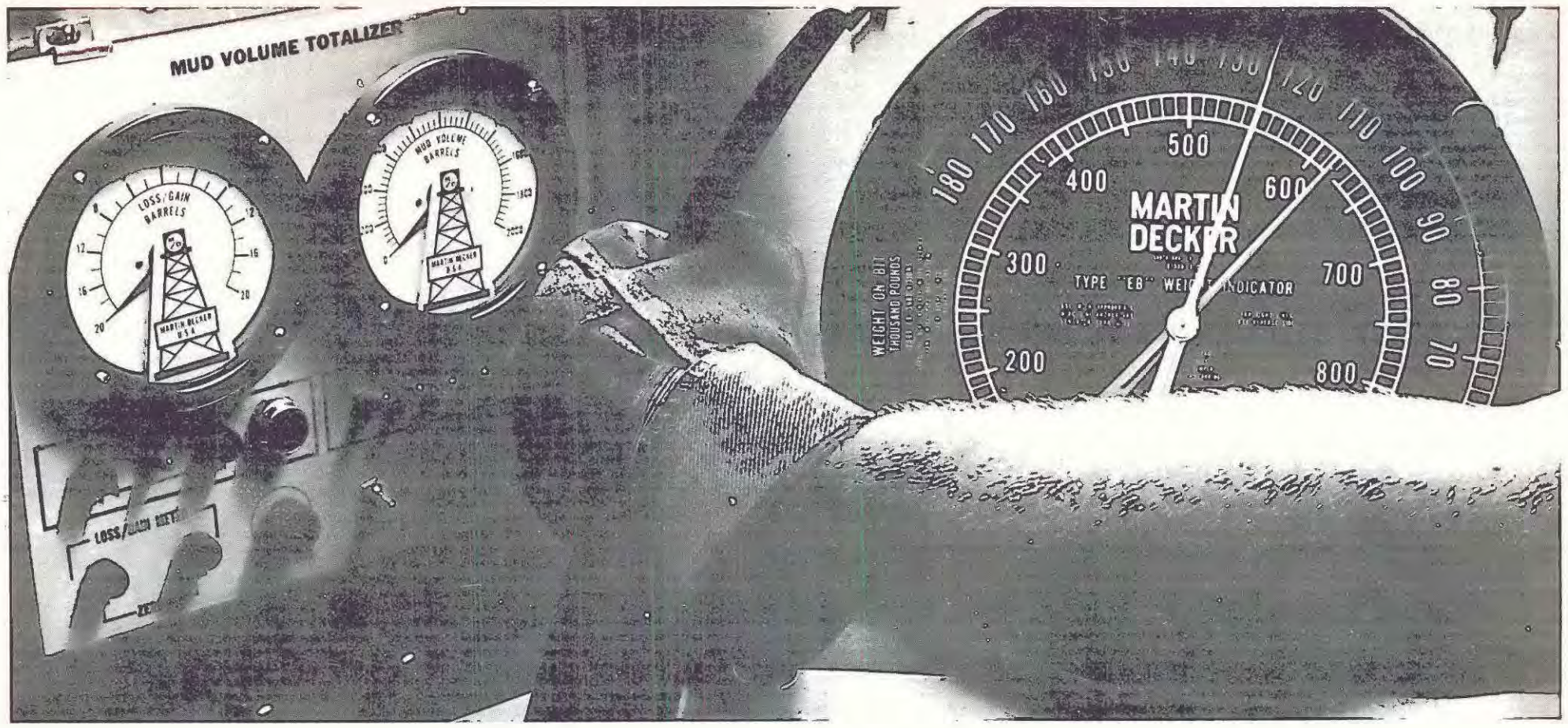

HOW WILL YOU HANDLE THE PRESSURE AFTER THE BLOW OUT?

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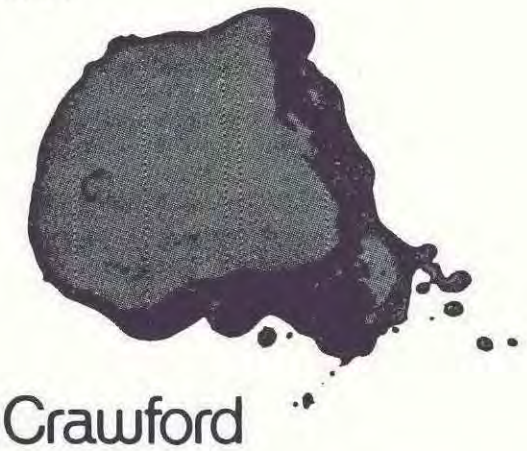

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Directory of reinsurance intermediaries

A

Agnew International Inc.

77 Tamarack Circle, Montgomery Knoll, Skillman, N.J. 08558; 609-921-0988

	1983	1982
Premium vol.	$20,000,000	$20,000,000
Gross rev.	$1,000,000	$1,040,000
Employees	21	20
Percent treaty	17.5%	15%
Percent facultative	82.5%	85%

Year founded: 1976.
Branch offices: New York.
Specialties: International major risks, domestic heavy risks.
Principal officers: Patrick Agnew, president; Mona Chrysanthov, vp; W. James Cook and Joan Ann Certo, assistant vps.
Licensed in: New York.

S.L. Alexander Insurance Services

3435 Wilshire Blvd., Suite 2018, Los Angeles, Calif. 90010; 213-385-7182

	1983	1982
Premium vol.	$6,800,000	$5,800,000
Gross rev.	$420,000	$537,000
Employees	9	11
Percent facultative	100%	100%

Year founded: 1975.
Branch offices: Prescott, Ariz.
Principal officers: Sam Alexander, president; Pauline Kwan and Fred Nelson, vps.
Licensed in: New York.

Amberco Brokers Ltd.

P.O. Box HM1230, Hamilton 5, Bermuda; 809-295-9191

	1983	1982
Premium vol.	$100,000,000	$75,000,000
Gross rev.	NA	NA
Employees	22	16
Percent treaty	95%	95%
Percent facultative	5%	5%

Parent company: Amberco Ltd.
Year founded: 1977.
Associated companies: Amberco Brokers Corp., Miami and New York; Amberco Management Ltd., Hamilton, Bermuda.
Specialties: Captive rental facility programs, excess group health.
Principal officers: John K. McGarrity, president; Julian M. Griffiths, vp; Roy V. Bray, director.

American Intermediaries Inc.

1800 Century Park E., Suite 450, Los Angeles, Calif. 90067; 213-201-6500

	1983	1982
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	NA	NA
Percent treaty	NA	NA
Percent facultative	NA	NA

Parent company: Iona Inc.
Year founded: 1984.
Specialties: Property/casualty treaty and medical malpractice.
Principal officers: Henry Krueger, chairman; Wolfgang J. Buettner, president; Nora Smith, vp.
Licensed in: New York.

American Management Services Inc.

2211 Norfolk St., Suite 915, Houston, Texas 77098; 713-526-9514

	1983	1982
Premium vol.	$500,000*	NA
Gross rev.	$48,000*	NA
Employees	4	NA
Percent treaty	25%*	NA
Percent facultative	75%*	NA

*1984 projected figures.

Parent company: Coastal Risk Specialists Inc.
Year founded: 1984.
Specialties: Casualty, property and marine coverages; oil, gas and transportation risks.
Principal officers: William M. Edmondson III, president; Robert J. O'Donnell and Marvin R. Blum, vps.
Licensed in: New York.

Andrew Edwards & Co. Inc.

111 John St., New York, N.Y. 10038; 212-227-1300

	1983	1982
Premium vol.	$82,747,000	$59,735,000
Gross rev.	NA	NA
Employees	18	12
Percent treaty	98.7%	96.5%
Percent facultative	1.3%	3.5%

Year founded: 1977.
Branch offices: Hamilton, Bermuda.
Specialties: Agency captives.
Principal officers: Andrew J. Barile, chairman; Edward J. Mallozzi, president; Carol Hirsch, vp/secretary; Kenneth H. Glass, assistant secretary; Christine Yanakas, account executive.
Licensed in: New York.

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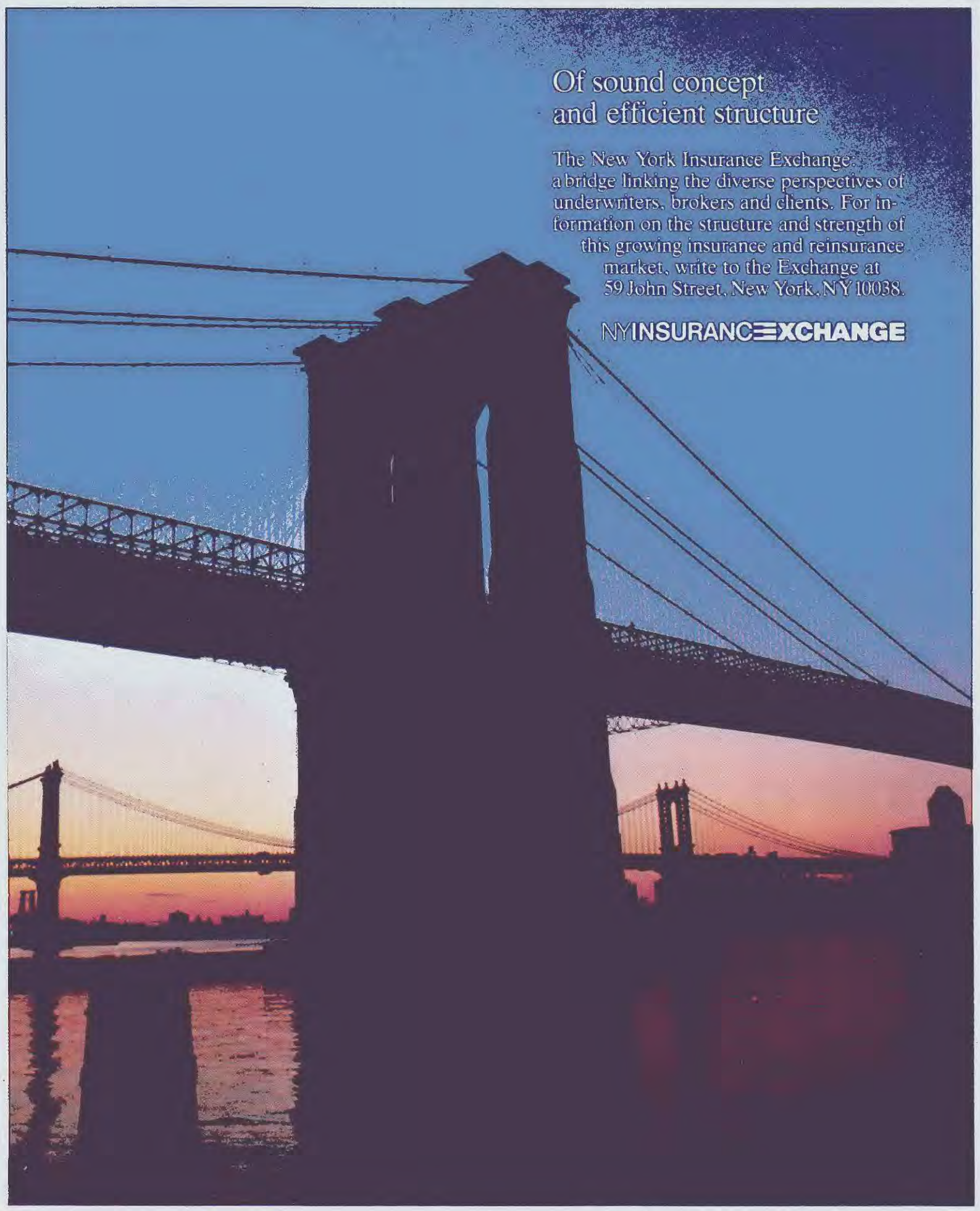

How to use directory

The second annual directory of reinsurance intermediaries includes information on 88 companies in the United States and Bermuda.

Information for the directory was compiled from responses to questionnaires sent to the intermediaries by *Business Insurance*. The listing is printed as an editorial service; there is no charge for companies to be included.

Intermediaries were asked to provide information for 1983 and 1982 including premium volumes, gross revenues, employees and percent of treaty and facultative business. Also requested was information on ownership, year founded, branch offices, subsidiaries, specialties, acquisitions, principal officers and licensing.

When a company was not in business during the time, or refused to provide financial information, it is noted as NA (not available).

Financial information not provided by the 10 largest intermediaries is estimated by *Business Insurance* in the chart appearing on page 3. *BI* estimates of the premium volumes handled by other intermediaries are noted in the individual listings.

If you wish to locate an intermediary by city or state, you may refer to the geographic listing following the directory. Branch offices as well as home offices are included.

We have made every effort to obtain complete and accurate information; however, *Business Insurance* is unable to verify all figures.

Reinsurance intermediaries that would like to be added to the mailing list to receive the questionnaire next year should write: Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; or call 312-649-5279.

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Help hospital workers combat chemical abuse

By STEVE TARAVELLA

SAN DIEGO—Although they work for health care providers, hospital employees, including doctors, need employee assistance programs just as much as—and maybe more than—employees at other businesses, experts say.

Chemical dependency—not including alcohol abuse—is about 3% to 7% more prevalent among health care professionals than among people in other career categories, estimated Jody Ross Yeary, employee assistance consultant at Mount Diablo Hospital Medical Center in Concord, Calif., where she coordinates an EAP for about 1,300 employees.

Alcohol abuse is believed to occur with about the same frequency in the health professions as in other careers, she said.

Although only 13.2% of the employees that Ms. Yeary worked with last year suffered from drug, alcohol or some other form of chemical abuse, chemical dependency is more likely to create on-the-job difficulties than other employee problems, she added.

Ms. Yeary

"Of all the people I saw, (chemical dependency) actually wasn't the largest category, but it generally presents the biggest problems among the staff," she said.

"One of the most special problems we have, working in hospitals, is the risk of diversion of narcotics (and) of other types of pharmaceutical substances that most places don't have to deal with," Ms. Yeary explained.

Chemical dependency "is a common problem in all of society and physicians are not immune," added Dr. Willard G. Spiegelman, acting assistant professor of anesthesia at the Stanford University School of Medicine in Palo Alto, Calif.

Mr. Spiegelman

As many as 10% of physicians will fall prey to some form of chemical dependency during their career, he estimated.

Dr. Spiegelman and Ms. Yeary spoke before the recent American Society for Hospital Risk Management conference, addressing ways hospitals can cope with employees who have chemical dependency and other personal problems.

Ms. Yeary specializes in counseling those suffering from alcohol abuse and other forms of chemical dependency. Dr. Spiegelman, who told the audience he is recovering from chemical dependency, is chairman of a support group for troubled Stanford medical staff physicians.

Untreated illness due to chemical dependency, which can be addressed through an employee assistance program, results in the death or disability of approximately one in 200 physicians a year, according to Dr. Spiegelman.

By virtue of their position in the professional community, health care employees' personal problems are often overlooked, he added.

Although the public may regard doctors and nurses as being immune to problems, "Physicians have personal problems and illnesses that interfere with their ability to get help from a member of their family or the community. If these problems are not treated, (the situation) can progress to an inability to practice medicine with skill and safety," he said.

"It's important for individual hospital communities to take an active role in working at what resources can be developed at the hospital level to promote a positive and helpful response to the impaired physician," he said.

