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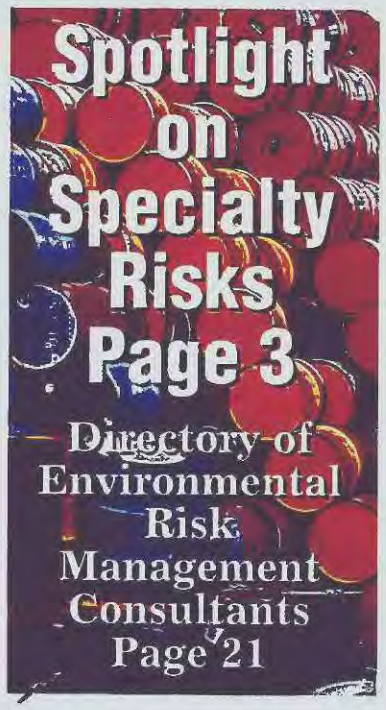
Updates

HUD, insurers to discuss redlining in 'off the record' talks this week

WASHINGTON—Assistant Secretary of Housing and Urban Development Roberta Achtenberg will meet with a broad range of insurance industry representatives for an "off the record" discussion on redlining on Tuesday.

The meeting may indicate what direction the Clinton administration will take regarding alleged insurer redlining—the unlawful restriction of coverage on the basis of race or other factors—as a new Republican Congress takes power. Although the Democrat-

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Insurers scuttle EIRF plan

AIA now targets Superfund retroactive liability

By MARK A. HOFMANN

WASHINGTON—Add the proposed Environmental Insurance Resolution Fund to the list of probable casualties of the Nov. 8 elections.

In response to the Republican rout, the chief insurance industry advocate of the funding scheme, the American Insurance Assn., is dropping that idea and setting its sights higher: eliminating retroactive Superfund liability.

"The EIRF certainly is dead as a starting point" for the Superfund reauthorization debate in the 104th Congress, said Robert E. Vagley, president of the American Insurance Assn.

That strategic shift is part of a revamping of the trade group's priorities as Republicans prepare to take control of Congress for the first time in 40 years.

At the top of its agenda, along with elimination of retroactive Superfund liability, is federal product liability reform and a holdover from the last session—enactment of a federal catastrophe reinsurance fund.

Gone from its list of legislative priorities, at least for now, are federal solvency standards, antitrust reform and the EIRF.

Each of those old priorities deepened divisions within the insurance industry and Mr. Vagley said he is now trying to restore a measure of "civility."

"None of us in the AIA was happy to have the divisions within the industry," said Mr. Vagley, who added that he began approaching other trade association heads even before the ballots were counted.

Much of the intra-industry acrimony that characterized the final months of the 103rd Congress centered on the Superfund debate in general and the EIRF in particular.

The idea was to reduce Superfund coverage litigation by paying a portion of polluters' cleanup costs with the proceeds of a new tax on property/casualty insurers. Policyholders could only accept payment from the fund if they agreed to halt any coverage lawsuits against their insurers.

Among the major insurance trade groups, only the AIA supported the idea. Other groups called the proposed tax unfair because insurers with no Superfund liability would have been forced to pay for others' underwriting decisions.

So deeply divided was the insurance industry that even one AIA member, Fireman's Fund Insurance Co., broke with the group and urged rejection of the funding idea (*BI*, Sept. 26)

Many risk managers also op-

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P/C market unshaken despite cat losses

By JUDY GREENWALD

"More of the same" is the weary prediction on the lips of commercial property/casualty market observers considering the prospects for a broad turn in pricing.

Nine-month results, which reflect the Northridge, Calif., earthquake but few third-quarter catastrophes, are giving the insurance industry little cause for optimism.

9 MONTH
Property/Casualty Insurers

The results and returns on equity are "pretty anemic, and especially with the bond market being down, everything suggests the market should be ready for a turn, but it's just not happening," said Dennis Busti, president of Reliance National Insurance Co. in New York.

"If anything, it's at least as competitive as it was," said Mr. Busti. "I see nothing that's going to change it."

No changes for commercial casualty business are on the horizon, said David Seifer, vp with Donaldson, Lufkin & Jenrette Securities Corp. in New York. "There's nothing Jan. 1 and probably nothing April 1," he said.

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Hollywood is latest battle zone

Risk manager steers subway through liability minefield

By JOANNE WOJCIK and ROBERTO CENICEROS

LOS ANGELES—And you think you've had a bad day.

Meet Abdoul R. Sesay, the risk manager charged with guiding the construction of the Los Angeles subway through a minefield of litigation.

He's ridiculed and insulted in public meetings, receives threatening phone calls at home and has even been called a "baby killer" for concealing information about allegedly poisonous gases being released during excavation.

While Los Angeles County health officials have found the toxic gas claim to be false, it hasn't stopped the harassment.

"You go home and you think about whether it's worth it," Mr. Sesay laments. "It's so stressful."

Unfortunately, it's his job to be in the trenches.

"I'm one of the people who's up there in front," he explains. "They expect me to say, 'OK, we're responsible, we're liable, we're going to pay.' It's my job to ensure that if we submit a claim against the insurance

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Hollywood merchants claiming property damage by the subway construction (above) are threatening to sue the transit authority. Transit officials use gauges to track damage blamed on the tunneling.

Building a consensus on comp

Winning cooperation of all players first step to savings

By RODD ZOLKOS

KANSAS CITY, Mo.—Bringing everyone to the table is the first hurdle cleared by proponents of a novel program by Kansas City, Mo.-area businesses to control workers compensation medical costs in the community.



"I think we've got the constituencies together, and that's the beauty of the thing," said Robert L. Brown, president of the Mid-America Coalition on Health Care, which runs the program.

The project, which includes employers, insurers and doctors, focuses on creating a model for improved communication, medical protocols, uniform reporting and case management that will lower workers comp medical costs.

The coalition has successfully "broken down walls that prevented good communication between all the factions. . .and hopefully has consolidated all the agendas," said Beth Voorhees, practice leader in the casualty claims consulting group in the Chicago office of Coopers & Lybrand, a consultant on the project.

An encouraging step in the program's development is the willingness of many insurers and third-party administrators to accept its uniform reporting framework, Mr. Brown said.

"I think there was a question in my mind a few months ago about whether the carriers would be

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Updates

Redlining discussion planned

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dominated 103rd Congress debated but did not enact anti-redlining legislation, the GOP leadership shows no indication of pursuing the issue, which shifts the matter to regulators like HUD.

"My staff and I would like to explore common actuarial, underwriting and sales practices in the industry as we develop a regulation describing the application of the Federal Fair Housing Act to property insurance. Specific practices that might be prohibited, legal standards that should be employed, measures that can be used to defend against complaints of discrimination and the appropriate remedies are among the issues for discussion," Ms. Achtenberg wrote in a letter obtained by *Business Insurance*. She requested that attendees bring data on "some of the particularly complex issues" that have been raised in public meetings held by HUD in inner-city neighborhoods.

"We also need to learn the circumstances, if any, under which you feel industry practices may have a disproportionate adverse impact on a protected class. Perhaps the most challenging issue we confront is defining business necessity in the context of the insurance industry and determining what types of evidence and analysis should be presented to establish that a policy or practice constitutes a business necessity," she wrote.

Storm loss put at $10 million

TALLAHASSEE, Fla.—Tropical Storm Gordon, which dumped up to 14 inches of rain on some parts of Florida before moving out into the Atlantic last week, could produce $10 million in insured losses in Florida, says Sam Miller, executive director of the Florida Insurance News Service.

Mr. Miller estimated that the storm, which was eventually upgraded to a hurricane, would produce 10,000 to 15,000 claims.

Allstate Corp. and State Farm Group each projected about 3,800 claims stemming from the storm, mostly minor damage to homes such as leaking roofs and windows and blown-off shingles.

The hurricane struck North Carolina's Outer Banks Friday around noon. The state had already suspended ferry service to Ockracoke and Cedar islands as winds gusted up to 90 mph. However, as of late Friday it was still uncertain whether the storm would come ashore.

The Rahway, N.J.-based Property Claim Services division of the American Insurance Services Group has designated the hurricane a catastrophe but has not released a damage estimate.

The storm killed more than 300 people in Haiti and at least six in Florida, where it ripped through a mobile home park.

State agricultural officials estimate crop damage to be at least $200 million, with losses to crops such as peppers, beans, cucumbers and strawberries expected to be significant. The citrus crop, not yet ready to be harvested, largely was spared.

Meanwhile, brokers on the floor at the Chicago Board of Trade attributed an increase in inquiries about the CBOT's Eastern Catastrophe Insurance contract to Hurricane Gordon.

Reinsurer results improve

WASHINGTON—U.S. reinsurers' combined ratio improved slightly to 107.1% for the first nine months from 108.7% in the first half, according to the quarterly Reinsurance Assn. of America survey.

The nine-month figure, though, represents a deterioration from 106.7% for the first nine months of 1993.

Premiums written rose 14.2% to $12.95 billion from $11.34 billion in 1993, said the RAA, which surveyed 58 companies. Reinsurers' net income totaled $861.2 million. Nine-month underwriting expenses totaled $3.78 billion, while loss and loss adjustment expenses totaled $9.41 billion. Premiums earned totaled $12.08 billion. The reinsurers reported a 77.9% loss ratio and a 29.2% expense ratio.

Dow may face implant suits

MIDLAND, Mich.—Dow Chemical Corp. will likely face new efforts by plaintiffs lawyers to include it as a defendant in breast implant litigation following the disclosure that a Dow unit in Italy distributed implants abroad.

While Dow Corning Corp.—a Dow joint venture with Corning Inc.—is a key player in a $4.75 billion global settlement of implant suits, Dow Chemical is a defendant in only one case and has maintained that neither it nor its subsidiaries was involved in making or distributing implants (*BI*, Nov. 14). In a recent deposition, though, Dow Chemical's former general counsel reversed earlier testimony and conceded that a Dow Chemical unit, Gruppo Lepetit, distributed implants outside the United States. He also testified that he had known this for more than a year but failed to correct his testimony.

Plaintiffs lawyers will probably now try to bring Dow Chemical into the global settlement and to name it as a defendant in cases not covered by the settlement, lawyers familiar with the case say.

Even if Dow Chemical is brought into the cases, though, some observers question how large its potential liabilities are.

"The impact is probably going to be minimal with one exception, and that deals with the issue of (Dow Chemical's) credibility," said Dean Hansel, a lawyer with LeBoeuf, Lamb, Greene & MacRae in Los Angeles, representing insurers in implant-related coverage litigation.

Dow Chemical could have some liability in cases where women received implants abroad, and lawyers are now "scrambling" to determine how many such cases there may be, he said.

A Dow Chemical spokesman said the company is "confident we will ultimately be found to have no liability." He also said Gruppo Lepetit's involvement was disclosed before the recent deposition and was the reason a Texas judge ordered Dow Chemical to remain in the one case where it is currently a defendant.

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Clinton backs employer

Supreme Court brief supports retiree health plan changes

By DAVE LENCKUS

WASHINGTON—The Clinton administration is siding with employers in a case now before the U.S. Supreme Court that threatens the myriad health plan amendments companies have made in recent years.

The 3rd U.S. Circuit Court of Appeals last year ruled that Lyndhurst, N.J.-based Curtiss-Wright Corp. violated the Employee Retirement Income Security Act when it cut retiree health benefits in 1983. Although Curtiss-Wright had reserved its right to do so in plan documents, the court ruled it violated ERISA because the documents did not identify which company representatives could amend the plan and what procedures they had to follow (*BI*, Jan. 10). Most health plan documents do not contain such language.

In an amicus brief filed last week, the administration said the ruling is inconsistent with ERISA language as well as trust, corporate and common law. Indeed, its potential impact on health plans is at odds with ERISA's goal of providing plan participants with a reasonable expectation of their current benefits, the brief said.

The administration's three main arguments for reversal are:

• Section 3(9) of ERISA expressly encompasses corporations in its definition of persons who may amend plans. And, Curtiss-Wright's amendment reservation should be "read against the back-

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Weyerhaeuser to appeal test case finding

Jury limits pollution cover

By DAVE LENCKUS

SEATTLE—Weyerhaeuser Co. will probably appeal a jury's decision that gives it only partial pollution cleanup coverage in a test case against its only general liability insurer that did not settle a massive pollution claim.

A King County Superior Court jury in Seattle on Nov. 10 decided that the wood products company should be covered for its cleanup liabilities at a Superfund site near Wausau, Wis. Weyerhaeuser was one of 60,000 firms that used the site, said policyholder attorney Robert Horkovich of Anderson Kill Olick & Oshinsky in New York.

The insurer, Commercial Union Insurance Co. of Boston, argued there was insufficient property damage at the site to trigger coverage under the policy it wrote for Weyerhaeuser from March 1970 until March 1973. The jury determined coverage was triggered under the final year of the policy.

Earlier, in a pretrial summary judgment, Judge Marsha J. Pechman ruled that the CU policy covered Weyerhaeuser for all cleanup costs that it is legally required to pay, not just those stemming from its own activities.

The ruling was important for Weyerhaeuser, which did not begin dumping at the landfill until a year after its policy expired, because it faces joint and several lia-

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Interstate receivership compact may be adopted as early as 1995

By MICHAEL SCHACHNER

NEW YORK—States could move as early as next year to enact an interstate compact designed to coordinate the receivership process for multistate insurers.

The proposed compact is designed to protect the rights of policyholders of insolvent insurers that are domiciled in other states.

The final version of the proposal was unveiled last week following six months of negotiations between a committee representing the National Conference of Insurance Legislators and regulators in several Midwestern states.

Under the compact, states would have to enact identical receivership laws. Guaranty funds are excluded from the compact and states are allowed to opt out of any of the compact's provisions or withdraw from the compact completely. NCOIL and several members of the National Assn. of Insurance Commissioner's Midwest Zone say this working draft proposal should be acceptable to the NAIC and lawmakers in many states.

The new proposal, which was the subject of a public hearing in New York last week, also contains a new funding formula for the not-for-profit Interstate Insurance Receivership Commission, which would be composed of insurance commissioners from states signing on to the compact. The commission would be responsible for enacting

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Quantum coverage battle

Boiler, property insurers dispute cover

By DOUGLAS McLEOD

CHICAGO—An arbitration ruling may leave Hartford Steam Boiler Inspection & Insurance Co. on the hook for tens of millions of dollars in business interruption losses from a 1989 chemical plant explosion.

In an unusual arbitration that turned on a single question of fact, a panel of engineering experts concluded this month that the explosion and fire at a Quantum Chemical Corp. plant was caused by a pre-existing crack in a heat exchanger.

Hartford Steam Boiler had agreed before the arbitration that such a finding would trigger coverage under its boiler and machinery policy, while Quantum's property insurers—Industrial Risk Insurers and DR Insurance Co., a Quantum captive—had similarly agreed that they would be liable if the crack were found not to be the cause.

Far from settling the case, though, the ruling only seems likely to trigger a new round of fighting: The property insurers are interpreting the decision to mean that Hartford Steam Boiler is liable for virtually all of the business interruption losses. Hartford Steam Boiler, meanwhile, interprets it to mean only that it must now share the losses with IRI and DR.

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• The Gooda Walker Action Group hopes to find out in a court hearing whether underwriting agents' errors and omissions insurance will cover the damages the group's members are seeking. **PAGE 63**

• Professional liability insurers will pay part of a settlement between investors and financial advisers in the buyout of Magnet P.L.C. **PAGE 63**

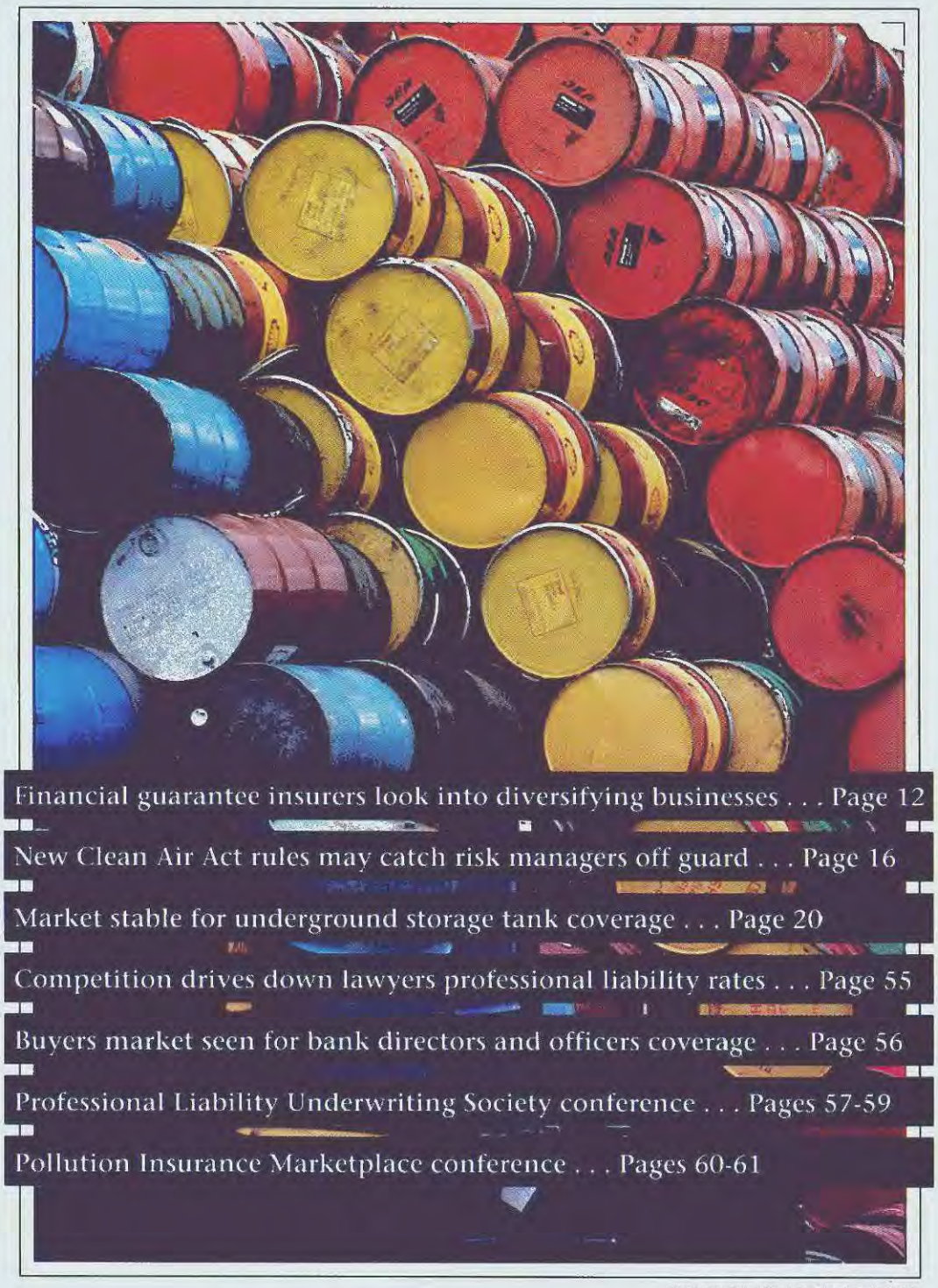
• King County, Wash., the owner of the Seattle Kingdome, is suing its insurer over claims resulting from fallen ceiling tiles. **PAGE 70**

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Specialty Risks



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Pollution Insurance Marketplace conference . . . Pages 60-61

Photo by Peter Kaehler/The Image Bank

EIL market remains friendly environment for insurance buyers

Insurers offering higher limits, new products for pollution risks

By JOANNE WOJCIK

It's still a buyers' market for businesses that need insurance to cover their environmental liability exposures.

Buyers can obtain pollution coverage with higher limits as well as new products designed to address their first- and third-party exposures.

And, insurers anticipate increased interest in pollution risk transfer mechanisms if the Securities and Exchange Commission steps up enforcement of regulations requiring publicly held companies to disclose their environmental liabilities to shareholders.

While the environmental market originally only provided coverage for the liabilities of cleanup contractors, new products are being developed to meet the needs of other companies facing pollution risks.

For example, a federal appellate court ruling in *U.S. vs. Fleet Factors Corp. et al.*, which clarified which actions by secured lenders trigger Superfund liability, has created an increased interest in lender liability and property transfer coverages (*BI,* June 7, 1993).

And, the potential for uncovering pollution during large-scale construction projects has triggered the development of environmental wrap-up coverage for contractors participating in owner-controlled insurance programs.

Some insurers are even developing stop-loss programs for cost overruns associated with remediation projects.

While American International Group Inc., Zurich-American Insurance Group, Reliance National Insurance Co. and United Coastal Insurance Co. remain the biggest names in the environmental insurance business, some insurers that haven't traditionally sold pollution coverage in the open market are providing limited environmental coverage to existing policyholders in order to keep their business.

The pollution market is "even more competitive now that we have another year under our belt," observed John Theis, a vp at broker Willis Corroon Los Angeles Inc. in Glendale, Calif. "The underwriters are more comfortable."

And "pricing has come down considerably because of the competition," added Ken Cornell, vp of Commerce & Industry Insurance Co., a unit of AIG in New York that provides up to $40 million in pollution liability limits.

"There's certainly much more capacity for environmental insurance now than there was even two or three years ago," said Ken Berger, assistant vp at Zurich-American Specialties in New York, which can provide up to $30 million in pollution liability limits.

The market is especially soft for landfills, waste handlers and transporters, as well as environmental contractors, he said.

"This marketplace is now flooded," said David Rosenberg, executive vp of Environmental Compliance Services Inc., the Exton, Pa.-based pollution coverage underwriting manager for Reliance National Insurance Co. of New York.

In response to the competition, ECS has raised its limits to $20 million per loss/$40 million aggregate from $15 million/$30 million.

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Broad range of consulting exposures spawns diverse E&O product offerings

By JERRY GEISEL

It was the kind of advice that should never have been given.

A consultant advised a manufacturer to purchase tandem-trailers to ship its products and lower its transportation costs.

But the consultant overlooked a key detail, recalled Ray Wahl, a senior vp with Executive Re Indemnity Inc. in Simsbury, Conn.: the products were to be transported in states that did not allow the big trailers.

As a result, the manufacturer, after buying equipment it couldn't use, sued the consultant and later received damages for the costs it incurred as a result of that advice.

When consultants give bad advice, clients aren't as forgiving as they once may have been.

"A lot of companies are holding their consultants to a much higher standard than years ago," says John Moore, a senior underwriting professional with Shand Morahan & Co. Inc. in Evanston, Ill., which specializes in professional liability business.

The fear of being sued, the sheer numbers of consultants, the complexity of the work they provide and the demand by clients that consultants be insured for any errors or omissions, has transformed professional liability coverage for consultants from a small sideline to a major market.

As many as three dozen insurers write E&O coverage for consultants and more insurers are entering the market all the time. E&O policies with $5 million in limits are readily available, though smaller consultants—those with fewer than 20 employees—most frequently will purchase limits in the $1 million to $2 million range.

Major writers in the consultants' E&O market include Evanston Insurance Co., as well as units of American International Group Inc., ITT Hartford Group Inc., Reliance Group Holdings Inc. and Zurich-American Insurance Group.

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Drop in refinancings ends muni bond boom

Competition driving insurers into other areas

By JUDY GREENWALD

A dramatic decline in new municipal bond issues is increasing competition in the financial guarantee insurance business, while encouraging municipal bond insurers to focus on diversifying their books of business.

And more of the same is expected next year.

The cause of the drop, which follows two years of record business volume, is higher interest rates and a resulting decline in refundings. Refundings occur when an existing bond is retired by issuing new securities, generally at a lower interest rate. As interest rates rise, though, refundings make less economic sense.

Although the flow of new money into the municipal bond market is up, it is far from sufficient to make up for the lower refunding activity.

As a result, insurers are faced with the task of maintaining profitability and revenue growth as they struggle to compete for a share of a smaller market.

"It's just been a challenge," said Ann C. Stern, chairman and chief executive officer of New York-based Financial Guaranty Insurance Co., who estimates rates are down about 10% to 15%.

"I don't think if you had asked anyone five years ago whether the premium rates would be where they are today they would say yes. Not one person, I would think."

To date, however, most of the competition has been for the bet-

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Financial

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ter deals, and insurers have generally not lowered their standards to write lower-quality deals that could threaten their AAA ratings.

But, insurers are spending more time on smaller deals that they might not have considered worth their while only a year or so ago.

At the same time, to maintain revenue growth, some financial guarantee insurers are continuing to diversify into different—but generally related—fields.

So far, these forays into other areas generally constitute a small proportion of their total business, though they are expected to grow in the future (see story, page 12).

Financial guarantees written by insurers cover bonds and other securities in the event of a default and ensure that bond purchasers will continue to receive timely payment of interest and principal.

Insurers confer their own AAA ratings on the lower-graded municipal bonds they insure. To the public entity, the cost of insurance is more than offset by the lower interest rate at which it can issue a bond with a AAA rating. These "manufactured" AAA issuers sell at about the level of AA bonds, however, rather than on par with "natural" AAA bonds.

In addition, there is a distinction within the financial guarantee insurance market. The so-called "Big Three" of the municipal bond market—MBIA Corp. of Armonk, N.Y., New York-based AMBAC Indemnity Corp. and FGIC, which together claim a more than 90% market share—tend to have better trading values than their three smaller competitors. Those competitors include: Financial Security Assurance Inc. of New York; Capital Guaranty Insurance Co. of San Francisco; and Washington-based Connie Lee Insurance Co.

A seventh primary financial guarantee insurer, Capital Markets Assurance Corp. of New York, specializes in asset-backed securities.

All these insurers write to a "zero loss" standard, which means business is written only after the underwriter is assured no losses are expected on the risk. In fact, losses in the industry have been minimal.

Business has dropped dramatically for financial guarantee insurers in 1994. According to the Public Securities Assn., municipal bond volume totaled $126 billion in the first three quarters of this year, down 43.6% from $223.2 billion for the comparable period in 1993.

The primary factor in the decline has been the drop in refundings, which fell 71.9%, to $42.5 billion in the first nine months of this year, from $151.1 billion a year earlier. At the same time, new issues were up 15.8% to $83.5 billion from $72.1 billion.

Total municipal bond volume in long-term issues in 1993 was $291.3 billion. Observers estimate this year's volume will total $150 billion to $170 billion, or only slightly more than half of last year's volume.

Meanwhile, though, the percentage of insured bonds has kept pace with the overall bond market through the first three quarters.

The $47.2 billion of insured issues make up 37.5% of the total market. A year ago, there were $83.9 billion in insured issues, or 37.6% of the market. But, it also means total insured volume has dropped by 43.8% along with the overall volume.

These figures should be kept in perspective, advised Michael Satz, chairman and CEO of Capital Re Corp., which operates financial guarantee reinsurer Capital Reinsurance Co. in New York. This year's volume is down significantly from 1993 levels, but it is still the third- or fourth-highest in the industry's more than 20-year history, he said.

Observers say individual investors, who lack the research resources of large institutions, continue to seek insured bonds.

Financial guarantee insurance is "basically a good product" that is "designed for the investor who really is not a professional or sophisticated type of player, and it gives them a security blanket," said James Cooner, senior vp in charge of the Bank of New York's tax-exempt bond management division, which invests $5.5 billion in municipal bonds on behalf of clients.

He said the Bank of New York itself does not rely on the insurance but looks first at the underlying credit and conducts its own review and research instead.

Meanwhile, additional pressure is being placed on insurers by the fact that all the unearned premiums on bonds that were refunded last year immediately became earned premiums, which increased insurers' capital and the need to invest it profitably. The insurer generally retains the full unearned premiums because the new debt is not necessarily insured with the same insurer.

"You have a lot of capital chasing a lot less volume," said Brady Tournillon, an analyst at rating agency Fitch Investors Service in New York.

At the same time, unless the bonds written at lower rates this year are eventually refunded, insurers will be stuck with the lower earned premiums for 20 to 30 years, depending on the life of the bond.

"There will come a day when business will pick up again and the insurers will be at a disadvantage for having built in such low-profitability deals over this period of time," said Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New York, who is concerned about the level of competition. "Capital could be constrained because of this" over the long term, he said.

There is no question competition has increased, say observers, though some believe it may have moderated somewhat in recent months.

"It's very intensive," said Michael J. Djordjevich, president and CEO of San Francisco-based Capital Guaranty. "I have described it half-jokingly as a war, where we have house-to-house combat, and the house being every deal," he said, noting Capital Guaranty is seeking to increase its own market share.

"I think it is an intensely competitive market right now," agreed Donald A. Pasten, group vp at rating agency Duff & Phelps Credit Rating Co. in New York.

While the Big Three still dominate, FSA and Capital Guaranty "are making inroads, and it's become extremely competitive on all sizes and types of deals," he said.

While Mr. Pasten is starting to hear a little bit about people trying to draw the line, "it's hard to tell whether that's having any effect. The good news is they really haven't given up anything on credit quality," though they are "a little bit more aggressive" on BBB rated issues than they were last year.

"It is a new world and we have to compete on terms and conditions that are different than in the past," said FGIC's Ms. Stern. But because insurers are being paid less money, "our appetite to take on increasing risk is not there at all." If an insurer is not getting the premium it thinks it should, "you're not inclined to take it," said Ms. Stern, who noted that this helps to control credit

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Financial

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quality.

New York-based AMBAC has not changed its underwriting standards this year from last year, nor has it seen its competition do so, said Joe Van Louton, executive vp.

Perhaps financial guarantee insurers are insuring more BBB rated issues than they used to, "but they're still solidly investment grade," said Roger K. Taylor, chief operating officer of FSA in New York. "I don't think people are recklessly taking on risk."

Other observers also say underwriting standards generally remain high. "The competition has been mostly in the large, high-quality, low-risk sectors, with low capital charges and low probability of default," said Fitch's Mr. Tournillon. "We haven't seen any evidence of relaxed underwriting standards, at least from the companies we do rate."

S&P's Mr. Smith said, "My impression is that they are in some instances dipping down a little bit lower in credit quality."

"So long as they keep in general bounds it's nothing that would be particularly troubling to us, but if they really dip down low, then it's something to be concerned about," Mr. Smith said.

Laura Levenstein, an analyst at rating agency Moody's Investors Service Inc. in New York, also has not seen enough deterioration in underwriting to cause concern, "but it's something we're watching very closely, obviously."

Observers say the rating agencies, municipal bond market and stock market investors will all play a role in keeping competition in check.

The rating agencies and insurers' fear of losing their AAA ratings will act as a brake on intense competition, said Edward Spehar, a stock analyst with Merrill Lynch & Co. in New York. "The long-term assumption should be because these companies are intelligent and the market is dominated by three players, price competition should not get out of control," he said. "Given that you do have rational players, I think that this is a short-term problem."

The municipal bond market also keeps a close eye on the insurers, said Tom Kenny, director of municipal bond research for the Franklin Templeton Group of Funds in San Mateo, Calif. If they begin to get involved in marginal credit issues, "they're certainly going to hear from us," said Mr. Kenny.

FSA's Mr. Taylor also believes the equity investors, concerned about their price/earnings ratio, will have a role in discouraging intense competition as well.

All the financial guarantee insurers are publicly held, with the exceptions of Connie Lee—which is half-owned by federal agencies and half by private investors—and FGIC—which is a subsidiary of General Electric Capital Corp. "I think the equity market will speak," said Mr. Taylor.

David H. Elliott, chairman and CEO of MBIA, downplayed the degree of competition, though some observers note that MBIA has increased its market share during this competitive period.

"It is competitive," he said. "It has been competitive for the last several years, and it is competitive this year. Rates are somewhat down this year but in moderation."

There has "not been a tremendous decline, and I think that as far as we're concerned, we would like to see prices up, and I think over time you will see that prices will stabilize and probably increase over time as opposed to further decreases."

But, other observers say next year's competitive situation is likely to be comparable to this year's because municipal bond volume is still likely to be relatively low.

"I would say the outlook in terms of volume is mediocre," said Mike Romanowski, vp at Conning & Co. in Hartford, Conn.

"I would expect volume to be down next year from the levels seen this year mainly because the first quarter this year was reasonably strong" as a result of some carryover from the previous year's interest rate decline, he said.

"I think it'll continue to be a competitive environment," though it appears some have already cut back a little, said David L. Murphy, who manages tax-exempt bond funds at Fidelity Investments in Boston.

Part of the problem, said Mr. Murphy, is that the insurers staffed up for the higher issuance levels of 1992 and 1993, and even though they expected volume to fall, it probably happened more rapidly than they anticipated. As a result, "they've been redeploying personnel, trying to get their costs down."

They will have to decide "whether they're going to beat each other to death for market share," said Michael Fitzsimmons, principal in charge of trading, underwriting and sales at New York investment banking firm Cain Bros. Shattuck & Co.

But, Capital Guaranty's Mr. Djordjevich said, "I would say we may see in the first quarter, the first half of the year probably a continuation of this warfare, which is fought on all fronts, but then I think countervailing forces will set in."

These will include: the views of stock analysts who follow the financial guarantee stocks; the rating agencies, which will begin to penalize inadequate pricing: and downsizing, which will lead to reductions in staff and expenses, thus easing pressure on the insurers, he said.

"I would hope that the three competitors here wake up and say this is stupid," said Stephen Schwartz, an analyst with the Chicago Corp., referring to the Big Three.

There may be less competition next year because it will be easier in 1995 to show good comparisons vs. 1994's down year than it has been to compare this year with 1993, said Oliver R. Sockwell, president and CEO of Connie Lee.

Richard A. Ciccarone, executive vp and director of tax-exempt fixed income research for Kemper Securities Inc. in Chicago, said he believes the long-term outlook is still positive. "I think there is still municipal business to be done and the growth in the muni business will pick up for new core business."

As the economy grows, taxpayers and politicians will be more willing to pay for capital projects, so if there is a sustained recovery, we are likely to see new municipal bond sales, said Mr. Ciccarone.

"We are going to see like we always do in this case, a gradual movement upward," said Mr. Djordjevich, who predicts municipal bond volume will pick up by 10% as early as next year. "It's a cyclical business," he said. "We have two years of feast, we're going to have a couple of years of famine," with an improvement now due next year.

After the big growth of 1992 and 1993, and 1994's decline, "I think what we're really turning to is a kind of a more modest growth period, where returns are going to be 13%, 15% and companies are going to have to look to really manage their business better," said Duff & Phelps' Mr. Pasten. BI



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Opinions

Protecting risk group option

ONE DAY, the buyers' market will end. Premiums will soar and some lines of coverage may become difficult to obtain at any price.

When that occurs, we hope buyers have effective risk financing alternatives available to them. However, a recent court decision casts doubt on whether one such alternative will be available in its current form.

Responding to the liability insurance crises of the last hard market, Congress expanded the Risk Retention Act in 1986.

The purpose of the act is simple: remove the roadblocks that made it difficult for employers—especially small firms and professionals such as physicians—to set up special captive insurers, called risk retention groups, to cover their own risks.

As we see it, the Risk Retention Act has been a great success. About 75 risk retention groups now operating provide coverage to a broad cross-section of risks, including attorneys, accountants, architects and engineers and educational institutions.

RRGs have clearly proved their worth. Even in the soft market, for some buyers they have been the only source of affordable coverage. In other cases, they have forced commercial insurers to price their policies more competitively.

A recent federal appeals court ruling threatens the ability of employers to establish and fully utilize this risk financing option.

That decision by the 11th U.S. Circuit Court of Appeals upheld the legality of a Florida financial responsibility law that requires taxi companies and other passenger carriers to buy the first $80,000 of liability coverage from insurers that are members of the state guaranty association (*BI*, Nov. 7). Under the Risk Retention Act, risk retention groups cannot be members of guaranty associations. Thus, Florida taxi and limousine operators cannot obtain a major chunk of their liability coverage from an RRG.

We have no problem with state financial responsibility laws that require employers serving the public, like taxi cab operators, to carry a certain amount of insurance or for the insurers to meet certain financial standards. Congress, in fact, in passing the Risk Retention Act specified that such laws would not be automatically pre-empted by the act. But Congress also made clear that the Risk Retention Act would pre-



empt state laws that discriminated against RRGs.

By requiring passenger carriers to buy liability coverage from insurers that are members of the guaranty association, the law essentially gives a monopoly to admitted carriers. Why shouldn't an RRG, if it meets the same financial requirements as an admitted carrier, be allowed to write coverage for policyholders?

The real danger of this decision is that it will embolden state regulators, many of whom have always opposed the Risk Retention Act, to press for laws similar to Florida's.

If they succeed, the Risk Retention Act may become an empty shell, not just for taxi cab operators but for employers in many other fields and industries that could fall under the scope of financial responsibility laws. That cannot be allowed to happen.

If this decision is not overturned, Congress must rewrite the Risk Retention Act to make absolutely clear that it exempts financial responsibility laws like Florida's.

We hope such action occurs soon so that when the market does harden again, risk retention groups will continue to be a meaningful option for the buyers of insurance.

Abandoning EIRF plan a good move

THE American Insurance Assn.'s decision to put the controversial Environmental Insurance Resolution Fund proposal on ice and to now pursue elimination of Superfund's retroactive liability provisions is the right move at the right time.

The EIRF's designers envisioned it as a means to reduce Superfund-related litigation between insurers and policyholders. Property/casualty insurers would pay a new federal tax that would fund the EIRF. Policyholders could receive a portion of their Superfund cleanup costs from the EIRF, but only if they agreed not to sue their underwriters for more. No one, however, would be required to accept the EIRF's offer.

Well-intentioned as the EIRF was, the idea proved to be more divisive than it was worth. In fact, rarely has an issue caused such bitter divisions within the property/casualty industry—with only the AIA and a handful of non-AIA companies supporting the idea. Even within the AIA, support was not universal—Fireman's Fund Insurance Co. broke publicly with the AIA to urge rejection of the EIRF. Many risk managers opposed the idea, as did the Risk & Insurance Management Society Inc.

Most opponents of the EIRF supported a full repeal of retroactive liability on Superfund. Repeal of retroactive Superfund liability has always been the centerpiece of true Superfund reform objectives, but was never likely to pass a Democratically controlled Congress.

The divisions within the insurance industry over the EIRF weakened the position of all insurers before the various House and Senate panels that reviewed the Clinton administration's Superfund proposal last summer and early this fall. At least one exasperated Republican member of the House Ways and Means Committee complained that insurers ought to settle their differences before they testified before Congress and not ask Congress to settle their differences for them. Insurers got lucky in early October when Superfund failed to reach the floor of either chamber for a final vote because of a dispute over labor rules.

The political argument for the EIRF evaporated on Nov. 8. The new Republican Congress has made two things quite clear: It doesn't intend to impose any new taxes and it is open to a variety of tort reforms. Given the change on Capitol Hill, the AIA's decision to join the rest of the property/casualty insurance industry in trying to abolish Superfund's retroactive liability scheme bodes well for achieving true Superfund reform in the 104th Congress.

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Risky business: Muni bond insurers may branch out

By JUDY GREENWALD

A reduction in the volume of new municipal bond issues is prompting financial guarantee insurers to explore other, potentially riskier, lines of business to maintain their profit and revenue growth.

Rating agencies and other observers say that to date, the insurers' ventures into these areas of business have caused no problems, though the agencies continue to closely monitor the situation.

Although exploration of other lines of business is not new, the slowdown in municipal bond issuance has put more urgency into these efforts, say observers.

Areas into which municipal bond insurers have diversified are generally either directly related to municipal bond issuance, such as the investment of municipalities' bond proceeds, or call on comparable analytical skills, such as insuring asset-backed securities.