The number of physicians nationwide suffering for chemical dependency is of "epidemic" proportions, he said, citing statistics from the Medical Assn. of Georgia, which alone has treated more than 600 impaired physicians in the past 10 years and which has treated twice as many physicians in the

Continued on page 14

Too much paperwork got you chomping at the bit?

Some days you probably feel like Secretariat straining at the starting gate. Everywhere you look you see paper. Piled up quotes, policy apps, payroll reports, loss runs, engineering surveys, requests for repeat or follow-up service. It's enough to make anyone chomp and snort.

The fact is, when the products and services of your companies are inefficient you might have to spend most of your time at the office just trying to sort things out. For the independent agent this can be rather frustrating.

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Chemical abuse is big problem for hospitals

Continued from page 12
past five years as it did the previous five years.

He suggested that physicians have long struggled with personal problems, but that the issue "is just now getting the systematic, objective attention that results in a lot of case findings."

Instituting an EAP not only can help the hospital minimize errors on the job, but it could save money in the long run, Dr. Spiegelman points out.

"It's very cost-effective to (treat) physicians. Impaired employees are unprofessional, work inefficiently, don't get the job done, make mistakes, take a lot of sick leave, use health resources inappropriately and are disproportionately involved in grievance proceedings and discipline," he says.

Dr. Spiegelman said he is unaware of statistics that illustrate the extent to which impaired physicians create problems on the job, but added, "It just makes common sense that sick doctors don't function as well as healthy doctors.

"The point is that most, if not all, the causes of physician impairment are highly treatable," he said, estimating that treatment can help more than 80% of chemically dependent physicians recover and return to work.

According to Dr. Spiegelman, the steps hospitals must take to successfully assist an impaired employee are:

- Recognize the problem.
- Intervene to interrupt progressive and destructive effects of the illness.
- Refer the employee to, or enter the employee in, an appropriate treatment facility or program.
- Provide a program that assists the employee in re-entering the work ranks.

"Recognition is, in a way, the most difficult, sensitive and important part of the process, because until the problem is recognized, it's difficult to do anything useful and constructive about it," Dr. Spiegelman said.

Some cases are not difficult to detect: for example, a doctor may arrive for work intoxicated. But many problems are not so visible.

"The people I worry about are the people who haven't been identified as being chemically dependent in our facility," not the ones receiving treatment, Ms. Yeary noted.

For example, she said she is fairly certain of a particular case of drug use on the job, but she cannot take action because she lacks proof. Co-workers, wary of conflict or confrontation, are unwilling to come forth, even when they may have observed the nurse not "wasting" excess medication, as is required.

Confidentiality must be considered, she pointed out: It can be awkward if a troubled employee is treated on-site, in clear view of his or her co-workers. Ms. Yeary recalled an uncomfortable situation in which a nurse who had just attempted suicide was brought to the emergency room of the hospital in which she worked.

"You have to be able to ensure them that if they see someone like me, I'm not going to gossip about their problems, and that I'm going to be able to follow through and get them some kind of assistance without endangering their reputation with staff," she explained.

Confidentiality can be "a tricky situation," Ms. Yeary said, because treatment often requires that she discuss the patient's condition with his or her supervisor.

Generally, full-time hospital employees are removed from their responsibilities while receiving treatment for chemical dependency, she said, though employees with outpatient care duties are allowed to remain on the job during treatment.

A 28-day treatment is standard for employees removed from their job for chemical dependency, she said, noting that she continues to counsel some chemically dependent employees about 15 minutes a week for five years.

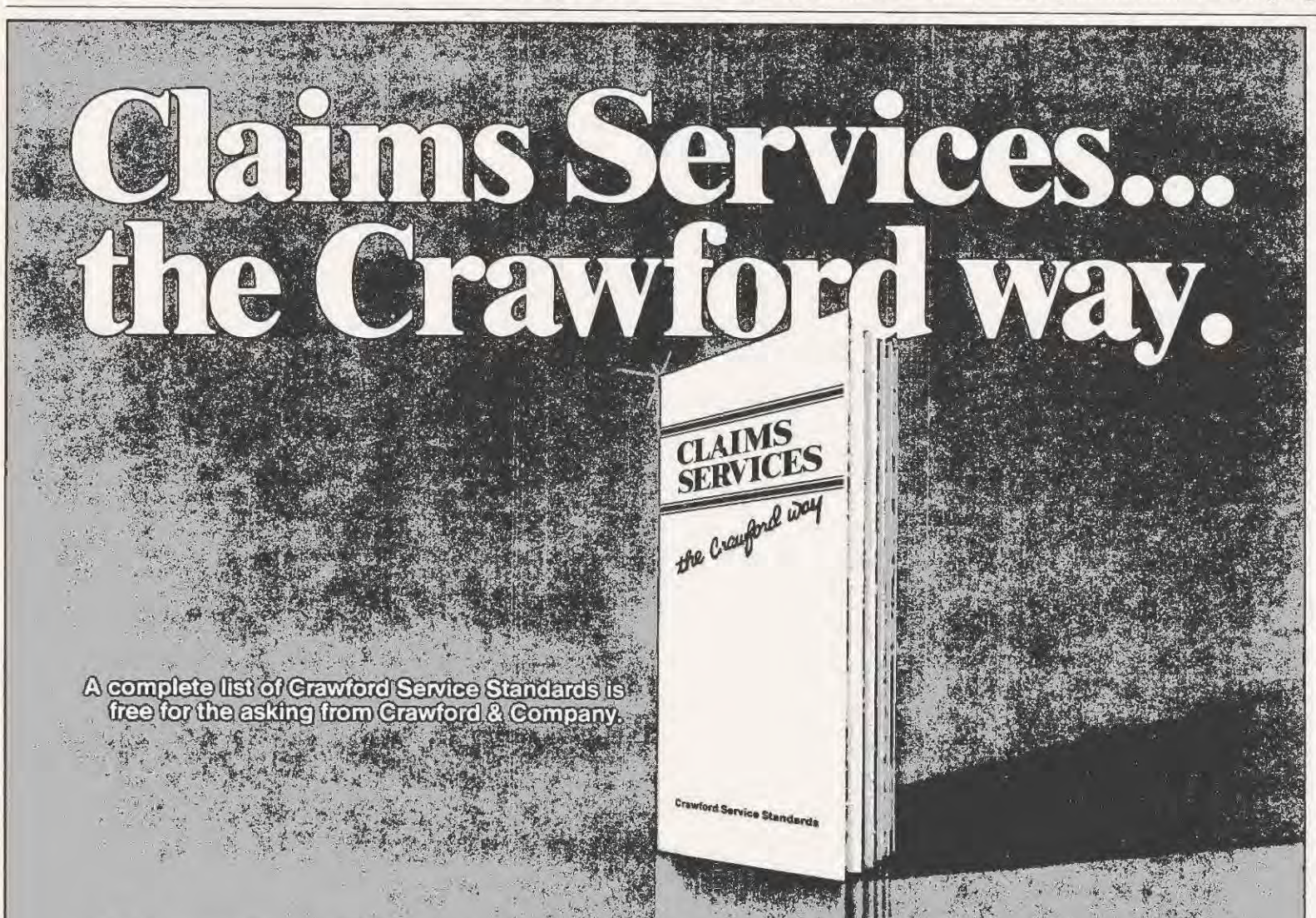
Some treatments are monitored through urine screenings, the samples for which are obtained with two other persons present. Dr. Spiegelman explained that these tests are "fully accepted in the treatment community as part of the recovery process."

Initiating an employee assistance program may not be as expensive as some think, Ms. Yeary commented.

Start-up costs consist mainly of salary for the counselors and for training, which is generally ongoing.

When the medical center began its EAP seven years ago, Ms. Yeary noted, supervisors and managers were trained to cope with troubled employees during one 2½-hour session. Supervisors occasionally receive additional training as needed on an individual basis, and they all receive an annual "tuneup."

Ms. Yeary's services are free to employees of the hospital, and employees who enter the 28-day alcohol dependency treatment program, provided outside the hospital, are reimbursed for about 90% of its cost, she said. ■



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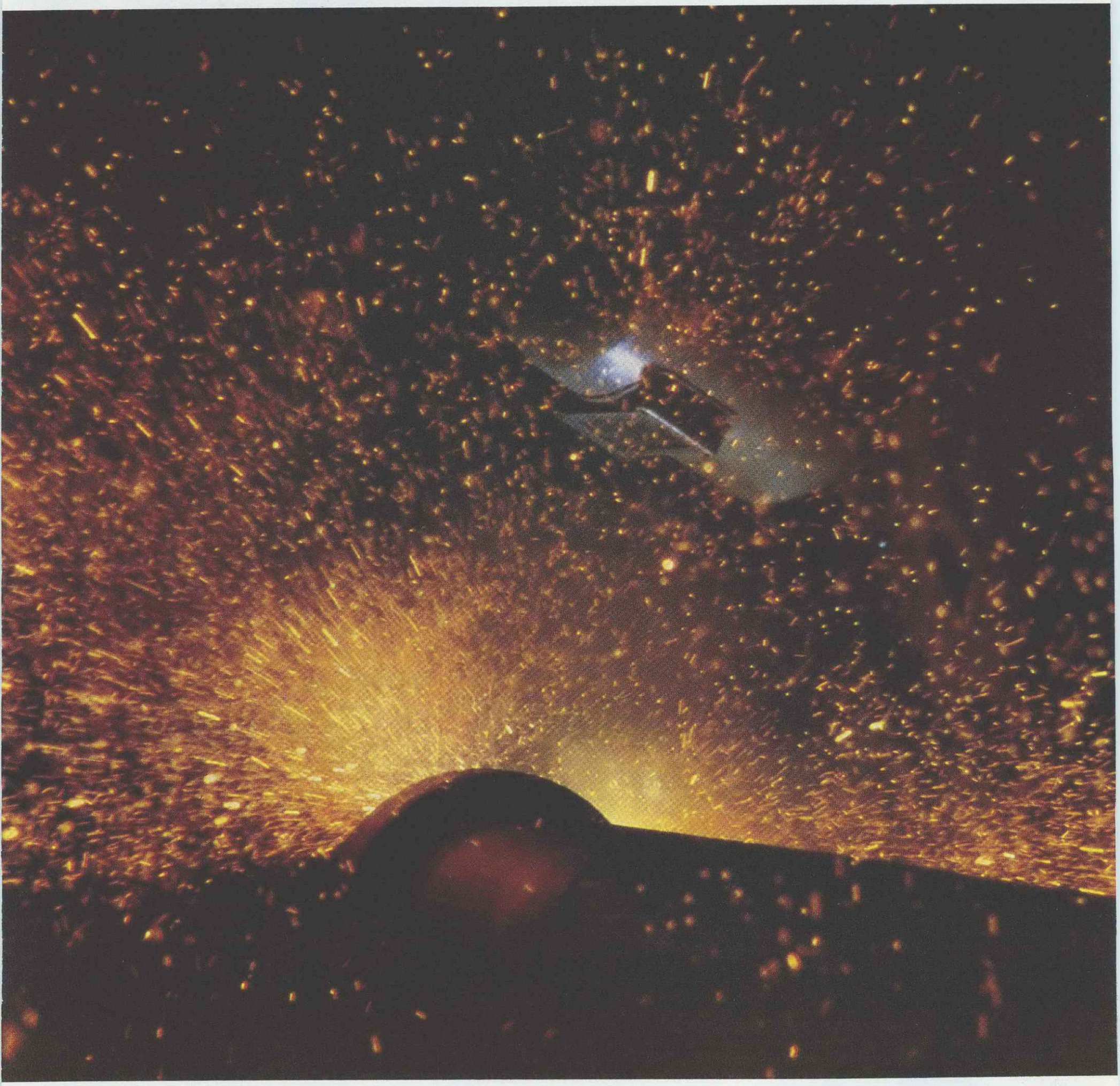

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Obstetricians urged to cut malpractice risk

By STEVE TARAVELLA

SAN DIEGO—Obstetricians, faced with one of the greatest medical malpractice exposures, would be wise to re-examine certain routine procedures and change some practices altogether, one obstetrical professor advises.

Drastic measures to reduce OB malpractice claims are already taking place: Some hospital risk managers attending the American Society for Hospital Risk Management conference reported that their institutions have completely shut down obstetrical units in order to eliminate their exposure to OB suits.

About one-third of the nation's obstetricians have decreased their "high-risk" obstetric practices directly because of the threat of medical malpractice claims and 9.1% have stopped practicing altogether for the same reason, according to statistics compiled by the American College of Obstetrics & Gynecology in Washington.

About 60% of the nation's obstetricians have been sued at least once, and 20% have been sued at least three times, the association notes, adding that 7.4% of obstetricians and gynecologists have increased their fees 30% or more as a direct result of medical malpractice issues, not because of such factors as inflation and increases in operating costs.

These statistics were presented at the ASHRM conference by Dr. Alan M. Pinshaw of the Harvard Community Health Plan, a health maintenance organization in Cambridge, Mass., and an instructor in obstetrics and gynecology at Harvard Medical School.

"Basically, if you want to keep your nose clean as a physician. . .you need really fine medical training, you've got to keep up continually with the patient, you've got to be compassionate and communicate well with your patient, you need a good insurance policy and a damn good medical malpractice defense lawyer."

Some of the situations that most frequently generate obstetrical or gynecological malpractice lawsuits include:

- Postdate pregnancies, or those births that occur after the nine-month prediction.

Dr. Pinshaw dubs such deliveries "a hand grenade waiting for the pin to be pulled—it's only a matter of time before it'll explode."

These procedures are risky, he explains because chances of problems with the newborn child increase the longer he or she remains in the womb after the due date. He advises obstetricians to monitor these pregnancies closely and to spend as much time as possible with the mother in the hospital.

- Delivery of breech babies, or those infants delivered buttocks-first. Breech babies will be seen less and less as objects of malpractice lawsuits, Dr. Pinshaw predicts, because the threat of those suits is making obstetricians practice "defensive medicine" and shy away from delivering them vaginally.

Dr. Pinshaw estimates that about 1% to 1.5% of all breech babies are badly injured during delivery.

- Use of midforceps as tool in delivery. "Certainly in America a controversy rages over whether or not midforceps should be regarded as adequate care in 1984," Dr. Pinshaw observes. Forceps are used to help facilitate deliveries.

"It's probably best that we forget about midforceps. This seems to be a trend that's catching on slowly throughout America. Any physician, prior to using midforceps, should from a medical/legal standpoint question the decision very carefully," he advises.

- The presence of meconium during delivery. Meconium, portions of fecal stool passed just prior to delivery, is present in about 15% of all births but causes concern in only about 10% of those, he says.

Meconium releases a fluid that, if drawn into the baby's lungs, can cause brain damage by impeding transfer of oxygen.

"The brain-damaged child unquestionably represents some of the biggest awards in this country," he says, adding that problems related to meconium cannot be taken seriously enough.

- Circumcisions, which Dr. Pinshaw maintains are unnecessary procedures. Nonetheless, about 85% of babies are circumcised, mostly for cosmetic—not religious—reasons, and lawsuits sometimes result from the procedure, he says.