Asset-backed securities are instruments that can be backed by consumer receivables like auto loans, home equity loans and credit card debt, as well as by corporate obligations like trade receivables.

A primary financial guarantee insurer, New York-based Capital Markets Assurance Corp., deals almost exclusively in this area.

Other areas include municipal guaranteed investment contracts, in which insurers offer municipalities guaranteed interest rates for their bond proceeds. In addition, financial guarantee insurers have ventured into mortgage insurance, expanded into international markets and have investigated derivatives, among other moves.

For instance, New York-based AMBAC Indemnity Corp. is getting involved in swap transactions. The company is "working on a few deals at this point," said Executive Vp Joe Van Louten.

In addition, New York-based Enhance Financial Services Group Inc., which operates AAA rated Enhance Reinsurance Co., has also operated a AA rated primary insurer, Asset Guaranty Insurance Co., since 1990.

Asset Guaranty enables the company to write business that other AAA rated primary insurers might be unwilling to handle. "It's been a very good business for us," with a loss ratio of less than 40%, said Dan Gross, Enhance Financial's executive vp and chief financial officer, who said Enhance is continuing to explore new opportunities for Asset Guaranty.

New York-based Capital Re Corp., which operates financial guarantee reinsurer Capital Reinsurance Co., has also established a AA rated mortgage guaranty reinsurer, Capital Mortgage Reinsurance Co., which accounted for 25% to 30% of its business in the first nine months of this year, said Michael Satz, Capital Re Corp.'s chairman and chief executive officer.

But these areas to date generally only account for a relatively small percentage of most financial guarantee insurers' total business, though they are expected to grow in the future.

For instance, diversification could account for 30% of New York-based Financial Guaranty Insurance Co.'s overall income by the year 2000, said Ann C. Stern, chairman and CEO.

Particularly promising, she said, are two SEC-registered mutual funds for municipalities under its FGIC Public Trust program, which it introduced in May. "We're finding there's a great deal of interest in that product."

Insurers and others say the need to maintain growth is driving the trend. "Essentially, the fundamentals of the municipal market, we believe. . .do not support a 10% to 15% growth rate over a long period of time," said Mr. Satz.

"It's sort of a natural evolution as the municipal bond insurance industry has matured," said Richard A. Ciccarone, executive vp and director of tax-exempt fixed income research at Kemper Securities Inc. in Chicago.

"I think that's their best shot at trying to get through this period, finding markets where there isn't as much competition, finding other ways of using their capital in profitable ways," rather than "just slugging it out to keep their market share and watching those premiums drop, drop, drop," said Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New York.

Nonetheless, "it's something you have to watch. I think the pressure will only grow to get returns up and to get growth up as the (municipal bond) volume continues to be soft, which will probably push people to think in more grand terms than they've thought to date," said Mr. Smith.

"We just can't assume they'll continue to do everything without incurring too great a risk in some of these things," he said.

From what has been seen thus far, the insurers have approached diversification in a conservative, prudent way, said Mr. Ciccarone. Most have done it in the form of separately capitalized subsidiaries of their holding companies to isolate the risk to the insurance company, he said.

"But still, you have to realize they're not likely to walk away from any obligations a related company is going to make, even if there is no legal call on the insurance company's capital," he said.

Peter B. Coffin, who runs his own investment advisory firm in Boston, said he is unhappy with the insurers' diversification trend. "Nobody understands it," he said.

"It was pretty easy for us to get a handle on the risk profile of insurers when we knew what they were insuring. Now, it's sort of like a foreign bank or something. You don't really have a handle on what their book of business is."

If this trend continues, financial guarantee insurers will have a harder time convincing the public finance market "that they're going to be there for the 30 years they guaranteed our bond issue," Mr. Coffin said.

Some observers are also partic-

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Spotlight report

Pollution

Continued from page 3

But Mr. Rosenberg doubts the new entrants will be around for long.

"We've seen occurrence-form general liability with sudden and accidental endorsements added on," he said. "It's unbelievable."

Pollution liability coverage is generally available on a claims-made basis.

Some brokers and insurers anticipate a surge in pollution coverage purchases if the SEC begins enforcing accounting and disclosure practices in the contingent liability area.

Numerous policyholders have been unsuccessful in their attempts to secure cleanup coverage under their old comprehensive general liability insurance policies. For that reason, the SEC has told accountants that they should not necessarily subtract potential insurance recoveries from their environmental liabilities for periods beginning after Dec. 15, 1993, Steve R. Kitson, a partner in the Los Angeles office of Arthur Anderson L.L.P., said at a recent environmental liability seminar sponsored by broker Johnson & Higgins in Los Angeles.

"FAS No. 5 and FASB interpretation No. 14 found that any loss that can be reasonably estimated should be accounted for," he said. "And if no estimate can be made, it should still be disclosed and the minimum anticipated loss should be reserved."

While insurers developed a pollution liability product for financial institutions after the 1990 *Fleet Factors* ruling, which clarified which actions by secured lenders trigger Superfund liability, few lenders are actually buying the coverage, brokers and insurers say.

"Everybody's marketing this coverage, but nobody's buying," said Mr. Rosenberg of ECS.

Henry Nazko Jr., president of United Coastal Insurance Co. of New Britton, Conn., agreed. "Generally, we have found that financial institutions make a lot of noise but generally opt to not purchase pollution liability coverage," he said.

After offering the coverage for three years, portfolio transfer coverage only provides 1% of United Coastal's premium volume, he said.

United Coastal provides up to $10 million in pollution liability limits.

The 11th U.S. Circuit Court of Appeals created a stir in the financial community several years ago by deciding that under previous EPA rules Fleet Factors could be held liable for Superfund liability if it had "the capacity to influence the corporation's treatment of hazardous waste" (*BI*, June 4, 1990).

While subsequent EPA rules have given financial institutions and other secured lenders some relief, pollution liability experts warn that they are not yet out of the woods, at least not until Superfund is reformed. Superfund reauthorization legislation was bogged down in the last days of the congressional session (*BI*, Oct. 3).

One reason for the lack of interest in the real estate portfolio transfer coverage among financial institutions may have been the amount of time it took to underwrite, Commerce & Industry's Mr. Cornell speculated.

"Legitimately, the industry may be partly to blame because we've made the process of obtaining (pollution liability) insurance more labor-intensive than for other lines of coverage," he said.

For example, AIG, like many insurers, required the policyholder and broker to hire an environmental engineer to conduct an intensive Phase 1 compliance evaluation.

But "now we're able to streamline applications if we can get the necessary information from a third-party source," such as a title search database, Mr. Cornell said.

Title searches of the property's previous owners can identify probable prior uses, while searches of newspaper articles and other published reports can reveal any regulatory enforcement measures that may have been taken, explained Willis Corroon's Mr. Theis.

With a database search substituting for a Phase 1 inspection, Commerce & Industry can turn

Continued on next page

Muni bonds

Continued from page 12

ularly concerned that interest in asset-backed securities could increase competition in that market.

While there are new players, insuring asset-backed securities is also still a growing market, said Roger Taylor, chief operating officer for Financial Security Assurance Inc., which is active in this area. "There's a lot of areas of growth there."

About 25% of FSA's exposure is in asset-backed securities, which was the company's original specialty before it expanded into the municipal market.

There is a "lot more room for added monoline involvement," agreed Charles Williams, a managing director in charge of marketing and business development for Capital Markets Assurance Corp.

He added there are many other ways to compete besides price, including expertise, experience, and response time.

Meanwhile, neither Washington-based Connie Lee Insurance Co. nor San Francisco-based Capital Guaranty Insurance Co. plans to diversify.

"I think that diversification is a strategy primarily attuned to the largest companies," said Oliver R. Sockwell, president and CEO of Connie Lee.

Connie Lee, which is half-owned by investors and half by the Student Loan Marketing Assn. and the U.S. Department of Education, specializes in insuring and reinsuring college, university and teaching hospital financing.

Under its current charter, Connie Lee could not diversify. But Mr. Sockwell said he would not be interested, anyway. "You really need sort of a critical mass of expendable resources before you can really do a lot of diversification."

Capital Guaranty also plans to stick with the municipal bond business, said Michael J. Djordjevich, the insurer's president, who likens Capital Guaranty to a tortoise and his competitors to hares.

"Our august competitors. . .believe they are forced by their own success to expand in areas of business they don't understand, don't know much about," he said. "Some of those areas are rather large and untested, particularly for the bond insurers." BI



Continued from previous page
around an application in as few as 10 days, according to Mr. Cornell.

"In the past, it could take months and months for a large pollution liability account" to secure coverage, he said.

Not only does this save time, it also can reduce the cost of coverage since Phase 1 evaluations cost between $2,000 and $3,000 for each property surveyed, according to Willis Corroon's Mr. Theis.

"If we have a large enough portfolio, we can do a data scan in lieu of a Phase 1 study and purchase one policy to cover all of the properties in the portfolio," he said.

Portfolio transfer coverage serves as a kind of warranty to ease a potential buyer's concerns that a later finding of site contamination could diminish the property's value.

"This coverage can help surmount all or a portion of the environmental hurdles that threaten to trip up a merger, acquisition or property sale," said Mr. Theis.

For example, "we just assembled a program for a redevelopment agency selling $25 million in property to an auto dealer. The property had been contaminated and was cleaned up, and the regulatory agencies examined it and passed it as being 'fully remediated,' " Mr. Theis recounted.

"Because we had contamination on the property and there were nearby gas stations with underground storage tanks, the buyer was reluctant," he said.

"So we gave them a post-remediation warranty, kind of like environmental title insurance;" he said, referring to the portfolio transfer program Willis Corroon acquired through ERIC Group Inc. with Zurich-American serving as the fronting carrier.

The marketplace is flooded with all kinds of insurers taking different pieces of the EIL pie, says David Rosenberg.

The policy is triggered if other contamination is discovered, if regulations change, if so-called "midnight dumping" occurs or if other pollutants migrate onto the property from neighboring parcels.

However, the policy excludes coverage for illegal acts perpetrated by the property owner, Mr. Theis said.

Property owners involved in large construction projects increasingly are purchasing environmental wrap-up coverage to cover themselves and their contractors in case of a hazardous release.

In most cases involving a release during contracting activities, both the owner and contractor are sued since the owner often is more financially capable of responding to the claim. This is especially true in cases where the claim is filed several years after work on a site has been completed and the contractors are no longer in business.

In a wrap-up, or owner-controlled insurance program, the owner, the prime contractor and all subcontractors are insured by a single policy, whose limits are determined by the owner.

Willis Corroon assembled just such a program for the Los Angeles subway project.

Contractors working on the project have $20 million in pollution liability coverage through the owner-controlled program underwritten by Zurich-American Specialties. Architects and engineers on the project carry another $5 million in errors and omissions pollution liability coverage, also underwritten by Zurich-American (*BI*, Sept. 20, 1993).

A wrap-up approach can also be applied to remediation projects, pointed out James Cox, vp and environmental practice leader for Johnson & Higgins in New York.

Since pollution insurance provided to a contractor is often written on a blanket—as opposed to project-specific—basis, owners risk the possibility that the contractor's limits may be exhausted by earlier claims arising from work at other owners' projects, he said.

Instead of instituting individual insurance specifications for cleanup contractors—which can lead to an enforcement nightmare—all of the individual contractors are covered under a single, master wrap-up policy, he explained.

"This also controls claims administration and gives the owner better control over the engineering process so that whatever specs are agreed upon are done," Mr. Cox added.

Since many pollution cleanup projects have a tendency to go over budget, insurers are developing remediation cost overrun coverage to cap property owners' liabilities.

The coverage is a type of stop-loss policy that attaches several million dollars above the projected cleanup cost.

"We've spent quite a bit of time addressing that issue," said Commerce & Industry's Mr. Cornell. "We've got a product in development, but some issues still need to be resolved."

For example, for large cleanup projects the coverage may be provided in conjunction with some self-insurance or a finite insurance product, he and other insurers say.

"On a pure risk-transfer basis, it's likely to be available on a smaller risk basis. . .to companies that are disposing of smaller properties with environmental problems like a gas station or dry cleaners," Mr. Cornell said.

"We've completed a few experimental policies," said Zurich-American's Mr. Berger.

To underwrite such stop-loss coverage, "we have to look at the contract structure," he explained. "What if contractor negligence leads to overruns?"

And, in those cases, whose policy should respond—the contractor's E&O coverage or the stop-loss policy? he asked.

While the major pollution underwriters are busy developing new products to respond to policyholders' needs, other insurers are beginning to test the environmental coverage waters.

For example, some insurers are offering limited pollution liability limits to existing policyholders that need it, according to James Cox, vp and environmental practice leader at Johnson & Higgins in New York.

This is especially true of professional liability and directors and officers liability insurers, he said.

Even some medical malpractice underwriters are offering low-limit EIL coverage to hospitals, according to Elena Mohler, a consulting actuary at Tillinghast in Atlanta.

In fact, Tillinghast is doing feasibility studies to help some medical malpractice insurers attract more customers.

"A year ago, we didn't do any of this," she said.

Indeed, "the marketplace is flooded" with all kinds of insurers "taking different pieces of the pie," said Mr. Rosenberg of ECS. BI

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Clean air rules may create significant new exposure

By GAVIN SOUTER

When the Clean Air Act was amended four years ago, most attention focused on the toll the legislation would take on a few major polluting industries like chemicals, steel and utilities.

But, as risk managers in a wide range of industries are starting to realize, the impact will probably be much broader than that.

Section 112(r) of the statute, part of the package of amendments President Bush signed into law in 1990, requires companies to aggressively manage the risks associated with any hazardous substance they handle.

Just what it means to aggressively manage such risks is a question that will only be answered by regulations that the Environmental Protection Agency is scheduled to release in final form in 1996 to take effect three years later.

Right now, EPA staffers are reviewing more than 1,000 comments received during the public comment period for a draft of the regulations.

The draft regulations would require companies that handle toxic, flammable and explosive substances to have in place a complete risk management plan.

That plan would have to include a prevention program, including safety precautions, monitoring, employee training measures and an emergency response plan. Also, the plan would be available to the public.

Many risk managers do not realize that the regulations will apply to their companies, said David B. Kuhnke, president of Environmental Management Strategies Inc. in Simsbury, Conn., and chairman of the Risk & Insurance Management Society Inc.'s environmental committee.

"People think that it will only apply to the big guys like chemical and petroleum companies, but in reality it will apply to lots of small and medium-sized facilities that have not paid much attention to environmental issues before," he said.

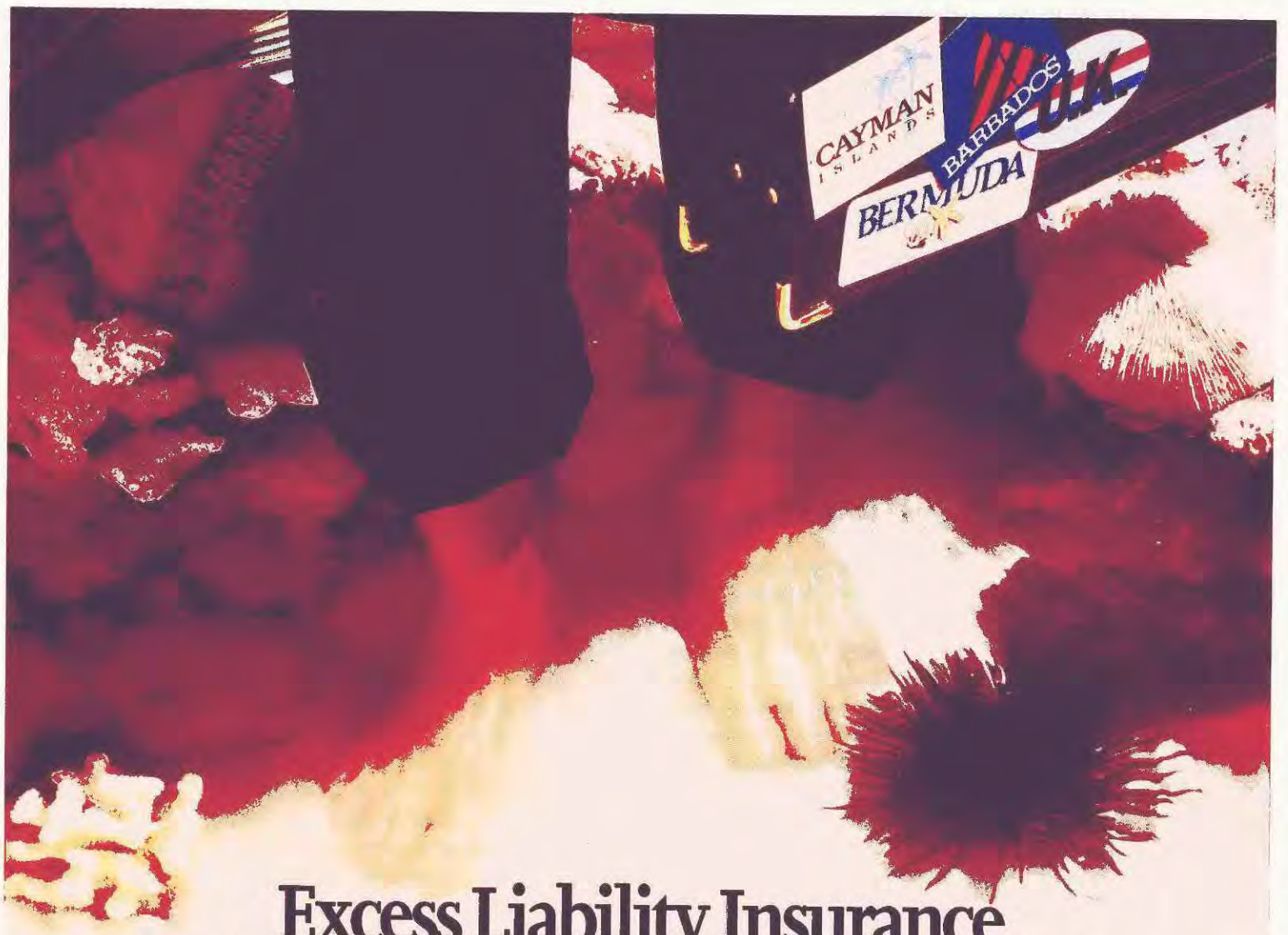
The rule will cover 140 toxic and flammable materials, in addition to certain classes of explosives.

"It's a significant new regulatory exposure for risk managers," Mr. Kuhnke said.

About 200,000 facilities in the United States will be affected by the rule. Even at a worksite with only one of the specified chemicals, initial compliance costs could be $15,000, he said.

"Large companies, say with 300- or 400-person metalworking facilities, will be looking at hun-

Continued on page 20



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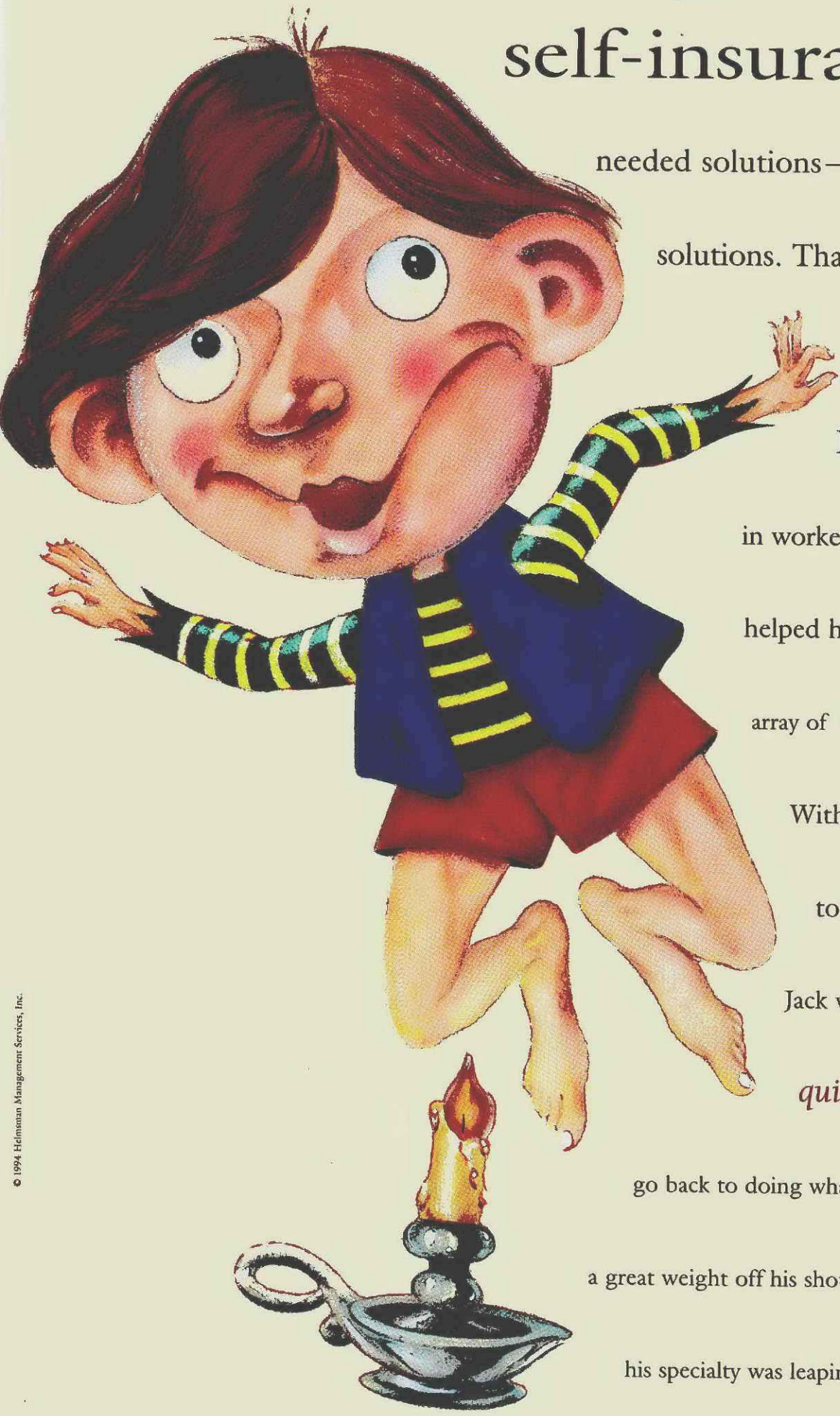
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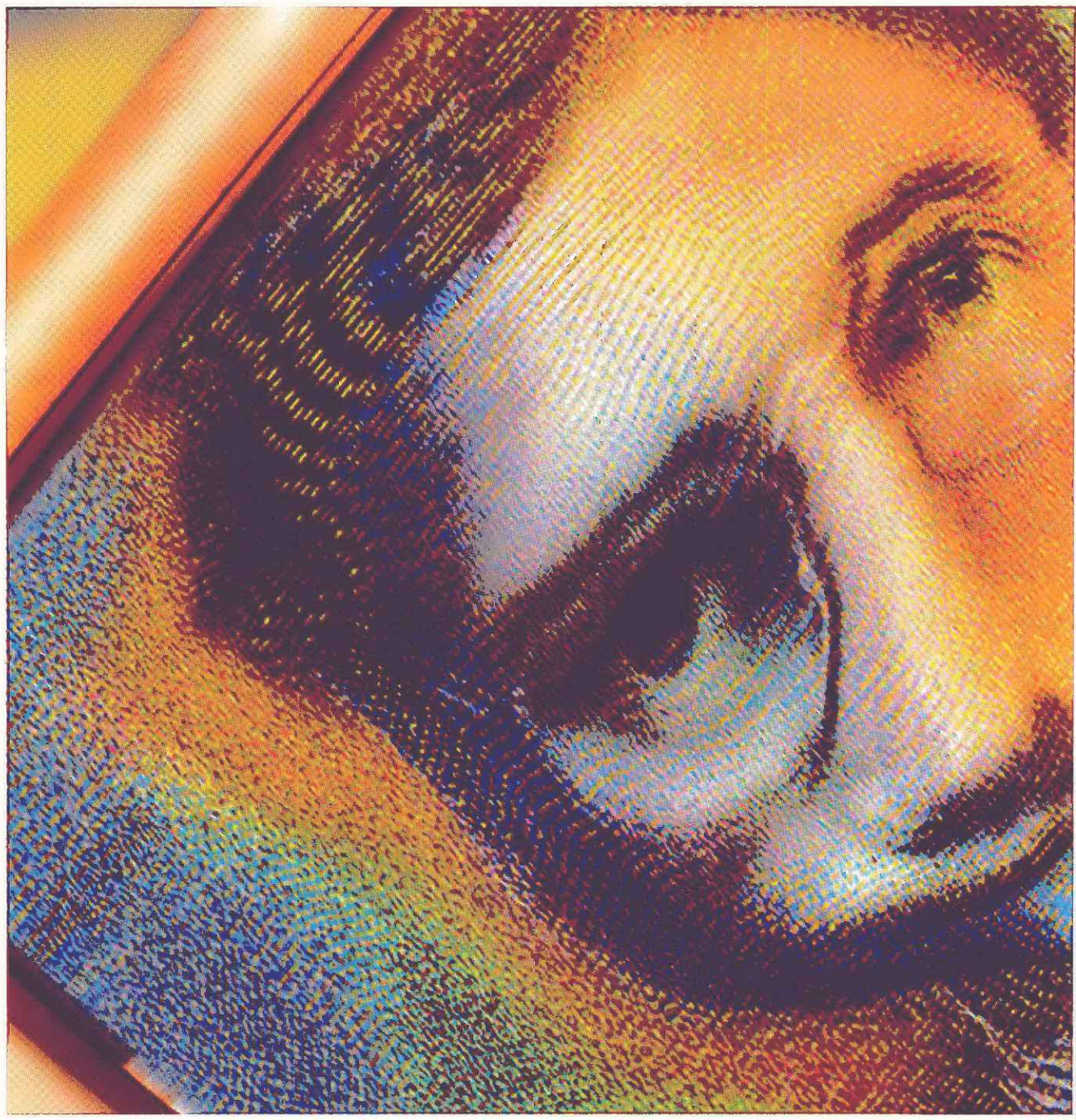
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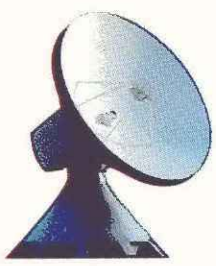
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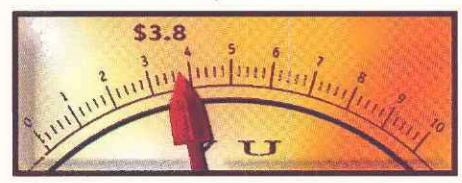
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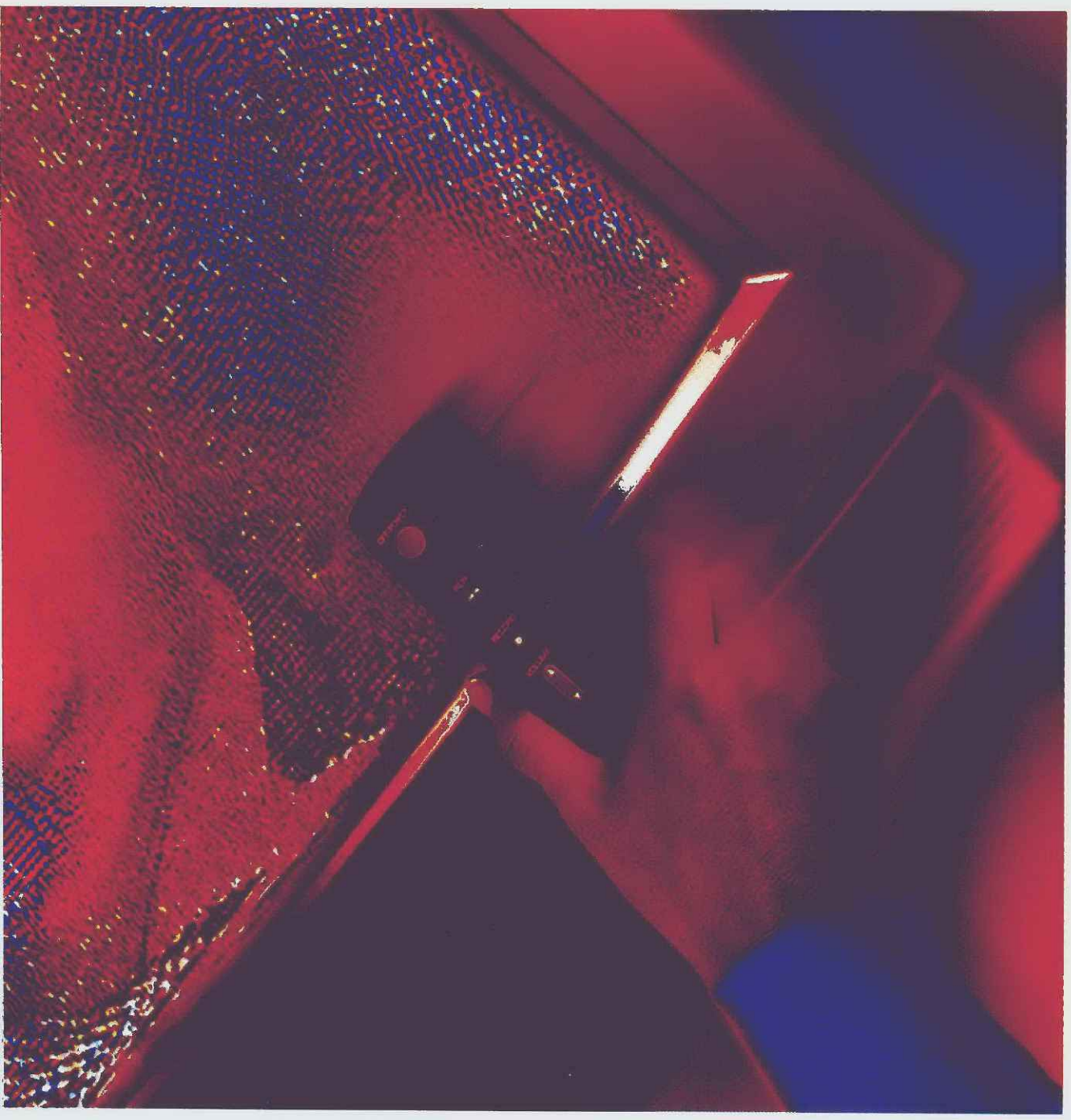
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Clean air

Continued from page 16

dreds of thousands of dollars just in first-time compliance costs," Mr. Kuhnke said.

One of the major concerns for risk managers is the requirement that companies be able to demonstrate how they prepare for and how they would handle a "worst possible scenario," said Cheri Hawkins, who is assistant treasurer and director of insurance at wood products manufacturer Weyerhaeuser Co. in Tacoma, Wash.

The EPA is still evaluating exactly what problems the scenario should include.

One possibility is that the worst-case scenario would include a fire or explosion at all of the facilities at a particular plant that use chemicals on the EPA list at precisely the same time, said Ms. Hawkins, who is a member of the RIMS environmental committee.

So companies may have to be prepared to cope with five fires in five different areas simultaneously.

"In reality, that is not the way it works," she said. "We work with maximum foreseeable losses, not maximum possible losses."

There is not enough insurance available in world markets to cover U.S. industries on a maximum possible loss basis, Ms. Hawkins said.

And, safety and loss prevention measures that are in place at industrial plants would make such a catastrophe extremely unlikely.

If details of the worst-case scenario were released to the public, as the draft regulations require, it would increase the liability of the plant owners, she said.

"A third party could say that you should have known that this could happen because it is in your report, for anything less than the worst case," said the Weyerhaeuser risk manager.

The risk management plan is also too detailed and technical for most members of the public, she said.

"We don't need a 200-page detailed plan but something the public can use," Ms. Hawkins said.

RIMS is working with the EPA to try to set up training sessions for risk managers to help them understand the implications of the Clean Air Act regulations, she said.

One program the EPA is watching closely is a trial program in the Kanawha Valley in West Virginia, which is home to many major chemical manufacturing facilities.

At a well-attended public meeting last summer, those chemical manufacturers provided information about a projected worst-case scenario for industrial accidents in the region, said Lyse Helsing, a Washington-based EPA scientist in charge of the agency's risk management program.

The companies described a scenario in which all their largest storage and processing vessels released chemicals for 10 minutes, she said.

"The plan was communicated to the local community and it paid off. The public became a participant in making sure that prevention methods were in place," she said. BI

Underground tank market is limited, though stable

Market sees one new underwriter

By DEBORAH SHALOWITZ COWANS

The market for environmental impairment liability insurance for underground petroleum storage tanks is limited but stable, with just one new commercial insurer entering the arena in the past year and rates and capacity holding steady.

But nearly all states now offer financial assurance funds that allow owners and operators of underground storage tanks to satisfy the insurance coverage rules set by the U.S. Environmental Protection Agency.

These rules state that most owners and operators of USTs either must have commercial insurance that covers cleanup costs, defense costs and liability exposures with limits of $1 million per occurrence/$2 million aggregate, or they must be able to prove financial responsibility to cover the costs associated with leaking tanks.

Zurich-American Insurance Group has joined the approximately half-dozen commercial markets that currently offer such coverage. Schaumburg, Ill.-based Zurich-American is offering EIL coverage for underground storage tanks that satisfies all EPA requirements in six states: Connecticut, Florida, Michigan, New Jersey, Texas and Virginia.

While most tank owners and operators opt to participate in state

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UST market

Continued from previous page

trust funds, some do buy commercial insurance.

Interest in commercial coverage has been "pretty steady" over the past couple of years, said Michael Sommer, vp of underwriting for Front Royal Insurance Co. of Sterling, Va., which writes EIL insurance for USTs (*BI*, Nov. 22, 1993).

Some tank owners and operators are buying commercial insurance because of dissatisfaction with the funds, according to Keith Cannon, assistant vp in charge of environmental programs and risk management services for broker Henderson & Phillips Insurance in Norfolk, Va.

Mr. Cannon noted that reimbursement for cleanup costs can be quite slow from the state trust funds and many have payment caps. Commercial insurance can provide first-dollar coverage and higher limits than many of the state trust funds, he asserted.

Nonetheless, the state trust funds remain a popular coverage choice among owners and operators of USTs.

While many of the state trust funds have experienced financial difficulties, "the states are doing better," said Bill Lienesch, environmental protection specialist in the EPA's office of underground storage tanks. But, "that's not to say that there aren't certain states that at certain times have cash flow problems," he added.

While many state trust funds have experienced financial difficulties, 'the states are doing better,' says Bill Lieneschof.

Efforts undertaken by state trust funds to contain costs include using technology more efficiently, auditing cleanup costs better and doing only as much ground sampling as is necessary, Mr. Lienesch pointed out. "The states are really working hard" to cut costs, he said.

The EPA has approved trust funds in 35 states: Alabama, Arizona, Arkansas, California, Connecticut, Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont and Wyoming.

Trust funds in eight other states have been submitted to the EPA for approval: Colorado, Florida, Indiana, Kentucky, Nebraska, Pennsylvania, Virginia and Wisconsin. Although final approval has not yet been granted, the EPA considers tank owners and operators in these states to be covered by a federally certified fund.

Alaska, Delaware and West Virginia operate financial assurance funds that have not applied for EPA approval.

The District of Columbia and the remaining states, Hawaii, Maryland, Oregon and Washington, do not have state financial assurance programs.

Washington, however, has a state program that reinsures tank owners and operators for some cleanup costs. BI

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Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 600 total; 430 environmental professionals including 50 principal consultants, 380 consultants. Professional designations include 68 PEs, 58 CPGs, one attorney, one CGWP.
Clients: 350 total environmental consulting clients; 325 corporate/institutional clients.
Specialties: Financial investors, high technology, manufacturing and process industries.
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Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 32 total; all environmental professionals including four principal consultants, 28 consultants. Professional designations include three PEs, two CPGs.
Clients: 30 total environmental consulting clients; 25 corporate/institutional clients.
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Clients: 20 total environmental consulting clients.
Branch offices: Ventura, Calif.; Chicago; Milwaukee.
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Environmental services: Frequent manufacturing plant audits, waste minimization plans, regulatory and public policy analysis, audit training, spill contingency plan design, permit review; occasional real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, risk financing.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, health/safety plans, industrial hygiene surveys, laboratory analysis.
Staff: 300 total; 10 environmental professionals. Professional designations include four PEs, one CPG, four ARMs, two CPCUs.
Clients: 25 total environmental consulting clients; 20 corporate/institutional clients.
Specialties: Construction, manufacturing, breweries, steel rolling, power plants.
Branch offices: Los Angeles; Atlanta; Chicago; Boston; New York; Charlotte, N.C.; Cleveland; Dallas; Seattle; Monterrey, Mexico.
Service area: Nationwide.
Compensation: By the project; by the hour: $95 to $150.
1993 gross revenues: 5% from unbundled environmental risk management consulting.
Officers: Stephen Mulready, president; Ray Padron, vp.
Contact: Joseph Labetti, sales; Ethel Patricio, director-environmental engineering.

B

BCM Engineers Inc.

1 Plymouth Meeting, Plymouth Meeting, Pa. 19462; 610-825-3800; fax: 610-834-8236

Services began: 1890.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, risk assessment services for hazardous waste technical investigations; occasional litigation support.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting; occasional remediation activities.
Staff: 650 total; 165 environmental professionals including 40 principal consultants, 125 consultants. Professional designations include 237 PEs, 41 CPGs, one attorney.
Clients: 1,525 total environmental consulting clients.
Specialties: Chemical/petrochemical, manufacturing, building maintenance, real estate, hotels and motels, financial institutions, insurance industry.
Branch offices: Birmingham, Mobile and Montgomery, Ala.; Los Angeles; Washington; Panama City, Fla.; Albany and Atlanta, Ga.; Chicago; Northville, Mich.; Jackson, Miss.; Burlington, N.J.; Albuquerque, N.M.; New York; Huntersville, N.C.; Pittsburgh; Dallas.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $65 to $90.
1993 gross revenues: $67 million total, 70% from unbundled environmental risk management consulting.
Officers: M.Z. Hanlon, president/CEO; J.J. Jablonski, CFO; R.L. Swavely, COO; D.B. Wright, executive vp; T.J. Baker, senior vp/risk manager.
Contact: Thomas G. May, vp.

Barr Engineering Co.

8300 Norman Center Drive, Minneapolis, Minn. 55437-1026; 612-832-2600; fax: 612-832-2601

Services began: 1970.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, air quality, waste disposal facility design and permitting, strategic environmental management; occasional manufacturing plant audits, waste minimization plans, UST management and removal.
Other services: Frequent water resources and wetlands delineation/mitigation consulting, materials handling, information services; occasional remediation activities, consulting to insurers and public policy makers.
Staff: 227 total; 100 environmental professionals including 12 principal consultants. Professional designations include 76 PEs, nine CPGs, three CGWPs.
Clients: 138 total environmental consulting clients; 109 corporate/institutional clients.
Specialties: Manufacturing, mining and minerals processing, utilities, refining, transportation, electronics, pulp and paper, wood products, government.
Service area: Nationwide.
Compensation: By the hour: $45 to $135.
1993 gross revenues: 50% from unbundled environmental risk management consulting.
Officers: Allan Gebhard, president; John Borovsky, Douglas Connell, Dale Wikre, Dean Malotky, vps.
Contact: Douglas Connell or John Borovsky.

Beardsley, Brown & Bassett Inc.