Sterilization procedures also commonly trigger lawsuits, notes Dr. Pinshaw, who says, "A lot of our problems can be obviated here by informed consent."

Most of the lawsuits in this area are brought after a woman is impregnated by a man who underwent a sterilization procedure. The suit generally claims that before consenting to the operation, the patient was not properly informed of all its possible consequences, such as reappearance of fertility.

But regardless of the procedure, Dr. Pinshaw advises, hospitals and physicians would be wise to treat their patients with care and compassion.

"A good doctor-patient relationship unquestionably is the cornerstone to preventing medical malpractice lawsuits," Dr. Pinshaw says.

He cites statistics indicating that about one-third of hospital patients find their care unsatisfactory in one way or another, but don't sue because the doctor appeared caring, attentive and well-intentioned.

He advises physicians to try to communicate with patients and to exhibit "a healthy respect" for them. A number of suits charge that the physician "put me down" or "looked down on me," Dr. Pinshaw reports.

"If you come across as a good, friendly concerned person, that can go a long way (to ward off suits), even if you land in hot water," he says.

He further advises physicians to disclose to the patient all relevant facts, explain all the alternatives and answer all questions about an operation before the procedure is peformed.

Maintaining clear and accurate medical records is another relatively easy way physicians can minimize their exposure to malpractice litigation, Dr. Pinshaw suggests.

Patients' records should always be legible, but particulary so in health maintenance organizations, where one physician may have to rely on information from another physician's records to make a diagnosis, he said. Using a transcription service is one way to ensure legible records, he suggests.

Doctors should keep their records comprehensive and up to date, should include objective narrative on the patient's care, and should not alter a completed portion of the records in any way, he advises.

"Altered records can turn a bad situation into something a lot worse," Dr. Pinshaw warns. ■

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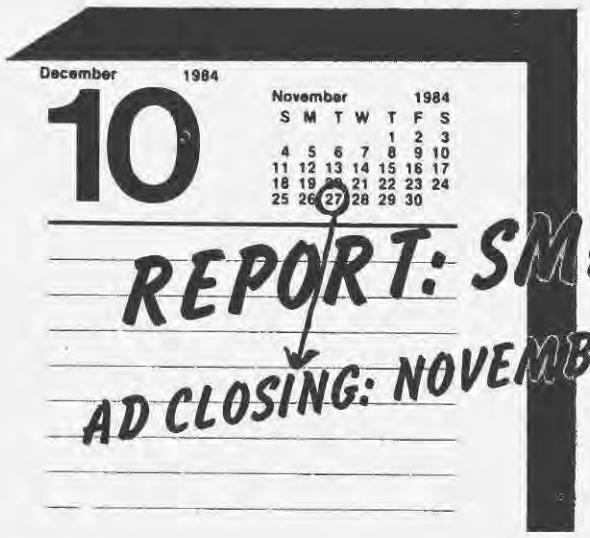

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J&H offers gas and oil cover

NEW YORK—New York-based Johnson & Higgins has introduced two new insurance programs, called Reservoir Production Indemnity insurance and Developmental Drilling Indemnity insurance, designed to protect investors against financial losses stemming from reservoir deficiencies in oil and gas ventures.

Both programs are designed for investment bankers, syndicators, small to medium-sized oil companies and others in the financial community who invest in production acquisition activity, the company says.

The Reservoir Production Indemnity program guarantees up to 80% of an engineering consultant's estimate of future net production over a period of up to five years.

It also includes a provision for reimbursement on an interim basis if a production loss occurs because of damage to production equipment.

Policyholders also may purchase, through a banking facility, additional coverage that permits an adjustment for reservoir deficiency on an annual basis, rather than at the end of the policy term. This gives the policyholder cash flow protection, according to the company.

Also, Appropriation for Expenditures insurance is available to extend coverage to protect against a broad range of above- and below-ground exposures.

The Developmental Drilling Contingency policy, which has a 20% deductible, insures a total drilling program rather than providing insurance coverage on a well-by-well basis.

For instance, the company says, if two wells out of a total of 10 are successful that profit cannot meet the drilling and completion expenses for the remaining eight wells, the policyholders can make a claim.

Both policies have a $25 million limit on any one property, according to Ronald A. Stock, vp and energy coordinator for J&H in New York. For more information on the policies, contact Mr. Stock at 212-701-7605, or Diane Huzar at 212-701-7612. ■

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SAVING LIVES AND MONEY

Wellness programs make good sense for business and employees

By Robert D. Kilpatrick

Illustration: Amy Palmer

IN TERMS OF today's health care, keeping focused on the prevention of illness and disease can mean multimillion-dollar annual savings to our national, state and local governments, to employers and to individuals. Most important, it means that people will live longer, healthier and more productive lives.

And that is why wellness is a concept whose time has indeed come. It is a concept that can help us put a stop to the seemingly inexorable rise in the cost of health care in this country.

Americans currently spend more for health care than on either national defense or Social Security. It seems impossible to imagine, but every day we spend $1 billion—not necessarily keeping ourselves healthy—but on health. And if we continue as we are, we will spend twice as much in 1990.

The statistics for businesses are no less dramatic. A recent Coopers & Lybrand study indicates that employee health costs may represent as much as 25% of a company's total payroll. That's why CIGNA and others in our industry have made health care cost containment an integral part of health insurance programs, and we've been successful in helping many companies pare their costs.

Beyond the fact that wellness is just good common sense, wellness programs make good economic sense as well. They can complement savings being generated by a host of new initiatives now appearing under the banner of health care cost containment.

Wellness can complement "prospective payment," for example, a federally endorsed concept in which costs for a particular health care encounter or for an extended period are set in advance.

Wellness should be considered as a cost-saving tool, along with the growing use of ambulatory care and the avoidance of hospitalization—by far the most expensive treatment in today's health care system. Hospitals should be encouraged in every way possible to provide increased emphasis on outpatient care facilities. It's not only good business; it ultimately means better health care for their patients.

WELLNESS SHOULD BE nurtured as are preferred provider organizations—those hospitals or medical groups that guarantee cost-efficiencies. And, wellness programs can work well in conjunction with health maintenance organizations, which are a proven method of reducing costs by providing fixed-rate, prepaid medical service.

Wellness can be as cost-effective as any of these innovations. This is especially true when one realizes that smoking, poor nutrition and stress problems—all lifestyle and habit patterns that wellness programs challenge—are underlying causes for diseases whose treatments comprise a significant percentage of our health care dollars.

I've seen figures indicating that more than 26 million workdays are lost each year due to heart disease and hypertension. More than 93 million days are lost to back problems. Clearly, many of these lost days could have been avoided through wellness programs.

It's unfortunate that, for so many years, preventive medicine has taken a back seat to crisis-management medicine. Business managers know that solving small problems today often can prevent larger, more costly problems from developing tomorrow. Wellness programs can keep us focused on preventing problems rather than having to fix the crises after they develop.

Ever since someone got the good idea years ago to start listing calories on the lunchroom menu, the business community has played—and must continue to play—a major role in the development of wellness programs. Now there are sophisticated, comprehensive programs that help employees fight everything from lower back pain to smoking to stress and more.

All of these programs have a common thread: The individual shares the responsibility for success. That participation—the fact that the individual can indeed have an impact on his or her medical future—is important to the overall effectiveness of any wellness program. And, given the mounting body of evidence available to us, it is increasingly clear that wellness works.

Wellness programs save dollars:

- New York Telephone estimates annual savings of more than $2 million in reduced absenteeism and lowered medical cost, just from a stop-smoking program.
- A year after a company in Houston introduced a wellness program, medical costs plummeted nearly in half, disability days were cut by 20% and the company saved roughly $230 per employee—after expenses for the program.
- Kennecott Corp. has reduced its medical care costs by more than half among 12,000 employees participating in its wellness program.
- Massachusetts Mutual Life Insurance Co. has found that a wellness program for hypertension reduced hospital stays among participants by 10%.

MOST IMPORTANT, wellness can prevent disease. And, as these two examples from my company illustrate, it ultimately can save lives:

- One of our accounting managers was clearly headed for heart trouble. At age 40, he was overweight, a heavy smoker, rarely exercised and, when tested, he had high blood pressure and elevated cholesterol levels. He was a heart attack waiting to happen. Faced with that possibility, the accounting manager began exercising regularly and under close supervision at one of our fitness centers. Within a year, each negative indication was reversed.
- In another case, one of our actuaries was undergoing a periodic medical exam; he was a smoker, and several family members had been treated for cancer. He was examined at closer intervals than normal, and during one of those checkups, our doctors found an abnormality on his chest X-ray that turned out to be cancer. Caught early, it was stopped. He's fine now. And, thanks to a course we offer, he's kicked the smoking habit.

These people and many like them have been restored to good health—and, incidentally, have become far more productive at work—because they helped themselves. Our system didn't make them better. But we supplied the program—a total program that seeks to control defined health risks.

Our health education programs, for example, include nutrition counseling as well as seminars on stress and stop-smoking plans. In addition, we have a totally confidential Employee Assistance Program, which enables our people to find help if they are having a drug, stress, marital or family problem that needs to be resolved.

Of course, our program is neither the first nor the only corporate wellness plan—literally hundreds of such programs exist or are being created around the nation.

BUT, MUCH MORE needs to be done. Currently, fewer than one out of three companies provides help for employees interested in giving up smoking. Less than a quarter offer classes to relieve stress. And, only one in five offers information on nutrition, helps with weight control or has an exercise facility on its premises.

I believe that the corporation is one of the best places to spread the wellness doctrine—the place to provide the motivation, to establish the control and to erect the infrastructure. Many people spend most of their waking hours at the place they work. That is where attitudes and lifestyles are molded and reinforced. The workplace is where feedback and response can be monitored and controlled.

Part of the business community's self-interest is obvious. We know that these programs can reduce absenteeism and lower medical costs. But, there's a more subtle self-interest as well. It's something hard to define. Maybe it's company pride, a feeling among all of us that we're helping to make people's lives better.

As more companies become aware of the obvious advantages of these programs, I am optimistic about the future of the wellness movement.

And, frankly, it's about time. Right now, we're spending far too little for an ounce of prevention and far too much for a pound of cure. If we can redress that imbalance, even slightly, we will have done more to reduce the cost of medical care and improve our health than has ever been done before. ■

Robert D. Kilpatrick is chairman and chief executive officer of CIGNA Corp. This article is based on a speech he gave recently to the Louisiana Cancer & Health Foundation Conference in Baton Rouge.

perspective

Law threatens advance funding of retiree benefits

By William J. Miner

EMPLOYERS CERTAINLY do not need or desire an ERISA-type funding standard for retiree medical benefits, but Congress may impose one nonetheless. And, Congress can now do so in the name of securing retiree medical benefits. With the changes Congress has made in the tax law, employers will not secure them on their own through advance funding.

With the passage of the Deficit Reduction Act of 1984, Congress drastically changed in several ways the law that applies to the most commonly used vehicle to advance fund post-retirement medical benefits: the 501(c)(9) trust, also commonly referred to as a Voluntary Employees' Beneficiary Assn.

First, Congress has greatly reduced the tax deductions permitted for contributions to a VEBA for retiree medical benefits. Like pensions, these benefits ought to be completely funded through level annual contributions during an employee's working career.

However, DEFRA no longer permits employers to factor into their level contribution calculations future medical care cost inflation. Without recognition of future inflation, initial contributions to a trust are generally reduced by two-thirds or more. Consequently, with even modest levels of medical care cost inflation, this change alone ensures that employers will never accumulate sufficient assets to fully fund their benefit promises by the time an employee retires. An employee will have to rely on the employer's continued success for the promised benefits after he or she retires.

But, Congress didn't stop there. DEFRA also provides that if an employer should advance fund the promised medical benefits through a VEBA, the investment earnings on the advance funding will be subject to tax at corporate tax rates. This removes one of the greatest incentives for employers to advance fund—the tax-free accumulation of investment earnings on assets set aside for future benefits. I doubt that may employers will advance fund without this incentive.

Congress' actions have made it in the best interests of top management not to advance fund these benefit promises through a VEBA. If post-retirement medical benefits are advance funded, the top executives will generally have their pension benefits cut back by the amounts contributed on their behalf for post-retirement medical benefits. Furthermore, their medical benefits after they retire will be limited to whatever was contributed on their behalf. If no advance funding occurs, they have no cutback in retirement benefits and no limit on their post-retirement medical benefits. When these options are explained to top management, you can bet that no advance funding will occur.

Congress has made these changes to reduce the deficit. They have attempted to tax highly compensated employees who also have an ownership interest in the employer. These individuals were advance funding their post-retirement medical benefits, gaining large tax deductions and accumulating assets tax-free. But, instead of using a scalpel to cut out these perceived abuses in advance funding, Congress has thoughtlessly used a meat ax on the law, cutting out the advance funding of the promised medical benefits in retirement for all employees, not just the highly compensated.

Without advance funding, benefit promises to future retirees are only as secure as the employer who stands behind them. Court rulings prohibiting cutbacks in retiree medical benefits—such as the recent Bethlehem Steel decision—secure benefits so long as the employer continues as a going concern. If the employer discontinues operations, future benefit promises usually are not kept. Retirees from Studebaker can attest to that: When Studebaker folded up its U.S. operations, its employees received only pennies for each dollar of promised pension benefits.

Congress recognized this problem in 1974 when it passed the Employee Retirement Income Security Act. Among other things, ERISA required employers to advance fund their promises of monthly pensions: Employers were required to contribute annually to a pension trust a minimum amount generally far in excess of their current benefit payments. Security for promised pension benefits was transferred from the employer's continued financial well-being to the assets held in trust to pay benefits.

But, the lessons Congress learned in 1974 have been forgotten 10 years later. Congress has made it clear that security for post-retirement medical benefits will never come from assets set aside to pay future benefits.

Without advance funding, medical benefits for retirees will be cut back or terminated if an employer discontinues operations. In fact, the ever-escalating costs of retiree medical benefits that will result with no advance funding may even be a major contributing factor to an employer's discontinuing operations, especially for employers with mature work forces.

In all fairness to Congress, I must note that VEBAs are not the only means to advance fund retiree medical benefits. Even with all the changes made by Congress, it appears that employers can still advance fund retiree medical benefits through a pension trust, as was permitted before DEFRA. However, the amount that can be contributed to a pension trust for retiree medical benefits is limited to 25% of the aggregate contribution made to the pension trust, exclusive of any pension contribution that funds past service benefits. Contributions at this level are generally not sufficient to secure post-retirement medical benefits.

The timing of these changes in advance funding couldn't be much worse, for they come at a time when employers' interest in advance funding retiree medical benefits is beginning to build. Consider two facts: First, before the end of this decade, the Financial Accounting Standards Board will probably issue an opinion requiring companies to expense for post-retirement medical benefits over the working careers of employees. Currently, most employers expense a much lower amount.

If this accounting standard is put into effect, many companies not currently advance funding post-retirement medical benefits will take an interest in doing so. The only problem will be that the FASB will probably require that the expense charged to earnings include a reasonable assumption regarding future medical care cost inflation. But, employers won't be able to take a tax deduction for contributing a like amount.