1000 Lafayette Blvd., Bridgeport, Conn. 06604; 203-366-1815; fax: 203-366-8561

Services began: 1987.
Environmental services: Frequent risk financing.
Other services: Occasional general risk management consulting.
Staff: 48 total; including eight principal consultants, two consultants. Professional designations include two ARMs, five CPCUs.
Clients: 100 total environmental consulting clients.
Specialties: Engineering, construction, manufacturing.
Branch offices: Darien, Conn.
Service area: Northeast.
Compensation: By the project.
1993 gross revenues: $45 million total, 16% from unbundled environmental risk management consulting.
Officers: James Tomchick, Ronald Lesko, Edward Cooke, Jonathan D'Elia, Mark Fries.
Contact: Robert O'Connor, marketing manager.

Continued on next page

Directory methodology explained

The fifth annual directory of environmental risk management consultants lists companies' responses to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge to be included. However, consultants must offer services directly to employers on an unbundled basis; companies that offer environmental risk management consulting only in conjunction with other products and services or solely to insurance companies, lawyers and financial institutions are not included.

Listings begin with the **name** and **address** of the company, followed by the year environmental **services began** and **parent** company, if any.

Detailed under **environmental services** is a description of frequent and occasional environmental risk management consulting services the company provides followed by **other services**.

Information on **staff** follows, including total staff; professional staff assigned to environmental risk management consulting only; the number of principal consultants and consultants; and designations or professional memberships held. Designations include Professional Engineer (PE); Certified Professional Geologist (CPG); Attorney; Associate in Risk Management (ARM); Chartered Property/Casualty Underwriter (CPCU); and Certified Ground Water Professional (CGWP).

The total number of environmental **clients** along with the number of corporate and institutional employer clients in 1993 is listed next.

If the company specializes in consulting to a particular type of business or industry, it is listed under **specialties**.

Locations of **branch offices** providing environmental risk management consulting follows. How the company bills for services is listed under **compensation**. When reported, 1993 total **gross revenues** and the percent generated by environmental risk management consulting to employers (which does not include environmental activities or consulting to insurance companies or government agencies) is given.

Names and titles of principal **officers**, followed by the name of a **contact** for those wishing further information, complete the listings.

Although every effort is made to publish complete and accurate listings, *Business Insurance* is unable to verify all information provided by the companies.

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1901 North Roselle Rd.
Schaumburg, IL 60195
(708) 882-6644

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1 Canterbury Green
Stamford, CT 06901
(203) 961-1515

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6 Concourse Parkway
Atlanta, GA 30328
(404) 396-2515

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Schaumburg, IL 60195
(708) 884-1960

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Continued from previous page

Curt B. Beck, Consulting Engineer
P.O. Box 2442, Pampa, Texas 79066-2442; 806-665-9281

Services began: 1984.
Environmental services: Frequent manufacturing plant audits, regulatory and public policy analysis; occasional real estate audits, design and analysis of remediation plans, waste minimization plans, litigation support.
Other services: Frequent general risk management consulting; occasional remediation activities.
Staff: Two total; one environmental professional. Professional designations include one PE.
Clients: Seven total environmental consulting clients; six corporate/institutional clients.
Specialties: Chemical, manufacturing, oil and gas.
Service area: Nationwide.
Compensation: By the hour: $40 to $65.
1993 gross revenues: $60,000 total, 100% from unbundled environmental risk management consulting.
Officers: Curt B. Beck, principal.

R.L. Beeckman & Co. Inc.
1523 Court St., Saginaw, Mich. 48602; 517-791-4545; fax: 517-791-4714

Services began: 1986.
Environmental services: Frequent litigation support, risk financing.
Other services: Frequent general risk management, OSHA and loss prevention consulting; safety manuals.
Staff: 12 total; six environmental professionals, including two principal consultants, four consultants. Professional designations include two attorneys, four ARMs, four CPCUs.
Clients: 50 total environmental consulting clients; 40 corporate/institutional clients.
Branch offices: Mishawaka, Ind.; Ann Arbor, Mich.
Service area: Nationwide.
Compensation: By the hour: $50 to $150.
1993 gross revenues: $850,000 total, 2% from unbundled environmental risk management consulting.
Officers: Richard L. Beeckman, president.
Contact: Richard L. Beeckman or R. Scott Ecker.

Bowser-Morner Inc.
4518 Taylorsville Road, P.O. Box 51, Dayton, Ohio 45401; 513-236-8805; fax: 513-233-2016

Services began: 1911.
Environmental services: Frequent real estate audits, litigation support, UST management and removal, environmental chemistry testing, subsurface exploration, geotechnical engineering and laboratory testing; occasional manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis.
Other services: Occasional remediation activities, consulting to insurers and public policy makers, general risk management consulting.
Staff: 230 total; 30 environmental professionals, including six principal consultants, 24 consultants. Professional designations include 12 PEs, eight CPGs.
Clients: 1,200 total environmental consulting clients.
Branch offices: Indianapolis; Lexington, Ky.; Toledo, Ohio.
Compensation: By the project; by the hour: $50 to $80.
1993 gross revenues: $13 million total, 95% from unbundled environmental risk management consulting.
Officers: Steven M. Bowser, president; Kenneth A. Taylor, senior vp; David C. Cowherd, chief engineer; Gerald H. Degler, vp/director-marketing; Scott Kinney, comptroller.

Braun Intertec Corp.
P.O. Box 39108, Minneapolis, Minn. 55439-0108; 612-946-6000; fax: 612-946-6001

Services began: 1981.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, UST management and removal, environmental risk associated with acquisitions of businesses; occasional design of waste minimization plans, litigation support, regulatory and public policy analysis.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting; occasional ecological risk assessment.
Staff: 550 total; 10 environmental professionals, including three principal consultants. Professional designations include seven PEs, six CPGs, one CGWP.

Continued on page 24

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APT Alliance for Productive Technology, Inc., 219 South Street, Suite 104, New Providence, NJ 07974

Continued from page 22

Specialties: Manufacturing, construction.
Branch offices: Chicago; La Crosse, Wis.
Service area: Nationwide.
Compensation: By the project; by the hour: $50 to $130.
1993 gross revenues: $30 million total, 6% from unbundled environmental risk management consulting.
Officers: Jack Braun, CEO; George Kleumpke, president; Cam Kruse, chief technical officer; J. Michael Valentine, vp; Glenn Purdue, general counsel.
Contact: Daniel Holte, 612-683-8700; Laura Tesch, 312-670-0101; or Donald Huff, 608-781-7277.

Buchart-Horn Inc.

55 S. Richland Ave., P.O. Box 15055, York, Pa. 17405-7055; 717-843-5561 or 800-274-2224; fax: 717-845-3974

Services began: 1972.
Parent: Pace Resources Inc.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, UST management and removal, environmental risk assessments; occasional litigation support, public health risk assessment.
Other services: Frequent remediation activities; occasional consulting to insurers and public policy makers.
Staff: 400 total; 49 environmental professionals including two principal consultants, four consultants. Professional designations include 30 PEs, five CPGs.
Clients: 275 total environmental consulting clients; 178 corporate/institutional clients.
Specialties: Includes manufacturing, financial institutions and real estate developers.
Branch offices: Baltimore; Marlton, N.J.; Lewisburg and State College, Pa.; Memphis, Tenn.; Williamsburg, Va.; Cottbus, Frankfurt, Leipzig and Magdeburg, Germany.
Service area: Arkansas, Delaware, Kentucky, Louisiana, Maryland, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, western and eastern Europe.
Compensation: By the project; on retainer; by the hour: $56 to $140.
1993 gross revenues: $21.9 million total, 8% from unbundled environmental risk management consulting.
Officers: John Jung, president/CEO; Raymond M. Best, executive vp; Neal A. Horst, group vp-environmental; Aivars Delle, group vp-transportation; Harry Rutledge, group vp-architecture.
Contact: Neal A. Horst or Peta M. Richkus, vp-business development.

Burlington Environmental Inc.

210 W. Sand Bank Road, Columbia, Ill. 62236; 618-281-7173; fax: 618-281-5120

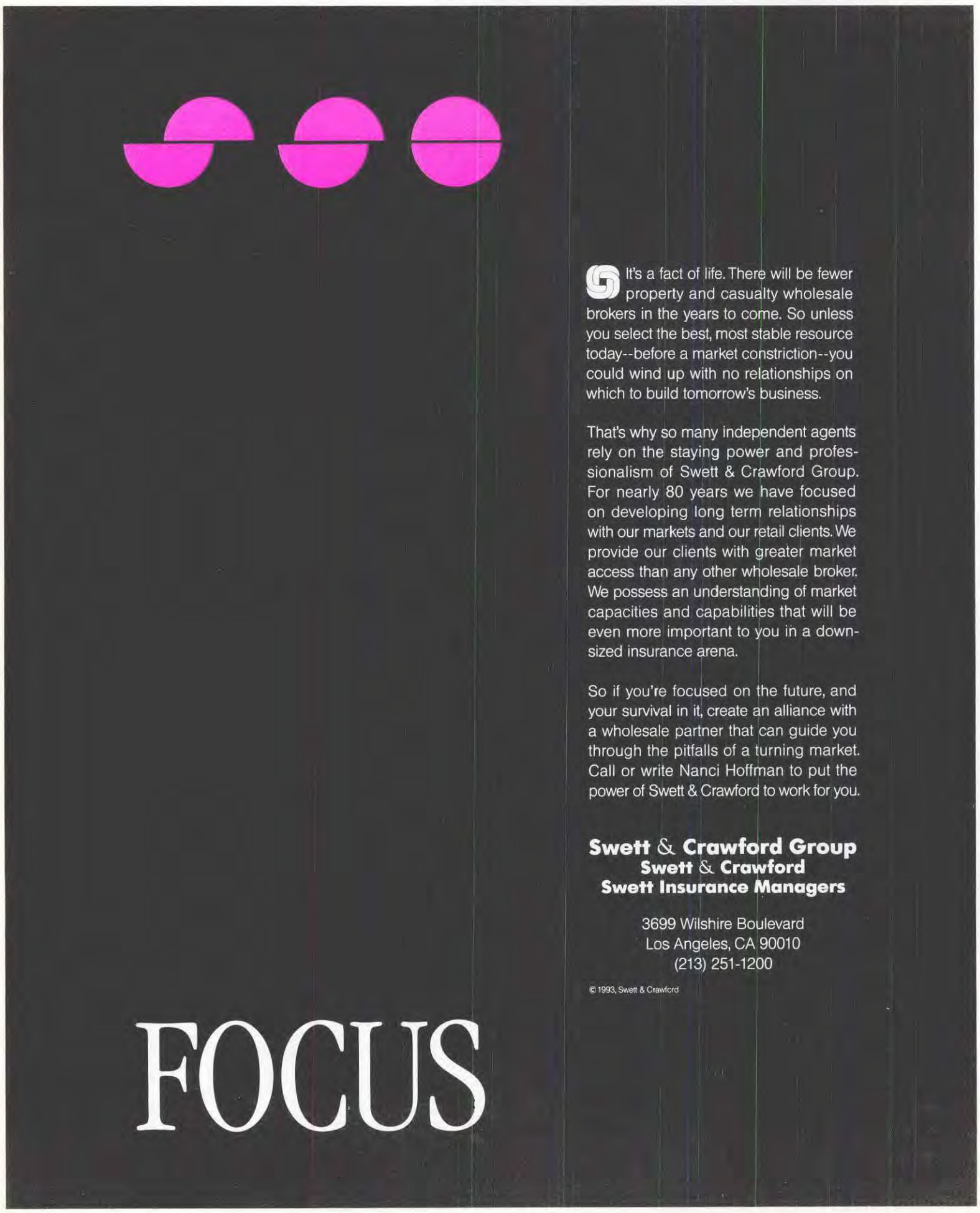
Services began: 1975.
Parent: Philip Environmental Inc.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, regulatory and public policy analysis, UST management and removal, hydrogeologic site investigations; occasional public health risk assessment.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, site investigation, environmental consulting, remediation system design, waste treatment and recycling.
Staff: 265 total; 50 environmental professionals including 10 principal consultants, 40 consultants. Professional designations include 18 PEs, 11 CPGs, two CGWPs.
Clients: 390 total environmental consulting clients; 250 corporate/institutional clients.
Specialties: Oil and gas, chemical, manufacturing, schools, utilities, transportation, electronics.
Branch offices: Pittsburgh; Houston; Seattle.
Service area: Nationwide.
Compensation: By the project; by the hour: $60 to $110.
1993 gross revenues: $36 million total, 75% from unbundled environmental risk management consulting.
Officers: Gary M. Mathes, president.
Contact: C. George Lynn.

Capaccio Environmental Engineering Inc.

75 Union Ave., Sudbury, Mass. 01776; 508-443-0202; fax: 508-443-0366

Services began: 1992.
Environmental services: Frequent design and analysis of remediation plans, waste minimization plans; occasional real estate audits, manufacturing plant audits, litigation support.
Other services: Occasional environmental consulting to insurers and public policy makers, general risk management consulting, air pollution control design and consulting, hazardous waste management consulting.
Staff: Eight total. Professional designations include two PEs.
Clients: 43 total environmental consulting clients; four corporate and institutional clients.
Specialties: Manufacturing.
Compensation: By the hour: $80 to $125.
1994 gross revenues: $700,000 total,

Continued on page 28





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Spotlight report

Continued from page 24

15% from unbundled environmental risk management consulting.

Officers: Robert S. Capaccio, president.

Charter Insurance & Consulting

6100 Lake Forrest Drive, Suite 410, Atlanta, Ga. 30328; 404-256-7900; fax: 404-256-9257

Services began: 1986.

Environmental services: Litigation support, risk financing, claim and historical policy analysis, mergers and acquisitions.

Other services: Frequent general risk management consulting.

Staff: Seven total; three environmental professionals including two principal consultants, one consultant. Professional designations include two CPCUs.

Clients: 40 total environmental consulting clients; 35 corporate/institutional clients.

Specialties: Energy, including oil, coal and utilities.

Service area: Nationwide.

Compensation: By the project; by the hour: $75 to $200.

1993 gross revenues: 25% from unbundled environmental risk management consulting.

Officers: Peter J. Lunati, principal; Peter C. Matthes, director-risk services.

Contact: Peter J. Lunati.

Chopra-Lee Inc.

P.O. Box 567, 1815 Love Road, Grand Island, N.Y. 14072; 716-773-7625; fax: 716-773-7624

Services began: 1988.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal; occasional manufacturing plant audits, litigation support, public health risk assessment.

Other services: Frequent environmental consulting to insurers and public policy makers; occasional remediation activities, general risk management consulting.

Staff: 52 total; nine environmental professionals including three principal consultants, six consultants. Professional designations include one PE, one CPG.

Specialties: Construction, industrial.

Branch offices: California, Florida, Pittsburgh, Rhode Island.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: $35 to $150.

Officers: K.S. Chopra, president; Raj Chopra, vp; Paul Chopra, vp-laboratory.

Contact: Raj Chopra.

Cistar Associates Inc.

1017 Turnpike St.; Canton, Mass. 02021; 617-821-4142; fax: 617-821-4347

Services began: 1987.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, UST management and removal.

Other services: Frequent remediation activities; occasional general risk management consulting.

Staff: 10 total; eight environmental professionals including four principal consultants, four consultants. Professional designations include two PEs, one CPG.

Clients: 100 total environmental consulting clients.

Branch offices: Canton, Mass; East Providence, R.I.

Service area: New England.

Compensation: By the project; by the hour: $80 to $150.

1993 gross revenues: $600,000 total, 80% from unbundled environmental risk management consulting.

Officers: Michael F. Geisser, Leland J. Figgins Jr., Deborah A. Pereira, principals.

Clayton Environmental Consultants Inc.

41650 Gardenbrook Road, Suite 155, Novi, Mich. 48375; 810-344-8550; fax: 810-344-0229

Services began: 1954.

Parent: Kidd Kamm Equity Partners, L.P.

Environmental services: Frequent real estate audits, manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, indoor air quality services; occasional design and analysis of remediation plans, waste minimization plans.

Other services: Frequent general risk management consulting; occasional remediation activities, consulting to insurers and public policy makers.

Staff: 401 total; 330 environmental professionals including 40 principal consultants, 290 consultants. Professional designations include 10 PEs, one attorney.

Clients: 3,000 total environmental consulting clients; all corporate/institutional clients.

Specialties: Program development, implementation and audits, industrial hygiene, indoor air quality.

Branch offices: Cypress and Pleasanton, Calif.; Kennesaw, Ga.; Honolulu; Novi, Mich.; Edison, N.J.; Cleveland; Birmingham, Gateshead, Ilford and Southampton, England.

Service area: Nationwide.

Compensation: By the project; by the hour: $40 to $100.

1993 gross revenues: 98% from unbundled environmental risk management consulting.

Officers: Thomas P. Kowalski, president/CEO; Nicholas Pyett, CFO; Kirit Vora, national director-business development; Alice Farrar, vp/director-environmental health services; Jaswant Singh, senior vp/national director-environmental health services; Lisa Simkins, vp/national director-environmental management services; Ronald Peters, vp/national director-analytical services.

Contact: Alison Lindelien, manager-marketing support services.

COMCO Inc.

17120 Clark Ave., Bellflower, Calif. 90706-5730; 310-804-0305; fax: 310-925-4248

Environmental services: Frequent manufacturing plant audits, litigation support, regulatory and public policy analysis.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.

Staff: 24 total; five environmental professionals including three principal consultants, two consultants.

Clients: 140 total environmental consulting clients; 138 corporate/institutional clients.

Specialties: Oil refineries, bakeries, industry, manufacturing, automotive, public utilities, amusement/theme parks, pharmaceutical companies, oil terminals.

Branch offices: Los Angeles.

Compensation: By the project.

1993 gross revenues: 100% from unbundled environmental risk management consulting.

Officers: Donald E. Rhodes, president; Joann Blayney, sales manager/vp.

Compu-Weather Inc.

1966 Route 52, Hopewell Junction, N.Y. 12533; 800-825-4445; fax: 800-825-4441

Services began: 1978.

Environmental services: Frequent litigation support, climatology/atmospheric modeling, weather analysis, plain-English reports, documentation, depositions, site visits.

Staff: 30 total; 20 environmental professionals including eight principal consultants, 12 consultants.

Clients: 325 total environmental consulting clients.

Compensation: By the project; on retainer.

Officers: Jeff Wimmer, president.

Consulting Services Inc.

415 Eagleview Blvd., Suite 115, Exton, Pa. 19341; 610-458-7280; fax: 610-458-7285

Services began: 1984.

Parent: Environmental Compliance Services Inc.

Environmental services: Frequent environmental training, claims management, fleet safety; occasional real estate audits, manufacturing plant audits, litigation support.

Other services: Frequent casualty loss control and prevention, general risk management consulting; occasional consulting to insurers and public policy makers.

Staff: 48 total; 41 environmental professionals including four principal consultants, 37 consultants. Professional designations include one PE, one CPG.

Clients: 10 total environmental consulting clients; nine corporate/institutional clients.

Continued on next page



Continued from previous page

Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $30 to $150.
1993 gross revenues: $5.6 million total, 2% from unbundled environmental risk management consulting.
Officers: William Kronenberg, president; David Rosenberg, executive vp; Frank Piliero, senior vp; James Splain, vp.
Contact: John Lippman, insurance services manager.

Containment Advisors Inc.

570 Oakwood Road, Suite 150, Lake Zurich, Ill. 60047; 708-438-0911; fax: 708-438-0942

Services began: 1990.
Environmental services: Frequent litigation support, UST management and removal; occasional risk financing.
Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: Two total; one environmental professional including one principal consultant.
Clients: 15 total environmental consulting clients.
Specialties: Storage tank owners.
Service area: Nationwide.
Compensation: By the hour: $200 to $300.
1993 gross revenues: $300,000 total, 33% from unbundled environmental risk management consulting.
Officers: Brian C. Donovan, president.

Corporate Risk Management Inc.

350 E. Ogden Ave., Westmont, Ill. 60559-1229; 708-920-0000; fax: 708-920-0157

Services began: 1979.
Environmental services: Frequent risk financing, cost reduction services.
Other services: Frequent general risk management consulting.
Staff: Six total; three environmental professionals including two principal consultants, one consultant. Professional designations include two ARMs, one CPCU.
Clients: 75 total; 69 corporate/institutional clients.
Specialties: Construction, manufacturing.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $175 to $225.
1993 gross revenues: $765,000 total, 10% from unbundled environmental risk management consulting.
Officers: Robert A. Wilson, president; Robert W. Wilson, executive vp.
Contact: Robert A. Wilson.

Crawford & Co.

5605 Glenridge Drive N.E., Suite 710, Atlanta, Ga. 30302; 404-705-6800; fax: 404-705-6881

Services began: 1969.
Environmental services: Frequent litigation support, claims handling, class action consulting, clean-up cost control.
Other services: Occasional consulting to insurers and public policy makers.
Staff: 60 total.
Clients: 400 total environmental consulting clients; 350 corporate/institutional clients.
Specialties: Oil, chemical.
Service area: Worldwide.
Compensation: By the hour: $50 to $150.
1993 gross revenues: $600 million total, 5% from unbundled environmental risk management consulting.
Officers: Forrest Minix, CEO; Dennis Smith, COO; Don Chapman, CFO; Gene Renfroe, vp; John Knight, assistant vp.
Contact: Gene Renfroe, 404-705-6800; John Knight, 404-705-6802.

Curtner Risk Management Inc.

1616 17th St., Suite 464, Denver, Colo. 80202; 303-628-5556

Services began: 1984.
Environmental services: Frequent litigation support, risk financing.
Other services: Occasional general risk management consulting.
Staff: Two total. Professional designations include ARMs.
Clients: 11 total environmental consulting clients; four corporate/institutional clients.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $95 to $110.
1993 gross revenues: 10% from unbundled environmental risk management consulting.
Officers: Walter R. Curtner, president

Custard Insurance Adjusters Inc.

4875 Avalon Ridge Parkway, Norcross, Ga. 30071; 404-263-6800; fax: 404-263-8337

Services began: 1989.
Environmental services: Frequent regulatory and public policy analysis, risk financing, environmental responses to transportation claims; occasional real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, emergency response administration; occasional remediation activities.
Staff: 150 total; five environmental professionals.
Clients: 350 total environmental consulting clients; 50 corporate/institutional clients.
Specialties: Trucking and transportation.
Branch offices: 75 offices nationwide.
Service area: Nationwide.
Compensation: By the hour: $55 to $85.
Officers: Rick Custard, chairman/CEO.
Contact: Claude Collier.

D

Dames & Moore Inc.

911 Wilshire Blvd., Suite 700, Los Angeles, Calif. 90017; 213-683-1560; fax: 213-628-0015

Services began: 1938.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal; occasional manufacturing plant audits, waste minimization plans, risk financing.
Other services: Frequent remediation activities, including remediation construction management services; occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 3,300 total; 2,100 environmental professionals including 600 principal consultants, 1,500 consultants. Professional designations include 900 PEs, 350 CPGs, four attorneys, five ARMs, two CPCUs, 250 CGWPs.
Clients: 800 total environmental consulting clients, 750 corporate/institutional clients.
Specialties: Petroleum, petrochemical, industrial pharmaceutical, transportation industry, manufacturing, government agencies.
Branch offices: 118 offices worldwide.
Service area: Nationwide.
Compensation: By the project; by the hour: $90 to $150.
1993 gross revenues: $344 million total, 70% from unbundled environmental risk management consulting.
Officers: George D. Leal, CEO; Art Darrow, COO; Robert M. Perry, CFO; Henry Klehn Jr., executive vp; Cynthia Hartley, chief-human resources; Maurice Yellen, controller/executive secretary.
Contact: Jim Toto, 908-272-8300 or Kevin Freeman, 206-727-3369.

Dell Engineering Inc.

3352 128th Ave., Holland, Mich. 49424-9263; 616-399-3500; fax: 616-399-3777

Services began: 1978.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, environmental investigations, hydrogeology, air sampling and permitting, solid and hazardous waste consulting, contingency plans; occasional litigation support.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers; occasional general risk management consulting.
Staff: 85 total; 35 environmental professionals including eight principal consultants, 27 consultants. Professional

Continued page 32



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Continued from page 29
designations include eight PEs, two CPGs, two CGWPs.

Clients: 500 total environmental consulting clients; 20 corporate/institutional clients.

Specialties: Manufacturing, banking, petroleum.

Branch offices: Muskegon Heights, Mich.

Service area: Nationwide.

Compensation: By the project; by the hour: $50 to $100.

1993 gross revenues: $5 million total, 60% from unbundled environmental risk management consulting.

Officers: Leroy R. Dell, president; Ronald R. Vriesman, vp; Jeffrey M. Pfost, senior project manager; Richard F. Sageman, senior project manager; Robert K. Zahray, laboratory manager.

Contact: Leroy R. Dell, president.

Dun & Bradstreet Information Services

1 Diamond Hill Road, Murray Hill, N.J. 07974; 800-879-1362; fax: 908-771-7599

Services began: 1994.

Parent: The Dun & Bradstreet Corp.

Environmental services: Frequent environmental information services, including government records checking, ASTM site visits, owner/operator questionnaires, environmental radius and target site map reports generated from government data, median cleanup cost reports.

Service area: Nationwide.

Compensation: Annual contract basis or by report ordered.

Contact: Robert McCabe, 908-771-7679.

The ERM Group

855 Springdale Drive, Exton, Pa. 19341; 800-544-3117; fax: 610-524-7335

Services began: 1977.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal; occasional risk financing.

Other services: Frequent remediation activities, general risk management consulting; occasional consulting to insurers and public policy makers.

Staff: 2,500 total; 1,690 environmental professionals including 115 principal consultants, 1,575 consultants. Professional designations include eight attorneys.

Specialties: Chemical, pharmaceuticals, pulp and paper, automotive, food processing, metal manufacturing.

Branch offices: More than 90 locations throughout North and South America, Asia, Europe and the Pacific.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: $35 to $195.

1993 gross revenues*: $260 million total, 82% from unbundled environmental risk management consulting.

Officers: Paul H. Woodruff, founder; Kent E. Patterson, president/CEO; Jack C. Newell, principal.

Contact: Dorothy B. Condon, director-communications.

** Fiscal year ending 3/94.*

Ecology & Environment Inc.

368 Pleasant View Drive, Lancaster, N.Y. 14086-1397; 716-684-8060; fax: 716-684-0844

Services began: 1970.

Environmental services: Frequent manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, hazard and risk assessment; occasional real estate audits, litigation support.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.

Staff: 1,200 total; 1,000 environmental professionals.

Specialties: Oil and gas industry, pipeline companies, chemical manufacturers.

Branch offices: Anchorage, Alaska; Fresno, Los Angeles and San Francisco, Calif.; Denver; Fort Lauderdale, Pensacola and Tallahassee, Fla.; Chicago; Idaho Falls, Idaho; Kansas City, Kan.; Baton Rouge, La.; Detroit; St. Louis, Mo.; Albuquerque, N.M.; New York; Cincinnati; Cleveland; Philadelphia; Dallas; Houston; Seattle.

Service area: Nationwide.

Compensation: By the project; by the hour.

1993 gross revenues*: $99.6 million total, 20% from unbundled environmental risk management consulting.

Officers: Gerhard J. Neumaier, president; Frank B. Silvestro, Gerald A. Strobel, Ronald L. Frank, executive vps.

Contact: Ronald J. Skare, vp-sales.

** Fiscal year ending 7/31/94.*

Envirometrics Inc.

4803 Fremont Ave. N., Seattle, Wash. 98103; 206-633-4456; fax: 206-633-4835

Services began: 1984.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis; occasional manufacturing plant audits, waste minimization plans, UST management and removal, risk financing, strategic consulting in design of environmental management systems.

Other services: Frequent environmental consulting to insurers and public policy makers.

Staff: Six total; five environmental professionals including four principal consultants and one consultant.

Clients: 33 total environmental consulting clients; 28 corporate/institutional clients.

Specialties: Air pollution control, indoor air pollution.

Compensation: By the hour: $50-$100.

1993 gross revenues: $346,500 total, 50% from unbundled environmental risk management consulting.

Officers: Michael G. Ruby, president.

ENVIRON International Corp.

4350 N. Fairfax Drive, Suite 300, Arlington, Va. 22203; 703-516-2300; fax: 703-516-2345

Services began: 1982.

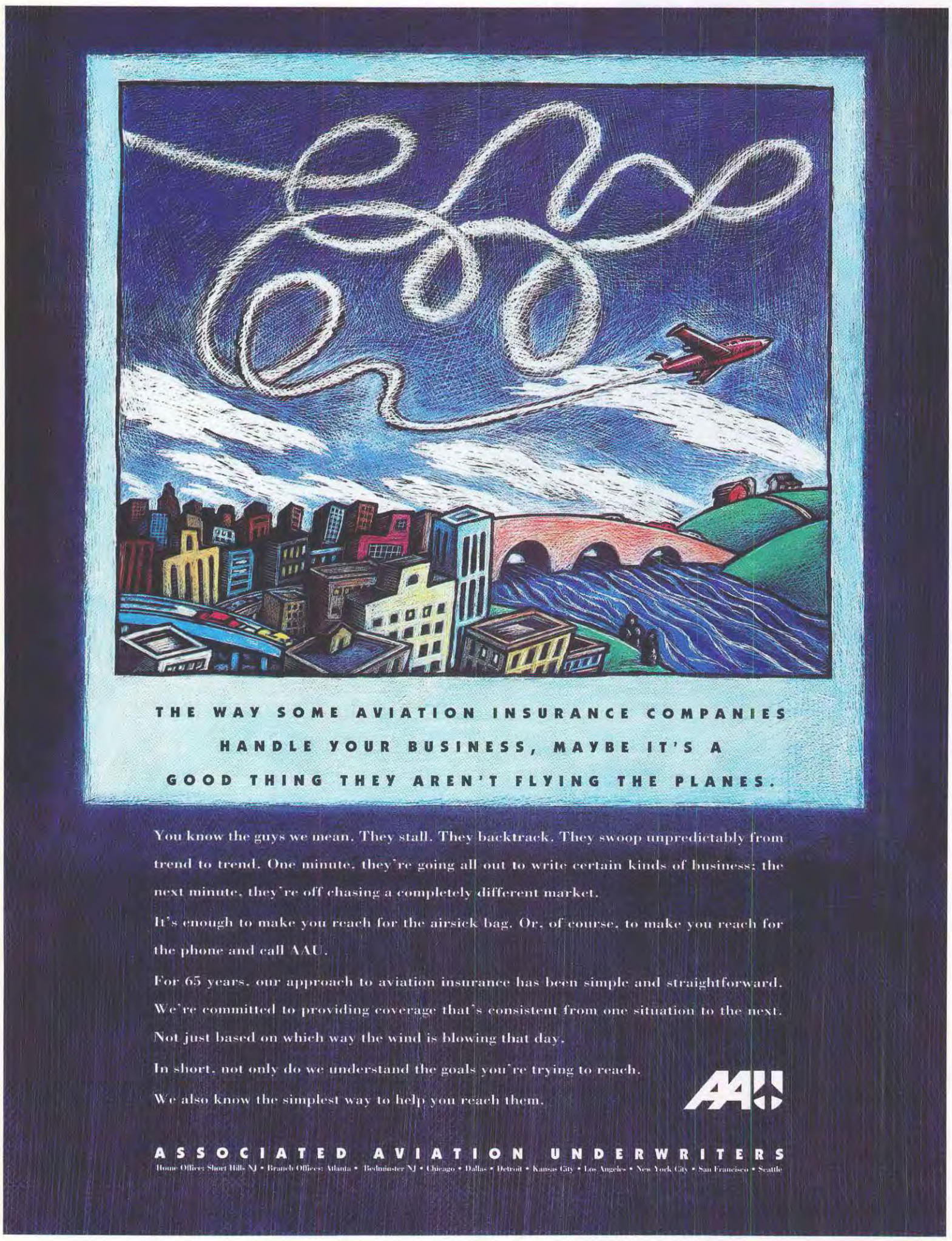
Parent: Applied Bioscience International Inc.

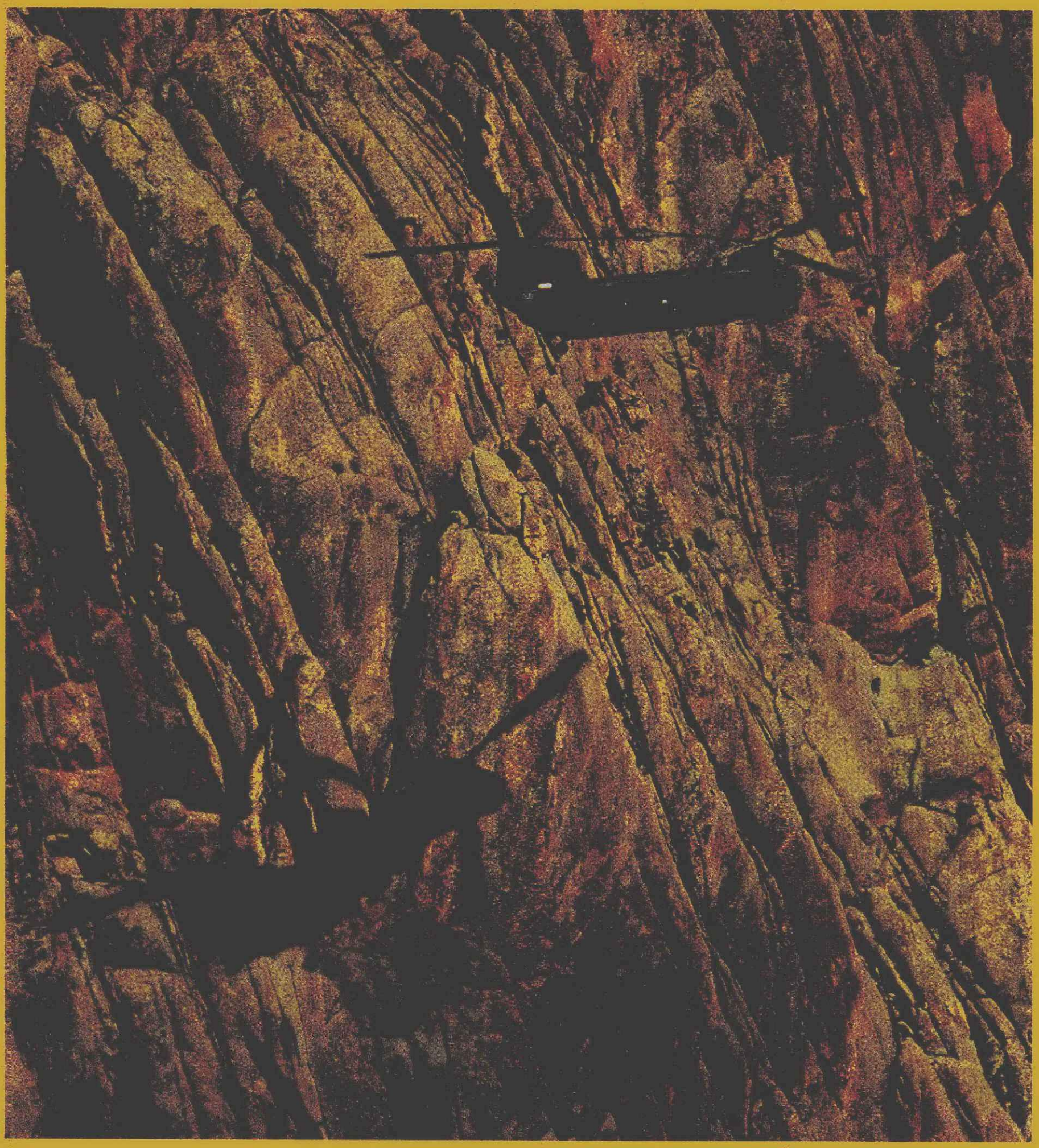
Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis; occasional manufacturing plant audits, waste minimization plans, UST management and removal, risk financing, strategic consulting in design of environmental management systems.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, permitting assistance, risk assessments, remedial investigations and feasibility studies.

Staff: 306 total; 208 environmental professionals including 27 principal consultants, 181 consultants. Professional

Continued on page 36





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Continued from page 32

designations include 12 PEs, two CPGs.

Clients: 550 total environmental consulting clients; 350 corporate/institutional clients.

Specialties: Manufacturing, storage, handling and disposal of chemicals and chemical wastes.

Branch offices: Emeryville and Irvine, Calif.; Princeton, N.J.; Houston; Arlington, Va.

Compensation: By the project; on retainer; by the hour.

1993 gross revenues: $45 million total.

Officers: Joseph H. Highland, CEO; Robert M. Wenger, president; Joseph V. Rodricks, Robert H. Harris, senior vps.

Contact: Joyce S. Schlesinger, managing principal.

Environmental Engineering Consultants Co.

P.O. Box 9697, South Laguna, Calif. 92677; 714-499-0015; fax: 714-499-3765

Services began: 1988.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, environmental control and monitoring, compliance plans; occasional regulatory and public policy analysis, UST management and removal.

Other services: Occasional remediation activities, consulting to insurers and public policy makers, market research.

Staff: Five total; four environmental professionals including two principal consultants, two consultants. Professional designations include one PE.

Clients: 10 total environmental consulting clients.

Specialties: Manufacturing, finance, attorneys.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: $60-$150.

1993 gross revenues: $528,000 total, 90% from unbundled environmental risk management consulting.

Officers: Jack E. Cotter, principal.

Environmental Insurance Services Inc.

200 Cahaba Park S., Suite 200, Birmingham, Ala. 35205; 205-991-7885; fax: 205-991-7767

Services began: 1989.

Environmental services: Frequent regulatory and public policy analysis, risk financing; occasional litigation support.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.

Staff: Six total; three environmental professionals including two principal consultants, one consultant.

Clients: 250 total environmental consulting clients.

Specialties: Contractors and consultants.

Service area: Nationwide.

Compensation: By the project.

1993 gross revenues: $400,000; 75% from unbundled environmental risk management consulting.

Officers: John E. Adams, president; William G. Twitty, vp.

Contact: Bill Twitty.

Environmental Management Group Inc.

11421 Cronhill Drive, Owings Mills, Md. 21117; 800-733-0660; fax: 410-356-0663

Services began: 1986.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal; occasional manufacturing plant audits, litigation support, regulatory and public policy analysis, risk financing.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers; occasional general risk management consulting.

Staff: 100 total. Professional designations include three PEs, one CPG, one attorney.

Clients: 850 total environmental consulting clients.

Specialties: Investment bankers, lenders, pension funds, insurance.

Branch offices: Chicago.

Service area: Nationwide.

Compensation: By the project.

1993 gross revenues: $5 million total, 85% from unbundled environmental risk management consulting.

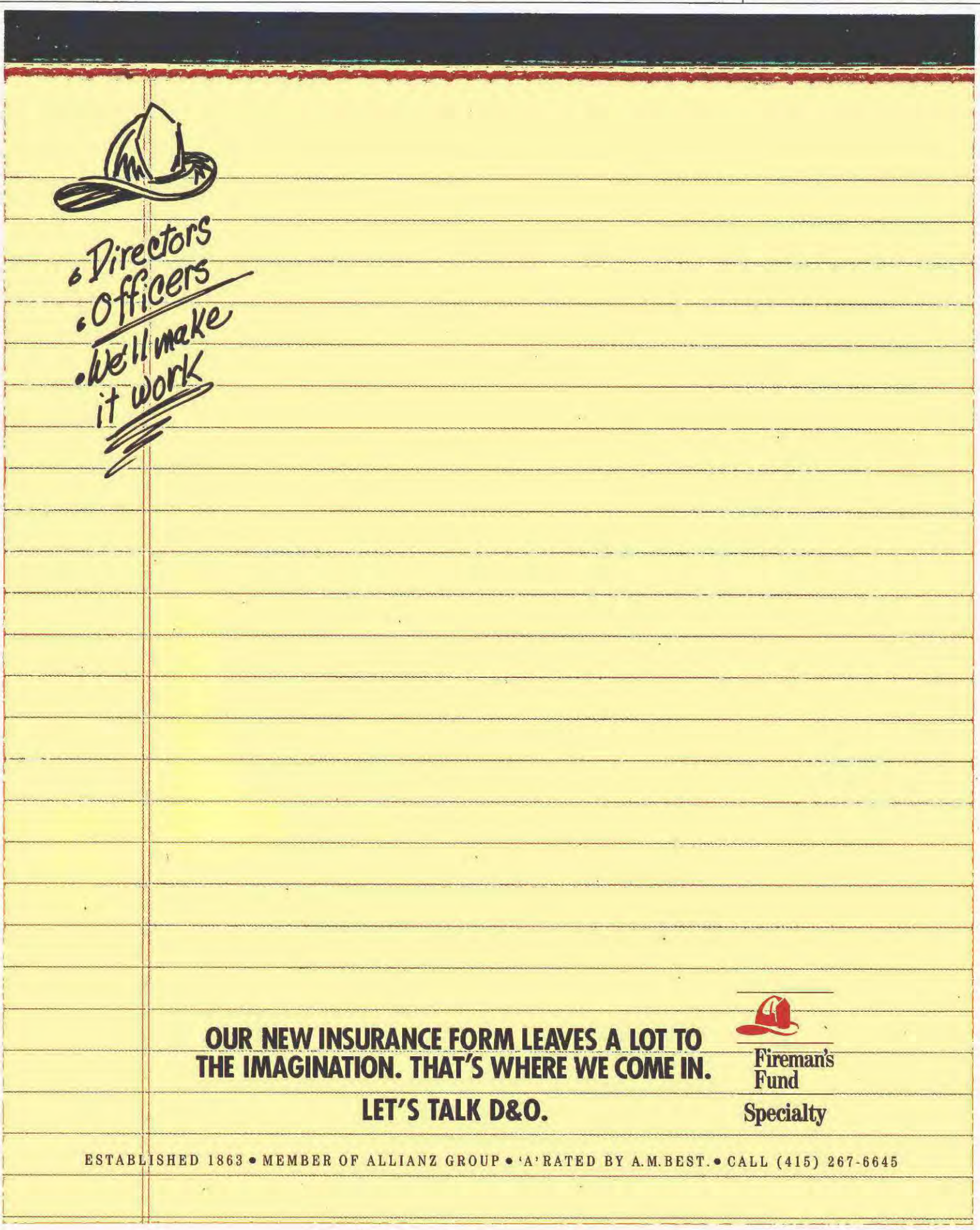
Continued on page 39

The annual directory of environmental risk management consultants lists companies' responses to a *Business Insurance* questionnaire.

There is no charge to be included in the directory. However, consultants must offer services directly to employers on an unbundled basis; companies that offer environmental risk management consulting only in conjunction with other products and services or solely to insurance companies, lawyers and financial institutions are not included.

A full explanation of the directory is provided on page 21.

To be added to the mailing list for next year's directory of environmental consultants send your name, title, company name, mailing address and phone number and fax number to Kathy Welyki, *Business Insurance,* 740 N. Rush St., Chicago, Ill. 60611. Please specify environmental consultants directory on your request.



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InsurerTopics

A special editorial section sent exclusively to insurers and reinsurers

Lower claims costs start with loss control

Loss control expert sees more emphasis on prevention

Kennith D. Brock has spent more than 25 years in workplace safety and health with Liberty Mutual Insurance Co. in Boston. He is currently senior vp of the loss prevention department and manages more than 780 employees worldwide.

Mr. Brock is also chairman of the loss control committee for the Alliance of American Insurers and is a member of the Safety and Engineering Committee of the American Trucking Assn.

He recently discussed current issues in loss prevention with Associate Editor Sara Marley.

What are some of the current trends in loss control?

There is an increasing demand for loss prevention services. Customers recognize that managed care can do certain things and claims control can do certain things, but the best managed care or claims control is to prevent the accident in the first place.

They are also making the connection that losses are not just workers comp insured losses but things that are not insured, like loss of productivity, reduction in quality and turnover that in most cases far surpass the insured loss.

State regulators are looking to regulate what insurers must do with regard to loss prevention. They want to mandate that insurers in workers comp provide certain levels of loss prevention services.

There also is increasing globalization. Companies want to adopt programs on a universal level for safety and health protection across all operations, in the U.S., Mexico, Far East and Europe.

And, companies are looking at how they can influence workers' behavior on the job. Behavior management is a way for employers to empower employees to take control of their own safety and health issues in the workplace, resolve them onsite and eliminate the hazards that exist.

What exposures are getting the most attention from policyholders and insurers in terms of loss control?

Workers comp is getting more attention than property. Generally American business has done a good job of recognizing and controlling potential losses to property.

Some companies are beginning to look at their fleets not only from the viewpoint of auto insurance but as a workers comp exposure.

There is some interest by some clients in repetitive strain injuries, but that's driven more by the perception that it is a problem rather than it actually being a problem. Only 4% of the claims we see are classified as cumulative injuries and that includes such things as noise exposure. One-third of the claim dollars we pay are for back injuries.

We don't want our customers to focus too much attention on what might be the "problem of the day" and lose sight of the underlying bigger problems of back injuries and material handling.

Back belts are getting more attention.

We've done some research that shows they don't hurt or help a person in terms of muscle strain. It's much better to redesign the job so the worker can do it without aides rather than to provide aides.

When does the subject of loss control usually come up in the underwriting process?



Kennith G. Brock

Loss control comes up early in the underwriting process. We have a team approach to new business and renewals with the team made up of loss control, underwriting and sales. We are one of the few companies where loss control is a separate department from underwriting.

We spend 10% of our loss control time on underwriting and 90% on customer services. It's viewed as an external customer service rather than an internal underwriting service.

How do insurers educate prospective policyholders about loss control? Are there still some risk managers who are not "sold" on the concept as a cost-saving device?

We want customers who want to control losses. Some risk managers are sold on the concept but in some cases the risk manager is not in a good position to influence the organization on loss control. A risk manager may have total responsibility for financing risk, but little responsibility for influencing operational changes that affect safety and health.

We want to give risk managers and others advice regarding the cost savings they can achieve through loss control.

We also want to show them how to calculate and define the hidden costs of accidents. There are costs

Continued on page 36H

Insurer Topics

Courses assist CPCU students

By GAVIN SOUTER

The number of people seeking insurance qualifications continues to hold up, despite the shrinking number of people involved in the U.S. insurance industry.

The Chartered Property & Casualty Underwriter designation continues to attract men and women in insurance seeking education and professional recognition, said Norman A. Baglini, president and chief executive officer of the American Institute for Chartered Property Casualty Underwriters in Malvern, Pa.

To help those people grasp the subject, the AICPCU and Insurance Institute of America have introduced new study aids this year, including a video presentation to help students concentrate on a cut-and-dried accounting course.

To help students start on the sometimes daunting path to the CPCU designation, the institutes this year have introduced a preliminary designation, the Associate in Insurance Services.

The AICPCU and IIA are independent, non-profit organizations based in Malvern, Pa., that offer educational and professional certification programs.

The CPCU designation was introduced 51 years ago in an effort to raise the level of professionalism and ethical behavior among people working in insurance.

"We've built on that and in the last five to 10 years we've had continued growth in the number people studying for the CPCU despite the downsizing and the increasing pressure on people's time," according to Mr. Baglini.

Next year, the CPCU program will graduate more than 5,000 students. About 36,000 people have earned the designation since the program was founded in 1943.

There are two main reasons the designation continues to be popular despite the shrinking number of potential students, said Mr. Baglini.

"First, the CPCU designation has been recognized as something which goal-oriented people should aim for and, second, the entire industry has acted to emphasize to their employees that their development is crucial to the success of the organizations."

Study requirements to earn the designation remain exacting. Students must have at least three years' experience in the insurance industry, pass 10 national examinations and meet strict ethical standards.

Only 10% of those who take the exams complete the program in five years. And only 20% do so in 10 years, he said.

Students who do achieve the CPCU designation are finding that it helps them on their career path, Mr. Baglini said.

"While it is still not the case that most of the CEOs in the insurance industry have a CPCU, far more of them have the designation than 20 years ago," he said.

The CPCU course has undergone some changes in the past few years.

In particular, courses on ethics and professionalism are now taught at the beginning of the course of study rather than at the end in CPCU 10, said Eric A. Wiening, assistant vp and director of CPCU 1.

"It was felt that as professionalism and ethics were such an important part of insurance that it would be better to cover those subjects at the beginning," Mr. Wiening said.

CPCU 10 is being phased out. Students who matriculated after August 1992 have to take CPCU 1 to 9 and CPCU 10 or another approved course, Mr. Wiening said.

And, more basic introductions are now covered at the beginning of the CPCU course, such as the history of insurance and an overview of insurance coverages, he said.

Also this year, the AICPCU brought in several new textbooks, as well as a video designed to make study more interesting, said Michael W. Elliott, assistant vp and director of the CPCU program.

The video accompanies CPCU 8, a course on accounting and finance, which covers statutory and generally accepted accounting principles.

The video uses props to help get across the concepts in the course.

"We were concerned about keeping people interested in the subject," Mr. Elliott said.

The video can be used as an introduction to the course, and students can return to the video at different stages, he said.

Additionally, all CPCU study materials feature a new layout and format designed to make the texts more inviting and easier to use. The textbooks have a new typeface on larger pages and they are brightened by color charts, graphs and headings.

Each new edition of CPCU textbooks will also include real-world examples to help explain concepts.

As a preliminary to the actual CPCU, a new designation, Associate in Insurance Services, is being introduced this fall for students who complete a new course, Delivering Insurance Services, as well as the established Program in General Insurance, or INS.

The AIS course takes about two years to complete and students who have already passed the INS program only have to complete the new 13-week course to gain the designation.

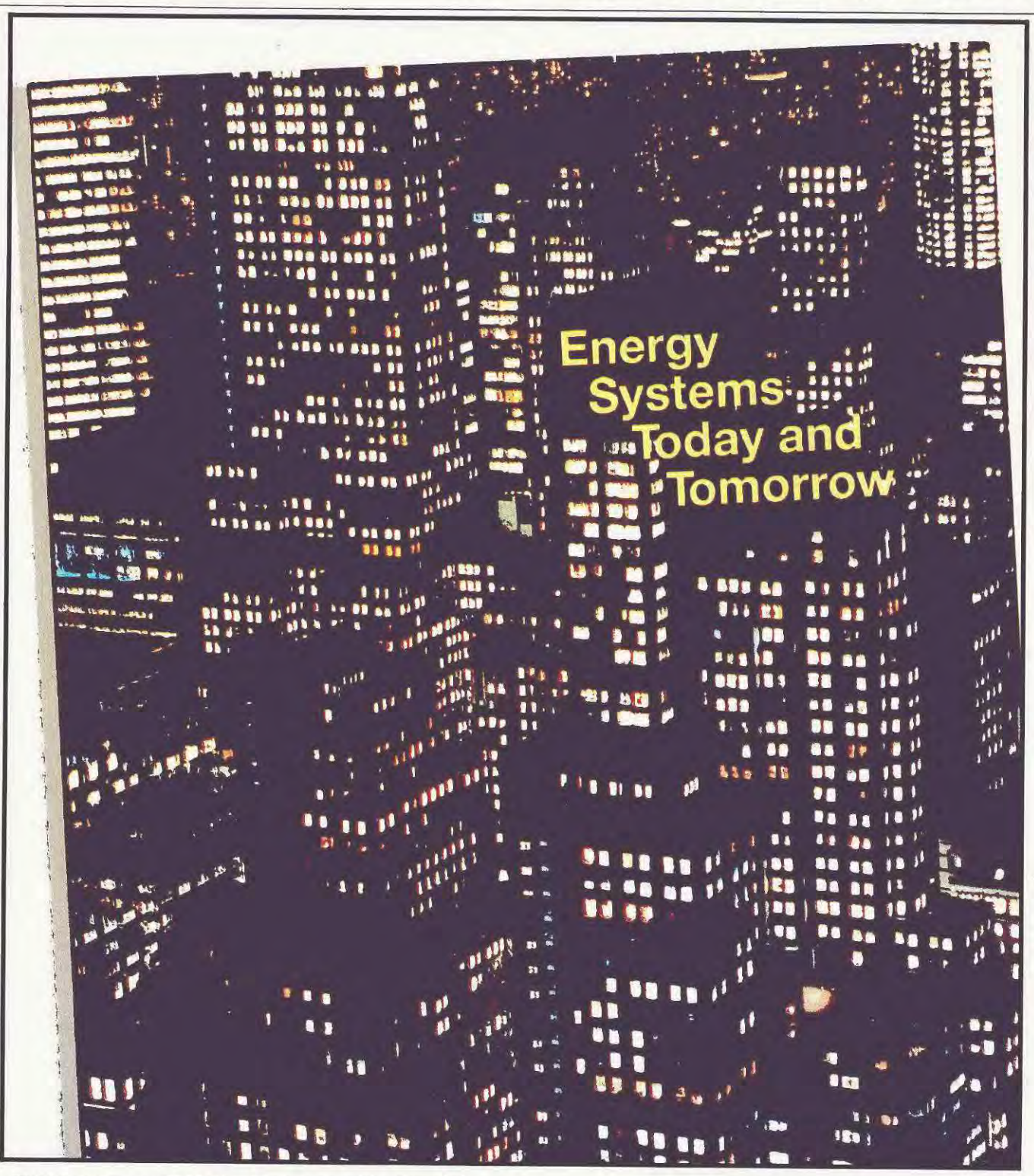
"We encourage people to take this course before they go on to take the CPCU," Mr. Elliott said.

The basic text for the Delivering Insurance Services course is a new book titled "Total Quality Management," written by Arthur R. Tenner and Irving J. DeToro. Mr. Tenner is engineering practices coordinator for the Exxon Research & Engineering Co., and Mr. DeToro is president of The Quality Network Ltd.

The book focuses on three steps to continuous improvement: customer focus, process improvement and total involvement.

As a further step to help people get on the path to the CPCU designation, in August the institutes introduced free computer software. The program prompts students to answer questions and then recommends different courses for the student to take, according to Mr. Elliott.

For more information on courses offered by the AICPCU/IIA, contact Customer Service, Insurance Institute of America, 720 Providence Road, P.O. Box 3016, Malvern, Pa. 19355-0716; 1-800-644-2101. BI



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Assistant Vice President, Utica First, Utica, New York

We use the POINT System under an outsourcing arrangement. Not only is the POINT taking us where we need to go, it's taking us where we want to be. **Michael Galati**
President, Western Pioneer, Pleasanton, California

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President, Southern Heritage, Atlanta, Georgia

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Client focus serves industry best

By JUDY GREENWALD

The insurance industry must do a better job of "facing the issues" confronting it, a reinsurance executive says.

"We've got to be realistic," said Edward B. Jobe, chairman and chief executive of Princeton, N.J., holding company American Re Corp., which owns American Re-Insurance Co.

The industry will always be a target for consumer groups and others, but creative solutions will strengthen the industry and help it avoid divisive and punitive solutions, he said.

If we manage the changes taking place today, "not as threats to our turf" but as opportunities to generate profitable business, "then we'll all sleep better at night," Mr. Jobe said.

He spoke earlier this month at the 46th Insurance Industry Day, sponsored by the Golden Gate Chapter of the CPCU Society.

If insurers cannot solve clients' problems, "they're going to look for alternatives," Mr. Jobe said, noting the alternative market now accounts for about 36% of domestic commercial premiums, and financial services and research firm Conning & Co. says this could increase to 50% in the next hard market. This increase is occurring because organizations are selling products instead of meeting clients' changing needs, he said.

The movement of personal and small commercial lines business to lower-cost providers should also be considered, said Mr. Jobe. This is also a reinsurance issue, he said, because reinsurance reflects individual companies' exposures over time, and reinsurers must help mitigate losses to mitigate reinsurance costs.

That philosophy encouraged seven mining companies to organize American Reinsurance in 1917 and give the engineers who were hired the authority to close down mines if conditions warranted, he said. This strategic alliance between coal miners and engineers was a success and reduced loss exposure.

Pointing to today's environmental problems, Mr. Jobe said, "we can do quite a lot" to mitigate costs. For the past several years, American Re environmental engineers have helped identify clients with environmental needs and introduced them to emerging technologies, he noted.

Each year for the past few years, American Re has co-hosted a seminar with Forbes magazine in which Forbes 500 clients are introduced to emerging technologies in this area, Mr. Jobe added. It is now possible, for instance, to recover minerals from environmental cleanup sites and restore them to their original pure form, he said. In one case, he said, the recovered minerals' value will exceed the cleanup cost.

Mr. Jobe noted that one long-term, alternative market client had several sites that needed attention. American Re brought in the company's CEO, chief financial officer and engineering director as well as American Re personnel and brainstormed for several days with an emerging technology company. The reinsurer helped work out an agreement with the Environmental Protection Agency involving reinsurance and developed an environmental cleanup program.

All this was possible only with a strategic alliance and teamwork, said Mr. Jobe. The use of reinsurance and strategic alliances "will change the way we do business."

In the past, insurance organizations have been structured along product lines. But, companies are beginning to realize how much more can be accomplished in a multidisciplinary environment, he said.

"It's changing the culture in which we work," said Mr. Jobe, adding that this approach leads to responsive programs. He noted American Re itself reorganized a few years ago to focus on its clients rather than its products.

Turning to other issues, Mr. Jobe also discussed the industry's relationship with the government. "When has this industry ever agreed on anything?" he asked, citing Superfund, the McCarran-Ferguson Act and state vs. federal regulation. BI

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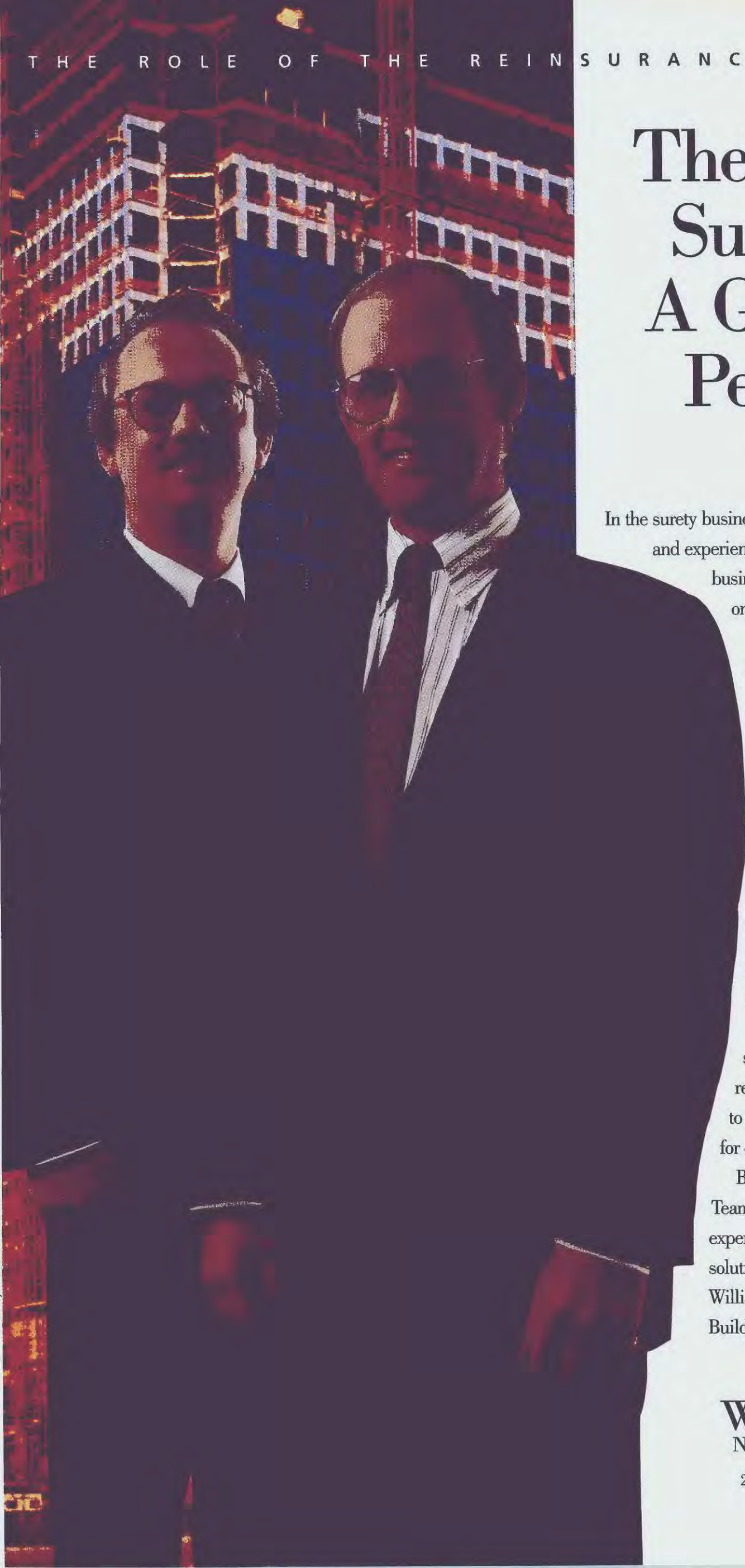
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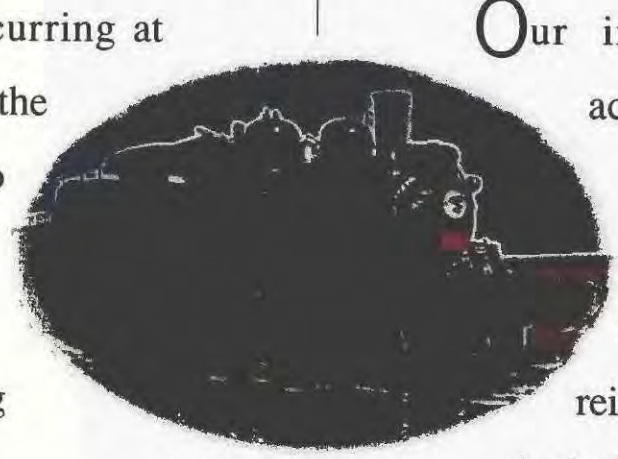
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Insurer Topics

Loss control

Continued from page 36A

that aren't transferable through insurance—some say three to 10 to 15 times the actual workers comp cost. It's best to get customers to do their own calculations. They will soon find a lot of costs that aren't recoverable.

In your experience, how has loss control changed? What have been some of the major developments in the past 25 years?

We have moved from an engineering-approach philosophy to controlling loss to becoming more of a fully integrated management consultant, giving advice on management programs and human resources programs, including behavior modification.

Engineering controls focus on tasks like lifting, lowering, pushing, pulling and carrying and how to change part of the job to lessen exposure. Safety programs are a basic form of behavior modification. The reason you write them is to get people to follow them. You hope to create the right behavior.

What lessons have insurers learned from the mega-catastrophes of recent years?

We all try to learn as much as we can from every catastrophe. We can't prevent the weather; God hasn't let us do that yet. What we can do and customers can do is reduce the impact through construction technology. Something else we are working toward with our customers is preplanning on buildings and facilities. It's easiest to make improvements, change design and plan layout prior to construction.

There have also been disastrous liability losses in recent years—asbestos, lead paint, silicon breast implants. Could anything have been done to reduce them?

That's more a focus for regulatory agencies than for insurers. The FDA approves medical products and devices and insurance company and loss control folks have very little expertise to do that.

We try to help customers develop a framework for doing a self-evaluation. We have to be careful not to overstep our capabilities.

What do you think will be the next major areas of exposure and what loss control techniques will respond to them?

The exposures we have now are enough to keep us busy for a long time.

Thirty percent of our claim dollars are for back injuries and 27% are for slips and falls. New problems emerge and may have high visibility, but they can distract from what really needs to be worked on. There's a high level of concern about repetitive strain injuries. I don't deny that it's a problem in some areas but it's not as significant as back or slip and fall.

Other problems do emerge. I think biotechnology may have some problems we don't know about yet. Chemical exposures, how to evaluate them and what cumulative effect multiple exposures might have, could be big, but I still think the new problems will pale in comparison to traditional areas of back, slip and fall and material handling.

Where is the field of loss control heading? What exposures will dominate loss control efforts in 10 to 15 years?

No. 1 for all of us in the safety profession is to continue to stay abreast as new technologies develop and to learn new engineering techniques.

At the same time, an area probably increasing in importance in the next 10 years is how to influence behavior on the job and integrate it into TQM and other programs that customers do.

There is a growing need to learn about international employment standards and processes. . .more and more companies in the U.S. are international.

The job will get more complex in the future from a technological viewpoint and from a management orientation and human viewpoint.

We may see more specialization within the insurance industry loss control business in different areas of expertise.

Rather than an individual providing advice to customers, there will be teams of experts on loss control techniques. BI

Prudential settling suit

By SALLY ROBERTS

Six months after an Alabama jury awarded $25.4 million in a suit brought by a couple allegedly defrauded by a Prudential Insurance Co. of America agent, the insurer is paying an undisclosed amount to settle the suit.

Neither Newark, N.J.-based Prudential nor a lawyer for the couple would disclose details of the settlement reached in late October.

State Circuit Court Judge William H. Robertson raised eyebrows in insurance circles when he upheld the Montgomery, Ala., jury's award—which included $25 million in punitive damages—and ordered 40% of the punitive award to go toward Alabama's general fund.

What's more, the judge recommended that the Legislature consider allocating a portion of that money to hire more Insurance Department personnel to investigate and monitor insurance agents.

In his September ruling, Judge Robertson upheld the April 4 jury award of $430,000 in compensatory damages and $25 million in punitive damages to Iran and Rebecca Gallant.

The jury found that their agent, Charlie Whatley, took out unauthorized loans and misrepresented the Gallants' whole life policies.

Mr. Whatley sold Mr. Gallant a $25,000 face value whole life policy that he said would be paid up after 10 years of premiums and that Mr. Gallant would draw $598.56 per month beginning at age 65 for the rest of his life. A few years later, Mr. Whatley sold Ms. Gallant a similar policy.

The agent then told Mr. Gallant that as a special offer to policyholders, he could increase the face value of the policy to $53,000 for no additional premium.

"The conduct of (Mr.) Whatley, for which Prudential is responsible, was simply intentional fraud in the sale of insurance policies," Judge Robertson wrote. "This court finds the conduct of these defendants to be extremely reprehensible and utterly intolerable in our society."

Although Prudential is legally responsible for its agent's actions, Judge Robertson wrote that "its independent conduct was reprehensible as well."

At the time Mr. Whatley was hired, the judge said, Prudential knew he had been involved in at least six prior lawsuits but failed to investigate the cases.

Mr. Whatley's personnel file also contains "substantial evidence of his dishonesty and incompetence," the judge said.

"In seeking punitive damages, the Gallants act as private attorneys general for the state as a whole," Judge Robertson wrote.

"For that reason, this court finds it appropriate that 40% of the punitive award in this case, after reduction for expenses and attorneys' fees, be awarded to the State of Alabama general fund." BI

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Insurer Topics

Software technology helps spot health care fraud

IBM helps CIGNA use 'fuzzy logic' to see bogus claims clearly

By GAVIN SOUTER

CIGNA HealthCare is trying to detect fraudulent claims sooner by applying a new computer system that its maker claims is the first claims system to incorporate "fuzzy logic."

Developed by International Business Machines Corp., the new Fraud and Abuse Management System uses fuzzy logic—an approach for determining the probability that various factors are related—to analyze typical provider and claimant behavior and detect variants from the norm.

Deviations in cost and practice can be measured within certain medical specialties and geographic areas.

IBM says it is the only software company to apply fuzzy logic to a claims system and that CIGNA is further along in implementing it than any other insurer.

Once claims are pinpointed by the new technology, CIGNA investigators can examine them, said Susan Mitchell, director of claim review services at CIGNA HealthCare in Bloomfield, Conn.

The technology may also be used in other areas in the future, such as detecting workers compensation fraud, said Tom Schamber, manager of the technology services group for IBM in Armonk, N.Y.

Industry experience suggests that about 10% of health care claims are fraudulent, Ms. Mitchell said. "We think that we can reduce that significantly with this new tool."

CIGNA HealthCare and IBM have been developing the technology for the past 10 months and expect to have the system in place within a year, Ms. Mitchell said.

"We have worked in a partnership with IBM. They have brought in the technology and we have brought the investigative expertise," she said.

The system uses fuzzy logic, an artificial intelligence-like technology, to detect subtle variations between claimants, said Mr. Schamber of IBM.

"It allows you to establish a common denominator you can use to compare behaviors of entities you are profiling," he said.

In this case it could be an individual physician, an ambulance company, or a hospital, Mr. Schamber said.

Indicators of aberrant behavior could be the number of procedures, the most popular diagnoses or the distances that ambulance companies are billing for miles traveled, he said.

Users of the system can put together models to evaluate medical specialties and geographic regions based on some 200 possible indicators of fraud or abuse. "The user can easily change the behavior patterns they want to look at or weight items differently to come up with the model they want," he said.

Typically, a user might develop a model to use about 25 to 30 indicators, he said.

Fuzzy logic is better suited to address the complex problem of fraud and abuse than the "expert systems" currently available, Mr. Schamber said. Expert systems are computer systems that are designed to solve problems using rules that specialists have programmed in.

"An expert system may just look at claims over $150, but with fuzzy logic you can look at all the claims in that sector and measure how much claims differ from other claims in that peer group and in that geographic location," he said.

Once a variation is spotted the insurer can then investigate the claim further, Mr. Schamber said.

"The intent is that this is a tool to get fraudulent claims up on the radar screen," he said.

CIGNA HealthCare has developed test models that show how the system works, said Ms. Mitchell of CIGNA.

For example, chiropractors in a certain region could be compared against each other to highlight those with higher-than-average charges or those treating many patients under the age of 6. It could also draw attention to a provider who regularly treats every member of one family, she said.

The system could also be used to track when treatments are made, Ms. Mitchell said.

"We may have a provider who orders three or four lab tests for every office visit or who shows many services rendered on weekends or holidays. Those are providers we want to look at more closely."

The system can be used to detect fraudulent claims by both providers and people covered by health plans, Ms. Mitchell said.

"Not only will it help us better target our efforts, but the sentinel effect could be significant," she said.

Provider fraud accounts for insurers' most significant medical fraud losses, and the system is designed to help end relationships with those providers and to aid fraud prosecutions, said Ms. Mitchell.

The implementation of the Fraud and Abuse Management System will not lead to a reduction in the number of investigators employed by CIGNA HealthCare, she said.

"There is more than enough fraud going on keep us all employed, but this system should help detect it more easily," Ms. Mitchell said.

Other similar systems could be developed to counter other types of insurance fraud, IBM's Mr. Schamber said.

In particular, the technology could be adapted to help spot workers comp or personal accident fraud, he said. BI

Complaints of misquoted rates prompt crackdown on insurers

By ROBERTO CENICEROS

The Arizona Department of Insurance wants insurers and their agents to quit misquoting consumer auto insurance rates.

Each week the department receives six or seven complaints about agents misquoting premiums, sometimes to lure customers in a bait-and-switch strategy, according to Gay Ann Williams, the deputy director.

But, make no mistake about it, she said, insurers, not their agents, will be held responsible for honoring misquotes—even if the misquote is an honest mistake.

"If the insurance company wants to go back and take it out of the insurance agent's commission, that is their prerogative," Ms. Williams said.

To deter the practice, the department recently sent a letter to insurers, insurance trade associations and agents.

In his Oct. 7 letter, Insurance Director Chris Herstam recommends that insurers amend their rate filings by adding language that guarantees they will honor premium quotes.

Additionally, the letter states that producers cannot ask consumers to sign waivers or disclaimers relieving the insurance company or the agent from honoring a misquote.

"A company that does not comply and refuses to do so can be penalized," Ms. Williams said.

Insurance companies that mistakenly misquote rates can be fined up to $1,000 for each act, not to exceed $10,000, Ms. Williams said. For intentional misquotes, the Insurance Department may impose civil penalties of $5,000 for each act, but not more than $50,000.

A pattern of abuse may lead to revocation or suspension of a license.

Most insurers are quick to comply after a warning from regulators, Ms. Williams said.

In California, the Department of Insurance is weighing a proposal that would force insurers to honor auto coverage misquotes. Currently, the state is relying on 1985 guidelines that give insurers 60 days to notify consumers that a quote is inaccurate.

After 60 days, an insurance company must honor a misquote until the next renewal period. But, consumers who receive notice within the 60 days may opt to pay the extra amount or cancel. BI

Marine insurance scholarship awarded

NEW YORK—The 1994 Harold Jackson Scholarship has been awarded to John Douglas of Sumitomo Marine Management (U.S.A.) Inc., the New York-based College of Insurance announced recently.

Mr. Douglas, a chartered property/casualty underwriter and senior account analyst of ocean marine and major property/casualty business at Sumitomo Marine, had the highest score on the Associate in Marine Insurance Management ocean marine examination and for his report, "Technology in the Marine Insurance Marketplace."

The scholarship, which covers transportation, tuition and residence costs for a two- to four-week course in marine insurance in London and provides a stipend, honors Harold Jackson, a longtime marine underwriter and president of Wm. H. McGee & Co. It is awarded on the basis of competitive exams, which are prepared and graded by the Insurance Institute of America, and a written report on a marine insurance topic.

Applications for the 1995 scholarship are being accepted by The College of Insurance. To qualify, candidates must take or have taken the Associate in Marine Insurance Management 121 (Ocean Marine) exam.

For more information, contact Margaret Montano, The College of Insurance, 101 Murray St., New York, N.Y. 10007; 212-962-4111. BI

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Continued from previous page
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $25 to $100.
1993 gross revenues: 90% from unbundled environmental risk management consulting.
Officers: Jeffrey R. Hunt, president.
Contact: Jeffrey R. Hunt.

Front Royal Environmental Insurance Management Inc.
45615 Willow Pond Plaza, Sterling, Va. 20164; 703-318-0100; fax: 703-318-0323

Services began: 1987.
Parent: Front Royal Inc.
Environmental services: Frequent real estate audits, regulatory and public policy analysis; occasional manufacturing plant audits, design and analysis of remediation plans, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers; occasional general risk management consulting.
Staff: Eight total; two environmental professionals including one principal consultant, one consultant. Professional designations include one PE.
Clients: 10 total environmental consulting clients.
Specialties: Petroleum, country clubs agrichemical dealers, lenders.
Branch offices: Raleigh, N.C.
Service area: Nationwide.
Compensation: By the project.
1993 gross revenues: $550,000 total, 50% from unbundled environmental risk management consulting.
Officers: J. Adam Abram, CEO; John J. Metelski, president; Michael Sommer, vp; Gregg Davis, COO; Judy Young, secretary.
Contact: Barbara Reilly.

G

GAB Business Services Inc.-Environmental Claims Division
Linden Plaza, 9 Campus Drive, Parsippany, N.J. 07054-4476; 800-422-4436; fax: 201-993-9579

Services began: 1983.
Parent: SGS North American Inc.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, risk financing, complete package of pre- and post-loss services, claims management and motor fuel quality evaluation, complete environmental laboratory facilities; occasional manufacturing plant audits, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal.
Other services: Frequent consulting to insurers and public policy makers; general risk management consulting; environmental lab testing of hazardous waste, ground water, soil and drinking water by EPA protocols; test drilling and monitoring of remediation projects.
Staff: 2,700 total; 1,700 environmental professionals. Professional designations include 24 PEs, 40 CPCUs.
Clients: 1,030 total environmental consulting clients; 260 corporate/institutional clients.
Specialties: Insurance companies; risk management for manufacturing, chemical and petroleum industries; environmental engineering for oil companies, manufacturing, utilities.
Branch offices: 500 locations in the U.S. and worldwide coverage with affiliated companies.
Service area: Worldwide.
Compensation: By the project; on retainer.
1993 gross revenues: $242,289 total.
Officers: Warren E. Coupland, chairman/CEO; Roger Eiler, insurance/contract & sales/service; John Darden, chief financial officer; Jim McGee, senior vp-operations.
Contact: Thomas MacArthur, managing director-environmental claims division.

GAI Consultants Inc.
570 Beatty Road, Monroeville, Pa. 15146; 412-856-6400; fax: 412-856-4970

Services began: 1965.
Parent: GAI Affiliated Cos.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal; occasional manufacturing plant audits, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.
Other services: Occasional consulting to insurers and public policy makers.
Staff: 405 total; 86 environmental professionals. Professional designations include 48 PEs, 26 CPGs, 12 CGWPs.
Clients: 72 total environmental consulting clients.
Specialties: Construction, heavy industry, manufacturing, developers, insurance companies and lending institutions.
Branch offices: Fort Wayne, Ind; Charleston, W. Va.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour.
1993 gross revenues: $25 million total, 19% from unbundled environmental risk management consulting.
Officers: Anthony M. DiGioia Jr., president; Richard E. Gray, Henry A. Salver, senior vps; Thomas D. Donovan, John A. Hribar, vps.
Contact: Harry A. Trout.

GBS Environmental
14 W. First St., Dayton, Ohio 45402; 513-443-0181; fax: 513-443-0982

Services began: 1974.
Parent: Shaw, Weiss and DeNaples.
Environmental services: Frequent real estate audits, UST management and removal; occasional manufacturing plant audits, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.
Other services: Occasional consulting to insurers and public policy makers.
Staff: Six total; three environmental professionals including one principal consultant, two consultants. Professional designations include one PE.
Clients: 35 total environmental consulting clients.
Specialties: Metal finishing and plating.
Branch offices: Columbus, Ohio.
Service area: Midwest, excluding Minnesota.
Compensation: By the hour: $65 to $95.
1993 gross revenues: $313,000 total, 40% from unbundled environmental risk management consulting.
Officers: George Shaw, president; Dave Kraft, vp.
Contact: Richard Robertson, manager.

GZA GeoEnvironmental Inc.
320 Needham St., Newton, Mass. 02164; 617-969-0050; fax: 617-969-0715

Services began: 1978.
Parent: GZA GeoEnvironmental Technologies Inc.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, UST management and removal; occasional waste minimization plans, litigation support, public health risk assessment.
Other services: Frequent remediation activities.
Staff: 503 total; 268 environmental professionals including 65 principal consultants, 203 consultants. Professional designations include 66 PEs, 17 CPGs, one attorney, three CGWPs.
Specialties: Manufacturing, insurance, financial, developers and construction contractors.
Service area: East of the Rocky Mountains.
Branch offices: Phoenix; Vernon, Conn.; Portland, Maine; Worcester, Mass.; Grand Rapids, Livonia, Mich.; Manchester, N.H.; Lyndhurst, N.J.; Buffalo, Rochester, N.Y.; Charlotte, N.C.; Providence, R.I.; Dallas; Pewaukee, Wis.
Compensation: By the project; by the hour: $50 to $160.
1993 gross revenues: $38.5 million total, 13% from unbundled environmental risk management consulting.
Officers: Donald T. Goldberg, CEO; Leonard M. Seale, president/COO; John E. Ayres, executive vp; Richard M. Simon, executive vp; Joseph E. Hehir, treasurer.
Contact: Charles E. Crealese 617-630-6229.