Second, some employers are attempting unsuccessfully to curtail medical benefits for retirees. Several employers, such as Bethlehem Steel and White Farm Equipment, have been prohibited by the courts from reducing or terminating retiree medical benefit plans. Such cases are making employers aware that their commitment to provide medical benefits to retirees cannot be terminated, short of their discontinuing operations. Consequently, employers are increasingly interested in meeting their commitment through advance funding.

Because of this increased awareness and the forthcoming changes in accounting rules, I am confident employers would advance fund retiree medical benefits, if only Congress would restore the tax incentives to do so. Write your congressman now and urge him or her to act immediately to restore the incentives to advance fund.

Otherwise, employers and employees both stand to lose. Employees will lose because their post-retirement medical benefits will not be secure. And, employers will lose because, if several years pass without advance funding of retiree medical benefits, Congress may address the problem they created not only by restoring the incentives to advance fund, but also by establishing minimum funding standards for retiree medical plans.

The Departments of Labor and Treasury as well as the House Subcommittee on Labor-Management Relations are currently involved in a study of the need for funding standards for all welfare benefit plans. ■

William J. Miner is an actuary with The Wyatt Co. in Chicago, a fellow of the Society of Actuaries and a member of the Conference of Actuaries in Public Practice. The views expressed in his article are his own and do not necessarily reflect the views of The Wyatt Co.

Workers comp law restricts travel, court says

A section of the Washington workers compensation law providing coverage to seasonal workers only when their cash remuneration paid or due exceeded $150 in the calendar year was held to be an unconstitutional infringement on travel by the Washington Supreme Court.

The claimants here were migrant workers who had been injured in the course of their employment. Each was injured prior to earning $150 from the farmer for whom he was working. Their claims were denied because state law excluded coverage for employees not regularly and continuously employed by the employer in agricultural labor whose cash remuneration paid or due from any one employer in that calendar year was less than $150.

Upon the denial of their claims, the employees appealed to the courts without success. The state Supreme Court, however, accepted direct review to resolve the issues.

On the appeal, the workers argued that once the state elected to provide coverage for agricultural workers, it must do so without discriminating on the basis of race and without infringing upon the workers' constitutional right to travel.

The appellate court agreed that the law was an unconstitutional infringement on the workers' right to travel but said it was not discriminatory on the basis of race.

However, according to the appellate court, the law constituted a penalty on the workers' fundamental right to travel by denying them basic necessities of life, because the farm worker must move from farm to farm and state to state in order to obtain continual employment. *Macias vs. Department of Labor and Industries*, Supreme Court of Washington, Sept. 8, 1983 (*BI*/05/S.-$5).

Presumptive dependency law

In a case of first impression in Indiana, a presumptive dependency statute relating to workers compensation benefits was held to be in violation of the equal protection provisions of the federal and state constitutions in that it employed gender-based discrimination, according to an Indiana appellate court.

Thomas Portman, the surviving spouse of Janet Portman, applied for maximum death benefits under the act following her death, which arose out of and in the course of her employment.

Under Indiana law, a wife was conclusively presumed dependent upon her husband if they were living together at the time of his death. However, a surviving husband had to establish that he was physically and financially incapable of self-support to receive benefits. As a result of that law, Mr. Portman's claim was denied.

The appellate court said that the section of the law discriminated against a male survivor as compared with a similarly situated female survivor, without justification, and therefore was a violation of the Fourth Amendment to the U.S. Constitution as well as the state constitution.

The court concluded that it would adopt the majority position, which called for extending the presumption of dependency to widowers, rather than to require both widows and widowers to prove dependency. *Portman vs. Steveco Inc.*, Court of Appeals of Indiana, Sept. 9, 1983. (*BI*/02/S.-$5). ■

legal briefs

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for $5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Copy Editor Alison Kittrell. She can be reached at 312-649-5262.

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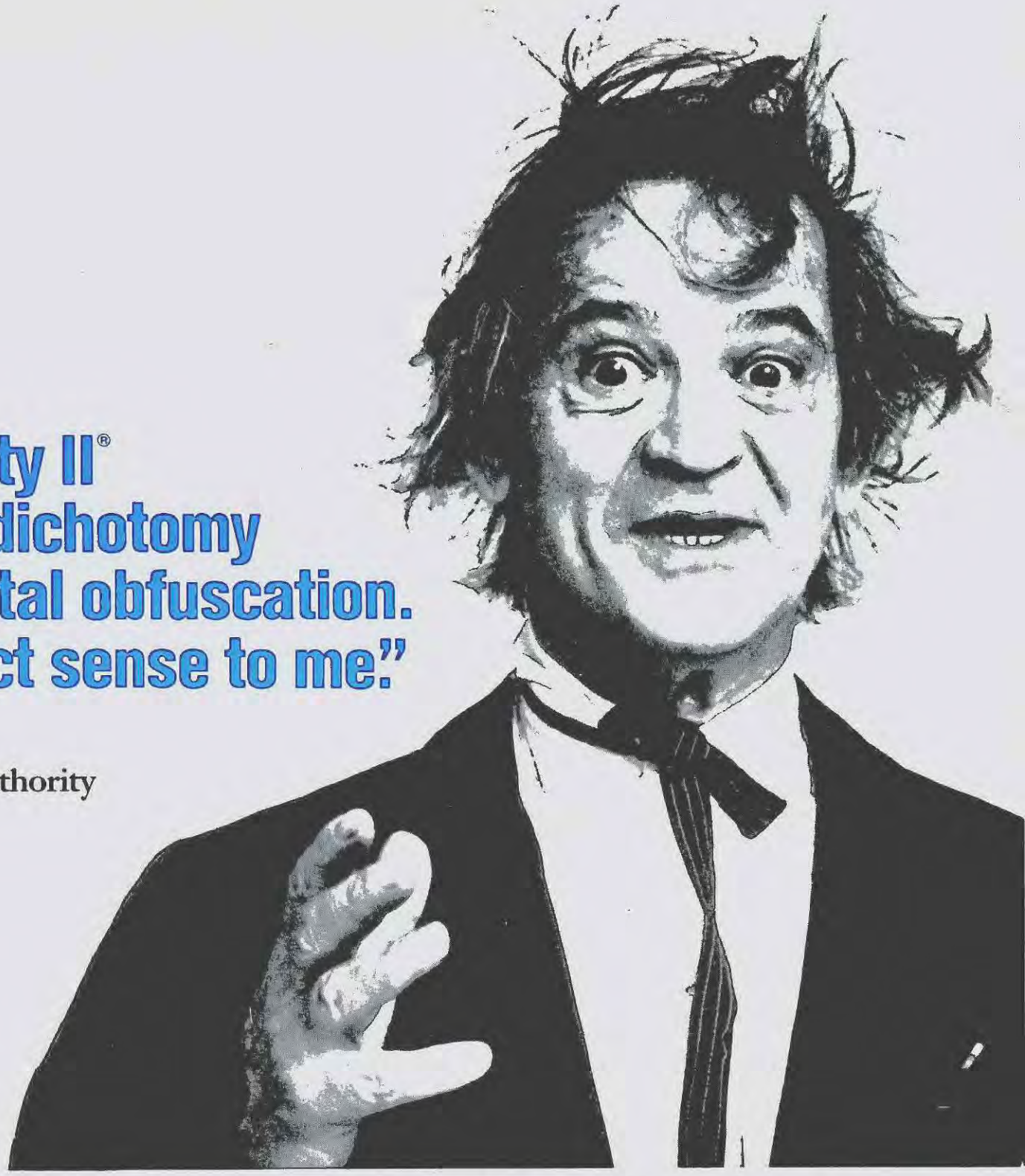

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Ingram combines insurance subsidiaries

Bluewater Insurance Ltd., a Bermuda-based unit of Ingram Corp., has been acquired by Tennessee Insurance Co. of Nashville, Tenn., another Ingram unit, for common stock.

Ingram plans to dissolve Bluewater following the transaction, and all of Bluewater's business, including claims handling, will be assumed by Tennessee Insurance Co.

When the acquisition is completed, the Nashville-based insurer will have capital and surplus of $8.4 million, to which Bluewater will have brought about $5 million; assets of $25.4 million, to which Bluewater will have brought $18 million; and earned premiums of $8.2 million, to which Bluewater will have brought about $4 million.

Greater security and efficiency were the reasons cited for the move.

"It only (makes sense), with people looking for better security, to put those numbers together and have one large number instead of two small ones," said an Ingram executive who wished not to be named.

Swiss Re to expand?

Swiss Reinsurance Co. says in its annual report released this month that it plans to expand its direct insurance operations. The company says it's considering expansion in several markets, including the United States.

Swiss Re already has an interest in one direct U.S. insurer, Fidelity & Deposit Co. of Maryland, which it co-owns with Zurich Insurance Group.

The report said any new acquisition would probably be a regional insurer that handles a particular line of business.

Banking coverages

AIU Banking Services Ltd. has been formed in Hong Kong by American International Underwriters Ltd. to provide banks and their customers with special coverages.

AIU, the overseas marketing arm of American International Group Inc., formed the operation to provide coverage for bankers blanket bond, protection against unauthorized electronic data access, valuable records insurance and basic property/casualty and marine coverages.

"Proper insurance through a financially strong company that can provide effective claims handling and service for its policyholders is valuable to banks and customers," said David M. Hupp, president of the Hong Kong firm.

"AIU-BIS will work with its banking clients to provide all types of insurance virtually anywhere in the world."

Agency acquired

Fickling & Walker Insurance Services Inc., a risk management services firm in Atlanta, has acquired Lankford Insurance Agency Inc. of Marietta, Ga.

The Lankford Agency is a property/casualty company with personal and commercial accounts. "We recognized that our customers would be better served through my association with a large risk management firm," said George Lankford, the agency's chief executive officer.

Agency consolidation

First Bank System Inc. of Minneapolis is acquiring three insurance agency offices in South Dakota and consolidating them into its own existing agency, First Insurance Vermillion in Vermillion, S.D.

The offices, all Dakota Citizens Insurance Agencies, are operated in Vermillion, Gayville and Wakonda as part of Mouw Enterprises Inc. They now become part of FBS' insurance brokerage subsidiary, FBS Insurance.

William Mouw, former owner of the agencies, is joining First Insurance Vermillion as an agent.

Holding company

The Armistead Group Inc. has been formed as a holding company for four insurance agencies and an excess/surplus lines broker it recently acquired.

The new agency members of the Armistead Group are Giesler-Simmons Corp. in New Orleans; Garner, Meshad, Wood Agency Inc. in Birmingham, Ala.; Polk & Sullivan Inc. in Nashville, Tenn.; and Broadus-Anderson & Associates Inc. in Knoxville, Tenn. The wholesale brokerage member is Greenwhich American Underwriters Inc. in Hendersonville, Tenn.

A spokesman for Armistead said no major operating changes are planned for the agencies and broker, but they will share "resources and management strengths of mutual ownership."

Work comp service

The EBI Cos., a workers compensation insurer and management firm based in Hartford, Conn., has opened EBI Southwest Inc. in Dallas.

EBI Cos., part of Orion Group Inc., will offer workers comp coverage, claims management, loss-control programs and computerized loss analysis to its clients in the Southwest.

"EBI's strength has always been in the range of services we're able to provide to our clients," said Warren Petersen, Southwest regional executive vp of Orion.

"Cost-effectiveness really is the key," he added. "Through EBI, employers are able to offer workers compensation benefits to employees at an efficient cost to the employer."

The new office is located at 12655 N. Central Expressway, Suite 422, Dallas, Texas 75243; 214-960-9946.

New offices

Hospital Insurance Services Inc. has relocated its Los Angeles office to the Fremont Building, 1709 W. Eighth St., Los Angeles, Calif. 90017. 213-484-4676.

The FPE Group, a national fire protection engineering and loss control consulting company, is moving its corporate office from San Francisco. The new location is Desco Plaza, 3687 Mount Diablo Blvd., Lafayette, Calif. 94549; 415-283-8860.

Talbot, Bird & Co. Inc., a marine underwriting and management firm based in New York, has consolidated its Tampa branch with its office in Atlanta. The Georgia location is 100 Colony Square, Box 355, Atlanta, Ga. 30361; 404-881-0583. ■

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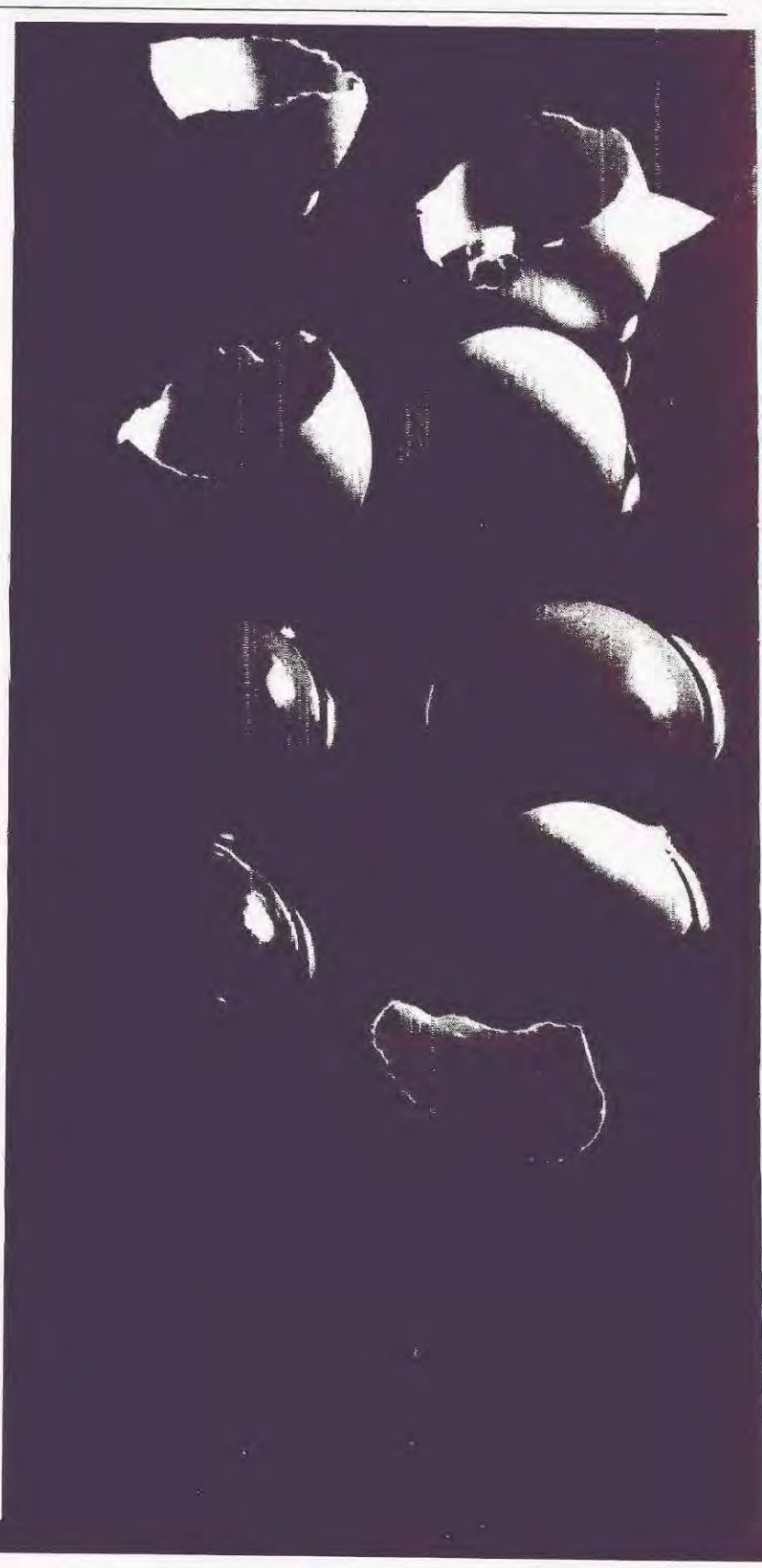

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Cigarette warnings don't remove liability

Continued from page 2
warnings do not grant immunization from product liability charges.