Gallagher Bassett Services Inc.
The Gallagher Centre-2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

Services began: 1962.
Parent: Arthur J. Gallagher & Co.
Environmental services: Frequent real estate audits, manufacturing plant audits, public health risk assessment, regulatory and public policy analysis; occasional litigation support, UST management and removal, risk financing.
Other services: Frequent general risk management consulting.
Staff: 64 total; 15 environmental professionals including three principal consultants, 12 consultants. Professional designations include nine PEs, 12 CPGs, one attorney, six ARMs.
Clients: 100 total environmental consulting clients; 85 corporate/institutional clients.
Specialties: Real estate developers, property managers, industrial manufacturers, municipalities, schools, religious, institutions, commercial clients and petrochemical.
Branch offices: Los Angeles, Sacramento, San Francisco, Calif.; Hartford, Conn.; District of Columbia; Batavia, Chicago, Peoria, Ill.; Cedar Rapids, Iowa; Boston; Albuquerque, N.M.; New York; Charlotte, N.C.; Cleveland.
Service area: Worldwide.
Compensation: By the project; on retainer.
1993 gross revenues: $106.3 million total, 1% from unbundled environmental risk management consulting.
Officers: John G. Campbell, chairman; Peter J. Durkalski, president; Richard McKenna, Fred Potenza, Richard Rothman, executive vps.
Contact: Tracy Mock 708-285-3593.

Galson Corp.
6601 Kirkville Road, East Syracuse, N.Y. 13057; 315-432-0506; fax: 315-432-0509

Services began: 1970.
Environmental services: Frequent real estate audits, manufacturing plant audits, regulatory and public policy analysis, UST management and removal; occasional design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment.
Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 265 total. Professional designations include 17 PEs.
Clients: 800 total environmental consulting clients.
Specialties: Industrial, utilities, independent power producers, developers and governmental agencies.
Branch offices: Oakland, Calif.; Hawthorne, Rochester, N.Y.; Plymouth Meeting, Pa.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour.
1993 gross revenues: $20 million total, 4% from unbundled environmental risk management consulting.
Officers: R. Leland Davis, president/CEO; Michael J. Lorenz, executive vp.
Contact: Cindy Kuiper.

Geomatrix Consultants Inc.
100 Pine St., 10th Floor, San Francisco, Calif. 94111; 415-434-9400; fax: 415-434-1365

Services began: 1985.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, air toxics assessment.
Other services: Frequent remediation activities, general risk management consulting, geotechnical engineering, earthquake-related services; occasional consulting to insurers and public policy makers.
Staff: 170 total; 81 environmental professionals including 21 principal consultants, 60 consultants. Professional designations include 16 PEs, one CGWP.
Clients: 170 total environmental consulting clients; 40 corporate/institutional clients.
Specialties: Manufacturing.
Branch offices: Folsom, Fresno, Newport Beach and Oakland, Calif.
Compensation: By the project; on retainer; by the hour: $63 to $165.
1993 gross revenues: $20.7 million total, 60% from unbundled environmental risk management consulting.
Officers: Mahmut Otus, president; Nancy Bice, John Gallinatti, principal hydrogeologists; Tom Delfino, principal chemical process engineer; James Embree, toxicologist.
Contact: Karen Ball, marketing manager.

Geoscience Consultants Ltd.
505 Marquette N.W., Suite 1100, Albuquerque, N.M. 87102; 505-842-0001; fax: 505-842-0595

Services began: 1982.
Parent: BDM International.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, UST management and removal; occasional waste minimization plans, regulatory and public policy analysis, risk financing.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 75 total; 45 environmental professionals including eight principal consultants, 37 consultants. Professional designations include nine PEs, four CPGs, one CGWP.
Clients: 75 total environmental consulting clients; 70 corporate/institutional clients.
Specialties: Manufacturing, chemical industry, oil and gas.
Branch offices: Redlands, Calif.; District of Columbia; Las Cruces, N.M.; Midland, Texas.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $35 to $125.
1993 gross revenues: 80% from unbundled environmental risk management consulting.
Officers: Alberto Gutierrez, president; Randall Hicks and Carol Hodges, vps.
Contact: Scott Hale, marketing director.

Geo-Technology Associates Inc.
42 N. Main Street, Suite 200, Bel Air, Md. 21014; 410-879-9446; fax: 410-893-3437

Services began: 1985.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, public health risk assessment, UST management and removal; occasional manufacturing plant audits, waste minimization plans, litigation support.
Other services: Frequent remediation activities; occasional general risk management consulting.
Staff: 25 total; 10 environmental professionals including two principal consultants, three consultants. Professional designations include four PEs, three CPGs.
Clients: 30 total environmental consulting clients; 20 corporate/institutional clients.
Specialties: Land development organizations, manufacturing, federal government (U.S. Army), legal.
Branch offices: Annapolis Junction, Md.
Service area: Mid-Atlantic region.
Compensation: On retainer; by the hour: $75 to $95.
1993 gross revenues: $2 million total, 15% from unbundled environmental risk management consulting.
Officers: Peter C. Bergmann, senior vp.
Contact: Jeffrey W. Moore.

Giles Engineering Associates Inc.
N8 W22350 Johnson Road, Suite A-1, Waukesha, Wis. 53186; 414-544-0118; fax: 414-549-5868

Environmental Services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal; occasional manufacturing plant audits, waste minimization plans.
Other services: Frequent general risk management consulting; occasional remediation activities, consulting to insurers and public policy makers.
Staff: 120 total; 30 environmental professionals including 10 principal consultants, 20 consultants. Professional designations include nine PEs, four CPGs.
Clients: 200 total environmental consulting clients; 170 corporate/institutional clients.
Specialties: Private business and financial institutions.
Branch offices: Anaheim, Calif.; District of Columbia; Dallas.
Service area: Nationwide.
Compensation: By the project.
1993 gross revenues: $10 million total, 20% from unbundled environmental risk management consulting.
Officers: Terry L. Giles, president/CEO; Patrick D. Reuteman, vp; Robert R. Russell, environmental division manager.
Contact: James D. Borden.

Green Environmental Inc.
216 Ricciuti Drive, Quincy, Mass. 02169; 617-479-0550; fax: 617-479-5150

Services began: 1987.
Environmental services: Real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 65 total; 35 environmental professionals including one principal consultant, 15 consultants. Professional designations include two PEs, one CPG.
Clients: 200 total environmental consulting clients; 125 corporate/institutional clients.
Specialties: Financial, construction and manufacturing.
Service area: Northeast.
Compensation: By the project; on retainer; by the hour: $45 to $125.
1993 gross revenues: $7.5 million total, 60% from unbundled environmental risk management consulting.
Officers: Glenn C. Ferguson, president; Andre J. Bissonnette, vp-construction; Wallace H. Pimental, vp-marketing/sales.
Contact: Wallace H. Pimental.

H

H2O Environmental Inc.
1601 W. Oakland Park Blvd.; Fort Lauderdale, Fla. 33311; 305-565-7650; fax: 305-565-7629

Services began: 1988.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, UST management and removal, risk financing, air quality monitoring; occasional waste minimization plans.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 60 total; 35 environmental professionals including 12 principal consultants, 15 consultants. Professional designations include three PEs, eight CPGs, 10 CGWPs.
Clients: 30 total environmental consulting clients; all corporate/institutional clients.
Specialties: Manufacturing, transportation, banks, oil companies, chemical.
Branch offices: Mobile, Ala.; Venice and Pensacola, Fla.; Columbia, S.C.
Compensation: On retainer; by the hour: $60 to $125.
1993 gross revenues: $5 million total, 60% from unbundled environmental risk management consulting.
Officers: Mark Miller, president; David Rogers, Craig Hurst, Kurt Gildemeister, vps; Jayne Stewart, chief financial officer.
Contact: David Rogers or Craig Hurst.

HWS Consulting Group Inc.
825 J St., P.O. Box 80358, Lincoln, Neb. 68501; 402-479-2200; fax: 402-479-2276

Services began: 1972.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal, OSHA audits, hazardous material management plans; occasional manufacturing plant audits, waste minimization plans, litigation support, regulatory and public policy analysis.
Other services: Frequent environmental consulting to insurers and public policy makers; occasional remediation activities, general risk management consulting.
Staff: 160 total; 44 environmental professionals including six principal consultants, 38 consultants. Professional designations include six PEs, four CPGs.
Clients: 500 total environmental consulting clients; 50 corporate/institutional clients.
Specialties: Petroleum industry, industries using volatile organics and toxic metals.
Branch offices: Denver; Wichita, Kan.; Omaha, Neb.
Service area: Nationwide.
Compensation: By the project; by the hour: $40 to $110.

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1993 gross revenues*: $10.9 million total, 20% from unbundled environmental risk management consulting.

Officers: James L. Linderholm, president; Thomas L. Thelen, Gary A. Westergren, senior vps; David W. Thomssen, James L. Heckman, vps.

Contact: Scott Richardson.

* *Fiscal year ending 6/25/94.*

Heritage Environmental Services Inc.

7901 W. Morris, Indianapolis, Ind. 46231; 317-243-0811; fax: 317-243-5085

Services began: 1970.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, waste minimization plans, UST management and removal; occasional manufacturing plant audits, litigation support, regulatory and public policy analysis.

Other services: Frequent remediation activities.

Staff: 900 total; 50 environmental professionals. Professional designations include 12 PEs, five CPGs, one attorney, two CGWPs.

Clients: 2,500 total environmental consulting clients.

Branch offices: Chicago; Louisville, Ky.; St. Louis and Kansas City, Mo.; Charlotte, N.C.; Toledo, Ohio.

Service area: Eastern United States.

Compensation: By the project; by the hour: $35 to $150.

Officers: Kenneth Price, president; James Green, COO; John Renkes, vp-sales; James Maloney, vp.

Hillmann Environmental Co. Inc.

1089 Cedar Ave., Union, N.J. 07083; 908-688-7800.

Environmental services: Frequent real estate audits, UST management and removal; occasional manufacturing plant audits, design and analysis of remediation plans.

Other services: Frequent environmental consulting for commercial real estate.

Staff: 80 total; 50 environmental professionals. Professional designations include one PE, one CPG.

Clients: 200 total environmental consulting clients.

Specialties: Commercial real estate.

Branch offices: Los Angeles; San Francisco; Washington; Tampa and Miami, Fla.; Philadelphia.

Service area: Nationwide.

Compensation: By the project.

1993 gross revenues: $5 million total, 50% from unbundled environmental risk management consulting.

Officers: Chris Hillmann, president; Joe Hillmann, vp.

Huntingdon Engineering & Environmental Inc.

140 Telegraph Road, Middleport, N.Y. 14105; 716-735-3400; fax: 716-735-7056

Services began: 1938.

Parent: Huntingdon International Holdings PLC.

Environmental services: Frequent real estate audits, UST management and removal; occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.

Other services: Occasional remediation activities, consulting to insurers and public policy makers.

Staff: 1,800 total.

Branch offices: 70 offices nationwide.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour.

1993 gross revenues: 20% from unbundled environmental risk management consulting.

Officers: David A. Anslow, CEO; Allan M. Pinchoff, Rutledge E. Behnke, James K. Frank, James W. Bowley, vps.

Hydro-Environmental Technologies Inc.

54 Nonset Path, Acton, Mass. 01720; 800-347-4383; fax: 508-635-0980

Services began: 1986.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, UST management and removal, emergency response, indoor air consulting; occasional manufacturing plant audits, public health risk assessment, regulatory and public policy analysis.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers.

Staff: 43 total; 36 environmental professionals including one principal consultant, 20 consultants. Professional designations include four PEs, four CPGs.

Clients: 75 total environmental consulting clients; 70 corporate/institutional clients.

Specialties: Insurance, petroleum, utilities, asset managers, attorneys, banks.

Branch offices: Alameda, Calif.; Syracuse, N.Y.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: $35 to $120.

1993 gross revenues: $3.75 million total, 60% from unbundled environmental risk management consulting.

Officers: Hayden S. Solomon, president.

Hygienetics Environmental (formerly H&GCL)

10 S. Riverside Plaza, Suite 2120, Chicago, Ill. 60606; 312-648-9988; fax: 312-648-0818

Services began: 1982.

Parent: Ilex.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, indoor air quality, occupational health and safety; occasional waste minimization plans, litigation support, risk financing.

Other services: Frequent general risk management consulting; asbestos, lead and indoor air quality management; air resources management. Occasional remediation activities, consulting to insurers and public policy makers.

Staff: 132 total; 104 environmental professionals including 45 principal consultants, 59 consultants. Professional designations include five PEs, eight CPGs, one attorney, one CGWP.

Clients: 600 total environmental consults.

Specialties: Manufacturing and commercial real estate.

Branch offices: Oakland and Santa Ana, Calif.; Hartford, Conn.; District of Columbia; Boston; New York; Cleveland.

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Continued from previous page

Service area: Nationwide.
Compensation: By the project.
1993 gross revenues*: $14 million total, 100% from unbundled environmental risk management consulting.
Officers: Scott Feldmann, president; John Cowdery, Robert Banks, Scott Sargis, vps.
Contact: Gale Lance, corporate marketing director.
** Estimate for 1994.*

I

IAG Ltd.

240 Madison Ave., 6th Floor, New York, N.Y. 10016; 212-697-2680; fax: 212-697-4354

Services began: 1985.
Environmental services: Frequent litigation support, reconstruction of missing policies for companies facing environmental and products liability claims.
Other services: Frequent historic insurance research, coverage graphics, policy database management, sample policy form procurement, coverage analysis, organization of records.
Staff: 20 total; 11 environmental professionals including four principal consultants, seven consultants.
Clients: 225 total environmental consulting clients; all corporate/institutional clients.
Specialties: Utilities, chemical, manufacturing, mining, metals, pharmaceuticals, energy, marine.
Service area: Nationwide.
Compensation: By the hour: $75 to $225.
1993 gross revenues: 80% from unbundled environmental risk management consulting.
Officers: Sheila Mulrennan, president; Michele Pierro, senior vp; Bik Moy, vp; Susan Brender, assistant vp.
Contact: Sheila Mulrennan.

Incinerator Consultants Inc.

11204 Longwood Grove Drive, Reston, Va. 22094; 703-437-1790; fax: 703-437-9048

Services began: 1986.
Environmental services: Design and analysis of remediation plans, litigation support.
Other services: Environmental consulting to insurers and public policy makers.
Staff: 1 total. Professional designations include PE.
Clients: 25 total environmental consulting clients; 20 corporate/institutional clients.
Service area: Nationwide.
Compensation: On retainer.
1993 gross revenues: $1 million total, 30% from unbundled environmental risk management consulting.
Officers: C.R. Brunner.

Industrial Compliance

165 S. Union Blvd., Suite 1000, Lakewood, Colo. 80228; 303-914-1700; fax: 303-914-1710

Services began: 1985.
Parent: SP Rail Corp.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal; occasional risk financing.
Other services: Frequent remediation activities, general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: 200 total; 100 environmental professionals including 40 principal consultants, 60 consultants. Professional designations include 25 PEs, 15 CPGs, 2 attorneys, 5 ARMs, 5 CPCUs, 5 CGWPs.
Clients: 300 total environmental consulting clients; 75 corporate/institutional clients.
Specialties: Transportation, manufacturing.
Branch offices: Phoenix; Little Rock, Ark.; Los Angeles and Sacramento, Calif.; Knoxville, Tenn.; Dallas and Houston, Texas.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $45 to $65.
1993 gross revenues: $26 million total, 60% from unbundled environmental risk management consulting.
Officers: John F. Spisak, president/CEO; Steven L. Lange, chief operating officer; Ed Delgado, chief finance officer; Jim Roebuck, director-corporate development; Linnea Simons, general counsel.
Contact: Jim Roebuck.

Insurance Control Systems Inc.

1118 N. La Brea, Inglewood, Calif. 90804; 213-678-7115; fax: 310-673-3350

Services began: 1989.
Environmental services: Frequent manufacturing plant audits, waste minimization plans, litigation support, regulatory and public policy analysis, risk financing; occasional real estate audits, design and analysis of remediation plans.
Other services: Frequent general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: Seven total; two environmental professionals. Professional designations include one ARM.
Clients: 50 total environmental consulting clients; 15 corporate/institutional clients.
Branch offices: Atlanta; Reno, Nev.; Dallas.
Service area: Western United States.
Compensation: By the project; by the hour.
1993 gross revenues: $1.3 million total, 15% from unbundled environmental risk management consulting.
Officers: A.D. Kirkpatrick, president; L. Patten, vp-operations; V. Paganelli, vp-administration; E. Garcia, controller; P. Traber, service manager.
Contact: Laura Patten.

Insurance Services Corp. of Iowa

320-324 Third St. S.E., Cedar Rapids, Iowa 52406; 800-373-2723; fax: 319-366-7823

Services began: 1986.
Environmental services: Risk financing.
Other services: Environmental consulting to insurers and public policy makers.
Staff: 50 total. Professional designations include 10 ARMs, 14 CPCUs.
Clients: 250 total environmental consulting clients; 175 corporate/institutional clients.
Specialties: Trucking, consultants/engineers, manufacturing.
Service area: Nationwide.
Compensation: By the project.
1993 gross revenues: $35 million total, 10% from unbundled environmental risk management consulting.
Officers: Duane Smith, secretary; Larry B. Bergdale, president; Larry Elings, agency manager; Mike O'Deen, Carol Zuber, vps; Wayne Shaw, treasurer.
Contact: Dennis L. Park, environmental program manager.

International Technology Corp.

23456 Hawthorne Blvd., Torrance, Calif. 90505; 310-378-9953; fax: 301-791-2587

Services began: 1926.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, UST management and removal, turnkey environmental management services; occasional litigation support, regulatory and public policy analysis.
Other services: Frequent remediation activities, general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: 2,833 total; 130 environmental professionals including 64 principal consultants, 66 consultants. Professional designations include 187 PEs, 145 CPGs, 8 attorneys, 1 ARM, 6 CGWPs.
Clients: 16,000 total environmental consulting clients; 1,000 corporate/institutional clients.
Specialties: Chemical, petroleum, manufacturing, transportation, aerospace, electronic, real estate, pharmaceutical, pulp and paper, federal, state and local governments.
Branch offices: 44 offices nationwide.
Service area: Nationwide.
Compensation: By the project; by the hour: $35 to $150.
1993 gross revenues: $390 million total, 33% from unbundled environmental risk management consulting.
Officers: Ralph S. Cunningham, chairman; Robert B. Sheh, president/CEO; Larry M. Hart, senior vp/COO; James D. Mahoney, senior vp-strategic planning/business development; Eric Schwartz, secretary/corporate counsel.
Contact: James D. Mahoney.

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J

The JANUS Group L.L.C.

500 Winding Brook Drive, Glastonbury, Conn. 06033; 203-652-4366; fax: 203-652-4365

Services began: 1992.
Parent: Janus Management & Associates.
Environmental services: Frequent litigation support, regulatory and public policy analysis, risk financing, ISO 14000 training and consulting; occasional manufacturing plant audits, public health risk assessment.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 24 total; six environmental professionals including two principal consultants, four consultants. Professional designations include nine PEs, one attorney.
Specialties: ISO 14000 and ISO 9000, claims analysis and litigation support.
Service area: Worldwide.
Compensation: By the project; on retainer; by the hour: $100 to $250.
1993 gross revenues: $400,000 total, 25% from unbundled environmental risk management consulting.
Officers: Gary Doughty, Douglas Prode, managing directors; Manfred Popp, director of quality systems.

Johnson & Higgins

125 Broad St., New York, N.Y. 10004; 212-574-8287; fax: 212-574-8182

Services began: 1845.
Environmental services: Frequent risk financing, design of owner-controlled insurance programs for remediations and asbestos abatement jobs.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 3,000 total; 10 environmental professionals. Professional designations include two attorneys, two CPCUs.
Specialties: Construction, chemical, pharmaceutical, manufacturing, real estate managing, environmental consultants and financial institutions.
Branch offices: 52 locations nationwide.
Officers: David A. Olsen; Richard A. Nielson.
Contact: James D. Cox, vp/environmental coordinator.

K

Karch & Associates Inc.

1701 K St. N.W., Washington, D.C. 20006; 202-463-0400; fax: 202-463-0502

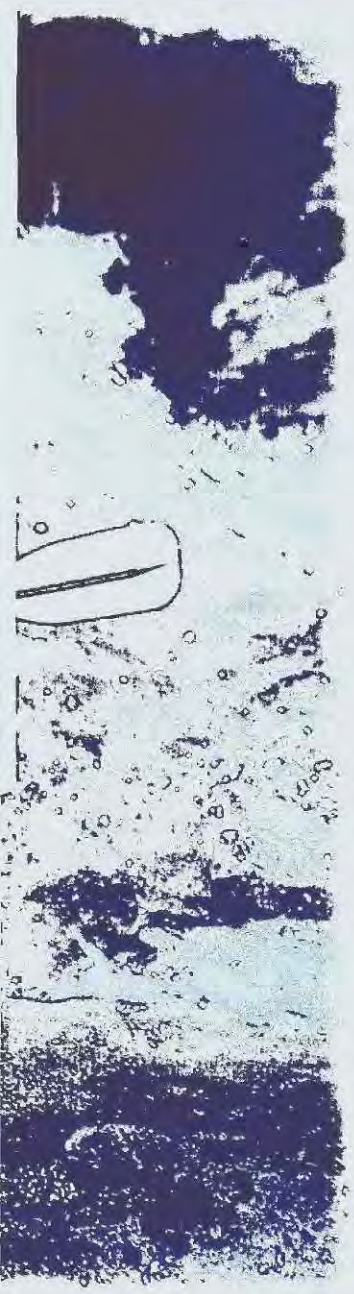
Services began: 1982.
Environmental services: Design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: 12 total; eight environmental professionals including four principal consultants, four consultants.
Clients: 15 total environmental consulting clients; all corporate/institutional clients.
Specialties: Chemical industry.
Service area: Nationwide.
Compensation: By the project; by the hour: $65 to $200.
1993 gross revenues: $1.8 million total, 95% from unbundled environmental risk management consulting.
Officers: Nathan J. Karch, president; Bruce D. Rodan, Karen L. Hentz, Lesa L. Aylward, senior staff scientists.
Contact: Nathan J. Karch.

Kennedy/Jenks Consultants

303 Second St., 10th Floor, San Francisco, Calif. 94107; 415-243-2150; fax: 415-896-0999

Services began: 1919.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, waste minimization plans, litigation support, UST management and removal; occasional manufacturing plant audits, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent remediation activities, environmental consulting tc insurers and public policy makers, general risk management consulting.
Staff: 300 total; 104 environmental professionals. Professional designations include 104 PEs, 10 CPGs, one attorney.
Branch offices: Bakersfield, Irvine Palo Alto, Sacramento and Ventura, Calif.; Reno and Las Vegas, Nev.; Portland Ore.; Federal Way, Wash.
Compensation: By the project; by the hour: principal consultant, $125 to $150.
1993 gross revenues: $34 million total, 35% from unbundled environmental risk management consulting.
Officers: David D. Kennedy, president; Peter Mesard, Nathan A. Graves, vps; Lynn M. Takaichi, chairman; John M. Stedman, controller.
Contact: Sharon Taplin, manager-marketing services.

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L

LAN Associates Inc.

662 Goffle Road, Hawthorne, N.J. 07506; 201-423-0350; fax: 201-423-5175

Services began: 1965.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, waste minimization plans, UST management and removal; occasional manufacturing plant audits, litigation support, public health risk assessment.
Other services: Frequent remediation activities; occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 32 total; eight environmental professionals including two principal consultants, six consultants. Professional designations include three PEs, two CPGs.
Clients: 120 total environmental consulting clients; 80 corporate/institutional clients.
Specialties: Banking, financial institutions, attorneys.
Branch offices: St. Augustine, Fla.
Service area: Primarily Eastern states.
Compensation: By the project; on retainer; by the hour: $55 to $115.
1993 gross revenues: $2.4 million tota., 30% from unbundled environmental risk management consulting.
Officers: John Alacz, president; Guy D. Van Doren, Kenneth H. Karle, vps; Steve Seccra, secretary; Ronald Panicucci, treasurer.
Contact: Ronald Panicucci.

The Scott Lawson Group Ltd.

P.O. Box 894, Concord, N.H. 03301; 603-228-3610; fax: 603-228-3871

Services began: 1978.
Environmental services: Frequent real estate audits, public health risk assessment, regulatory and public policy analysis; occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, UST management and removal, risk financing.
Other services: Occasional consulting to insurers and public policy makers.
Staff: 30 total; eight environmental professionals including two principal consultants, six consultants. Professional designations include one PE.
Clients: 50 total environmental consulting clients; all corporate/institutional clients.
Specialties: Industrial and commercial.
Service area: Northeast.
Compensation: By the project; by the hour: $50 to $125.
1993 gross revenues: $1.7 million total, 50% from unbundled environmental risk management consulting.
Officers: Scott H. Lawson, president; Donald P. McLelland Sr., vp.
Contact: James L. Knowlton, director-client services.

Levine-Fricke Inc.

1920 Main St., Suite 750, Irvine, Calif. 92714; 714-955-1390; fax: 714-955-0683

Services began: 1983.
Environmental services: Frequent real estate audits; design and analysis of remediation plans; litigation support; pub-

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Continued from previous page

lic health risk assessment; regulatory and public policy analysis; UST management and removal; hazardous materials spills, planning and response; soil and groundwater investigations; air and water quality monitoring and control; construction management and dewatering. Occasional waste minimization plans.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy-makers, general risk management consulting.

Staff: 190 total. Professional designations include 18 PEs, 16 CPGs, one CGWP.

Clients: 250 total environmental consulting clients; 225 corporate/institutional clients.

Branch offices: Emeryville, Roseville, San Diego, Calif.; Tallahassee, Fla.; Honolulu, Hawaii; Chicago; Cliffside Park, N.J.

Service area: Nationwide.

Compensation: By the project.

1993 gross revenues: $25 million total, 70% from unbundled environmental risk management consulting.

Officers: James D. Levine, president; Carl A.P. Fricke, executive vp.

Contact: Ellis J. Biderson, business development manager.

Charles Licht Engineering Associates Inc.

P.O. Box 315, Olympia Fields, Ill. 60461; 708-333-6669; fax: 708-333-7999

Services began: 1968.

Environmental services: Frequent real estate audits, manufacturing plant audits; occasional design and analysis of remediation plans, waste minimization plans, litigation support, UST management and removal.

Other services: Frequent general risk management consulting; occasional consulting to insurers and public policymakers.

Staff: Seven total; three environmental professionals including one principal consultant, two consultants. Professional designations include three PEs.

Clients: 20 total environmental consulting clients; all corporate/institutional clients.

Specialties: Manufacturing, metallurgical and chemical.

Service area: Nationwide.

Compensation: By the hour: $80 to $125.

1993 gross revenues: $900,000 total, 85% from unbundled environmental risk management consulting.

Officers: Charles A. Licht, president.

Litigation Management Specialists Inc.

315 Deaderick St., First American Center, Suite 1265, Nashville, Tenn. 37238; 615-255-5510; fax: 615-255-4679

Services began: 1988.

Environmental services: Occasional real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, UST management and removal, risk financing, environmental suit management, project coordination, technical/legal service problem management, risk-spreading advice.

Other services: Frequent general risk management consulting.

Staff: Three total.

Clients: Five total environmental consulting clients; all corporate/institutional clients.

Specialties: Metal fabrication, manufacturing.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: $110 to $140.

1993 gross revenues: 20% from unbundled environmental risk management consulting.

Officers: James A. Freeman III, president.

M

Manchester Risk Management

25 Nashua Road, Londonderry, N.H. 03035; 603-432-8700; fax: 603-432-3349

Services began: 1987.

Environmental services: Risk financing.

Other services: General risk management consulting.

Staff: Five total; two environmental professionals, both principal consultants. Professional designations include one ARM, two CPCUs.

Specialties: Municipal solid waste management.

Service area: Nationwide.

Compensation: On retainer; by the hour.

Officers: Lorene R. Larrabee, president; Richard F. Larrabee.

Contact: Lorene R. Larrabee.

Morrow & Associates International Inc.

581 C Countryclub Drive, Newark, Ohio 43023; 614-344-6971; fax: 614-344-5915

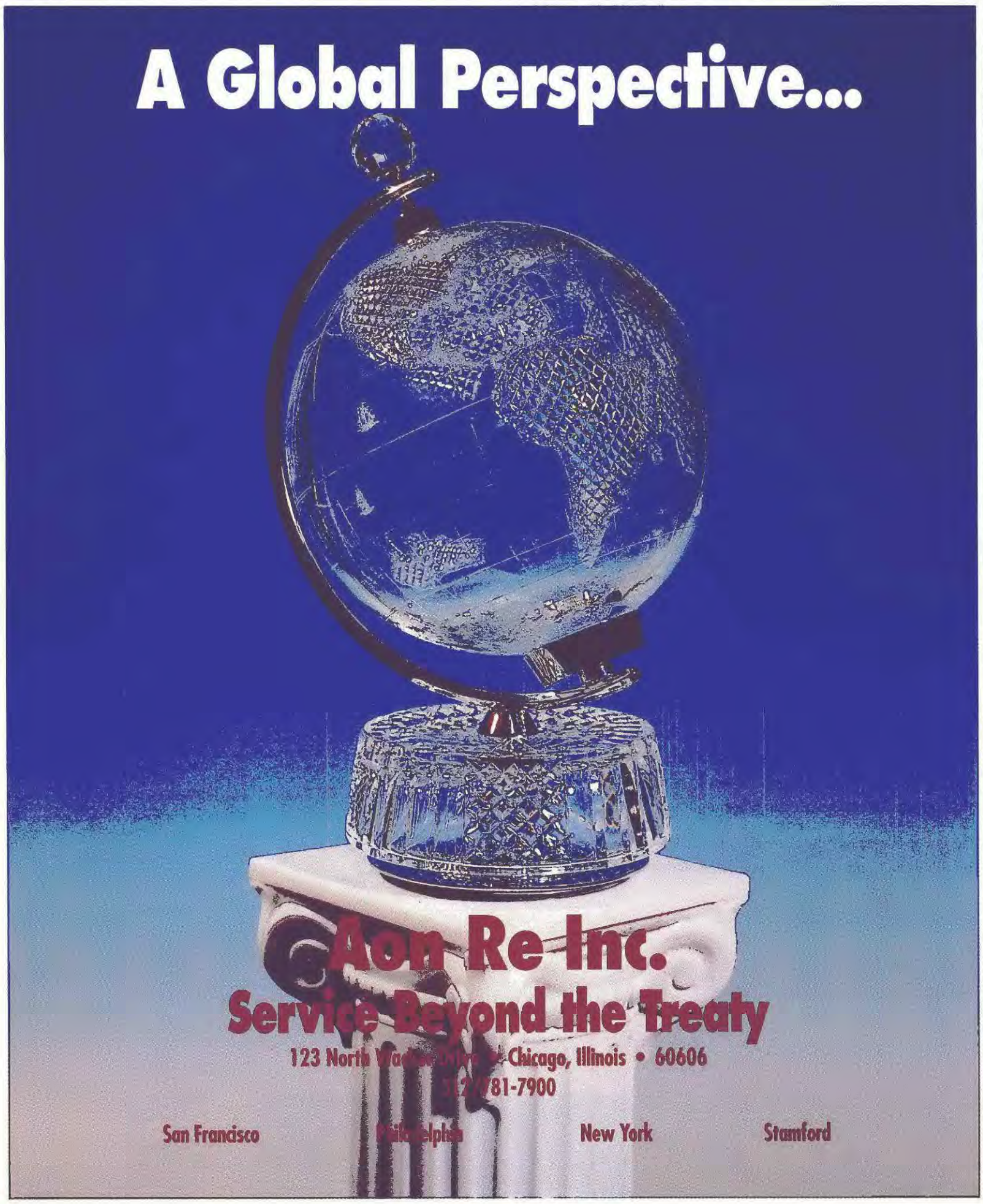
Services began: 1989.

Environmental services: Risk financing.

Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.

Staff: One total, a principal consultant.

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Clients: Five total environmental consulting clients.
Service area: Nationwide.
Compensation: By the hour: $150.
1993 gross revenues: $150,000 total, 100% from unbundled environmental risk management consulting.
Officers: James C. Morrow, president.

N

NATLSCO, A Kemper Risk Management Services Co.

1 Kemper Drive, Long Grove, Ill. 60049-0075; 708-320-4901; fax: 708-320-4330

Founded: 1968.
Parent: Kemper National Insurance Co.
Services: Safety audits/reviews-evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; behavioral programs.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; industrial hygiene laboratory; environmental services; EPA compliance; perception surveys.
Specialties: National and international corporations.
Offices: Los Angeles; Summit, Nev.
Officers: C.D. Sullivan, chairman/CEO; F.G. Minchk, president; A.O. Odom, vp-technical services; G.J. Krafcisin, vp-industrial hygiene laboratory.
Contact: Jack Kester, manager-technical sales/marketing, 703-320-2620.

NES Inc./Integrated Environmental Services Division

44 Shelter Rock Road, Danbury, Conn. 06810; 203-796-5279; fax: 203-792-3168

Services began: 1990.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis, UST management and removal, training, project management; occasional waste minimization plans, litigation support, public health risk assessment, risk financing.
Other services: Frequent remediation activities, radiological services; occasional consulting to insurers and public policy makers.
Staff: 200 total; 25 environmental professionals. Professional designations include 4 PEs.
Clients: 17 total environmental consulting clients; all corporate/institutional clients.
Specialties: Manufacturing, real estate.
Branch offices: Cincinnati.
Service area: Nationwide.
Compensation: By the project; by the hour: $30 to $80.
1993 gross revenues: $20 million total, 10% from unbundled environmental risk management consulting.
Officers: William J. Manion, president; Francisco Trejo, vp/general manager; David M. Jurasek, controller/secretary/treasurer.
Contact: Francisco Trejo.

Normandeau Associates

25 Nashua Road, Bedford, N.H. 03110; 603-472-5191; fax: 603-472-7052

Services began: 1970.
Parent: Thermo Process Systems.
Environmental services: Frequent real estate audits, ecological risk, hydrogeological surveys, environmental impact assessment, indoor air, industrial hygiene, air monitoring; occasional manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers, marine surveys, water quality assessment, discharge permitting, wetlands studies; occasional remediation activities, general risk management consulting.
Staff: 240 total; 10 environmental professionals including six principal consultants, four consultants. Professional designations include two PEs, one CPG, one attorney.
Clients: 800 total environmental consulting clients.
Specialties: Utilities, state federal government, hazardous waste sites.
Branch offices: Richmond, Calif.; Yarmouth, Maine; Middleboro, Mass.; Hampton, N.H.; Lakewood, N.J.; Peekskill, N.Y.; Drumore and Spring City, Pa.; Greenville and New Ellenton, S.C.; Brattleboro, Vt.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $45 to $125.

1993 gross revenues: $8.5 million total, 60% from unbundled environmental risk management consulting.

Officers: Pamela S. Hall, Peter C. Kinner, Robert Blye, John W. Shipman, Paul Harmon.

Designations include Professional Engineer (PE); Certified Professional Geologist (CPG); Attorney; Associate in Risk Management (ARM); Chartered Property/Casualty Underwriter (CPCU); and Certified Ground Water Professional (CGWP).

O

O'Connor Associates Environmental Inc.

1000, 639 5th Ave. S.W., Calgary, Alberta, Canada T2P OM9; 403-294-4200; fax: 403-294-4240

Services began: 1979.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, public health risk assessment, UST management and removal; occasional manufacturing plant audits, waste minimization plans, litigation support, regulatory and public policy analysis, risk financing, EHS audits of pesticide warehouses.
Other services: Frequent remediation activities; occasional consulting to insurers and public policy makers, training courses and seminars.
Staff: 130 total; 55 environmental professionals including 15 principal consultants, 40 consultants. Professional designations include 18 PEs, 8 CPGs, one ARM.
Clients: 200 total environmental consulting clients; 100 corporate/institutional clients.
Specialties: Petroleum, chemical, transportation, financial and insurance.
Branch offices: Edmonton, Alberta; Vancouver, British Columbia; Winnipeg, Manitoba; Toronto, Ontario; Regina,

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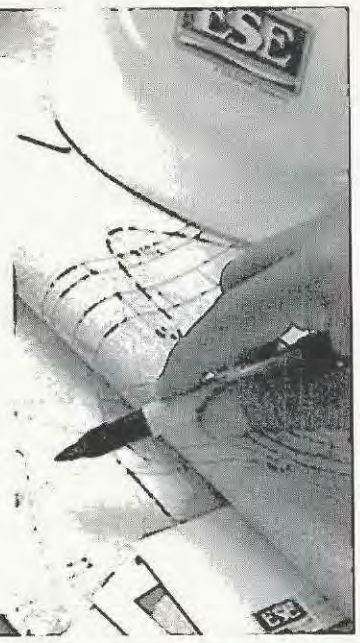
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Saskatchewan; Kuala Lumpur, Malaysia.

Service area: Canada and Southeast Asia.

Compensation: By the project; on retainer; by the hour: $50 to $125.

1993 gross revenues: $14 million total, 96% from unbundled environmental risk management consulting.

Officers: M.J. O'Connor, president; J.G. Agar, treasurer; R.D. King, secretary; R.C. McKee, J.G. Hawkins, associates.

Contact: Robert Matthews, 204-489-2964.

P

PACS Laboratory Inc.

6125 Tuscawaras Road, Industry, Pa. 15052; 412-457-6576; fax: 412-457-1214

Services began: 1985.

Environmental services: Frequent real estate audits, training courses, laboratory testing, manuals, software; occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, UST management and removal.

Other services: Occasional remediation activities, consulting to insurers and public policy makers, general risk management consulting, laboratory testing, data quality evaluations, books.

Staff: 20 total; including six principal consultants, four consultants. Professional designations include two PEs, one CPG, one attorney.

Clients: 35 total environmental consulting clients.

Specialties: Real estate evaluation, laboratory, pilot plant operations, activated carbon industry.

Branch offices: Cleveland.

Service area: Nationwide.

Compensation: By the project.

1993 gross revenues: 20% from unbundled environmental risk management consulting.

Officers: Henry Nowicki, president; Barbara Nowicki, treasurer/secretary; Dan Carlig, vp-marketing; BIll Parves, director-technical services.

Contact: Henry Nowicki.

PDC Technical Services Inc.

P.O. Box 9071, Peoria, Ill. 61612-9071; 309-676-4893; fax: 309-672-2726

Services began: 1988.

Parent: Coulter Cos. Inc.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal, waste characterization and development of waste management alternatives; occasional waste minimization plans, litigation support, regulatory and public policy analysis.

Other services: Frequent remediation activities, chemical analysis of waste and environmental media, installation of storage tanks; occasional consulting to insurers and public policy makers.

Staff: 74 total; Five environmental professionals including one principal consultant, four consultants. Professional designations include two PEs.

Clients: 125 total environmental consulting clients; 70 corporate/institutional clients.

Compensation: By the hour: principal consultant, $85 to $95; consultant, $55 to $70.

1993 gross revenues: 10% from unbundled environmental risk management consulting.

Officers: Royal J. Coulter, president; Ronald G. Alderfer, vp/general manager; Steven C. Davison, secretary/treasurer.

Contact: Ron Alderfer, 309-688-0760, or George Armstrong.

PRA Group

2495 Industrial Parkway W., Hayward, Calif. 94545; 510-732-9895; fax: 510-732-0289

Services began: 1969.

Environmental services: Design and analysis of remediation plans, waste minimization plans, litigation support, regulatory and public policy analysis, UST management and removal.

Other services: Frequent remediation activities, design, permitting, ESA I and II; occasional consulting to insurers and public policy makers, general risk management consulting.

Staff: 35 total; 10 environmental professionals including five principal consultants, two consultants. Professional designations include 10 PEs, seven CPGs, one attorney.

Branch offices: Fresno, Los Angeles, Petaluma, Pleasant Hill, Sacramento, San Luis Obispo and Tennessee, Calif.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: $55 to $135.

1993 gross revenues: $4 million total, 95% from unbundled environmental risk management consulting.

Officers: Donald Poindexter, Bruce J. Murphy, I. Dean Affeldt and John F. Hicks.

Contact: Bruce J. Murphy.

PRC Environmental Management Inc.

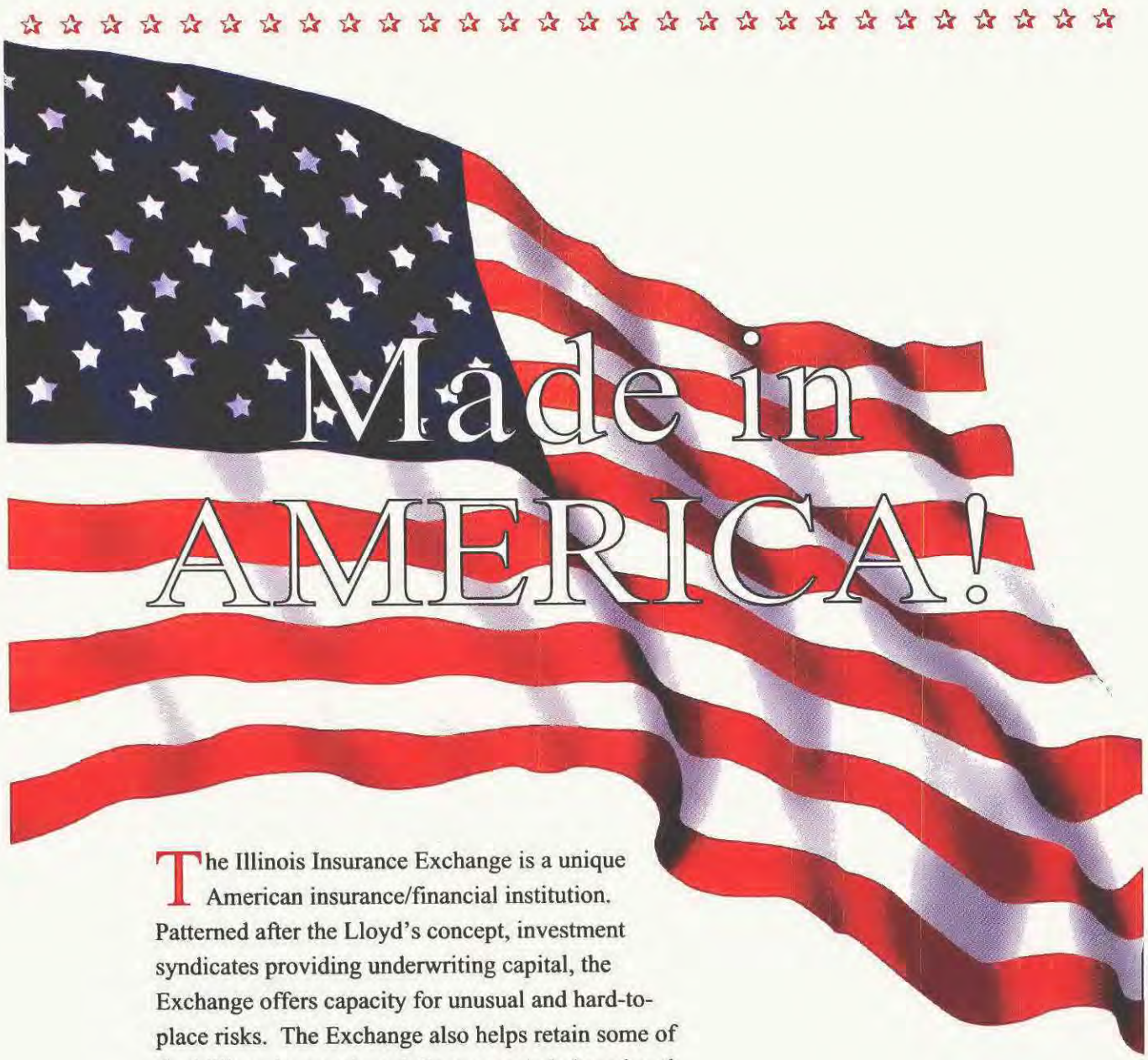
233 N. Michigan Ave., Suite 1621, Chicago, Ill. 60601; 312-856-8700; fax: 312-938-0118

Services began: 1982.

Parent: Black & Decker Corp., PRC Inc.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health

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risk assessment, regulatory and public policy analysis, UST management and removal, training and technology transfer, waste management, recycling, permitting support, oceanographic studies, occupational health and safety international services, ground water modeling, hydrologic investigations, engineering design; occasional manufacturing plant audits, risk financing.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, construction management, risk assessments, feasibility studies, remedial design, training, air quality studies, environmental impact analysis; occasional general risk management consulting.

Staff: 800 total, all environmental professionals including 250 principal consultants, 550 consultants. Professional designations include 55 PEs, 35 CPGs, 10 attorneys, three ARMs.

Specialties: Federal, state, local and international governments.

Branch offices: 30 offices worldwide.

Compensation: By the hour.

1993 gross revenues: $100 million total, 90% from unbundled environmental risk management consulting.

Officers: Dr. Thomas Brisbin, president; Michael J. Nigro, Daniel Chow, Ed Didomenico, vps; Robert Van Osten, chief financial officer.

Contact: Mark Johnson, 703-556-2852.

Parsons Engineering Science Inc.

100 W. Walnut St., Pasadena, Calif. 91124; 818-440-6000; fax: 818-440-6195

Services began: 1946.

Parent: The Parsons Corp.

Environmental services: Frequent manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal; occasional real estate audits, litigation support.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.

Staff: 2,113 total; 719 environmental professionals. Professional designations include 532 PEs, 137 CPGs, 4 attorneys, 50 CGWPs.

Clients: 802 total environmental consulting clients; 773 corporate/institutional clients.

Specialties: Electronics and communications, food and beverage, metals finishing and electroplating, petrochemicals, petroleum refining, pulp and paper, utilities.

Branch offices: Phoenix; Alameda, Berkeley, Monterey, Sacramento, San Diego, Calif.; Denver; Jacksonville, Orlando, Tampa, Fla.; Atlanta; Oak Brook, Ill.; Baton Rouge, La.; Boston; Detroit; St. Louis, Mo.; Raleigh/Durham, N.C.; Syracuse, N.Y.; Cleveland; Cincinnati; Oak Ridge, Tenn.; Austin, Houston, San Antonio, Texas; Salt Lake City; Fairfax, Va.; Richland, Wash.

Service area: Nationwide.

Compensation: By the hour.

1993 gross revenues: $200 million total, 22% from unbundled environmental risk management consulting.

Officers: J.H. Bennett, president; A.W. Loven, executive vp; D.D. Templeman, D. Burstein, E. Cramsie, senior vps.

Contact: A.W. Loven.

Peake Engineering Inc.

3111 Vandiver Drive, Marietta, Ga. 30066; 404-977-5313; 404-565-5425

Services began: 1988.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, UST management and removal; occasional regulatory and public policy analysis, risk financing.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.

Staff: 2 total; both environmental professionals and principal consultants. Professional designations include 2 PEs.

Clients: 100 total environmental consulting clients; 100 corporate/institutional clients.

Specialties: manufacturing, printing, food.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour: $125 to $200.

1993 gross revenues: $250,000 total, 100% from unbundled environmental risk management consulting.

Officers: Drew Peake, president.

Phase One Inc.

85 Argonaut, Suite 190, Aliso Viejo, Calif. 92656; 714-457-0097; fax; 714-457-8586

Services began: 1990.

Environmental services: Frequent real estate audits; occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, project management of investigatory and remediation projects.

Other services: Frequent environmental consulting to insurers and public policy makers.

Staff: 30 total; 6 environmental professionals. Professional designations include 1 PE, 1 CPG.

Clients: 700 total environmental consulting clients; 600 corporate/institutional clients.

Branch offices: San Ramon, Calif.; Princeton, N.J.; Seattle.

Service area: Nationwide.

Compensation: On retainer.

1993 gross revenues: $1.5 million total, 60% from unbundled environmental risk management consulting.

Officers: Eric D. Kieselbach, president/CEO; Wayne H. Nastri, senior vp-operations; Nadine Kieselbach, secretary; Colin Wigglesworth, treasurer.

Contact: Eric Kieselbach.

Pinnacle Environmental Group Inc.

6800 Wales Road, Northwood, Ohio 43619; 419-661-1506; fax: 419-661-1508

Services began: 1990.

Environmental services: Frequent real estate audits, UST management and removal; occasional design and analysis of remediation plans, waste minimization plans, litigation support.

Other services: Frequent remediation activities; occasional environmental consulting to insurers and public policy makers.

Staff: 10 total; four environmental professionals including one principal consultant, three consultants. Professional designations include one CPG.

Clients: 38 total environmental consulting clients, all corporate and institutional clients.

Compensation: By the project; by the hour: principal consultant, $85 to $110; consultant, $55 to $80.

1993 gross revenues: $1.5 million total, all from unbundled environmental risk management consulting.

Officers: Michael V. Glaze, president; Glen A. Taylor, vp; Frances F. Glaze, secretary/treasurer.

Malcolm Pirnie Inc.

102 Corporate Park Drive, White Plains, N.Y. 10602; 914-694-2100; fax: 914-694-9286

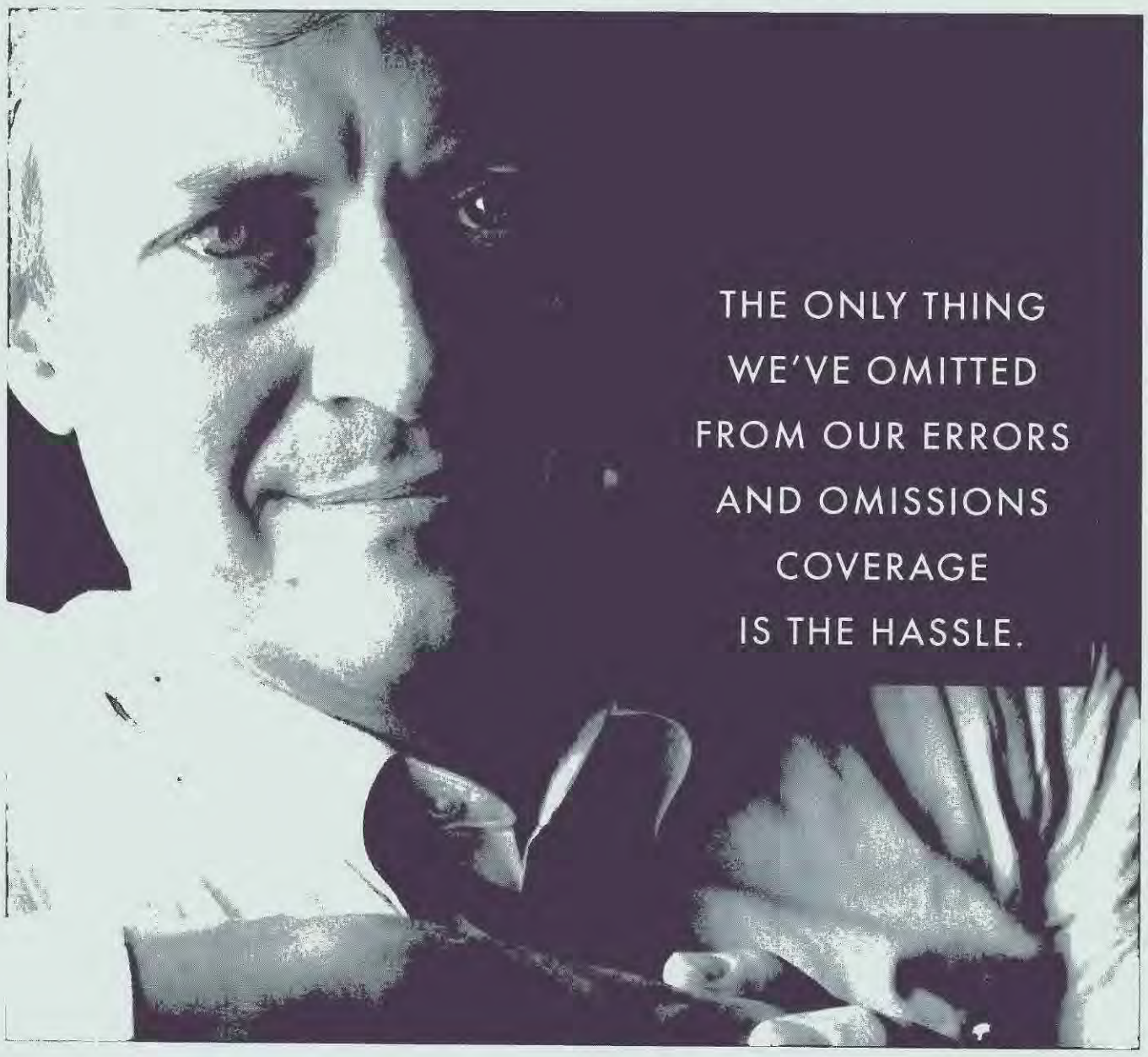
Services began: 1929.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assess-

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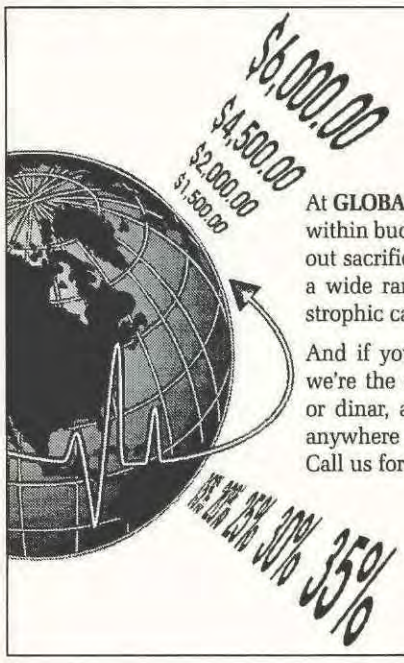


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ment, UST management and removal; occasional regulatory and public policy analysis.

Other services: Occasional environmental consulting to insurers and public policy-makers.

Staff: 1,039 total; 616 environmental professionals including 155 principal consultants, 461 consultants. Professional designations include 278 PEs, 22 CPGs, three attorneys, one CGWP.

Clients: 2,000 total.

Specialties: Pharmaceuticals, chemicals, mining, petrochemicals, food, paper, textiles, metal finishings, state and local governments.

Branch offices: 24 offices nationwide.

Compensation: By the project; on retainer; by the hour: principal consultant, $122 to $200; consultant, $53 to $125.

1993 gross revenues: $119 million total.

Officers: John H. Foster, Paul L. Busch, Garret P. Westerhoff, Daniel R. Shevchik.

Contact: Judy Berkun, manager-corporate communications.

Professional Liability Risk Management Ltd.

214 Bronson Road, Syracuse, N.Y. 13219-1408; 800-323-7475; fax: 315-488-3963

Services began: 1986.

Environmental services: Frequent design and analysis of remediation plans, waste minimization plans, litigation support, risk financing, insurance coverage disputes; occasional manufacturing plant audits.

Other services: Frequent general risk management consulting; occasional EPA approval certification, asbestos conversion to glass.

Staff: 4 total; 2 environmental professionals including 1 principal consultant, 1 consultant. Professional designations include 1 PE, 1 attorney.

Clients: 14 total environmental consulting clients; 10 corporate/institutional clients.

Specialties: Design professionals, engineers and architects.

Service area: Nationwide.

Compensation: By the hour: $50 to $75.

1993 gross revenues: 100% from unbundled environmental risk management consulting.

Officers: Eli Parposon III, president.

Professional Risk Management Inc.

9971 Valley View Road, Suite 203, Eden Prairie, Minn. 55344; 612-829-8922; fax: 612-829-8924

Services began: 1988.

Environmental services: Occasional real estate audits, manufacturing plant audits, risk financing.

Other services: Frequent general risk management consulting.

Staff: 1 total. Professional designations include ARM, CPCU.

Clients: 31 corporate/institutional clients.

Specialties: Manufacturing, real estate, public entities, medical.

Service area: Nationwide.

Compensation: By the hour: $95 to $195.

Officers: Carl F. Lidstrom, president.

R

Radian Corp.

P.O. Box 201088, Austin, Texas 78720-1088; 512-454-4797; fax: 512-454-7129

Services began: 1969.

Parent: Hartford Steam Boiler Inspection & Insurance Co.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, training, compliance software, compliance procedure manuals; occasional litigation support, UST management and removal, risk financing.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy-makers, general risk management consulting, monitoring, modeling, environmental data management, control technology evaluation/troubleshooting, permitting, waste management, wastewater treatment design.

Staff: 2,000 total; 200 environmental professionals including 50 principal consultants, 150 consultants. Professional designations include 186 PEs, 51 CPGs, six attorneys, one CGWP.

Clients: 800 total environmental consulting clients; 50 corporate/institutional clients.

Specialties: Fortune 1000 industrial companies.

Branch offices: 21 offices nationwide; Calgary, Regina and Toronto, Canada; Santiago, Chile; Nantes, France; Hong Kong; Mexico City and Monterrey, Mexico; Madrid, Spain; Bangkok, Thailand; London.

Service area: Nationwide.

Compensation: By the project; by the hour.

1993 gross revenues: $208 million total, 31% from unbundled environmental risk management consulting.

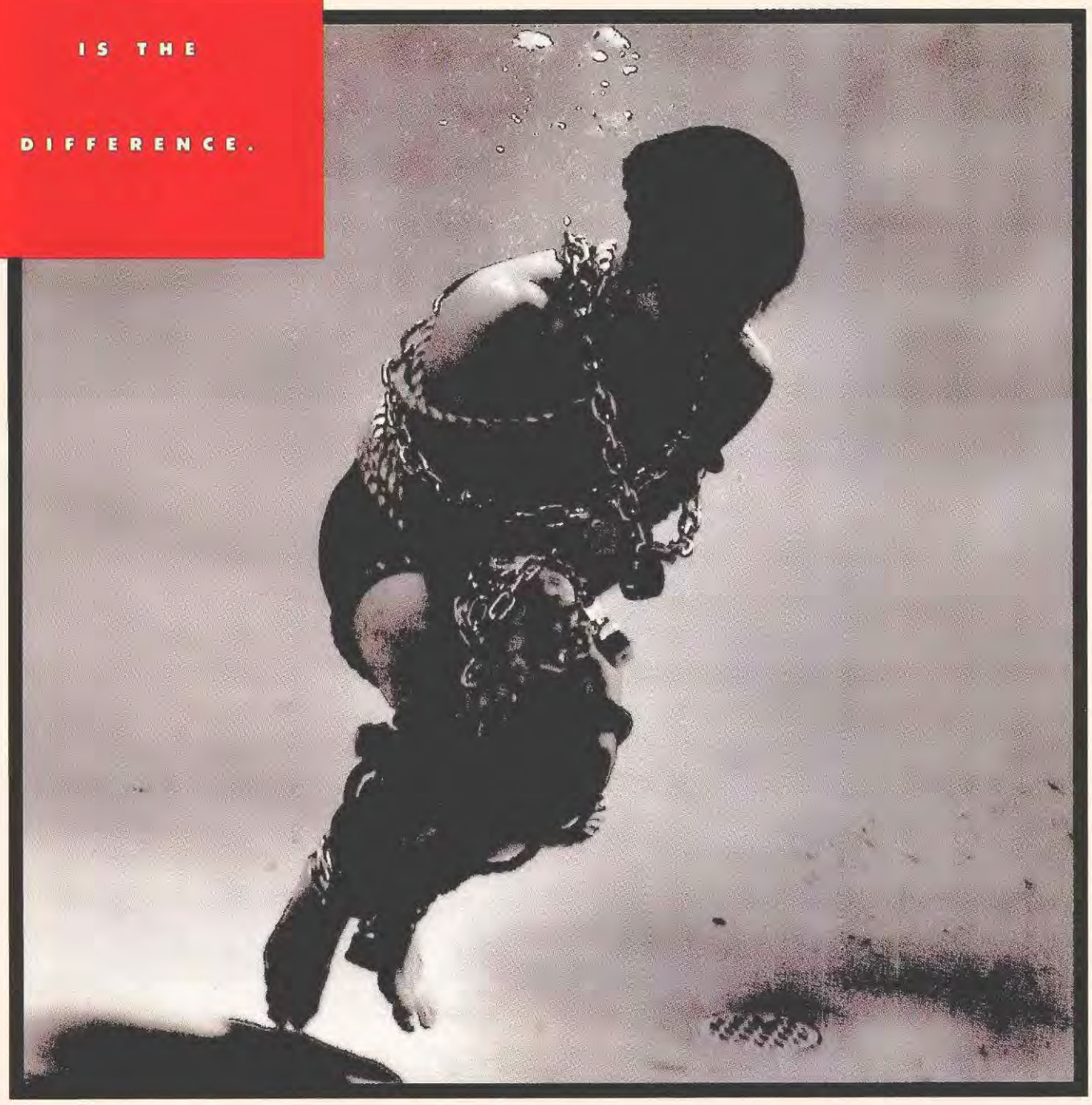
Officers: Donald M. Carlton, president/CEO; P.E. Hudson, W.N. Kocurek, F.S. LaGrone, R.M. Wells, senior vps.

Contact: Susan R. Fernandes, vp.

Continued on next page

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Continued from previous page

Risk International Services Inc.

320 Springside Drive, Suite 250, Akron, Ohio 44333-2435; 216-666-2556; fax: 216-666-0842

Services began: 1986.
Parent: International Marine Casualty Services.
Environmental services: Frequent insurance archaeology, insurance claims recoveries, consulting on Superfund Reauthorization and the Environmental Insurance Resolution Fund; occasional litigation support, risk financing.
Other services: Frequent general risk management consulting.
Staff: 44 total; 31 environmental professionals including eight principal consultants, eight consultants. Professional designations include five attorneys, one CPCU.
Clients: 30 total environmental consulting clients; 18 corporate/institutional clients.
Branch offices: Houston, Salt Lake City.
Service area: Nationwide.
Compensation: By the project; by the hour: $55 to $150.
Officers: Del R. Jones, chairman; David C. Hatch, president; Douglas L. Talley, vp/counsel.
Contact: Douglas L. Talley.

Risk Management Associates

Academic Suites, 13 Franklin Circle, Northboro, Mass. 01532; 508-393-2519; fax: 508-393-1467

Services began: 1972.
Parent: Independent Insurance Auditing Inc.
Environmental services: Frequent real estate audits, manufacturing plant audits; occasional design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, risk financing, archeological insurance analysis.
Other services: Frequent general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: Four total; three environmental professionals including one principal consultant.
Clients: Seven total environmental consulting clients.
Specialties: Petroleum, chemical.
Compensation: On retainer; by the hour: $90 to $125.
1993 gross revenues: 80% from unbundled environmental risk management consulting.
Officers: Edward V. Harding, proprietor; Joan M Harding, president.

Risk Management Technologies Inc./RTM Communications Inc.

1020 N. Fairfax St., Alexandria, Va. 22314; 703-549-0977; fax: 703-548-5945

Services began: 1987.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis, risk financing; occasional litigation support, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, conferences and training, management of Environmental Environmental Bankers Assn.; occasional remediation activities.
Staff: 11 total; 11 environmental professionals including seven principal consultants, four consultants.
Clients: 43 total environmental consulting clients; 35 corporate/institutional clients.
Specialties: Banking; institutional investors; investment bankers; SIC 20-39 companies including chemical, automotive and petroleum; flexible packaging; aluminum; aerospace and waste management.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour.
1993 gross revenues: 73% from unbundled environmental risk management consulting.
Officers: Dean Jeffery TeLego, president/CEO; Tacy Cook, executive vp; Charles Ellis, vp.
Contact: Dean Jeffery TeLego or Tacy Cook.

Risk Science Inc.

11166 Main St., Suite 110, Fairfax, Va. 22030; 703-591-0113; fax: 703-591-9595

Services began: 1981.
Environmental services: Frequent real estate audits, manufacturing plant audits, waste minimization plans, litigation support, UST management and removal, risk financing; occasional design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: Eight total; including eight principal consultants. Professional designations include two PEs, two CPGs, one attorney, two CGWPs.
Clients: 300 total environmental consulting clients; all corporate/institutional clients.
Specialties: Industry and insurance underwriters of environmental impairment liability policies.
Branch offices: Sydney, Australia; Copenhagen, Denmark.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour: $65 to $150.
1993 gross revenues: $1 million total, 60% from unbundled environmental risk management consulting.
Officers: Robert M. Kube, president/chief technical officer; Jeff A. Lalande, executive vp.
Contact: Jeff A. Lalande.

Warren Rogers Associates

747 Aquidneck Ave., Middletown, R.I. 02842; 401-846-4747; fax: 401-847-8170

Services began: 1979.
Environmental services: Frequent litigation support, UST upgrading evaluations, UST monitoring; occasional regulatory and public policy analysis.
Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 24 total; six environmental professionals including one principal consultant, three consultants.
Specialties: Petroleum marketers, rental car companies, trucking companies, environmental insurance, public agencies.
Service area: Worldwide.
Compensation: By the hour: $95 to $300.
1993 gross revenues: $1.4 million total, 14% from unbundled environmental risk management consulting.
Officers: Warren F. Rogers, president; William P. Jones, executive vp; Jill B. Jones, vp.

Rollins Hudig Hall Risk Management Services

Strandgade 4C, Copenhagen, Denmark DK-1401K; 45-32-96-96-64; fax: 45-32-96-96-34

Services began: 1991.

Continued on next page

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Contact Dick Marshall 1 (800) 482-2726 ext. 297

Continued from previous page

Parent: Rollins Hudig Hall (Scandinavia).

Environmental services: Occasional real estate audits, manufacturing plant audits, regulatory and public policy analysis, risk financing, due diligence investigations related to purchase of industrial properties.

Other services: Frequent general risk management consulting; occasional environmental consulting to insurers and public policy-makers.

Staff: Six total; one environmental professional, a principal consultant.

Clients: Three total environmental consulting clients, all are corporate and institutional.

Specialties: Manufacturing.

Compensation: By the project; by the hour: principal consultant, $150 to $200.

1993 gross revenues: $400,000 total, 10% from unbundled environmental risk management consulting.

Officers: Niels de Bang, Lone Hertz, Stuart Henney.

Contact: Stuart Henney or Kell Kvist.

SE Technologies Inc.

1370 Washington Pike, Bridgeville, Pa. 15017; 412-221-1100; fax: 412-257-6093

Services began: 1977.

Parent: Vanadium Enterprises Corp.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, public health risk assessment, UST management and removal (via subcontractor); occasional manufacturing plant audits, waste minimization plans, litigation support, regulatory and public policy analysis, ecological risk assessment.

Other services: Frequent industrial hygiene, air quality compliance, indoor air quality, solid waste management, groundwater investigations, wetlands, stormwater management, site planning training, regulatory compliance, lead paint management, process safety; occasional consulting to insurers and public policy-makers.

Staff: 330 total; 50 environmental professionals including 25 principal consultants, 10 consultants. Professional designations include 33 PEs, three CPGs.

Specialties: Utilities, manufacturing.

Branch offices: Bridgeville, Pa.

Service area: Nationwide.

Compensation: By the project; by the hour: $42 to $58.

1993 gross revenues: $35 million total, 97.5% from unbundled environmental risk management consulting.

Officers: Alexis Tsaggaris, president/CEO; Paul Fallert, vp/CEO; Bal Gupta, exeuctive vp; E.J. Duckett, senior vp; Leslie J. Ward, group vp.

Contact: Gary W. Hamonai.

Sandler Occupational Medicine Associates Inc.

275 Broadhollow Road, Suite 302, Melville, N.Y. 11747; 516-756-2204; fax: 516-756-2213

Services began: 1983.

Environmental services: Frequent manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis; occasional real estate audits.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, training, computer applications and literature research.

Staff: 65 total; 54 environmental professionals including four principal consultants, 50 consultants. Professional designations include one PE.

Clients: 200 total environmental consulting clients; 75 corporate/institutional clients.

Specialties: Manufacturing, insurance.

Branch offices: Rockville, Md.; Philadelphia.

Service area: Nationwide.

Compensation: By the project; on retainer; by the hour.

Officers: Howard M. Sandler, president; Sheldon H. Rabinovitz, Richard S. Blume, vps; Amaila C. Apostoleris, director.

Contact: Kelly Clark, marketing coordinator.

Sedgwick Environmental Services

3401 W. End Ave., Nashville, Tenn. 37203; 615-298-1414; fax: 615-278-1120

Parent: Sedgwick Group P.L.C.

Environmental services: Frequent manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, risk financing, contractual reviews, environmental strategic planning, environmental risk identification and risk control; occasional real estate audits, waste minimization plans, litigation support.

Other services: Frequent environmental consulting to insurers and public policy-makers, general risk management consulting, environmental training and program development, environmental claims handling for USTs, design of owner controlled programs for remediation projects.

Staff: 25 total; 20 environmental professionals including eight principal consultants, 12 consultants. Professional designations include nine PEs, two CPGs, four attorneys, eight ARMs, five CPCUs, one CGWP.

Clients: 150 total environmental consulting clients; 56 corporate/institutional clients.

Specialties: Public entities, retail and service, manufacturing, construction, health care institutions and providers, real estate, insurance, finance.

Branch offices: Irvine and Los Angeles, Calif.; Denver; Orlando, Fla.; Atlanta; Chicago; Detroit; Boston; Portland, Ore.; Harrisburg and Philadelphia, Pa.; Columbia, S.C.; Memphis, Tenn.; Dallas; Arlington, Va.; Seattle and Spokane, Wash.; Melbourne, Australia; Calgary and Toronto, Canada; London.

Service area: Worldwide.

Compensation: By the project; on retainer; by the hour: principal consultant, $150 to $200; consultant, $115 to $150.

1993 gross revenues: 60% from unbundled environmental risk management consulting.

Officers: Donna Herrmann, managing director-U.S.; Steve Osselton, national director-Canada; Nick Chipman, managing director-London.

Contact: Donna Herrmann, 615-783-2503.

Skelly & Loy Inc.

2601 N. Front St., Harrisburg, Pa. 17110-1185; 717-232-0593; fax: 717-232-1799

Services began: 1969.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, regulatory and public policy analysis, UST management and removal; occasional litigation support, public health risk assessment.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.

Staff: 158 total; 18 environmental professionals including 18 consultants. Professional designations include nine PEs, five CPGs.

Clients: 306 total environmental consulting clients; 76 corporate/institutional clients.

Branch offices: Monroeville, Pa.

Service area: Nationwide.

Compensation: By the project.

1993 gross revenues: $14 million total, 25% from unbundled environmental risk management consulting.

Officers: LeRoy D. Loy, CEO; Michael D. Loy, president; John W. Gunnett, Sandra Loy, executive vps.

Contact: Sandra Loy.

Superior Environmental Corp.

2201 Wolf Lake Road, Muskegon, Mich. 49442-4845; 616-788-5558; fax: 616-788-5450

Services began: 1989.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis, UST management and removal, risk financing, due diligence for property transfers, toxicology studies; occasional litigation support, public health risk assessment.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers.

Staff: 130 total; 120 environmental professionals including 20 principal con-

Continued on next page

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LINDSEY MORDEN

Continued from previous page
sultants, 100 consultants. Professional designations include four PEs, nine CPGs.

Clients: 350 total environmental consulting clients; 325 corporate/institutional clients.

Specialties: Financial institutions, insurers, legal, property development, industry.

Branch offices: Bay City, Brighton, Grand Rapids and Kalamazoo, Mich.; Tallmadge, Ohio; Waukesha, Wis.

Service area: Great Lakes region.

Compensation: By the project; by the hour: $30 to $120.

1993 gross revenues: $14 million total, 60% from unbundled environmental risk management consulting.

Officers: James R. Quince, president; Mark Stewart, executive vp; Vaughn Quince, vp-administration; Robert Clark, chief financial officer; James Pratt, vp-business development.

Contact: James Pratt.

T

Terracon Environmental Inc.

16000 College Blvd., Lenexa, Kan. 66219; 800-595-4368; fax: 913-492-6472

Services began: 1980.

Parent: The Terracon Cos. Inc.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, UST management and removal; occasional waste minimization plans, regulatory and public policy analysis.

Other services: Frequent environmental consulting to insurers and public policy makers; occasional remediation activities.

Staff: 581 total; 114 environmental professionals including 14 principal consultants, 100 consultants. Professional designations include 23 PEs, 9 CPGs, two CGWPs.

Clients: 1,000 total environmental consulting clients.

Branch offices: Tucson, Ariz.; Springdale, Ark.; Colorado Springs, Denver, Fort Collins, Greeley, Longmont and Northglenn, Colo; Boise, Idaho; Bloomington, Lake Zurich, Naperville, Rock Island and Rockford, Ill.; Cedar Falls, Cedar Rapids, Davenport, Des Moines and Storm Lake, Iowa; Topeka and Wichita, Kan.; White Bear Lake, Minn.; Kansas City and St. Louis, Mo.; Billings, Mont.; Lincoln and Omaha, Neb.; Oklahoma City and Tulsa, Okla.; Las Vegas; Dallas/Fort Worth, Texas; Salt Lake City; Cheyenne, Wyo.

Service area: Central and western United States.

Compensation: By the project; by the hour: $68 to $130.

1993 gross revenues: $40 million total.

Officers: John Hartwell, Bob Sholar, division managers.

Contact: Keith Mudy, director-marketing.

Tiller Consulting Group Inc.

99 Trent Drive, St. Louis, Mo. 63124; 314-567-7480

Services began: 1986.

Environmental services: Frequent risk financing, actuarial analysis of environmental losses.

Other services: Frequent environmental consulting to insurers and public policy makers.

Staff: Two total; both environmental professionals and principal consultants.

Specialties: Insurers.

Service area: Nationwide.

Compensation: By the hour.

Officers: Margaret W. Tiller, president; Michael H. Tiller, principal.

Contact: Margaret W. Tiller.

Tillinghast, a Towers Perrin Co.

245 Park Ave., New York, N.Y. 10167; 212-490-3460; fax: 212-351-4157

Services began: 1990.

Parent: Towers Perrin.

Environmental services: Frequent regulatory and public policy analysis, risk financing, analysis of risk premiums in the transfer of environmental liabilities; occasional litigation support.

Other services: Frequent environmental consulting to insurers and public policy makers; general risk management consulting; actuarial, claims management and general management consulting.

Staff: 288 total; one environmental professional, a principal consultant.

Clients: 79 total environmental consulting clients; 22 corporate/institutional clients.

Branch offices: Irvine and San Francisco, Calif.; Denver; Hartford and Stamford, Conn.; Atlanta; Jacksonville, Fla.; Chicago; Kansas City, Kan.; Boston; Minneapolis; St. Louis; Saddle Brook, N.J.; Philadelphia; Dallas; San Antonio; Arlington, Va.; Buenos Aires, Argentina; Melbourne and Sydney, Australia; Hamilton, Bermuda; Montreal and Toronto, Canada; Paris; Cologne and Frankfurt, Germany; Hong Kong; Milan, Italy; Tokyo; Mexico City; Amsterdam, Netherlands; Madrid, Spain; Geneva, Switzerland; London.

Service area: Worldwide.

Compensation: By the hour: $140 to $350.

1993 gross revenues: $50.2 million total, 0.8% from unbundled environmental risk management consulting.

Officers: Mike Tuohy, managing principal; John Tierney, managing principal-property/casualty division; Patricia

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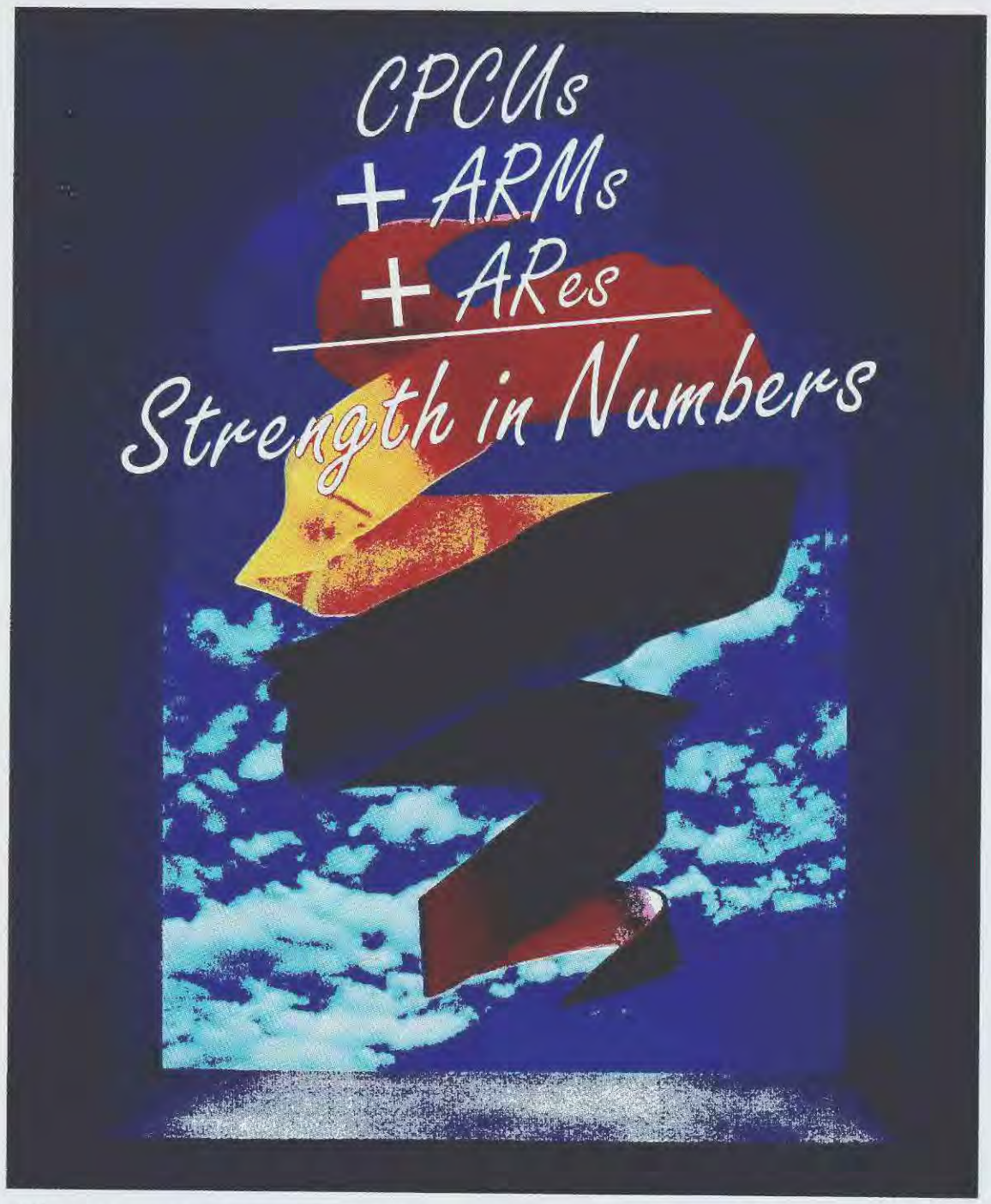
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Continued from previous page
Guinn, managing principal-life division; Jerry Miccolis, risk management leader.
Contact: Amy S. Bouska, 612-897-3300.