The judge's opinion said that although drug warnings are reviewed and approved by the federal government before laws are enacted to apply the messages, the warnings alone have never relieved drug makers of liability if the risks were determined to be greater than the warnings.

Such cases "recognize that even the federal government is fallible. The fact that it finds a product safe or a warning adequate does not necessarily make it so," he said.

In his ruling, the judge also stated that the defendants "contend that a cigarette manufacturer who utilizes the federal warning cannot be held liable in tort. . . .That statement could have been incorporated into the (labeling act), if that were the intention, but it was not."

The cigarette makers have also contended that Congress intended neither the companies nor the courts to have the authority to alter the message.

The judge said that, although it will be hard to prove the warning is inadequate, "the difficulty of proof cannot preclude the opportunity (for the case) to be heard."

"We wanted the opportunity to present this case to a jury," said Steven A. Weiner, a member of the Newark law firm of Budd, Larner, Kent, Gross, Picillo & Rosenbaum, which is representing Mr. Cippolone and his wife's estate. Judge Sarokin's opinion was the last hurdle to be cleared in order for that to happen, he noted.

"If we had lost on this, it probably could not have gotten to the jury," he added.

Mr. Weiner said that although there were a few cases brought against cigarette manufacturers in the late 1960s, his research has not found any that ended in a judgment against the companies. "There have been no successful cases so far as we can determine. There are none on record."

Christopher Placitella, an attorney with the Woodbridge, N.J., law firm of Wilentz, Goldman & Spitzer, which is also representing Mr. Cipollone and his wife's estate, said, "It is our theory that for a long time cigarettes didn't have warnings, and when they did, they weren't adequate. Our client became addicted and therefore had restricted freedom of choice."

The federal warning is inadequate, he said, because, "Law in New Jersey says you have to be told specifically what dangers you are exposed to." That would mean cigarette warnings would have to say consumers might contract heart disease, lung cancer or other ailments if they smoke, he noted.

Consumers who buy cigarettes after October 1985 will be aware of those hazards, because President Reagan signed the Comprehensive Smoking Education Act last month. The legislation calls for a set of four warnings that will change quarterly and caution users that cigarettes may cause cancer, emphysema, complications in pregnancy or other health problems. One warning states that cigarette smoke contains carbon monoxide.

Mr. Placitella pointed out that during drafting of the legislation, a proposal was rejected that would have made one of the rotating messages a warning that cigarettes could be addictive. ■

Cherokee, Beacon pact approved

Continued from page 2

Judge Potter stayed the Universal Marine lawsuit pending arbitration of the Beacon-Cherokee dispute and issued an injunction against drawdowns on the letters of credit until the dispute was settled.

Under the settlement, which was approved by North Carolina and Tennessee regulators, Beacon would collect $4.8 million of the $5.6 million payable under the LOCs, while Cherokee would get $800,000, plus interest.

Interest has been accumulating since the letter of credit proceeds were placed in escrow by the court last January, and now amounts to a total of about $750,000, according to David M. Spector, an attorney with Isham, Lincoln & Beale in Chicago, which represents Beacon.

Under the settlement, the five Beacon-Cherokee reinsurance agreements would be considered void from inception.

Agreements between Cherokee and the New Orleans intermediary would also be terminated, and the intermediary would pay Beacon and Cherokee funds it now holds for their accounts. These funds amount to about $199,305 for Cherokee and $142,067 for Beacon.

Universal Marine will appeal Judge Potter's approval of the settlement, says Elliott Kroll, an attorney with the New York firm of Kroll, Pomerantz & Cameron representing the Ingram unit.

Universal Marine claims in an appeal already pending in the 4th Circuit that it is entitled to the proceeds from the Cherokee letters of credit because Cherokee was allowed to draw on an $8.5 million letter of credit issued by Bankers Trust Co. on Universal's behalf.

The Bermuda insurer has also appealed Judge Potter's stay of its lawsuit pending resolution of the Beacon-Cherokee dispute.

Mr. Kroll said that if the settlement goes through, the cancellation of the Beacon-Cherokee agreements would also absolve Universal Marine of liability on Cherokee's Beacon-related book.

He would not say definitely that Universal will pursue its lawsuit against Beacon and Cherokee following a settlement.

"We're going to have to study the situation, but there are still a lot of issues outstanding," including the status of claims on portions of Cherokee's book not related to Beacon, Mr. Kroll said.

David S. Weed, special deputy Tennessee insurance commissioner for Cherokee's rehabilitation, said Beacon will be in worse financial condition because of the settlement and suggested the agreement sacrifices Beacon on the chance that Cherokee can be rehabilitated.

With the cancellation of Beacon's reinsurance agreements with Cherokee, Beacon will be on the hook for at least $21 million in losses that would have been passed onto the reinsurer, he said.

"The question is, do you have two companies that would have to go into liquidation, or can you save one of them," Mr. Weed observed.

He added, though, a final estimate of Cherokee's liabilities has not yet been made and rehabilitation is not certain.

Mr. Spector says Beacon would benefit from the settlement and has a chance to be rehabilitated.

"I think (Beacon) is in a better position because it's got a lot of cash to pay claims and is trying to settle those claims in an orderly fashion."

The cash would come not only from the settlement but from the sale of Integral Insurance Co., a Beacon subsidiary that is one of the parties to the settlement. ■

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Open work comp rating saved $100 million in Illinois: Report

SPRINGFIELD, Ill.— An Illinois Insurance Department study shows that competitive workers compensation rating saved business $100 million during 1983, the first year of open rating in Illinois.

When the law took effect Jan. 1, 1983, Illinois became the sixth state in the country to require workers comp insurers to file their own rating plans, rather than file en masse, as in the past (*BI*, April 4, 1983; June 28, 1982). Altogether, eight states besides Illinois now allow competitive workers comp rating.

"When I signed this bill into law, we estimated that Illinois businesses would save $80 million. We underestimated the savings for 1983," Gov. James Thompson said late last month.

During 1983, written work comp premiums in Illinois decreased 13.8% to $658 million from $763 million in 1982, the report notes. Because the economy was in a recovery and payrolls were increasing after a period of high unemployment, the 13.8% reduction was directly attributable to premiums being reduced solely for competitive reasons, the report adds.

Other signs that competition was fierce in 1983, according to the report, include:

- Loss ratios increased to 83.7% in 1983 from 69.9% in 1982, indicating that many insurers jumped aggressively into the workers compensation market and wrote or retained business at all costs.
- The number of employers in the Assigned Risk Plan dropped as the voluntary market competed for business more freely.

Statistics in the report show that the earned premium volume for the assigned risk pool was at an all-time high in 1980 at $169 million, or 16% of the entire market. The 1983 figures estimate that earned premium volume of the assigned risk pool was $33 million, or 4.7% of the entire market.

"I am satisfied that open competition is working in Illinois," Gov. Thompson said. He noted that the National Council on Compensation Insurance, the rating and statistical organization that files advisory rates, filed an advisory increase in Illinois in January, but less than half of the insurers had responded to the advisory by midyear.

"The fact that the workers compensation insurance industry has delayed so long in adopting the 1984 advisory rate is evidence that we have a healthy market in Illinois," the governor said.

Illinois Insurance Director John Washburn said some increases over the "tremendous drop in rates in 1983" are expected, "but I believe it is unlikely that they will compare with the rate increase activity we saw before enactment of this law."

around the states

N.J. seat belt law

TRENTON, N.J.—Drivers in New Jersey caught not wearing seat belts face a $20 fine under a new law that goes into effect in March (*BI*, Oct. 29).

The law, signed by Gov. Thomas Keane earlier this month, differs from the one that goes into effect next month in New York in that New Jersey motorists can't be stopped solely on the suspicion that they aren't wearing seat belts. They can only be ticketed for the seat belt violation if they are stopped for another reason.

Drivers in New Jersey can also be fined $20 if their front-seat passengers are not wearing seat belts. Physically disabled people, rural mail carriers and people too obese to wear seat belts are exempt.

The violation would not appear on a driver's record or make him more liable to being judged negligent in an accident.

Municipal liability

BOSTON—For the first time in the United States, a state's highest court has found that a public entity could be liable if its police officers were found negligent for failing to remove a drunken driver from the road.

The Massachusetts Supreme Judicial Court earlier this year found that the town of Ware could be held liable in the 1978 deaths of Mark Irwin and his infant daughter, Misty Jane Irwin, who were

Continued on page 28

A leading insurance executive discusses safety and the company plane.

John V. Brennan, President of U.S. Aviation Underwriters, America's largest insurer of corporate aircraft.

Business aircraft have never been built better—and safer—than they are today. However, due to the complexity and high performance of these planes, pilot training is something every company must think about.

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Simulators: the safety factor

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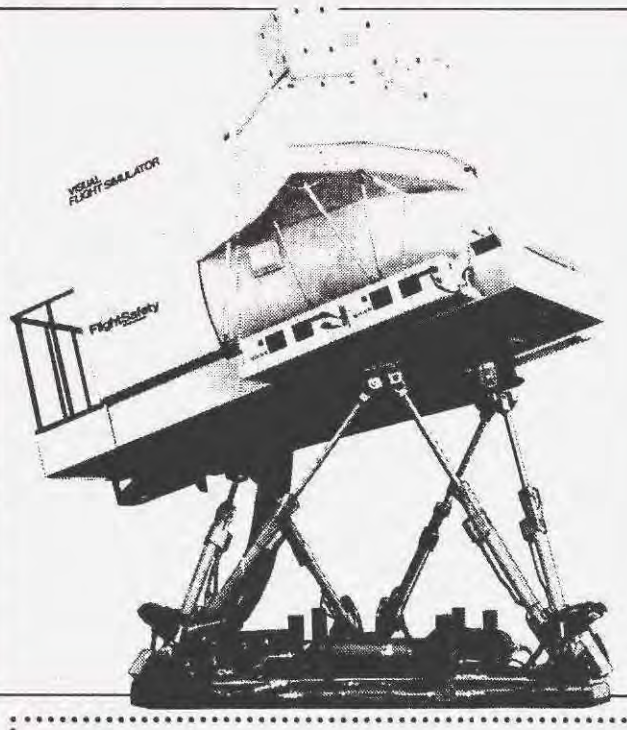

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Employers rate cost-containment options

Continued from page 1

costs are financed, such as switching from a fully insured plan to a self-funded plan in which the insurer only provides administrative services.

Some 67% of survey participants changed plan financing techniques, and the strategy achieved an almost perfect cost savings score of 3.9.

Several other cost-saving techniques achieved a high score of 3.7. They were: making employees pay coinsurance and deductibles, requiring employee contributions to health care insurance premiums, improvements in coordination of benefits and requiring care to be medically necessary for coverage to apply.

Half of the surveyed employers in the national survey have implemented or plan to implement coinsurance changes, up from 31% in the pilot survey, and 57% have or will make deductible changes, up from 41%.

In addition, some 33% of the national group are or will try to improve coordination of benefits, up slightly from 32% in the pilot survey.

The exclusion of coverage for pre-existing conditions and concurrent reviews both were rated 3.6 for effectiveness in holding down health care costs.

Employers are also discovering that finding alternatives to hospital care or ways to cut the time spent in the hospital can pay off, although not quite as much as other strategies. Providing coverage for outpatient surgery and for use of birthing centers and requiring pre-admission testing all received 3.4 ratings.

Pre-authorization of non-emergency hospital confinement, which didn't receive a cost savings score because not enough surveyed employers have tried it, may offer the potential for saving employers as much money as more popular cost-savings steps like boosting deductibles, according to Mr. Glueck.

"If I had to pick one single thing to do, I would go with pre-authorization. It can save 6% to 12% of health care costs," Mr. Glueck said.

Under a pre-authorization program, an employee's doctor would explain his plans to hospitalize the patient to another physician working for the insurer or a review organization. The second doctor would either agree with the recommended treatment or suggest a more economical method, like outpatient surgery.

Often, if the hospitalization is not authorized, the employee does not receive full reimbursement under his medical plan.

"In about 80% of the time, you get concurrence between the two parties," Mr. Glueck said. "Just the effect of one physician talking to another, saying 'Have you considered this?' or 'Why are you doing that?" can lead lead to more efficient use of health care services, Mr. Glueck said.

The least effective cost-containment technique was required annual physicals for employees, which received only a 2.2 score.

Another disappointing cost-saving method for employers is a voluntary second opinion surgery provision; which received only a 2.5 score.

"Voluntary programs typically do not work. People are very reluctant to confront their doctor and say they'd like another opinion," Mr. Glueck said.

A health care plan with a voluntary second opinion feature will reimburse an employee for the cost of obtaining another opinion on whether surgery is needed, but does not demand that he get that second opinion.

In contrast, mandatory second opinion provisions, which employers in the TPF&C survey gave a 3.2 cost-saving score, require employees to obtain another medical opinion before coverage will be approved for surgery.

Employers also have not yet seen the benefit of belonging to health care coalitions, the survey shows. They gave coalition membership a 2.3 for effectiveness in cutting health costs.

However, Mr. Glueck believes this may change.

Many regional health care coalitions are just getting off the ground and it may be too soon to determine what their effect will be on controlling medical costs, Mr. Glueck said.

Employers ranked retrospective claims review as only moderately successful in cost savings, giving the technique 2.9 points, but Mr. Glueck also believes that down the road this technique can save employers more money than it costs to set up such a plan.

"Retrospective review (of paid claims) is a diagnostic tool. It is not, by itself, a way to save money," Mr. Glueck observed.

"There rarely is way to recover money that has been spent inappropriately. But what a retrospective review can do is to point the way to make future changes in your plan," he said.

Similarly, the relatively modest cost-containment scores employers gave to various audit procedures—ranging from 2.7 to 3—may reflect the fact that employers find it difficult to evaluate their value.

"When you raise the deductible to $200 from $100, it is not hard to measure the savings," Mr. Glueck said. Auditing techniques don't lend themselves to that kind of cost savings analysis.

The employers gave inside and outside claims audits a 2.7 and auditing of hospital bills a 3.

No cost savings scores were computed for such rapidly growing cost-savings techniques as hospice coverage and the use of generic drugs, either because not enough employers offered such programs or they could not measure the savings.

But, such programs are clearly on the rise. In the national survey some 20% of employers said they planned to or were in the process of implementing generic drug coverage, up from 7% in the pilot survey.

In such a program, an employer reimburses employees for a higher percentage of their costs if they ask their physician to prescribe a generic drug rather than a more costly brand-name drug.