The Traverse Group Inc.
3772 Plaza Drive, Ann Arbor, Mich. 48108-3341; 313-747-9300; fax: 313-747-9229

Services began: 1975.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, environmental risk management advisory service, environmental wellness programs for risk reduction and compliance; occasional risk financing.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, research and development of remediation technologies, environmental impact and feasibility studies, air compliance audits, regulatory compliance assessments/audits.
Staff: 60 total; six environmental professionals including two principal consultants. Professional designations include two PEs.
Specialties: Industrial, manufacturing and automotive.
Branch offices: Traverse City, Mich.
Service area: Nationwide.
Compensation: By the project; on retainer; by the hour.
1993 gross revenues: $5 million total, 30% from unbundled environmental risk management consulting.
Officers: John M. Armstrong, CEO; Jeffrey B. Martin, general manager; Laura A. Armstrong, vp-business development.
Contact: Laura A. Armstrong.

Trinity Consultants Inc.
12801 N. Central Expressway, Suite 1200, Dallas, Texas 75243; 214-661-8100; fax: 214-385-9203

Services began: 1974.
Environmental services: Frequent regulatory and public policy analysis; occasional litigation support, public health risk assessment.
Other services: Occasional general risk management consulting.
Staff: 95 total; 67 environmental professionals including 8 principal consultants, 59 consultants. Professional designations include two PEs.
Clients: 246 total environmental consulting clients; 243 corporate/institutional clients.
Branch offices: Fort Collins, Colo.; Atlanta; Kansas City, Kan.; Baton Rouge, La.
Service area: Nationwide.
Compensation: By the hour: $52 to $150.
1993 gross revenues: $5.6 million total, 70% from unbundled environmental risk management consulting.
Officers: Richard H. Schulze, president; Deborah K. Fusselman, secretary; Mark J. Van De Casteele, treasurer; Jay Hoffman, Mark Johnson, regional managers.

V

Vista Environmental Information Inc.
5060 Shoreham Place, Suite 300, San Diego, Calif. 92122; 619-450-6100; fax: 619-450-6195

Services began: 1989.
Environmental services: Frequent environmental risk information management services.
Other services: Frequent environmental consulting to insurers and public policy-makers; general risk management consulting; information products and reports for risk underwriting, claims review and portfolio analysis.
Staff: 150 total.
Clients: 2,000 total environmental consulting clients; 300 corporate/institutional clients.
Specialties: Environmental engineers, real estate investors, securities, insurance, corporate accounts.
Branch offices: Exton, Pa.
Service area: Nationwide.
Compensation: By the project.
1993 gross revenues: $8 million total.
Officers: Thomas R. Gay; Gary S. Mertz, vp-operations; Donald R. Coley, vp-marketing; Anwar H. Bhimani, CFO.

W

Kenneth H. Wells & Associates Inc.
3300 S. Parker Road, Suite 200, Aurora, Colo. 80014; 303-337-0400; fax: 303-337-1650

Services began: 1982.
Environmental services: Analysis and funding of cleanup costs.
Other services: General risk management consulting.
Staff: 64 total; three environmental professionals, all principal consultants. Professional designations include one attorney.
Clients: Six total environmental consulting clients.
Specialties: Insurance, engineering, accounting.
Branch offices: Los Angeles and Sacramento, Calif.; Denver; Atlanta; St. Louis; Albuquerque, N.M.; New York; Seattle.
Service area: Nationwide.
Compensation: By the project.
1993 gross revenues: $8.5 million total.
Officers: Scott Hamilton, corporate vp; Joseph M. Costello, president; Larry Ruder, Harold Kaufman, Jeff Bowers, regional vps.
Contact: Joseph M. Costello.

Roy F. Weston Inc.
1 Weston Way, West Chester, Pa. 19380-9845; 610-701-3000; fax: 610-701-3186

Services began: 1955.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, UST management and removal, risk financing, occupational health/medicine consulting; occasional litigation support, regulatory and public policy analysis.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy-makers, general risk management consulting.
Staff: 2,800 total. Professional designations include 200 PEs, 100 CPGs, four attorneys, three CGWPs.
Branch offices: Auburn, Ala.; Burbank and Walnut Creek, Calif.; Lakewood, Colo.; Rocky Hill, Conn.; Tallahassee, Fla.; Norcross, Ga.; Chicago and Vernon Hills, Ill.; Rockville, Md.; Wilmington, Mass.; Okemos, Mich.; Concord, N.H.; Edison, N.J.; Albuquerque, N.M.; Carle Place, New York and Valhalla, N.Y.; Morrisville, N.C.; Cincinnati; Oak Ridge, Tenn.; Houston; San Antonio; Virginia Beach, Va.; Seattle.
Service area: Worldwide.
Compensation: By the project; by the hour.
1993 gross revenues: $314 million total, 9% from unbundled environmental risk management consulting.
Officers: A. Frederick Thompson, chairman; William J. Marrazzo, president/CEO; Peter J. Marks, executive vp/COO; Steven C. Vorndran, executive vp-corporate development/president-Weston International Inc.; M. Christine Murphy, executive vp/CFO.

Willis Corroon Environmental Risk Management Services
26 Century Blvd., Nashville, Tenn. 37214; 615-872-3200; fax: 615-872-3333

Services began: 1989.
Parent: Willis Corroon Corp.
Environmental services: Frequent risk financing, regulatory and public policy analysis, environmental risk management manuals; occasional real estate audits, manufacturing plant audits.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, contract analysis, due diligence and compliance assessments.
Staff: Seven total; five environmental professionals, all consultants. Professional designations include one PE, three attorneys, two ARMs, two CPCUs.
Specialties: Manufacturers, chemical, construction, contractors, financial.
Service area: Nationwide.
Compensation: By the project; by the hour: $150 to $300.
1993 gross revenues: $1.6 billion total, less than 1% from unbundled environmental risk management consulting.
Officers: Roger Elliot, executive chairman; Richard Miller, CEO; Richard Dalzell, CFO; Max Taylor, COO.
Contact: Anne Simmons.

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Consultants

Continued from page 3

Within this specialized market, some insurers have developed even narrower niches. For example, in the late 1980s, a special risk purchasing group—Professional Liability Assurance Society Inc.—was launched to provide professional liability coverage for smaller consulting firms—those with 20 or fewer consultants.

That program, whose policies are written by Homestead Insurance Co., now insures more than 1,000 consulting firms, said Doug Rigdon, president of Rigdon, Powers & Gioia in Naperville, Ill., which administers the purchasing group program.

No one knows the approximate—let alone the exact—size of the nation's business consulting industry.

At one extreme, are the so-called "exotic" consultants.

Underwriting manager Shand Morahan, for example, has written, quoted or bound coverages for such diverse advisers as mushroom consultants and a crop consultant who advises farmers on which seeds to use, recalled Mr. Moore. Shand Morahan is the underwriting manager for Evanston Insurance Co., which along with Shand Morahan is part of Markel Corp.

But many business advisers fall into much broader categories, including management consulting and environmental consulting.

In some cases, professional liability insurers have customized policies for specific types of consulting. In other cases, coverage is provided through a miscellaneous professional liability policy.

Underwriters agree that as more insurers have entered the consultants E&O coverage market, prices have remained flat or declined slightly.

But that doesn't mean policies are inexpensive.

One common yardstick is that the premiums equal roughly 1% to 3% of a consultant's revenues. Minimum premiums typically range from $2,500 to $5,000, though minimums can be considerably less for "lower risk" consultants, such as personnel and other management consultants, and can be much higher for environmental consultants. Policies are typically written on a claims-made basis.

Regardless of the cost, some consultants view E&O coverage as an absolute business must.

"Every professional who gives advice is exposed to lawsuits" and you need protection, said David Warren, an independent risk management consultant in Orinda, Calif. Mr. Warren purchases an E&O policy with a $500,000 limit from Homestead Insurance Co.

"You can be the best consultant in the world and still face a claim. Just for defense costs, which even for a small claim can be $150,000 and more, you need coverage," said C.C. Griffin, president of Warren, McVeigh & Griffin. The Newport Beach, Calif.-based risk management consulting firm currently has a $2 million professional liability insurance policy written by National Union Fire Insurance Co. of Pittsburgh, Pa., an AIG unit.

But not all consultants, especially new or very small firms, believe E&O coverage is a necessity.

"I don't buy it. The best insurance is not to make mistakes," said Donald Grubbs, president of Grubbs & Co. Inc., a small benefits consulting firm in Silver Spring, Md.

"It comes down to trust," said Glenn Bonci, an independent benefit consultant in Seattle who also does not purchase E&O coverage. If there is a problem with a client, Mr. Bonci said, the differences should be able to be worked out without litigation, although that may mean more effort or work for the consultant.

Other consultants say market forces have prevented them from purchasing coverage.

Margaret Tiller, president of Tiller Consulting Group Inc. in St. Louis, recalled that when she started her two-person risk management consulting firm, insurers weren't willing to write coverage for a new firm.

"They wanted a track record," she said.

Later, insurers would give the firm quotes, but either the limit they were willing to write was too low or there were too many exclusions or deductibles that were too high, she said.

Some consultants have no choice: their clients insist they purchase E&O coverage.

Robert Sargent, president of Tennant Risk Services Inc., a Hartford, Conn.-based broker, related how a state agency insisted that a consultant it retained to write a history of the agency purchase E&O coverage.

While that is an unusual case, banks and other lenders routinely insist that consulting engineers retained to evaluate sites for environmental and other potential problems obtain E&O coverage, said Roger Haynes, a managing executive with Sedgwick Financial Risk Specialists in Boston.

"Clients have been aggressive that environmental consultants carry coverage," said Ken Berger, an assistant vp with Zurich-American Specialties in New York.

Aside from the size of a consulting firm, the revenues it generates and claims history, insurers say experience and membership in professional organizations are considered in setting premiums.

"We want to see a resume. We want to know how much experience a consultant has in the field," said Steve Kalberer, a divisional vp in the New York office of National Union.

But the most important variable is the type of consulting that is performed. At the lowest end of the liability exposure scale—and therefore with lower E&O premiums—are personnel consultants.

Moving up the consulting field risk and premium ladder, in order, would be: office design, which includes advising companies on designing their working environment; computer and software; so-called turnaround consultants brought in to help get a company out of severe financial difficulty; and environmental.

But a consultant's risk level can change. For example, building design consultants faced greater exposures after the Americans with Disabilities Act was enacted, which imposed new penalties on building owners whose properties are inaccessible to disabled individuals.

And, in the latest twist in the environmental consulting field, Sedgwick soon will unveil a new contingent liability insurance program that would protect a bank if it sought damages from a consulting engineer but couldn't collect because of problems with the engineer's insurance policies. BI

Continued from previous page

Kenneth L. Woodruff & Associates

P.O. Box 42, Morrisville, Pa. 19067; 215-736-2194; fax: 215-736-2225

Services began: 1983.
Environmental services: Frequent manufacturing plant audits, waste minimization plans; occasional real estate audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, UST management and removal.
Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: Four total; three environmental professionals including one principal consultant, two consultants. Professional designations include one PE.
Clients: 25 total environmental consulting clients; all corporate/institutional clients.
Specialties: Recycling, solid waste management, resource recovery.
Service area: Nationwide.
Compensation: By the hour: $75 to $95.
1993 gross revenues: $260,000 total, 100% from unbundled environmental risk management consulting.
Officers: Kenneth L. Woodruff, principal consultant.

Woodward-Clyde Group Inc.

4502 S. Ulster St., Suite 600, Denver, Colo. 80237; 303-740-2600; fax: 303-740-2650

Services began: 1975.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment; occasional regulatory and public policy analysis, UST management and removal, risk financing.
Other services: Occasional remediation activities.
Staff: 2,500 total. Professional designations include 225 PEs, 17 CPGs, three attorneys, four CGWPs.
Clients: 5,000 total environmental consulting clients.
Branch offices: 54 offices nationwide; Adelaide, Brisbane, Darwin, Melbourne, Perth and Sydney, Australia; Paris; Frankfurt, Hannover, Lausitz and Wuppertal, Germany; Hong Kong; Jakarta, Indonesia; Milano, Italy; Kuala Lumpur, Malaysia; Mexico City; Auckland and Christchurch, New Zealand; Manila, Philippines; Honiara, Solomon Islands; Barcelona, Spain; Lausanne, Switzerland.
Service area: Worldwide.
Compensation: By the project; by the hour.
1993 gross revenues: $280 million total, 25% from unbundled environmental risk management consulting.
Officers: Frank Waller, chairman; Jean-Yves Perez, CEO; Robert Wilson, CFO; Richard Millet, chief practice officer; J. David Dean, senior vp-marketing.

Y

Yankus Associates

3820 Vardon Court, Woodridge, Ill. 60517; 708-416-1898

Services began: 1988.
Environmental services: Frequent environmental safety consulting; occasional manufacturing plant audits.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: Four total; three environmental professionals including one principal consultant, two consultants.
Clients: Five total environmental consulting clients; all corporate/institutional clients.
Specialties: Construction, manufacturing, insurance services.
Service area: Nationwide.
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Law firms come out of the S&L shadow

Soft market sets in following big ticket settlements

By DEBORAH SHALOWITZ COWANS

Competition from new entrants in the attorneys professional liability insurance market is driving rates down for most law firms.

Competitive pricing ended a period of rate hardening in the early 1990s that followed insurers' payments of hefty settlements on behalf of law firms that worked for failed savings and loan institutions.

And, capacity remains plentiful, with no tightening of policy terms or conditions.

"The market in general for the last two years has been a moderately soft market," stated Mark H. Berens, who is chairman and chief executive officer of Attorneys' Liability Assurance Society Inc. in Chicago.

Cumulatively over the past two years, rates for attorneys professional liability coverage have dropped 15% to 20%, he estimated.

"There are a lot of players going in and out (of the market). . .(which is) sort of muddying the waters," said Thomas Berman, a principal at Thomas Berman & Associates, a San Francisco risk management consulting firm. As a result, the market is "unstable and extraordinarily dollar-wise competitive."

With more insurers willing to write the coverage, the soft market seems to extend to nearly all areas of the country and all kinds and sizes of law firms, experts agreed.

Only in Texas, where courts are considered favorably disposed toward plaintiffs, are rates hardening, noted Bill White, executive vp of broker Poe & Brown Inc. in Tampa, Fla.

For small law firms of between one and five attorneys, "the market is very, very competitive," stated Peter Wood, assistant general manager of the Assn. of Trial Lawyers Assurance, (A Mutual Risk Retention Group), in Chicago. While ATLA Mutual has not reduced its rates, newcomers, which generally are large, domestic admitted insurers, have entered the field with low rates, he said.

However, the previously accepted theory that smaller firms are safer risks than larger firms has not proved to be true, Mr. White said. There is an "awful lot of claims activity in the one-man firms," he explained. "Over the long haul, the larger firms (of more than 10 lawyers) are proving to be a lot better (risks) than people thought they were."

Even law firms with a bad claims history or those with hard-to-place risks, such as more than 20% of gross billings generated from a plaintiff bodily injury practice, are enjoying a buyers' market, commented Jeffrey Rubin, senior counsel of wholesaler Shand, Morahan & Co. Inc. in Evanston, Ill. "Rates have certainly flattened out" for these kinds of firms, he said.

And, experts foresee the soft market continuing for the next couple of years.

"Intense competition and new markets all rallying for existing accounts may prevent lawyers professional liability prices from firming anytime soon," said Pat Reid, product line manager for lawyers professional liability insurance at Scottsdale Insurance Co. in Scottsdale, Ariz.

However, many experts said that the field's new players are selling the coverage too cheap and the market will not sustain these price levels for more than a couple of years.

"The feeling of the people in the marketplace, including reinsurance underwriters, (is that) they think the new markets coming into the United States probably are underpricing" the coverage and will not be able to hold down rates for more than two years, Mr. Berens said.

"In a claims-made environment, you can charge whatever you want for a couple of years" until the claims start coming in, agreed Mr. White of Poe & Brown.

"I would expect that in two to three years some of the (new) companies will have huge loss ratios, and then they'll disappear" from the market, predicted Mr. Sterger.

The major losses sustained by some law firms involved with failed savings and loan institutions does not seem to have had a long-term effect on the market.

"The savings and loan losses for law firms have been, in general, less than what was expected," commented ALAS' Mr. Berens. The failure of several savings and loan institutions "doesn't have any measurable impact on current rates or rates to be," Mr. Berens said.

For law firms currently working for banking or other financial institutions, "newer claims are transactional claims," not claims due to institutional failure, Mr. Berens explained.

These kinds of claims are "more benign in their scope" and easier to defend, he added.

In recent years, several law firms have settled lawsuits involving their work with failed savings and loan institutions for big money: $51 million in one case, $45 million in another case and $41 million in a third case (*BI*, Oct. 4, 1993).

Some insurers remain gun-shy about covering professional services provided by a law firm for financial and securities institutions, some experts said.

Shand Morahan's Mr. Rubin said he has heard that some insurers are excluding from coverage practice areas involving banking or securities work.

And Mr. Berman said professional liability coverage for firms working with financial and securities companies is harder to get than for other practice areas.

As is common in a competitive market, capacity for attorneys professional liability coverage is plentiful.

"There's all kinds of capacity," stated Mr. Sterger. "Capacity is not a problem."

"There is plenty of capacity out there," agreed Mr. White.

Primary and excess coverage with an aggregate limit of $75 million is readily available, Mr. Berens said. "Above that gets sticky."

However, an aggregate limit of $75 million should be enough for most law firms, he added. BI

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Experts watching bank D&O exposure with interest

Conditions could spawn host of claims, observers say

By DAVE LENCKUS

Financial institutions are ecstatic over the recent turnaround in the directors and officers liability insurance market, but market experts fear where banks' D&O risks could be heading.

Because of banks' relatively rosy D&O loss experience picture, as well as industry consolidation, a soft market has flowered.

The shakeout of hundreds of weak banks and savings and loans since 1989 has left the banking industry in its best fiscal shape since the 1970s.

That strength pacifies shareholders. "We're certainly not seeing the increase we saw five to six years ago on claims activity" spurred by poor financial performance, said Marcia Mann, vp-middle markets for CNA Insurance Cos. in Chicago.

As a result, "right now, it's a buyer's market, and buyers can put together what they want," said Phillip K. Norton, a Chicago-based consultant responsible for the national D&O practice at The Wyatt Co.

But, with their beefed-up financial strength, financial institutions have a bigger appetite for new business, much of it in areas where they have little experience.

And mergers and acquisitions, which historically have produced D&O claims, are continuing strongly and probably will be fueled by a new federal interstate banking law.

That one-two combination, some market executives and attorneys fear, will spawn a new generation of D&O claims, whipping the life out of the market.

But, underwriters aren't scared now. Indeed, D&O market capacity for financial institutions "is probably at an all-time high," said Frederick A. Ryder, managing director of Marsh & McLennan Cos. Inc.'s financial and professional specialty insurance brokerage unit in New York.

Market experts estimate total market capacity at $550 million to $600 million, though geographic and asset-size restrictions reduce the amount available to any single bank to about $200 million to $300 million.

Still, "there's far more capacity available than any bank or financial institution is purchasing," Mr. Ryder said.

And, "capacity is growing on a daily basis," observed Jennifer McElroy, president of the financial services division of Minet Inc. in New York.

For example, CNA boosted its capacity six months ago to $25 million from $10 million. Bermuda-based group captive Bankers Insurance Co. Ltd. this summer doubled its limits to $20 million (*BI*, June 20). Bermuda-based group captive American Bankers Professional & Fidelity Insurance Co. Ltd. doubled its D&O limits to $10 million on a primary or excess basis at the beginning of the year.

The St. Paul Cos. Inc. of St. Paul, Minn., has tripled its coverage over the past two years to $15 million, and possibly higher, on a primary basis. And, Gulf Insurance Co. of New York, a subsidiary of The Travelers Inc., has increased its limits to $15 million—and possibly up to $25 million with reinsurance support—in recent years from $10 million.

A few insurers also have entered the market recently. Among the largest is Baltimore-based USF&G Corp., which in June began writing up to $10 million of primary or excess limits for small banks and thrifts.

Northland Insurance Co. of St. Paul, Minn., began writing $5 million of primary and excess coverage for small banks last year.

The increased capacity is driving competition.

Rates are dropping 5% to 10% for banks that had poor financial performances in 1991 and 1992 but have turned around their fortunes since then, Mr. Ryder said.

Rates for consistently strong banks typically are stable, though some preferred large risks are negotiating rate decreases, said Wyatt's Mr. Norton.

Competition is greatest, though, for the small community banks with between $100 million and $1 billion of assets, because of the shrinking numbers and the banks' financial strength. They generally can expect rate decreases of 10% to 15%, CNA's Ms. Mann said.

Banks also can negotiate improved terms and conditions.

For example, many insurers will pay defense and indemnity costs up front rather than require the bank to seek reimbursement, Mr. Norton said.

He also has seen insurers ease their claim-reporting requirements and refine their definitions of a claim and a wrongful act in banks' favor.

Some D&O insurers also are including personal coverage—but not entity coverage—for employment practices liability claims.

Most banks also should be able to eliminate the regulatory and insured vs. insured exclusions from their policies.

And many banks are finding lender liability coverage is more available now than it had been. But insurers are more willing to pitch out the pollution exclusion for non-corporate indemnity D&O insurance—coverage for D&O losses that the corporation is legally precluded from shouldering for its officials—than they are for corporate indemnity coverage, said Minet's Ms. McElroy.

Many risk managers, though, still are buying coverage containing such restrictive terms because they or their brokers have not researched the market adequately, according to Stephen Sills, chief underwriting officer for Executive Risk Management Associates of Simsbury, Conn., the D&O underwriting manager for Aetna Casualty & Surety Co. Executive Risk writes up to $30 million of primary or excess coverage.

And, many policies still are cancelable by insurers after a 30-day notice, he warned.

Banks that shop around also

Continued on next page

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Banks

Continued from previous page

can find some other coverage improvements.

For example, a few insurers offer a predetermined amount of D&O coverage for securities-related claims: Chubb Corp.; American International Group Inc. subsidiary National Union Fire Insurance Co. of Pittsburgh, Pa.; and Reliance National Insurance Co., a subsidiary of Reliance Group Holdings Inc.

But, D&O market experts are split over how good a deal these programs are in light of recent court rulings on allocating D&O costs between the corporation and its officials (*BI*, Dec. 27, 1993).

Some of the nation's 50 largest banks also are adopting, or at least studying, a program with roots in the early 1980s soft market that covers D&O liability, bond and professional liability risks.

A typical combination program provides $100 million of coverage over three or five years to cover any D&O, bond or professional liability claim. One of the ideas behind the program is that a financial institution with a good loss control program does not need three separate aggregate limits for those risks.

"You're really overbuying the aggregates in most years," Mr. Norton said.

The program can cut a bank's premiums by 25% to 50% and insulate it from annual renewal headaches and market fluctuations. It also can simplify claims administration because insurers on the risk do not have to determine whether a claim is a D&O or a professional liability loss.

And, with a group of insurers covering all three risks, coverage gaps are minimized.

Banks that purchase combination program limits, though, must still buy separate coverage to protect their officials from non-corporate indemnity risks, market experts stress. Without separate protection, bank officials could be fully exposed to a huge claim if the bank's combination program limits have been exhausted.

Some market experts foresee potential problems with this type of program.

Only a portion of the original limits may be available upon reinstatement, and the coverage is not cheap, Wyatt's Mr. Norton said.

Some banks, though, purchase excess limits, which is often cheaper than purchasing reinstatement limits.

John Whelan, vp-financial institutions for CNA, which has participated on combination programs but is not a market leader, is not sure whether insurers are getting an adequate premium for the coverage.

If the coverage is underpriced and big claims come in, capacity could dry up quickly, much like it did during the mid-1980s market crunch. The D&O market then was even tighter than other liability insurance markets.

"In the early '80s, problems were blamed on locking in underwriters to premiums and conditions that weren't wise and that underwriters couldn't correct soon enough," recalled attorney Dan A. Bailey of Arter & Hadden in Columbus, Ohio.

But, Kirk L. Jensen, senior vp of Johnson & Higgins of New York, doesn't foresee that problem with combination programs. "The difference here is that premiums and retentions are more realistic."

Still, there is a lot of potential for big claims, say market and legal experts.

For example, the banking industry is in the midst of a massive consolidation, and mergers and acquisitions historically have been a major source of D&O claims.

M&M's Mr. Ryder predicts the industry, which has shrunk to 10,700 banks from 12,400 in four years, will contract to 8,000 within seven years.

That consolidation could produce D&O claims by shareholders of acquired institutions who feel their banks should have disclosed merger talks sooner or negotiated a better deal.

Another potential minefield is the lucrative new services field. Banks believe that new services like securities trading will help them compete for customers who are looking for more attractive savings or investment vehicles than savings accounts and certificates of deposit.

'What's not far behind is the class actions' by loan applicants whom the banks turned away, says Ron Glancz.

Stock brokerage services expose banks to "some real risk," said attorney Ron Glancz, a partner with Venable, Baetjer, Howard & Civiletti in Washington, who represents financial institutions and insurers. "If there's a market downturn, I see the little old ladies of the world or the unsophisticated buyers saying, 'I never lost money here before, and no one asked if I had bought stock before. I thought is was part of the bank.' "

Mr. Glancz noted that those who oppose banks moving into securities trading are watching them closely and are reporting every minor violation.

Bank-run mutual funds also could spur D&O claims if clients of a bank's trust department—to whom the bank owes a fiduciary duty—lose money in a proprietary fund, Mr. Glancz said.

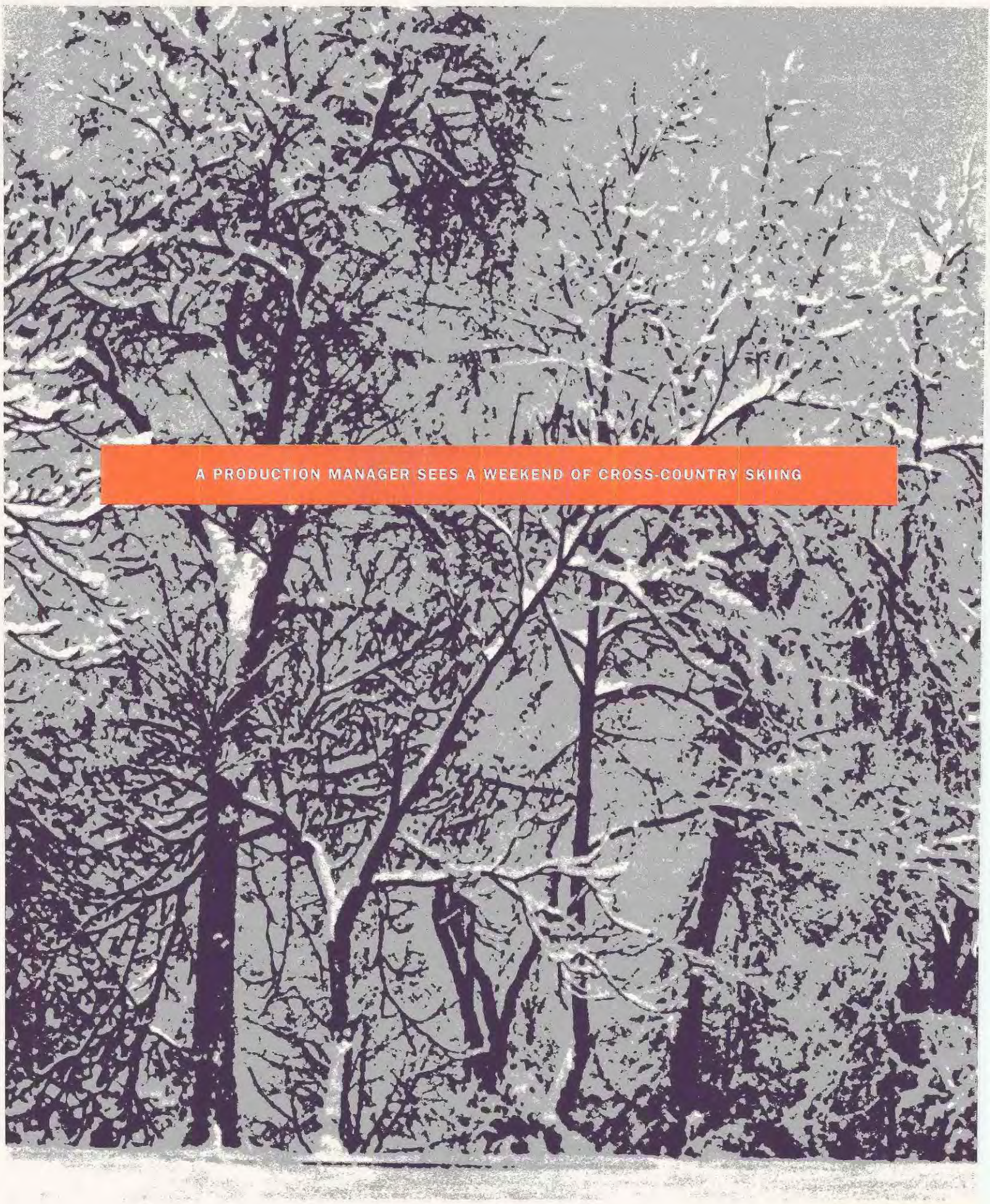
Financial derivatives also could be a breeding ground for bank D&O claims whether a financial institution offers these investments to clients or includes them in its own investment portfolio. Derivatives are largely unregulated investments that derive their value from underlying assets, like securities or currencies, or movements in interest rates or stock indexes.

Already, some clients are suing, charging that banks failed to explain the risks in derivatives (*BI*, Oct. 31).

If losses from derivatives begin surfacing in banks' own portfolios, "shareholders will say the banks shouldn't have bet on interest rates," Mr. Glancz said.

Banks also are increasingly facing some D&O risks that don't stem from mergers or new services. For example, the U.S. Justice Department and Housing and Urban Development Department increasingly are charging banks with violating fair lending laws, Mr. Glancz noted.

"What's not far behind is the class actions" by loan applicants whom the banks turned away, he said. Next, "you're going to see shareholders who will ask, 'Who was minding the store?' " BI



Suits send employers running for cover

New statutes, same old attitudes create liability woes

By MICHAEL SCHACHNER

NEW YORK—If necessity and demand truly drive supply, then it should come as no surprise that employment practices liability insurance is one of the hottest new products on the commercial market.

With employment-related litigation proliferating at breakneck rates, employers are now in a position where they must consider buying insurance to cover liabilities related to hiring, disciplining or discharging employees, said several employment practices liability and litigation experts.

Speaking earlier this month at the annual Professional Liability Underwriting Society conference, an employment practices attorney, an insurance claims specialist and an underwriting manager all emphasized that the legal climate surrounding employment practices has changed drastically in the past 15 years.

Gone are the days where employment was at will and employees accepted job termination and other forms of rejection as something they could not challenge.

Today, a number of state and federal statutes protect employees and large awards and judgments are getting more familiar. In one class-action sexual discrimination case, a jury awarded damages of $107 million against California supermarket chain Lucky Stores Inc. And just last month, a California state court in Los Angeles awarded nearly $90 million in compensatory and punitive damages to two former Hughes Aircraft Co. engineers in a race discrimination suit.

"Over the last 20 years, the federal court docket is up 125%, but employment practices cases are up 2,166%. This tells you why interest in employment practices liability insurance is up," said Cheryl Blackwell Bryson, head of the employment practices group at the law firm of Rivkin, Radler & Kremer in Chicago.

The basic federal employment discrimination law, Title VII of the Civil Rights Act of 1964, "was just the beginning" of an enormous tide that has turned against employers, said Ms. Bryson.

"Employers must understand that employment-related litigation is the fastest growing form of litigation in federal and state courts. The theories of liability are developing. Fifteen years ago there was no such thing as wrongful discharge. Now there are more negligence theories than you can count," Ms. Bryson said.

Plaintiffs lawyers have become much smarter and more aggressive about persuading lawmakers to enact laws and courts to establish precedents that favor employees.

"They have become vigilant and agitative lobbyists. The result has been a huge increase in judgments (for employees). Defending a case isn't about principle any more because the judgments are so big. The $7.2 million sexual harassment judgment against Baker & McKenzie proved that. Sexual harassment wasn't even a claim when I started practicing law," Ms. Bryson said.

The Americans with Disabilities Act, under which about 43 million Americans qualify for protection, has been the single largest headache for employers, she said. Through 1993, the Equal Employment Opportunity Commission had fielded approximately 87,000 ADA-related complaints, about 50% of which were for discriminatory termination. Now that number is approaching 100,000.

And, the EEOC now has a total backlog of nearly 100,000 unprocessed complaints, including those filed under the ADA.

"These types of claims aren't nuisance claims, either," Ms. Bryson warned. "This litigation can result in big verdicts and punitive damages. Courts have shown great sympathy toward those claiming wrongful termination, especially in whistle-blower cases."

What it has all led to, according to Ms. Bryson, is a change in attitude at most companies. "Companies are now beginning to think about how they can avoid liability."

Training supervisors is the first step, Ms. Bryson said. "Employers have to do better dealing with people. They have to stop, step back and take a close look at what they're doing." She suggested more third-party audits and internal investigations into employment practices.

And, when complaints are filed, Ms. Bryson strongly recommended that employers explore alternative dispute resolution methods rather than going into court, where judges and juries are proving themselves time and time again to be less than friendly to employers.

"ADR is a real option. The courts and the EEOC are so clogged that mediation or binding arbitration may be the best option. Because if you wait for your day in court, the clock is running on back pay and front pay," she explained.

In this dramatically different liability climate, companies need to see how coverage would respond to an employment practices verdict or settlement, added David L. Keenan, assistant vp and claims counsel with Chubb & Son Inc. in Warren, N.J.

In most cases, simple general liability insurance would not be satisfactory, he said. "GL is primarily for a fortuitous loss like bodily injury and the loss normally must arise from an occurrence like a breach of contract or an economic loss."

Courts across the country are split as to whether work-related emotional distress constitutes bodily injury. If it does, an employer may be covered under its GL policy, he said. "But generally, without some physical injury, emotional distress doesn't fall within GL."

The other area companies may be tempted to seek coverage for employment practices liability is

Continued on next page



Spotlight report

Professional liability reinsurance needs change

Insurers adapt, even merge, programs

By DOUGLAS McLEOD

NEW YORK—Buyers of professional liability reinsurance should revise the terms of their reinsurance programs as their books of business mature, one expert recommends.

An insurer with a new professional liability program should buy quota-share reinsurance for two to three years as it gets a feel for loss patterns on the business, according to Christopher E. Watson, New York-based president of Gulf Insurance Co., a specialty lines unit of The Travelers Inc.

After loss patterns are established, though, the insurer can switch to an excess-of-loss reinsurance program, which in theory should be less expensive. The key to this changeover is establishing correct attachment points and pricing for the reinsurance cover, he said.

Eventually, the insurer may even consider merging all of its programs into a single general reinsurance facility written by the same reinsurer or group of reinsurers, he told an audience at the 1994 Professional Liability Underwriting Society conference held in New York earlier this month.

Mr. Watson was one of four speakers on a panel discussing professional liability reinsurance for various lines, including medical malpractice.

Among the decisions reinsurance buyers have to make is whether to deal with direct writing or broker market reinsurers, Mr. Watson said.

"I would suggest you go one way or the other," since mixing broker and direct markets on the same program doesn't usually work well, he said.

Large ceding insurers often have their own reinsurance departments and thus may not need a broker's help, he observed.

Direct reinsurers also tend to take large lines, while placements in the broker market are divided into smaller lines spread among several reinsurers.

One advantage of this kind of broker market placement, he noted, is that the program isn't left with a large gap in coverage if a reinsurer decides to drop out.

Mr. Watson also noted several trends in the professional liability reinsurance arena, including an increased commitment by reinsurers to follow the fortunes of ceding companies. For example, reinsurers are using sliding-scale ceding commissions and profit-sharing arrangements to make their own profits conform to those of their ceding insurers, he said.

Ceding companies have also moved toward "one-stop shopping" for reinsurance, bringing all of their professional liability lines under a single excess-of-loss or stop-loss program, Mr. Watson said.

Meanwhile, the evolution of the health care industry is changing the way the medical malpractice business works, according to Robert R. Orlich, president of New York-based Transatlantic Holdings Inc.

Mr. Orlich predicted more mergers and acquisitions in the health care industry, more networking among health care providers and more health care companies going public.

The industry will also see global links among hospital and physician groups, requiring global risk management and loss control programs.

All of the new entities being formed will require not only medical malpractice coverage but also E&O, D&O and various excess reinsurance coverages, he said. "The exposures are changing, and it's making the malpractice business more volatile."

The changes will require insurers and reinsurers to expand: Malpractice underwriters that previously operated successfully in a single state will have to expand as health care groups get larger.

Underwriters will also have to expand beyond simple malpractice to include E&O and D&O lines, he added.

"No company—ceding insurer or reinsurer—can be all things to all customers," but they cannot just write malpractice coverage alone anymore, Mr. Orlich said.

All of this change is coming to a segment of the industry that has to watch its reserves carefully, he suggested: Malpractice insurers have about $20.2 billion in total reserves vs. about $4.5 billion in allocated surplus. This means that a 10% error in reserve levels would wipe out half the surplus allocated to write malpractice business, he observed.

Lawyers and accountants E&O business, meanwhile, is attracting

Continued on next page

Employment

Continued from previous page

under a directors and officers professional liability policy.

But David B. Lapin, vp-underwriting with Executive Risk Management Associates in Simsbury, Conn., warned that most D&O policies only pay on behalf of individual officers, not the corporate entity.

"Under EEOC and ADA claims, the charge is against the organization. Almost all liability falls on the entity itself. The bottom line is there's not a lot of coverage under a D&O policy for the entity," said Mr. Lapin.

Thus, Mr. Lapin suggested that employers purchase specific employment practices liability insurance. Or they can seek to amend a D&O policy with an entity employment practices liability endorsement.