The popularity of generic drug plans and home health care provisions, which 51% of employers said they planned to or were implementing, are ways of "sweetening bitter pills," Mr. Glueck said.

Unlike boosting deductibles or coinsurance, generic drug and home health care provisions aren't benefit takeaways.

"They actually can be enhancements," Mr. Glueck said, noting that employees that may have been reimbursed at only an 80% rate for brand-name drugs can receive 100% reimbursement if their prescription is filled with a generic drug.

Fifty-one percent of the employers said they have implemented or intend to implement coverage for home health care, up from 30% in the earlier survey.

Some 31% of employers also said they are or soon will implement hospice coverage, up from 10% in the pilot survey.

This planned increase in hospice coverage reflects a corporate awareness that more-drastic treatment of terminally ill people is neither cost-effective, nor, often, humane, Mr. Glueck said. ■

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Insurers laud rescue effort

Continued from page 3

Besides the more than $180 million in claims paid to the Indonesian government, which owned the Palapa, and Western Union Corp., which owned the Westar probe, the underwriters reportedly paid $10.5 million to finance the salvage attempt.

Besides their other problems, the underwriters apparently do not agree how they will split the sale of one of the probes. "The salvage of the Westar VI is in dispute," said Intec's Mr. Barrett.

The title to the Palapa is controlled by all underwriters on the risk, including Mr. Barrett and Mr. Merrett. However, the title to the Westar is held only by the excess underwriters, including Mr. Merrett, who spearheaded the Westar salvage attempt.

According to Howden's Mr. Maylem, a dispute broke out among Westar's primary and excess underwriters over who would own the satellite after the claim for the lost satellite was paid to Western Union.

Mr. Maylem says the dispute was resolved with the excess underwriters taking control of the title and the right to any salvage amounts up to $20 million. The primary insurers would receive any salvage proceeds exceeding $20 million, he says.

But, Mr. Barrett doesn't agree with Mr. Maylem.

"Before the salvage happened, it was a rhetorical question. Now the question is more important," he said. ■

Claims service tops list of employers' concerns

NEW YORK—Health care insurers that want to keep their customers had better pay claims accurately and respond to employers' problems.

According to the Towers, Perrin, Forster & Crosby 1984 Group Insurance Survey, employers rate accuracy of claims examiners and responsiveness to problems as the most important services they expect from their health insurers. The employers were also asked to rate their satisfaction with their insurers' performance in various service areas.

Employers rated claims payment accuracy as most important with a score of 4.88 on a 5-point scale, said David Glueck, the TPF&C vp who spearheaded the survey.

Next, they gave responsiveness to problems a 4.71 rating and the responsiveness of claims examiners a 4.61.

When asked to rate how satisfied they were with the accuracy of their insurers' claims examiners, the employers gave the insurers a 3.84, indicating they are generally pleased with the insurers' performance but believe they could do better.

In rating their satisfaction with the insurers' performance in the areas of responsiveness to problems and responsiveness of claims examiners, the employers gave responsiveness to problems a 3.73 and responsiveness of claims examiners a 3.82.

In several areas, the employers clearly indicated they want better service from their insurers.

For example, employers ranked insurers' cost-containment expertise as very important, giving it a 4.36 score, but they gave the insurers a satisfaction score of only 2.99.

This disparity between the importance employers attach to cost-containment expertise and their satisfaction with the service they are getting "tells us that there is a high interest in controlling health care costs and a lot of frustration in making it happen," Mr. Glueck said.

> 'There is a high interest in controlling health care costs,' says Mr. Glueck of TPF&C.

"Insurers aren't the only ones to blame (for cost-containment problems), but they get the brunt of criticism because they are the ones that write the (benefit) checks." he added.

Employers also are frustrated with the reports they receive from insurers. For example, employers ranked financial reports as highly important with a 4.54 score, but their satisfaction level with the reports they received from insurers was 3.34, a difference of 1.2 points.

Employers said their insurer's capability of generating special reports wasn't quite as important, judging by the 4.05 value score, but the very low satisfaction score of 2.75 reveals that employers want major improvements from their insurers in this area.

The type of information that was least often received by companies was health care utilization data. Approximately half of the survey participants indicated an interest in receiving more detailed utilization statistics.

The importance of utilization data received a 4.32 score, while the employers' satisfaction with what they do receive from their insurers scored only 2.79.

"Clearly there is an interest in getting good reports. . .but the report satisfaction is the lowest of all reported," Mr. Glueck said.

"Everyone wants more information. . .good information," Mr. Glueck said in noting that employee benefit managers are much more financially oriented than they were several years ago.

"Insurers often have huge computer systems that aren't designed to produce this financial information, but they are now scrambling" to catch up with what the market wants, Mr. Glueck said.

Employers also said that hospital audit services and coordination of benefits need to be improved. Hospital audits scored 4.1 for importance but attained a satisfaction rating of only 2.92, a difference of 1.18 points. Coordination of benefits garnered a 4.58 importance rating and a 3.46 satisfaction rating, a difference of 1.12 points.

On the other hand, in several service categories the differences between the importance of the service and employers' satisfaction are much smaller.

For example, insurers' administration of special provisions in employers' benefit plans received 4.08 value points and a 3.7 satisfaction score, a difference of 0.38 points.

The TPF&C survey found that employers don't believe that insurers' publications are very important. Publications and bulletins were judged least important of any service, earning just 3.08 value points and a satisfaction level of 2.91.

"The reason that (insurance company) publications are not valued is because they generally are not real timely," Mr. Glueck said.

"The publications are designed to serve a very broad audience and designed to offend no one. When you design a publication or bulletin with those kinds of restrictions, you can end up with a lot of pap," Mr. Glueck observed.

Unless insurers are willing to plow a lot more money into their publications to improve the quality, they shouldn't expect the publications to get them more business, Mr. Glueck said.

Other insurer services that were judged less important by employers include: employee communications assistance, 3.17 points with a satisfaction score of 2.91; plan design advice, 3.7 value points with a satisfaction score of 3.22; and special financial analyses, 3.95 value points with a satisfaction score of 3.26. ■

Storm damage estimated at $75 million

Insured property damage caused by wind, hail, tornadoes and flooding in parts of Texas, Louisiana and Arkansas Oct. 20-26 was estimated at $75 million by the Property Claims Services division of American Insurance Services Group Inc.

Texas had an estimated $70 million in damage. Damage in Louisiana was estimated at $3 million, and insured losses were $2 million in Arkansas. This estimate does not include damage insured under the National Flood Insurance Program.

The Insurance Services Office assigned the catastrophe No. 50. ■

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Court voids noise level rule

Continued from page 2

which has been in place since OSHA's inception in 1971. That standard mandated that employers must protect workers who are exposed to noise levels of 90 db or higher by implementing engineering controls designed to reduce the noise level or by providing workers with protective equipment, like earplugs.

The amendment was challenged in court by the Forging Industry Assn., which said it made employers responsible for hearing loss caused by factors outside the workplace, like loud music and tools such as lawn mowers and power drills.

"The amendment didn't say anything about workplace hazards," said Robert D. Moran, the association's counsel and a member of the law firm of Voyrs, Sater, Seymour & Pease in Washington. "It didn't address hazards; it addressed a condition—hearing loss. And that could have nothing to do with the workplace."

However, a hearing consultant disagrees with the view of the association.

"I don't see how that can be a valid point, because OSHA doesn't penalize anyone for (non-work noise)—they penalize you for not having an effective hearing conservation program," said Donald L. Wolfe, president of Hearing Conservation Consultants of Spokane Inc. in Spokane, Wash.

However, the three-judge appellate panel agreed with Mr. Moran's view.

"A standard is invalid if it requires an employer to take actions in regard to hazards existing outside the workplace," said a two-judge majority. "Yet, the amendment makes no distinction between hearing loss caused by workplace sources and loss caused by non-workplace sources. Thus, the hearing conservation amendment clearly imposes responsibilities on employers based on non-work-related hazards.

"Under the amendment, an employer whose workers are unaffected by workplace noise may be subject to numerous requirements simply because its workers choose to hunt, listen to loud music or ride motorcycles during their non-working hours," according to the ruling.

The ruling came as a surprise to some employers and consultants, many of whom think the standard was fair and reasonable.

"We felt our clients responded to the amendment positively," said Michael L. Sterrett, director of professional services for Impact Hearing Conservation Inc., a consulting firm located in Kansas City, Mo. "They appreciated the guidance in establishing effective hearing standards."

"My reaction is one of dismay, distress and utter amazement," said Dr. Alan S. Feldman, who is president of Environmental Hearing & Vision Consultants Ltd. in Syracuse, N.Y.

"It almost sounds like the people who wrote the decision didn't read the amendment. The rule doesn't penalize people (whose employees) get hearing loss off the job. All the rule does is set down a set of conditions and components of an effective hearing conservation program," he said.

According to a spokesman for OSHA, the agency has not yet decided whether it will appeal the ruling.

"We're looking at (the court's decision) to see what our next step will be," the spokesman said.

Some say the ruling, even if it is upheld, will not affect the hearing conservation programs at many employers, especially large corporations.

"I don't think that will have that great of an effect for those who've started to implement programs," Mr. Sterrett said. "And, obviously it won't have an effect on those who haven't started them because those are the ones who've said, 'We're not going to do it.'"

"OSHA is just one aspect of hearing protection," said Robert H. Inglis, coordinator of health compliance programs for LTV Corp. in Cleveland, adding that his company's hearing conservation program already meets OSHA's requirements. "We have complied with what the law has said and so, at this point in time, there's not going to be any changes."

Dr. Robert G. Wiencek, general director of occupational safety and health for General Motors Corp. in Detroit, says his company also will continue to comply with the standard.

"This will not, in any way, change General Motors' hearing conservation program," he said. "We will continue the same monitoring and testing of employees that we have done in the past, because we feel that is the responsible thing to do."

Such an attitude from large employers doesn't surprise Dr. Feldman.

"I don't think (the judgment) will affect the larger employers," he said. "But I think your smaller employers are less inclined to implement safety and health programs unless they're under the gun. So, the smaller companies will be the ones who may fall by the wayside or do abbreviated things."

And that, most consultants say, is a mistake.

"Workers compensation is where the real dollars come up, anyway," Dr. Feldman said. "If they don't have an on-the-job hearing conservation program, they wind up paying for it in work comp claims."

Hearing Conservation Consultants' Mr. Wolfe agrees, adding that adherence to the amendment's standards could help protect companies from workers compensation claims.

"Those companies (who don't have hearing conservation programs) won't be prepared when these big work comp claims hit," Mr. Wolfe said.

"Those companies will have no documentation on their employees. If they're not protecting an employee's hearing at work and monitoring it, they'll have no way to know if maybe the worker didn't have a hearing problem before he even came on the job," Mr. Wolfe said. ■

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*Source: Business/Occupational breakdown of qualified circulation, May 7, 1984 issue, as submitted to BPA for June 1984, BPA Publisher's Statement.

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Amex boosts Fireman's Fund by $200 million

By STEVE TARAVELLA

NOVATO, Calif.—American Express Co. is adding $130 million to the statutory reserves of its Fireman's Fund Insurance Cos. subsidiary at the request of the California Insurance Department.

New York-based American Express is also adding $70 million to the insurer's surplus, Amex said last week.

The funds were injected into Fireman's Fund after the California Insurance Department changed its accounting requirements regarding three Fireman's Fund reinsurance transactions that occurred between 1981 and 1983 in which loss reserves were reported at their discounted value.

The largest of these were loss reserve transfers with Insurance Co. of North America, a CIGNA Corp. unit, in which each firm assumed certain parts of the other's workers compensation reserves and discounted them on their books.

Reserves transferred in the three transactions will now be recorded at their full, undiscounted value, and any such future moves will be treated likewise, American Express said.

"The California Insurance Department changed the rules retroactively," said William McCormick, Fireman's Fund's chairman and chief executive officer. He said the insurer would not have made the transactions had the rule been in place at the time.

Ansel Shapiro, the Insurance Department's chief examiner in San Francisco, explains the department's position simply: "We just don't like discounted loss reserves."

The department requested the addition to reserves during its routine examination of state-licensed underwriters, Mr. Shapiro said. The state ususally examines an insurer every three years but waited an extra year to examine Fireman's Fund to avoid confusion during the firm's move to new headquarters last year, he said, adding this may be the first time the department has requested an adjustment for discounted loss reserves during an examination.

Although the department did not request the $70 million addition to Fireman's Fund's surplus, it is pleased that American Express made the contribution, he said.

"This not only enhances Fireman's Fund's net worth and its ability to grow, but should also be seen as a resounding commitment to Fireman's Fund," according to American Express' statement.

The contributions will not adversely affect Amex's earnings since they were made on a statutory basis, used to report an insurer's financial status to regulators, rather than according to generally accepted accounting principles, used in reporting to shareholders.

Last year, American Express boosted Fireman's Fund's reserves by $230 million on a GAAP basis, causing a fourth-quarter net loss for the parent (*BI*, Dec. 10, 1983).

The reporting of loss portfolio transfers by insurers and reinsurers has received much scrutiny recently, and The American Institute of Certified Public Accountants is now proposing guidelines the transfers must meet before they can be accounted for as reinsurance (*BI*, Nov. 12).

Also, American Express is facing a class-action suit, in which shareholders charge they paid too much for the company's stock because the Fireman's Fund/INA loss reserve transfers artificially inflated Amex's profits (*BI*, March 5). ■

Rules changed to attract asbestos facility holdouts

Continued from page 3

Lloyd's still must be approved by the U.S. Bankruptcy Court in New York where a fairness hearing on the settlement is set for Dec. 10. Manville filed for bankruptcy on Aug. 26, 1982, citing the overwhelming number of asbestos lawsuits filed against it.

However, it is uncertain if any agreement that Manville may still reach with 24 other excess insurers with which it is litigating in a state court in San Francisco could be integrated into the claims facility, Mr. Von Wald added.

A trial date in that case is set for March 4, 1985.

Mr. Von Wald said that under the changes Manville technically could not bring in settlements with the other 24 insurers with which it is currently negotiating.

However, at the time it conditionally signed the claims facility agreement, Manville told the group it would have to include all settlements with its insurers in the agreement, Mr. Von Wald added.

Another attorney agreed that the change would not permit Manville to bring any settlements with its 24 remaining insurers into the facility.

"That's a problem," the attorney commented, noting "there is no guarantee the date (allowing buyout agreements to be brought into the settlement) would be extended" if Manville settles with its other insurers.

If Manville does join the claims facility, the method of settling claims under the Wellington agreement will have to be competitive with the method of settling claims outside of the facility, such as through the bankruptcy court, Mr. Von Wald said.

Travelers, the long-time primary insurer for Manville, has not decided whether it will join the facility even with the new insurance agreement cutoff date, according to Francis McCarthy, recently retired general counsel for Travelers who is now a consultant to the insurer.

Members of the claims facility asked Travelers to reconsider its decision in light of the change in the agreement and "we are indeed doing that," he said.

Mr. McCarthy said Travelers is studying whether the language in the new provision of the agreement encompasses Travelers' agreement with Manville. "I suggest that was the intent but I'm not too sure it actually came out that way," Mr. McCarthy said.

He also said other agreements it has with policyholders could be affected.

What is really needed is for a "free-standing relationship" that would permit integration of Travelers' coverage agreements into the claims facility, he added.

The asbestos claims facility is the product of the Wellington agreement, named for Yale Law School Dean Harry H. Wellington who moderated negotiations between a group of insurers with asbestos liabilities and asbestos producers.

The facility is designed to provide an out-of-court mechanism for settling asbestos-related litigation, including insurance coverage disputes and claims for asbestos injuries.

Advocates of the facility contend it will save millions, perhaps billions, of dollars in defense costs and other expenses and more fairly compensate victims of asbestos disease. ■

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update

N.Y. loss portfolio rule modified

Continued from page 2

The new regulation also prohibits loss portfolio transfers between affiliates and insurers under common control, a spokesman says.

London ad firm buys Hay Group

PHILADELPHIA—The Hay Group, a compensation planning, employee benefit and human resources consulting firm, was purchased last week by Saatchi & Saatchi Co. Ltd., a major international advertising agency based in London.

Saatchi, which says it is the world's seventh-largest ad agency with annual billings of $1.7 billion, paid $80 million in cash for Hay, which is privately owned by its 115 partners. Saatchi also could pay an additional $45 million, depending on Hay's performance during the next three years.

Hay, founded in 1943, reported annual revenues of $106 million for its most recent fiscal year, which ended Aug. 31. Hay does not publicly report its profits. The firm has 1,800 employees in 94 offices around the world, and it has 5,500 clients.

"We thought it was the perfect fit both from the business point of view and how we operate," said Kenneth Shapiro, president of Hay/Huggins Co. Inc., Hay Group's actuarial and employee benefits consulting subsidiary.

Hay will operate as an autonomous unit known as The Hay Group Inc. No executive changes are anticipated.

Appeal filed in worker's death

WARREN, Mich.—Michigan Attorney General Frank J. Kelly is appealing a judge's decision clearing General Dynamics of criminal charges stemming from a worker's death at an engineering plant last year (*BI*, Oct. 29, July 30).

District Court Judge Thomas Kennedy dismissed charges of involuntary manslaughter and criminal violation of Michigan's occupational safety standards on Oct. 24. The charges had been filed July 24 in the death of Harvey J. Lee, who collapsed Nov. 15, 1983, from heart failure while driving an M-1 tank at the firm's Center Line, Mich., plant. The state said the firm didn't sufficiently ventilate the tank after it was cleaned with the solvent Freon 113.

The judge said the firm felt it had a safe flushing method and didn't know overexposure to Freon 113 could cause such problems.

Mr. Kelly hopes the Circuit Court in Macomb County will overturn the decision, according to a spokesman from Mr. Kelly's office.

Lloyd's chairman re-elected

LONDON—Peter North Miller has been re-elected chairman of Lloyd's of London by the Council of Lloyd's following Lloyd's recent general meeting. His new term will expire Dec. 31, 1985.

Also, W.N.M. Lawrence, chairman of Bowring Agencies Ltd. and C.T. Bowring (Underwriting) Ltd., has been appointed senior deputy chairman, replacing Frank Barber, a partner in the underwriting management firm of Morgan, Fentiman & Barber. Mr. Lawrence was formerly junior deputy chairman.

David Coleridge, chairman of several units owned by underwriting agent Sturge Holdings P.L.C., replaces Mr. Lawrence as junior deputy chairman.

Hull war risk rates disputed

LONDON—Several hull war risk underwriters have resigned from the Hull War Risk Rating Committee because of fierce rate-cutting.

Derek Pollock, chairman of the Lloyd's Underwriters' Assn., said they resigned because "war risk rating is collapsing."

Last year, the committee, which is supposed to set the minimum hull war risk rates charged by London underwriters, quadrupled minimum rates to 10 cents per $100 of insured value from 2.5 cents. This rate applies to all areas of the world, except for "hot spots" like the Persian Gulf, where surcharges apply (*BI*, Sept. 19, 1983).

However, "the arrangement that was made between underwriters has not been adhered to," Mr. Pollock said, noting that many insurers are charging less than the minimum.

NESCO plans to stop writing all new and renewal business

Continued from page 1

Brokers and competing E/S insurers say that NESCO's withdrawal will further erode market capacity, and may result in reduced limits for some risks.

"There's going to be trouble with or without them, but it's going to be a lot tougher without them," said Richard E. Foss, former head of casualty underwriting at Northbook and now president of National Underwriting Agency Inc., a Chicago-based underwriting manager.

However, most observers note that because of underwriting restrictions, NESCO recently has not been the major force in the excess/surplus lines marketplace that it once was, and that the withdrawal doesn't present the problems that it would have three or more years ago.

"They've been virtually out of the business since January 1984," Mr. Sherwood said, adding that he expects to be able to replace NESCO.

"We have been replacing it over the past 12 months anyway, so we're used to that," he said.

NESCO's premium volume has declined steadily since 1980 while its loss experience has deteriorated.

Gross premiums in 1983 totaled $83.5 million, down from $104.4 million in 1982, $157.9 million in 1981 and $226.8 million in 1980.

Meanwhile, the company's combined ratio ballooned to 228% in 1983 from 157.2% in 1982, 118.5% in 1981 and 95.8% in 1980.

The worst 1983 combined ratios reported by others ranked among the 10 largest excess/surplus lines insurers were the 128.6% reported by Evanston Insurance Co. and the 126.8% reported by First State Insurance Co.

In 1983, NESCO reported a net underwriting loss of $21.9 million on net earned premiums of $17.1 million. It reported an underwriting loss of $8.6 million on net earned premiums of $15 million in 1982; an underwriting loss of $3.8 million on net earned premiums of $21.1 million in 1981; and an underwriting loss of $150,000 on net earned premiums of $14.7 million in 1980.

In the first six months of this year, NESCO wrote gross premiums of $28.7 million and suffered an underwriting loss of $6.3 million on net premiums of $6.7 million, according to the spokesman. The company's combined ratio for the first six months was 188.2%.

NESCO's largest lines include excess hospital professional liability, excess property and casualty business and primary professional liability.

About $4 million has been added to NESCO's loss reserves so far this year for policy years predating 1980, and further adjustments may be made, the spokesman said.

NESCO added $12.9 million to prior-year loss reserves in 1983 and added another $6.5 million in 1982.

NESCO has been a difficult market to place business with for several months, brokers report.

Attempting to correct the adverse loss experience that began to develop in 1980, NESCO became more restrictive in its underwriting practices. In 1983, for example, the company reduced its per-risk capacity on casualty business to $15 million from $25 million and cut back on its writing of primary liability and property catastrophe risks.

In 1982, it stopped writing public utility, railroad liability and hazardous chemical risks.

The underwriting restrictions have been so severe in the last year that they represented a self-fulfilling prophecy of an eventual total withdrawal from the market, said the broker who requested anonymity.

"They hamstrung themselves a couple years ago" with the underwriting restrictions, the broker said. "The prophecy has been fulfilled. They got out of the business just when they should be getting into it."

"I think basically they were scared," said NUA's Mr. Foss, explaining that NESCO executives probably worried that they would not be able to determine the level of rate increases needed to make their business profitable.

"I don't think they had any trust in their (own) ability to make that judgment," he said.

Mr. Foss added that, unlike many other E/S insurers, NESCO had already completed its reinsurance treaty renewals and would have been able to continue offering capacity of $15 million per risk.

NESCO apparently doesn't feel it is missing an opportunity in the tightening E/S market, however.

"NESCO's excess and surplus market evaluation was not focussed on short-term technical timing. NESCO's decision was based on a long-term strategic view of that business environment contrasted with other market opportunities," Mr. O'Connor said through the spokesman.

NESCO's withdrawal doesn't help the already contracting E/S market and could be a big problem for some risks, sources say.

"We're sorry to see this happen," said Robert Cernok, vp for property underwriting at California Union Insurance Co., an E/S affiliate of CIGNA Corp. "They were still a pretty good-sized writer in the E&S marketplace" despite the declining premium volume, he said.

Corroon & Black of Wisconsin Inc. was counting on NESCO for the renewal of $15 million of coverage on one of its major accounts, according to Gerald L. Siegel, senior vp of CRRUX Inc., the broker's surplus lines operation.

Mr. Siegel said that C&B will probably not be able to replace NESCO on this risk, and that its client will have to assume "substantially" more of its own exposure.

"That's $15 million of the total placement down the drain," Mr. Siegel said. "It's quite a shock."

He added, though, that NESCO's place in the broader market is not as significant as it used to be.

"The importance (of the withdrawal) today is going to be a lot less than it would have been a couple of years ago because Northbrook's premium volume has dropped by leaps and bounds," he observed.

"It's not going to do anything to our capacity right now because we weren't able to do anything with them anyway," said Earl R. Lanning, vp in charge of surplus lines for The Crump Cos. Inc. in Memphis, Tenn.

"(But) over the next year or two, when the market is going to be tightening, they would have been a good capacity-type facility," he added, noting that NESCO's specialty in the past was providing high limits for large risks.

Mr. Sherwood said he'll have to scramble to replace NESCO on some risks, but that the loss of NESCO's capacity is less worrisome than the general tightening by other E/S markets.

One of these, he said, is Sayre & Toso Inc., underwriting manager for Mission Insurance Group, which recently stopped accepting business from Sherwood Insurance Services and several other wholesale brokers.

"(NESCO's withdrawal) is the least of our problems," Mr. Sherwood said. ■

Armco shuts down two British units

LONDON—Armco Inc. says it is closing its British property/casualty underwriters because it cannot find a buyer for the companies.

Armco announced that British National Insurance Co. Ltd. and North Atlantic Insurance Co. Ltd. had ceased underwriting new or renewal business, effective earlier this month.

However, the move does not affect Armco's British life insurance unit, British National Life Insurance Co. Ltd. It also does not affect its former credit insurance business, which it sold earlier this year and which is now part of PanFinancial Insurance Co. Ltd. (*BI*, Oct. 15).

Armco, which is the sixth-largest steel producer in the United States, has tried to sell the British subsidiaries along with its U.S. property/casualty operations since January. Earlier this year, Allianz Versicherungs A.G. of West Germany made a tentative offer for the property/casualty units, but Allianz later withdrew the offer (*BI*, Feb. 6; May 21).

"The decision to cease underwriting arises from Armco's intention, announced in January this year, to withdraw from the insurance sector in order to concentrate its management and resources on its other business," according to a statement released by Armco.

"During the course of the year, Armco has actively sought a purchaser for the U.K. general insurance business. However, the depressed state of the insurance market worldwide has meant this search has proved unsuccessful," the statement said.

A spokesman for Armco would not comment on the search for a buyer.

Last year, British National and North Atlantic reported a combined gross premium volume of 96 million pounds ($122.9 million) and net premiums for 30 million pounds ($38.4 million), according to Mr. Oliver. The two insurers posted a net loss of 4.6 million pounds ($5.9 million), he said.

The closing of the two British units follows Armco's decision last March to close Universal Reinsurance Corp., which wrote $120.1 million in net premiums in 1983 (*BI*, March 19).

In September, the New Jersey Insurance Department approved a plan by Armco to boost Universal Re's capital and surplus while it ran off its business (*BI*, Sept. 17).

In addition, Mr. Oliver said that two Armco units in Bermuda—British National Insurance Co. of Bermuda and Armco International Insurance Co. of Bermuda—have not written any new business in the past year.

Armco is still seeking a buyer for its U.S. insurance operations, Armco Insurance Group Inc., said a spokesman for the parent company. ■

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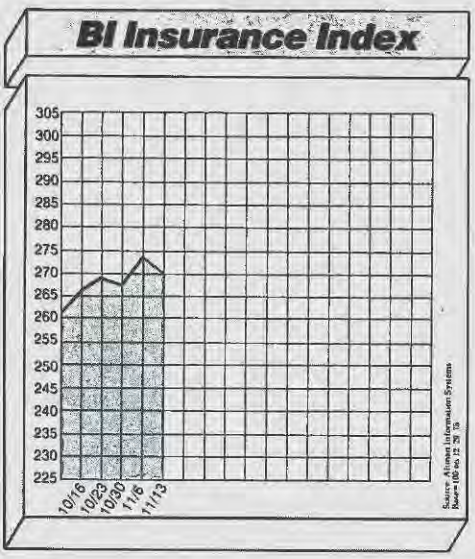

The *Business Insurance* index of insurance industry stocks declined in the period that ended Nov. 13, after a healthy increase in the previous week. The *BI* index closed at 270.3 points on Nov. 13, down 3.7 points from 274 on Nov. 6. In all, 15 stocks were up, 29 were down, and 17 were unchanged. The biggest gains were posted by Foremost Corp. of America, up 6.7%; Banks of Iowa Inc., up 6%; Hanover Insurance Co., up 4.7%; Preferred Risk Life Insurance Co., up 4.1%; and Farmers Group Inc., up 2.8%. The biggest losses were posted by Mission Insurance Group Inc., down 22%; Bitco Corp., down 17.7%; American International Group Inc., down 6.1%; American Indemnity Financial Corp., down 5.5%; and Combined International Corp., down 5.3%. The *BI* index declined 1.3% for the period, which was less than the drop of 2.4% posted by the New York Stock Exchange and the drop of 3% posted by the Dow Jones 30 Industrials during the same period.

British Issues

13 Nov Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	172	N/M	16.9	9.8	172—163	
Genl Accident	485	18.7	27.1	5.6	485—470	
Gdn Royal Exch	658	15.5	32.9	5.0	658—620	
Royal	490	27.2	32.6	6.6	490—480	
Sun Alliance	403	25.2	20.0	5.0	403—385	
Brokers						
CE Heath	482	8.8	24.3	5.0	480—467	
Hogg Robinson	206	11.1	9.7	4.7	206—197	
JH Minet	184	12.7	7.4	4.0	184—176	
Sedg Grp	283	13.2	11.5	4.1	283—271	
Stew Wrightson	400	11.4	21.4	5.4	400—395	
Willis Faber	475	17.0	11.0	3.2	475—464	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Increases don't affect results yet

Continued from page 2

the first quarter of next year."

But Mr. Wilson points out that "there is clearly some revenue acceleration. Two quarters ago, revenues were flat. Now the brokers show 8% to 12% gains. This indicates that the renewals we are seeing now, while not showing rate increases, are not showing rate cutting any longer. As rates increase, broker revenue should show more of an improvement."

"Brokers' stocks performed nobly in the third quarter, and results were as expected. . .Given the change in premium rates, earnings rates are going to continue to evolve over 1984-85," adds Herbert E. Goodfriend, securities analyst for Prudential/Bache Securities Inc. in New York.

"The new volume gains and expenses incurred during the period in question are all pointed the right way," Mr. Goodfriend commented.

The largest of the brokers, Marsh & McLennan Cos. Inc., posted favorable results in the third quarter, but at least some of the income gains were attributable to extraordinary events.

M&M reported a 16.7% gain in gross revenues in the third quarter to $272.3 million from $233.3. Net income for the third quarter rose 57% to $31.4 million from $20.019 million.

However, the results were buoyed by several one-time events, the most significant of which was the sale of an office building in Los Angeles. These one-time events contributed about half of the broker's third-quarter earnings increase.

"We are pleased with Marsh & McLennan's third-quarter financial results," a spokesman said. "When we increased our quarterly dividends from 55 cents to 60 cents per share, that increase reflected our current operating performance and anticipated improving business conditions.

"In general," the spokesman continued, "the five-year decline in prices has bottomed. In Marsh & McLennan's case, the increase in insurance brokerage revenue for the third quarter is primarily due to the recent tightening of insurance premium rates and the continuing success of our new business efforts."

M&M's nine-month results, however, still reflect the losses that were sustained from unauthorized investment activities during 1983 and the first quarter of 1984 (*BI*, Nov. 12).

Although M&M's revenues increased 12.8% in the first three quarters to $820.3 million, net income plummeted 60.8% to $32.1 million.

Alexander & Alexander Services Inc. reported a slight gain in gross revenues in the third quarter to $138.1 million from $136.6 million. Quarter net income also rose slightly to $6.7 million from $6.6 million.

According to Tinsley H. Irvin, A&A's president and chief operating officer, the broker began to experience the benefits of the hardening market to a modest extent in the third quarter.

"Our income from continuing operations was up 22.8%," Mr. Irvin said, "so in continuing operations we are seeing an improvement in earnings while our expenses have remained flat. We have not seen dramatic (premium) increases. We expect them to show up much more substantially in 1985."

But, A&A's nine-month results were "negatively impacted" by a good-will writeoff in the second quarter due to its divestiture of "certain foreign subsidiaries," a decline in operating revenues during the first half and "modestly increasing" operating expenses, the company says.

A&A's nine-month revenues declined 3.6% to $406.6 million, while net income dropped 17.5% to $17.9 million.

Frank B. Hall & Co. Inc. restructured its employees' pension plan and discontinued its direct underwriting operations in the third quarter, which the broker anticipates will result in a net cash infusion of approximately $40 million during 1984 and 1985. The move, however, generated a non-recurring net loss of $5 million in the third quarter.

This was reflected in Hall's net income for the third quarter, which showed a loss of $5.01 million, compared with a $1.8 million gain in the third quarter of 1983. Revenues for the quarter, though, rose 6.7% to $88.572 million from $83.017 million.

For the first nine months of the year, Hall's revenues increased 4.0% to $274.9 million, while income has dropped 85.0% to $1.66 million.

Corroon & Black Corp. reported gross revenues of $47.68 million in the third quarter, which was down slightly from $47.72 million last year. The broker's net income for the quarter declined to $2.086 million from $8.717 million.

However, third-quarter 1984 earnings reflect a $3.24 million special charge to strengthen the loss reserves of an underwriting subsidiary, the company notes. In addition, third-quarter 1983 income reflected a $710,000 gain from the sale of a book of business.

The company says the poor performance of its underwriting management group, which includes National Excess Insurance Co. and underwriting manager Baccala & Shoop Insurance Services Inc., "overshadowed" the encouraging results of its other operations in the third quarter.

For the first three quarters, C&B's revenues increased 6.8% to $143.6 million, while net income declined 56.7% to $6.8 million from $15.6 million. However, the company notes that the 1983 income figures include securities gains of $5.05 million.

The Crump Cos. Inc. reported excellent third-quarter and nine-month results. The broker's gross revenues climbed 18.1% to $18.19 million in the third quarter from $15.397. Net income for the quarter rose 59.7% to $1.389 million, compared with $870,000 last year.

"We have a lot of excess/surplus business, and the market for it tightened up in the beginning of the year. As a result, a lot of our E&S business went to the standard market," explains James M. Power, Crump's president and chief operating officer. He said this business is beginning to come back to the surplus lines market now that rates are increasing on standard business as well.

"We really don't feel much of the earnings from the third quarter came from improved rates," Mr. Power continued. "I think it's beginning to show up now. I feel that all brokers will show some reflection of this in the fourth quarter."

Robert E. Gallagher Sr., president of Arthur J. Gallagher & Co., attributed his company's improved third-quarter results to "strong new sales and a lift in investment income resulting from additional capital, which came into our company from our initial public offering on June 20."

"Rate increases haven't been dramatic through the last nine months, but on future renewals we have seen a very definite firming," Mr. Gallagher said.

Arthur J. Gallagher's gross revenues increased 24.6% in the third quarter to $17.8 million from $14.2 million in the third quarter of 1983. Net income climbed 53.7% to $2.6 million from $1.7 million.

For the nine-month period, Gallagher's revenues climbed 16.8% to $47.1 million, and net income rose 29.7% to $5.1 million.

Emett & Chandler Cos. Inc. posted deceptive nine-month earnings, according to Vp of Administration James L. Sobieski.

While revenues increased 8.2% in the first three quarters to $25.2 million, net income fell 90.6% to $81,000.

But, Mr. Sobieski explains, "This year's figures represent a tremendous improvement over last year's actual net income, which without over $2 million in non-recurring gains reported during 1983, would have shown a loss of over $1 million."

Emett & Chandler's third-quarter gross revenues increased 11.1% to $8.623 million from $7.76 million. Net income fell 95.3% to $40,000 in the third quarter from $846,000 in 1983.

"We have not yet started realizing the tightening market," Mr. Sobieski said. "We think it will impact favorably in 1985 in terms of brokers' income levels. We are seeing a lot of price increases on renewals we are now working on for 1985.

"These increases," he said, "will provide challenges in terms of how we structure our clients' programs to minimize the rate increases in the property/casualty area. It's more of a challenge because many underwriters are limiting the amount of coverage they will write."

Poe & Associates Inc., the smallest of the publicly held brokers, generated gross revenues of $6.2 million in the third quarter, up 14.9% from $5.401 million. Net income was $219,000, compared with a $339,000 loss in 1983.

"We feel very comfortable that what we have done in expense control has helped us, and the obvious hardening market is going to assist," said a Poe spokesman. "We are retaining current business and writing increased amounts of new business both in our retail and wholesale operations. Combined with the tightening of the marketplace, we should see continued improvements in our results.

"The market is turning. It will be a plus for us. We feel we have gotten our problem areas under control, and our cost-containment efforts have taken hold," he said, adding that higher rates will show up in Poe's results "a little bit in the fourth quarter."

For the nine months, Poe reported a 12.3% rise in revenues to $17.5 million, while net income has ballooned 71.5% to $1.56 million. ■

BI Industry Stock Report

NOV. 13, 1984 11/7/84 THRU 11/13/84

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	35.38	-1.7	18.1	2.64	7.5	36.13	35.38	452.2
American Bankers Ins Group	OTC	11.25	-2.2	6.9	0.50	4.4	11.75	11.25	102.3
American General Corp	NYSE	25.25	-2.4	9.3	0.90	3.6	26.00*	25.25	1,200.8
American Indty Finl Corp	OTC	17.25	-5.5	0.0	1.12	6.5	17.50	17.25	1.5
American Intl Group Inc	NYSE	67.50	-6.1	13.2	0.44	0.7	72.25*	67.50	1,717.3
American Natl Ins Co	OTC	29.00	-0.9	8.0	1.08	3.7	29.25	28.88	361.4
Aneco Reins Ltd	OTC	1.50	0.0	4.4	0.00	0.0	1.50	1.50	0.7
Avemco Corp	AMEX	19.88	-0.6	13.3	0.60	3.0	20.25	19.75	3.5
Banks Iowa Inc	OTC	44.50	6.0	14.0	1.56	3.5	45.00	42.00	7.6
Bitco Corp	OTC	7.00	-17.6	0.0	0.40	5.7	8.00	7.00	24.1
Carolina Cas Ins Co	OTC	3.25	0.0	0.0	0.00	0.0	3.25	3.25	1.4
Chubb Corp	NYSE	48.25	1.0	12.3	2.20	4.6	48.25	47.75	970.3
Combined Intl Corp	NYSE	35.63	-5.3	9.0	2.08	5.8	36.88	35.63	98.2
Continental Corp	NYSE	34.38	-4.2	229.2	2.60	7.6	35.25	34.38	743.2
Crawford & Co	OTC	18.25	0.0	11.7	0.66	3.6	18.25	18.25	2.8
Crown Life Ins Co	OTC	115.50	0.0	7.5	4.00	3.5	115.50	115.00	0.4
Employers Cas Co	OTC	35.00	0.0	8.0	1.20	3.4	35.00	35.00	22.1
Equifax Inc	NYSE	32.13	0.0	12.9	1.70	5.3	32.25	31.75	9.2
Farmers Group Inc	OTC	49.88	2.8	10.7	1.52	3.0	49.88*	48.50	543.0
Foremost Corp Amer	OTC	27.75	6.7	16.2	0.96	3.5	27.75	26.50	133.6
Fremont Gen Corp	OTC	17.00	-4.9	24.3	0.48	2.8	17.75	17.00	234.2
Great West Life Assurn Co	OTC	310.50	0.0	8.3	12.00	3.9	310.50	310.50	0.0
Hanover Ins Co	OTC	27.75	4.7	13.2	0.56	2.0	27.75	26.75	17.0
Hartford Steam Boiler Insptn	OTC	58.50	0.0	28.5	3.00	5.1	58.50	58.50	8.7
Jefferson Natl Life Ins Co	OTC	21.88	1.7	10.3	0.44	2.0	21.88	21.50	18.3
Kemper Corp	OTC	40.13	0.0	41.4	1.80	4.5	40.38	39.50	114.5
Lincoln Natl Corp Ind	NYSE	40.50	1.2	9.4	1.84	4.5	40.50*	39.50	415.5
Mission Ins Group Inc	NYSE	8.00	-22.0	0.0	0.50	6.3	9.75	8.00*	818.1
Northwestern Natl Life Ins	OTC	26.75	0.0	10.4	0.80	3.0	27.00	26.75	251.6
Ohio Cas Corp	OTC	41.13	0.3	15.6	2.68	6.5	41.13	40.63	100.8
Old Rep Intl Corp	OTC	33.00	1.5	6.6	0.88	2.7	33.13	32.38	23.9
Orion Cap Corp	NYSE	23.25	2.8	27.0	0.76	3.3	23.38	22.63	39.6
Preferred Risk Life Ins Co	OTC	25.50	4.1	10.0	0.74	2.9	25.50	24.50	3.7
Provident Life & Acc Ins Co	OTC	80.50	-0.6	7.6	2.88	3.6	83.00*	80.50	31.2
St Paul Cos Inc	OTC	49.50	0.0	101.0	3.00	6.1	49.63	48.00	681.8
SAFECO Corp	OTC	31.25	-4.6	8.7	1.50	4.8	32.75	31.25	424.6
Sfi Corp	OTC	17.25	1.5	14.3	0.68	3.9	17.25	16.75	85.2
Seibels Bruce Group Inc	OTC	19.75	3.9	0.0	0.80	4.1	19.75	19.25	529.8
Statesman Group Inc	OTC	5.00	-2.4	15.9	0.15	3.0	5.13	5.00	54.0
Tokio Marine & Fire Ins Co	OTC	139.00	-1.8	28.1	1.05	0.8	140.50	139.00	5.1
Travelers Corp	NYSE	36.25	-5.2	9.2	1.92	5.3	37.50	36.25	923.3
United Fire & Cas Co	OTC	17.00	0.0	0.0	0.80	4.7	17.00	17.00	0.0

NOV. 13, 1984 11/7/84 THRU 11/13/84

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
United States Fid & Gty Co	NYSE	24.75	-1.0	8.0	2.08	8.4	25.13	24.75	682.0
United Svcs Life Ins Co	OTC	28.63	-3.0	8.2	1.20	4.2	29.25	28.50	18.7
Uslife Corp	NYSE	33.50	-2.2	9.3	1.04	3.1	33.50	33.00	696.4
Washington Natl Corp	NYSE	21.88	-4.4	12.1	1.08	4.9	22.50	21.88	114.2
Zenith Natl Ins Corp	OTC	11.75	0.0	9.3	0.68	5.8	11.75	11.75	29.8
INSURANCE COMPANIES	AVERAGE			13.3		3.9			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	24.00	-3.0	0.0	1.00	4.2	24.25	23.75	551.4
Baldwin & Lyons Inc	OTC	42.00	0.0	24.3	0.80	1.9	42.00	42.00	0.5
Corroon & Black Corp	NYSE	28.25	-0.9	37.7	1.00	3.5	29.00	28.25	51.1
Crump E H Cos Inc	OTC	17.13	2.2	15.3	0.44	2.6	17.13*	16.88	28.3
Emett & Chandler Cos Inc	OTC	11.00	-2.2	0.0	0.00	0.0	11.25	11.00	2.7
Gallagher Arthur J & Co	OTC	26.75	1.9	19.1	0.22	0.0	27.00*	26.50	160.5
Hall Frank B & Co Inc	NYSE	25.13	-1.5	31.0	1.00	4.0	25.38	25.00	213.6
Integrated Res Inc	AMEX	18.38	-5.2	6.4	0.00	0.0	19.50	18.38	51.7
Marsh & Mclennan Cos Inc	NYSE	53.25	-3.6	25.7	2.40	4.5	55.50*	53.00	545.4
Poe & Assoc Inc	OTC	5.75	0.0	0.0	0.00	0.0	5.75	5.75	4.0
Reed Stenhouse Cos Ltd	OTC	13.50	1.9	26.0	0.60	4.4	13.50	13.00	251.8
AGENTS/BROKERS	AVERAGE			26.9		2.7			
Conglomerates Holding Cos.									
American Express(Fireman's Fd)	NYSE	35.75	-3.1	18.6	1.28	3.6	36.88	35.75	2,872.3
Anderson Clayton(Ranger/PanAm)	NYSE	33.50	3.5	15.8	1.32	3.9	33.50	32.50	177.8
Armco Inc	NYSE	11.13	1.1	0.0	0.00	0.0	11.50	11.13	504.8
Baldwin Utd Corp	NYSE	0.75	-7.7	0.0	0.00	0.0	0.81	0.75	140.9
CIGNA Corp	NYSE	40.00	1.3	33.1	2.60	6.5	40.13	39.50	1,117.5
City Investing Co. (Home Ins.)	NYSE	41.25	-0.6	9.9	2.00	4.8	41.63	41.25	756.7
CNA Finl Corp (CNA)	NYSE	28.50	-3.0	13.9	0.00	0.0	29.75	28.50	37.8
Control Data (Comml. Credit)	NYSE	36.00	3.2	9.9	0.66	1.8	38.13	35.00	6,593.6
General Re Corp	NYSE	60.00	-5.0	20.9	1.44	2.4	63.75	60.00	398.2
ITT (Hartford Group)	NYSE	27.75	-2.2	7.7	1.00	3.6	28.38	27.75	2,008.5
Optimum Hldg Corp	OTC	2.75	0.0	0.0	0.00	0.0	2.75	2.75	3.7
Sears Roebuck & Co. (Allstate)	NYSE	31.75	-3.8	8.0	1.76	5.5	32.50	31.75	2,020.7
Teledyne Inc (Argonaut)	NYSE	257.88	-2.4	12.6	0.00	0.0	266.25	257.88	270.5
Transamerica Corp (Occidental & Fred S. James)	NYSE	25.75	-5.1	10.7	1.64	6.4	26.88	25.75	380.5
CONGLOMERATES/HOLDING COS.	AVERAGE			28.1		2.2			

*Record high/low since Jan. 1, 1984

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