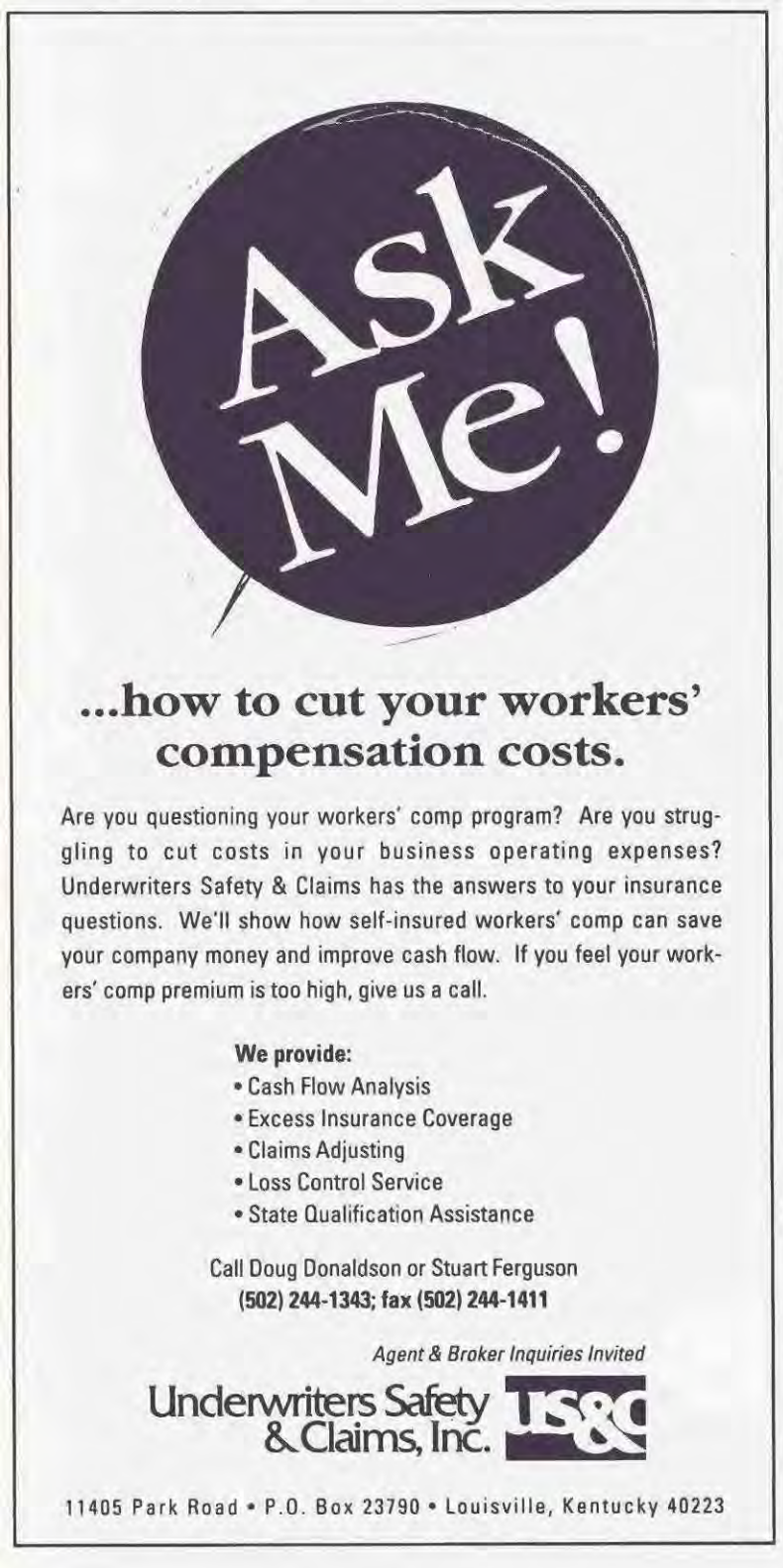
"Get all your supervisors named, amend the bodily injury/property damage exclusion so that it doesn't apply to allegations of mental anguish and amend any other exclusions so they don't apply to employment-related matters and you should be covered," he said.

Chubb's Mr. Keenan pointed out that no fewer than 10 domestic insurance companies are writing specific employment practices liability insurance with different terms.

"The policies are radically different in some cases, so you must look at them closely. Some offer very broad indemnification, while others offer only a defense against a claim," he said.

However, employers can almost always arrange coverage for liability arising from wrongful termination, breach of contract or discrimination.

"Make sure your definition of discrimination is broad, not narrow. Exclusions are critical, so be careful about language pertaining to intentional or purposeful acts," said Mr. Keenan. BI



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Attorney loss control requires overcoming 'arrogance'

By DOUGLAS McLEOD

NEW YORK—Lawyers and their insurers could easily do a better job heading off preventable liabilities, one expert says.

Law firms have long been operated as cottage industries by "arrogant" professionals who see risk management techniques as an encroachment on their turf, observed Anthony Davis, a partner with the New York firm of Fox & Horan.

"Because they are particularly arrogant, they have so far strenuously resisted the concept of loss control," Mr. Davis said at the 1994 Professional Liability Underwriting Society conference earlier this month.

Still, loss control techniques for law firms are clearly established, and professional liability insurers have a vital interest in "seeing that the arrogance of the lawyers is overcome," he said.

Legal risk management has taken on greater importance in recent years as pressures on law firms have mounted.

The curtailment of the big-ticket mergers and acquisitions business of the 1980s has taken a chunk out of many firms' revenues, he noted.

Cost-conscious clients have also rejected "traditional" law firm practices, including having multiple law firm associates working on a given case.

Law firms have also increasingly been forced to pay large settlements or jury awards in malpractice and other cases, including a rash of settlements involving law firms' work for failed savings and loan institutions.

Mr. Davis singled out one case to illustrate the need for improved legal loss control practices: The suit brought by the Office of Thrift Supervision against the New York firm of Kaye, Scholer, Fierman, Hays & Handler over the firm's work for Charles Keating's failed Lincoln Savings & Loan Assn.

The OTS sued Kaye Scholer for $275 million for allegedly withholding information about Lincoln Savings, one of the costliest failures in the S&L debacle.

The firm agreed to settle the suit in 1992 for $41 million, of which at least $20 million was insured under a professional liability program placed by Minet Holdings P.L.C. (*BI*, March 16, 1992).

The Kaye Scholer case "was an entirely preventable event given the loss-control techniques already well-understood in the legal profession," Mr. Davis said.

These techniques include:

- Proper procedures for bringing in new clients.

Regardless of pressures to generate new business, firms must assess their own competence to provide the services a client requires. They should set out in an engagement letter the scope of the services to be provided, the personnel to be assigned to the client and their expertise in the area involved, Mr. Davis said.

In the Kaye Scholer case, the partner who brought Lincoln Savings to the firm considered it simply a litigation client. If the firm had evaluated Lincoln Savings, it might have concluded that it needed to bring in partners with statutory bank regulation expertise, Mr. Davis suggested.

- Peer review of partners.

Partners with expertise that is relevant to a client's needs should be brought in to review and assist partners managing the client's work, he said.

Kaye Scholer had two lawyers who were experts in bank regulation, but "they never billed an hour" on the Lincoln Savings account, Mr. Davis said.

- Stronger firm management and risk management oversight.

Many firms, divided into fiefdoms run by individual partners, fail to enforce firmwide management controls, especially on their most prestigious and powerful partners.

Unless risk management techniques are accepted by everyone in a firm, they cannot succeed, Mr. Davis said.

There are some signs that things are changing, he noted.

"We are starting to see firms accepting on their own the need for risk management audits" before setting up risk management programs and controls, he said.

Professional liability insurers should "encourage if not compel" law firms to adopt such programs, he added. "You in the insurance profession have not just a role to play, but an obligation to play it," Mr. Davis told the PLUS conference attendees. BI

Reinsurance

Continued from previous page

new underwriters trying to establish niches for themselves in the market, according to Dennis B. Williams, vp with General Reinsurance Corp. in Stamford, Conn.

The business is attractive for several reasons, including that prices are high compared with 10 years ago and that the business can be written on a claims-made form with defense coverage within policy limits and a significant deductible or self-insured retention.

The entry of new players—which Mr. Williams said he hopes does not produce rate-cutting wars—will contribute to "churning" of business, with accounts skipping from one market to another.

Also contributing to this churning will be the withdrawal of some underwriters from the professional liability market, particularly those stung by savings and loan related losses, he said.

Jacques Bonneau, vp and chief underwriting officer of Chartwell Reinsurance Co. in Stamford, Conn., added that buyers view D&O and E&O coverages differently.

Corporate directors typically see D&O coverage as a necessity, focusing less on its cost and more on the available limits and financial stability of the D&O insurer, he said.

E&O buyers, by contrast, are more likely to weigh the cost of the coverage against the perceived need for it.

"Many buyers of professional liability may not perceive the exposures (but) they will evaluate the cost" of coverage, Mr. Bonneau observed. BI

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Cleaning up claims handling

EIL insurers can do more to help clients, lawyer says

By GAVIN SOUTER

NEW YORK—Environmental impairment liability insurers need to take a fresh look at claims handling, an insurance lawyer says.

Although legal requirements often force insurers to take a confrontational approach to environmental claims, procedures that are more helpful to policyholders need to be found, said David M. Siesko, assistant vp and counsel for the environmental, professional liability, and engineering and technology divisions of Zurich-American Specialties in New York.

Aggressive statements of rights by insurers, cumbersome coverage evaluation processes and a reluctance to offer technical expertise for fear of becoming liable for cleanups tarnish the relationships between insurers and clients, Mr. Siesko said.

To overcome the problem, insurers should distinguish old general liability problems from the new environmental products and derive a new method of dealing with claims that assists policyholders in their efforts to remediate their pollution problems, he said.

"We've concluded that something just isn't right with the handling of environmental claims," said Mr. Siesko at a conference on the Pollution Insurance Marketplace and New Developments for Integrating Environmental Risk/Claims Management, sponsored by RTM Communications Inc. late last month in New York.

While clients are more interested in meeting with claims departments and underwriters than they were in the 1980s, fundamental problems still have not been resolved.

For example, an insurer's first response to a pollution claim is usually to issue a reservation of rights letter, which acknowledges receipt of the claims, raises applicable coverage defenses and informs the policyholder that the insurer plans to investigate the claim to determine coverage, Mr. Siesko said.

The letter allows the insurer to conduct investigations without waiving its rights to later deny coverage.

"The carrier says, 'Thank you very much for the claim, we are going to review it, here are our rights and if anything comes out of it that's not right, we are going to deny the claim....' It just doesn't seem a very good way of starting a business relationship," he said.

But laws in several states prevent insurers from taking a more constructive approach to claims handling, Mr. Siesko said.

For example, Florida statutes instruct liability insurers to issue a reservation of rights notice to assert coverage defense within 30 days, and California requires prompt investigation and acceptance or denial of a claim, he said.

"Does it have to be all-encompassing? Unfortunately, with our current situation, it does," Mr. Siesko said.

In several court cases, insurers have been penalized for failing to raise coverage defenses in reservation of rights letters, he said. "We are not happy with that, but it's important you recognize that that's part of the problem."

When claims departments do start to handle claims, several issues prevent them from making speedy coverage decisions, he said.

Claims departments have to consider, among other things: whether a prior-knowledge exclusion is applicable; whether the contamination was intentional; whether the contamination is onsite or offsite; the impact of the discharge; whether the contamination was gradual or sudden; whether the nature of the risk was misrepresented; and whether there is an obligation to defend the policyholder.

"This all takes time to do," Mr. Siesko said.

Once the reservation of rights letter is issued, policyholders might think that their insurers could then use their wealth of technical expertise to help in the remediation of the polluted site. But, again insurers have their hands tied by legal difficulties, he explained.

"There are court cases out there that say that insurers that get involved risk being named as a potentially responsible party under CERCLA," he said, referring to the Superfund law.

And there are likely other cases in which insurers have extended themselves and have settled out of court, Mr. Siesko said.

Environmental claims need to be dealt with in a new light, he suggested.

"We need to realize that there's a problem," Mr. Siesko said.

Despite the legal restrictions, insurers can help improve the claims process, he said.

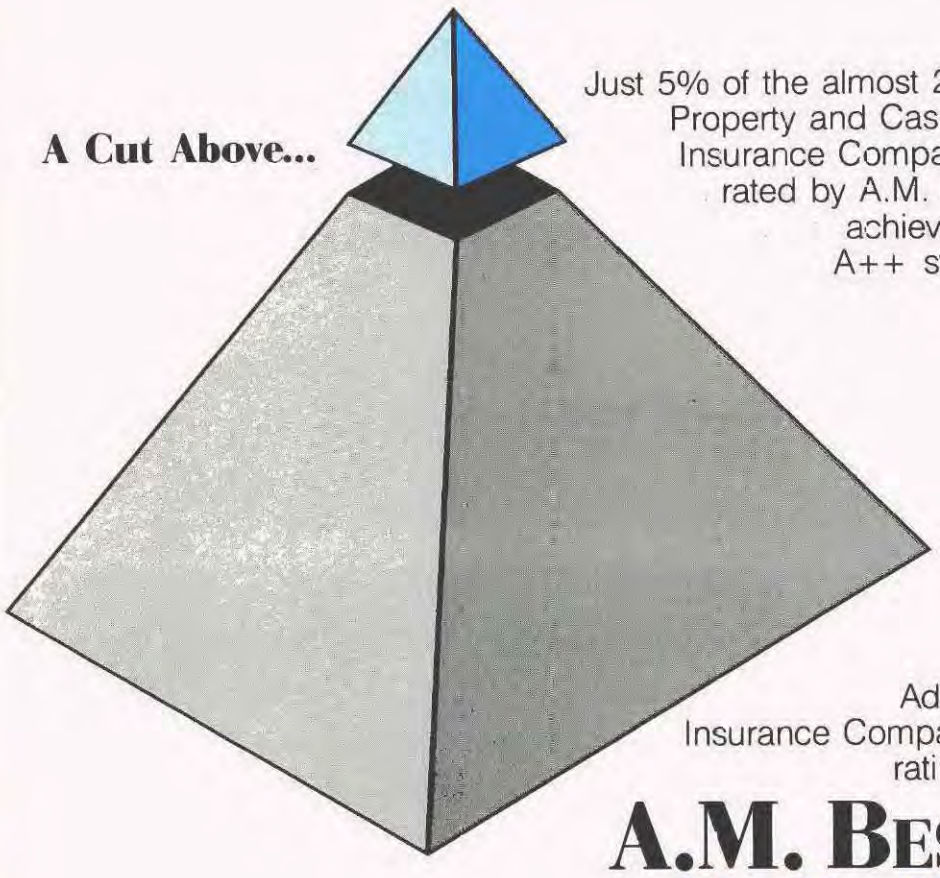
First, insurers can develop products with optional coverages that provide for predetermined approaches to cleanup issues.

Also, insurers can provide to policyholders lists of remediation contractors to choose from to help in emergencies.

And environmental impairment liability insurers should try to break away from the confines of general liability principles and the pollution exclusion, he said.

"We are allowing general liability and pollution exclusion litigation decisions to dictate how we handle a new generation of environmental claims. The current process does not allow us to make the best use of coverage dollars," Mr. Siesko said. BI

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Environmental trouble like any other risk

Risk manager is best suited to tackle job

By GAVIN SOUTER

NEW YORK—Risk managers should use their skills to deal with environmental problems actively instead of letting legal or technical colleagues try to cope with what is really a risk management problem, an environmental consultant says.

Risk management processes can largely be applied to environmental risks, just as they are applied to fire protection or other mainstream responsibilities, said David B. Kuhnke, president of Environmental Management Strategies in Simsbury, Conn., and vice chairman of the Risk & Insurance Management Society Inc.'s environmental committee.

And, several tools are available to identify and control those risks.

But, if risk managers are to transfer portions of the risks, insurers will have to do a better job of convincing risk managers that environmental impairment liability policies are worth buying, Mr. Kuhnke said.

"Many corporate risk managers have either come late to the game of environmental risk management or still believe environmen-

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tal, as an entire issue, is someone else's responsibility," he said.

Part of the reason for this is that in many companies, concern for environmental issues is driven by regulations and compliance with them.

"Legal liabilities were seen as a legal issue and control over them became the bailiwick of internal and external legal counsel," Mr. Kuhnke said at an RTM Inc. conference on pollution insurance and risk management held in New York late last month.

In other companies, technical staff members are placed in charge of environmental issues and, in still others, individual plant operators are given the responsibility, Mr. Kuhnke said.

Often the first time a risk manager hears of an environmental problem is when inquiries are made regarding insurance coverage, he said.

And costly mistakes are often made because the staff in charge of environmental issues only has short-term compliance and current cost issues driving them to act, he said.

A more broadly based, active risk management approach would be a better method of dealing with environmental risks, he maintained. "Clearly, the risk management process works as well for environmental risks as it does for fire protection, fleet safety, worker safety or product safety. The starting point is always risk identification."

First, the risk manager should identify the company's exposures. For example, identify where the company disposed of waste or chemicals. Then, find out whether the company still owns the property and whether the property is still occupied.

Or, if property is leased, the condition of the property at the beginning and the end of the lease should be determined, he said.

Also, risk managers should find out what environmental impact their operations have had on the local community and natural resources, Mr. Kuhnke said.

Outside of their company's own properties, risk managers should also investigate whether their company provides financing with property used as security or whether employees manage pension funds or assets of others that could result in fiduciary liability arising from environmental conditions or liabilities, he said.

Also, regulations should be delved into by risk managers, Mr. Kuhnke said.

"What exposures to regulations does the company face? What regulatory or administrative penalties are possible and what criminal liability exposures do employees, officers or directors face?" he asked.

Once the exposures are identified, they should be analyzed, Mr. Kuhnke said. Risk managers have several tools available to analyze the risks.

"The first set of tools are environmental audits or assessments. The subjects for these assessments run the gamut from operations compliance audits through pre-acquisition and divestment assessments to treatment, storage, disposal and transporter vendor assessments," he said.

Next, risk managers should develop a base line of standards for the company to maintain, Mr. Kuhnke said.

The standards should meet regulatory requirements and be based on a policy that fits in with a company's culture and intent, he said.

They should include: waste minimization; audits and assessments; compliance; personnel training; waste handling; emergency planning and response; and voluntary remediation, Mr. Kuhnke said.

Controlling the risks is a continuation of upholding the base line standards, he said.

Risk managers should also make sure that they continually update operations management about new risk control procedures and regulations, Mr. Kuhnke said. "If people do not know what they need to do, they will not do it."

Companies should also provide incentives to operations managers to help manage environmental risks, Mr. Kuhnke said.

For example, annual bonuses can be linked to compliance with environmental regulations and procedures.

Risk financing, the final step of the risk management process, is not straightforward for environmental risks, Mr. Kuhnke said.

Old general liability policies that do not have a pollution exclusion can be used to cover some past liabilities. In addition, some states have underground storage tank finance programs, but many of these are underfunded, he said.

Risk managers can also look for contractual risk transfers, Mr. Kuhnke said.

"For example, has a problem been caused in whole or part by a current tenant or previous property occupant, or does recourse exist against a material or waste transporter or management facility?" he suggested.

But, in terms of purchasing existing EIL policies, risk managers often find that they cannot buy the coverage they require to effectively finance their pollution risks, Mr. Kuhnke said.

"For a broader market to occur, risk managers will have to believe that there is a good and valuable benefit from purchasing EIL insurance. Right now, the majority of risk managers don't feel that way." BI

AIA

Continued from page 1
posed the idea, arguing that their companies would do better in court than under the EIRF settlement terms.

The Risk & Insurance Management Society Inc. faulted the funding proposal as an inappropriate government intrusion into private commercial disputes.

Ultimately, of course, a Superfund reauthorization bill failed in Congress over a dispute involving labor practices at certain Superfund sites (*BI*, Oct. 10).

"I think the EIRF probably was dead by the end of the last Congress," said Mr. Vagley.

He said, however, that the AIA had achieved its primary Superfund goals by convincing lawmakers that Superfund was broken and needed to be fixed, and by assuring that the AIA would be a player in the Superfund debate.

The terms of any debate, though, were fundamentally altered in the recent elections.

"The first question is not going to be how to pay for Superfund but whether there is a Superfund," said Mike McGavick, director of the AIA's Superfund Improvement Project.

Mr. McGavick said that he thinks Superfund will survive. Congress, however, may decide to give more cleanup responsibility to the states, he said. "We need to be open to radical reforms."

Eliminating retroactive liability, for instance, will be "a real possibility" with the new GOP Congress, he said.

And, the coalition of business and environmental groups that joined AIA in supporting the EIRF and other aspects of the Clinton administration's Superfund reauthorization bill is not dead, Mr. McGavick added, noting that the participants have remained in close touch.

Several other issues that highlighted the divisions within the insurance industry will probably be on the back burner in the new Congress.

On one—reform of the McCarran-Ferguson Act—the AIA had worked out a compromise provision with Rep. Jack Brooks, D-Texas. But that language was put in a health reform bill that died, as Rep. Brooks' hopes for re-election did soon after.

The new Congress shows no inclination to reform the McCarran-Ferguson Act, said David Pratt, the AIA's senior vp-federal affairs.

Similarly, AIA officials said the new Congress is unlikely to move on the federal solvency standards advocated by Rep. John D. Dingell, D-Mich., the soon-to-be former chairman of the House Energy and Commerce Committee.

Anti-redlining legislation is expected to join solvency on the back burner. "I can't even believe this Congress would bring up that kind of bill," said Mr. Pratt.

But product liability reform will likely move to the front burner, Mr. Vagley said.

The AIA had remained neutral on previous uniform product liability bills, arguing that they were still not favorable enough to business. "Product liability was a bill that was framed by political reality" in the face of a Congress controlled by Democrats, he said, but the GOP sweep might presage a "more aggressive" stance.

The GOP-dominated Congress also is likely to deal with a natural disaster preparedness bill, according to Mr. Pratt. "I think the prospects are better" now, he said. Creating a prefunded reinsurance pool appears to fit with current business and political realities, he said.

The sleeper issue of the 104th Congress could very well be banks' insurance powers, he added. Banks and other financial institutions are looking for new ways to increase profits, and getting more deeply involved in insurance could be one of them, he said. BI

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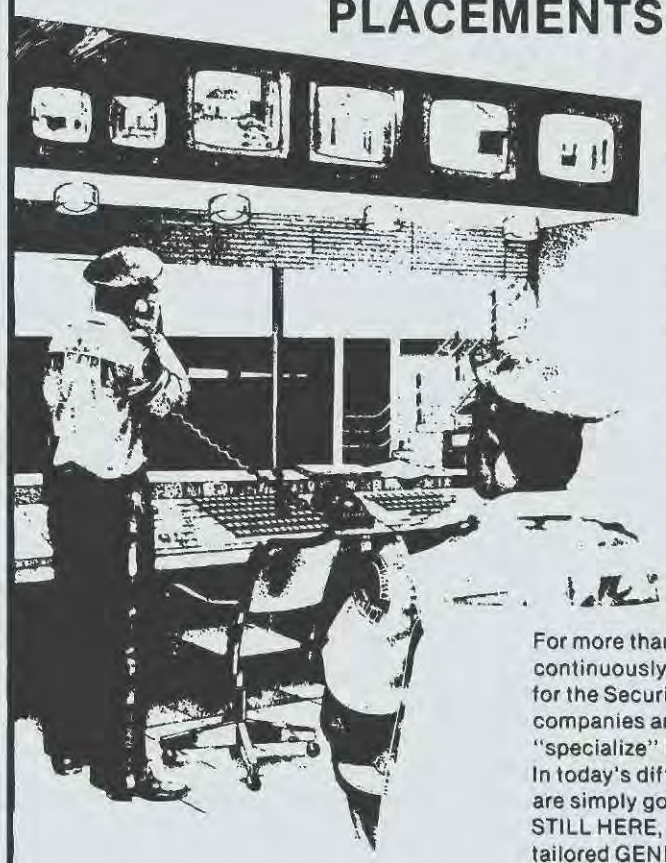
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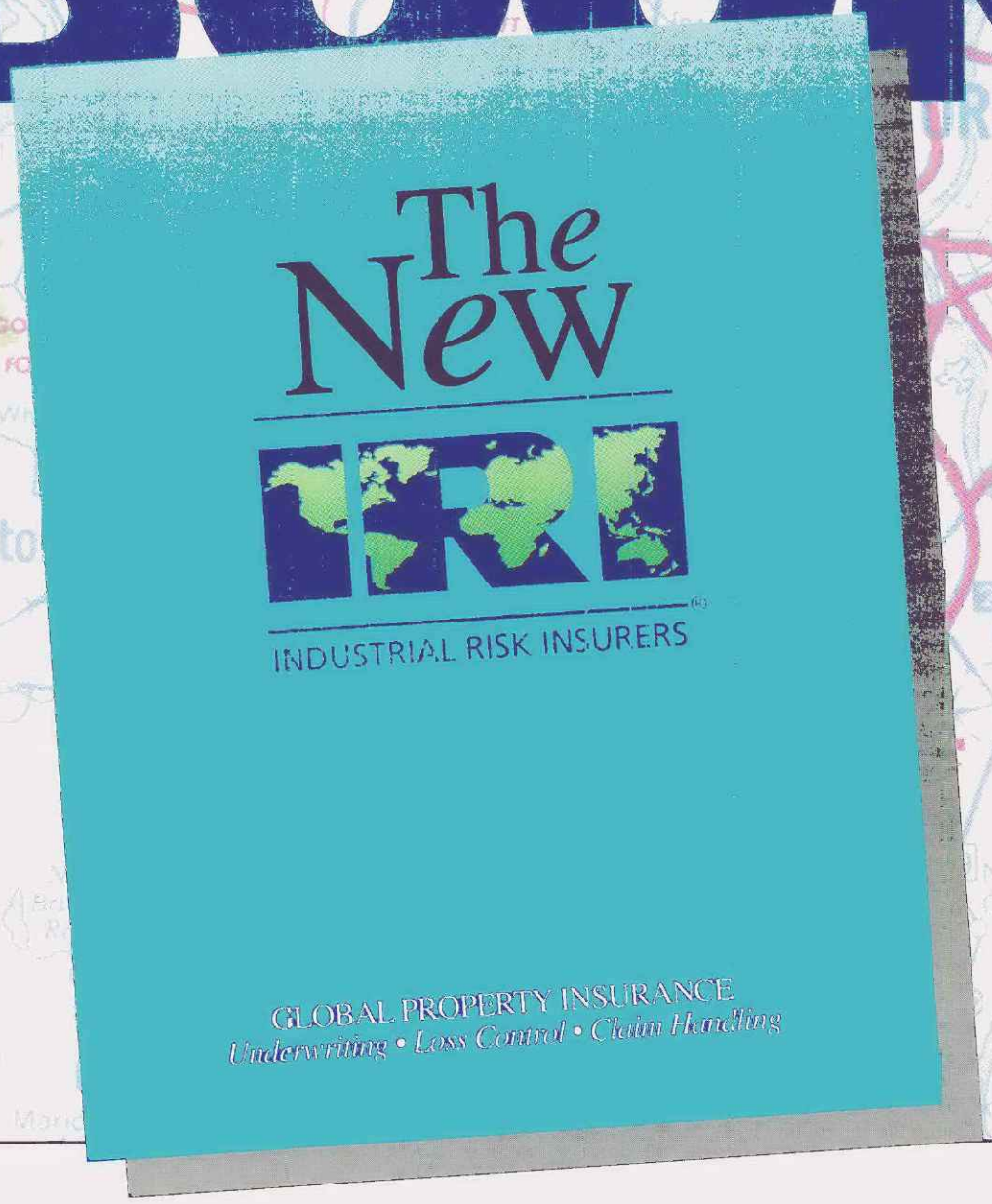
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INTERNATIONAL

Adviser, investors settle Magnet buyout dispute

By CAROLYN ALDRED

LONDON—Professional liability insurers will pay part of a proposed settlement of a $900 million lawsuit between investors and the financial advisers to a management buyout of one of the United Kingdom's largest makers of kitchen cabinets and furniture.

Neither Arthur Andersen & Co., which advised Magnet P.L.C. management, nor the investors in the venture would disclose terms of the settlement proposal, except to say that it is still contingent on one condition. Two of the financial institutions that invested in the deal also settled a separate suit on undisclosed terms.

At the time, the 1989 management buyout of Magnet was one of the largest such deals in the United Kingdom.

Three years later, following the collapse of Britain's housing sector and increasingly high interest rates, Airedale Holdings—the holding company formed after the Magnet buyout—went into receivership with debt of 800 million pounds ($1.21 billion). Magnet was sold earlier this year for 56 million pounds ($84 million).

In 1992, General Electric Capital Corp., one of 10 financial institutions that invested in the management buyout, sued Bankers Trust Co. of New York, which led the investor group. GE Capital, which lost about 70 million pounds ($106 million) in the venture, claimed that Bankers Trust failed in its duties as investment syndicate leader and failed to spot problems with Magnet's finances.

In a separate action, GE Capital, Bankers Trust and the eight other investors sued Arthur Andersen & Co., and Arthur Young, the company's auditor, claiming damages of 600 million pounds ($908.7 million). Bankers Trust claimed that Arthur Andersen failed to provide an independent, objective report on Magnet to the investors.

Arthur Andersen, though, argued that its duty during the buyout lay with the management, not the investors.

Settlement terms are undisclosed, with an Arthur Andersen spokesman saying only that any amount will be considerably less than the damages claimed. A spokesman for Ernst & Young, parent company of the former accounting firm Arthur Young, said Arthur Young took part in the settlement negotiations as a defendant but, under the terms, did not have to contribute funds.

Had the cases proceeded to full trial, they could have established precedents involving the duty of care of corporate finance advisers and responsibilities in acquisitions.

The Arthur Andersen spokesman said insurers will contribute to the settlement, though would not provide more details.

Big Six firms traditionally buy coverage through a marketwide line slip arranged by Minet Group P.L.C. of London, which is placed with more than 100 insurers worldwide. The multimillion-dollar slip is made up of a combination of pooled captive coverage, growing self-retentions and coverage bought on the open market (*BI*, Feb. 21).

Other parties in the settlement refused to comment.

Den Danske bank to raise Baltica stake

By MARIA KIELMAS

COPENHAGEN, Denmark—Unable to unload its stake in Baltica Forsikring, Den Danske Bank has decided to increase its holding in the Danish insurer.

Den Danske earlier this month exercised an option to buy 23% of Baltica stock from Gefion, which is the former and now defunct Baltica Holding. In a separate transaction, the bank also bought 10.4% of Baltica stock from Codan Group, which is controlled by U.K.-insurer Sun Alliance & London Insurance P.L.C.

Den Danske already held a 32.5% stake in Baltica. These transactions give the bank a 65.9% stake in Baltica, and 98.2% of the voting rights.

The bank also acquired the 50% of stock in Danske Phoenix, a non-life insurer, that it did not already own from Codan Group.

The bank said that it will coordinate Baltica's non-life operations with Danske Phoenix, as well as integrate the life and pension operations of Baltica and Den Danske's pension affiliate.

The stock purchases will cost the bank 2.65 billion Danish kroner ($448 million). The 23% of Baltica held by Gefion will cost 1.7 billion Danish kroner ($287.5 million). The 10.4% Baltica stake held by Codan will cost 850 million kroner ($143.7 million). And, the 50% stake in Danske Phoenix will cost 100 million kroner ($16.9 million).

The purchase is largely the result of a November 1993 Danish Supreme Court judgment that reduced the attractiveness of Baltica to potential buyers. That ruling concerned Baltica's 1991 purchase of the state-owned life and pension insurer, Statsanstalten, which was incorporated into the Baltica Group and named Danica. The high court ruling stated that the privatization of Statsanstalten through a trade sale to Baltica violated policyholder rights. This ruling limited the possibility of distributing a dividend from Danica to Baltica shareholders. Danica profits accounted for about half of the Baltica Forsikring profits (*BI*, July 11; Sept. 13, 1993).

The ruling effectively ended any chance for an early sale of the bank's holding in Baltica. Following two restructurings of Baltica in 1992 and 1993 to avoid bankruptcy, Den Danske Bank said it eventually wished to dispose of these assets.

The bank said in a statement that

Continued on next page

Gooda E&O cover disputed

LONDON—Scores of lawyers are expected to pile into the High Court on Dec. 12 to find out whether Lloyd's of London underwriting agencies' errors and omissions insurance covers all the damages disgruntled members seek.

As many as 70 lawyers representing 247 claimants, 148 E&O syndicates, 14 E&O insurers and 199 underwriting agencies are expected to pack the courtroom as Justice Phillips hears arguments involving the damages to be paid to the Gooda Walker Action Group. The judge last month ruled that the Gooda Walker underwriters were negligent (*BI*, Oct. 10).

The hearing will focus on whether:

- Interim payments being sought by the action group are covered damages. The E&O underwriters contend that the policies would only indemnify an actual award.
- The Gooda Walker claims constitute more than one cause of loss. If it is found to be more than one cause, then E&O policy reinstatements would kick in and underwriters' capacity would be depleted more quickly, leaving less money for other action group litigation.

Also to be heard is a counterclaim by the Gooda Walker Action Group that its 3,096 members should be paid damages regardless of other Lloyd's member litigation still to be heard, said Michael Deeny, chairman of the Gooda Walker Action Group.

Last week Justice Phillips ruled that full details of agents E&O cover must be disclosed before the Dec. 12 hearing. Details of the coverage, estimated to be over 1 billion pounds ($1.57 billion) in total, has been kept a secret even during Lloyd's failed 900 million pound settlement offer ($1.4 billion) earlier this year (*BI*, Feb. 21).

The disclosure would mean producing a list of all E&O policies for 199 agents during all the years being disputed, "which has no relevance at all" to the Gooda Walker case, said Michael Payton, partner for Clyde & Co. representing 148 E&O syndicates.

While the E&O underwriters have no qualms about the Gooda Walker Action Group reading E&O policy wording related to the case, they are appealing to the Court of Appeal that they should not have to reveal details of unrelated policies, Mr. Payton said.

Meanwhile, the Gooda Walker Action Group members will have to wait until early next year for another hearing on an interim payment of damages, both sides agree.

The action group will seek an interim payment of 393 million pounds ($617.9 million) which Mr. Deeny says is based on indisputable figures, and then fight for the rest of the estimated 502 million pounds ($789.4 million).

But Mr. Payton said 393 million pounds is the group's maximum claim. "Their figures (for damages) are going rapidly south," he said.

While all this is going on, the members action groups last week united to fight Lloyd's proposed changes to the premium trust deed, which would force members who win damages to pay their Lloyd's debts before any other debts. Mr. Deeny is head of the new Litigating Names Committee, which he says will fight Lloyd's in court if necessary.

—By Stacy Shapiro

LONDON

Sturge group plans suits

LONDON—Former Lloyd's of London Chairman David Coleridge may be among the defendants in a number of lawsuits the Sturge Names Action Group plans to file against the managing and members agencies controlled by Sturge Holdings P.L.C.

The action group also plans to sue more than 100 other members agents, as well as accounting firm Neville Russell, which was the Sturge syndicates' auditor, and possibly brokers that placed certain business with, or on behalf of, Sturge syndicates.

The action group estimates overall losses on the 16 Sturge syndicates that have been placed in runoff since 1992 could reach well over 1 billion pounds ($1.57 billion). For the 1990 and 1991 underwriting years, the declared loss for the syndicates currently stands at 747 million pounds ($1.17 billion), according to Sturge Names Action Group.

The action group projects a further 500 million pounds ($786.3 million) of losses from personal stop-loss business written by many of the syndicates.

The Sturge members believe that many of the members agents they plan to sue are not involved in other litigation and that about two-thirds of the auditor's liability insurance is placed outside Lloyd's. Therefore, they hope that lawsuits brought by other action groups will not necessarily exhaust the pot of available resources to cover damages to Sturge names.

The Sturge Names Action Group said it could not estimate how much in damages it will seek in the series of lawsuits.

John Rew, chairman of the Sturge Names Action Group and a Lloyd's analyst with Chatset Ltd., said that the members have a number of legal options but will focus first on syndicate 210 because it presents the simplest case. The syndicate, started in 1924 and a longstanding market for U.S. casualty business, was Lloyd's biggest non-marine syndicate as late

Continued on next page

Blood screening faulted in report

BONN, Germany—German companies, doctors and hospitals failed to conduct proper tests for the AIDS virus in donor blood, according to a German government report released earlier this month.

Sixty percent of the 2,000 hemophiliacs infected by tainted blood in Germany between 1983 and 1987 would not have contracted acquired immune deficiency syndrome had blood and blood product supply companies applied known screening and sterilization procedures at the time, the AIDS Investigating Committee of the German Bundestag, or lower house of Parliament, concluded in its final report.

The government report has been criticized by the pharmaceutical industry, which denies wrongdoing. "It was impossible to recognize the risk, knowing what scientists knew at the time," said Roloff Johannsen, chairman of the Assn. of Plasma Derivative Manufacturers in Frankfurt, Germany.

Companies that supplied blood and blood derivatives, like plasma and anticoagulants, had taken protective measures at the earliest date, said Mr. Johannsen. Measures taken included excluding high-risk donors and all U.S. donors.

Between 1981 and 1985, some 1,500 hemophiliacs were infected by tainted blood and plasma derivatives in Germany. The report blames companies for not applying heating procedures that eliminate the dangerous hepatitis B virus from blood and blood derivatives. The procedures would also kill the AIDS virus.

The blood supply companies admit they knew of the heating procedures in 1981. But because the procedures would reduce the supply of blood available by 70%, the companies concluded a lower blood supply would pose a greater risk to hemophiliacs and did not use the procedures.

The companies also contend that it was not possible until 1985 to determine whether the heating procedure killed the AIDS virus.

Just how many non-hemophiliacs have been infected by AIDS-tainted blood could not be determined, according to committee members. But, the report contends the majority of cases could have been avoided.

German Health Minister Horst Seehofer called for the pharmaceutical industry and its insurers to contribute to a 700 million deutsche mark ($450.3 million) fund to compensate hemophiliacs infected with AIDS. To date, German insurers have refused to contribute, arguing that they already paid an average of 60,000 deutsche marks ($38,600) per patient.

German insurers and pharmaceutical companies set up a so-called "pharma pool" in 1978 to compensate victims in all product liability claims against pharmaceutical companies (*BI*, Nov. 15, 1993).

The pool, which includes 130 liability insurers and reinsurers, has paid out a total of 120 million deutsche marks ($77.8 million) in settlements to 1,250 hemophiliacs infected by tainted blood products.

Critics say insurers and pharmaceutical companies are being too tight with the funds.

"The tax-free reserves of the fund had grown to 400 million deutsche marks ($258.9 million) and earned 30 million deutsche marks ($19.4 million) in interest a year," according to a committee member.

If insurers and the pharmaceutical industry do not contribute, Mr. Seehofer warned that new legislation could force compliance. Until then, the German government will compensate victims and then take their issue to court.

—By Don Lewis Kirk

INTERNATIONAL

LONDON

Continued from previous page
as 1993, the year it was placed in runoff (*BI*, May 10, 1993).

The action group's lawyers will concentrate on an unlimited reinsurance contract that ex-210 underwriter Ralph Rokeby-Johnson bought from Kemper Reinsurance Co. of Long Grove, Ill., and Novato, Calif.-based Fireman's Fund Insurance Co. in 1974 to cover all the syndicate's pre-1969 long-tail liabilities excess of $20 million (*BI*, April 4).

In 1991, the new underwriter, Alan Lee, agreed to a commutation of this unlimited policy for $80 million and the liabilities, mainly pollution and asbestos, were passed back to syndicate 210. According to Chatset, Kemper Re demanded the commutation because it accused Sturge of inflating its claims by $30 million.

A spokesman for Kemper National Insurance Cos., Kemper Re's parent, said the company was unaware of the action group's plans and said it was inappropriate to comment.

Mr. Rew said that the group has evidence to suggest that the commutation should never have been agreed to and that Sturge Marine Syndicate Management Ltd., the managing agent, was negligent for doing the deal. He would not disclose the evidence.

If it proves that issue, the group hopes to press further claims, also against members agents that could be contractually liable, for wrongful closure of the syndicate's 1987 year, said Mr. Rew.

Sturge Names Action Group argues that the managing agent was aware it was going to commute the syndicate's reinsurance policy in 1990, thus exposing subsequent members to huge potential losses. And so they argue that the year should not have been closed.

The third main focus of the first case will be the personal stop-loss business written by syndicate 210. The action group contends that business was not in the members' interest and was only underwritten because the more than 100 members agents that supported syndicate 210 insisted the syndicate do so.

The group plans to bring action against other syndicates and their agents for wrongful closure and writing personal stop-loss business, once the 210 case gets underway.

Also "under active consideration" is action against: individual directors who have directors and officers insurance, such as Mr. Coleridge; Winchester Bowring, the broker that arranged the commutation for syndicate 210; and brokers that placed the personal stop-loss policies.

At a press conference in London last Wednesday, Mr. Rew said prospectuses had been mailed to more than 2,000 Sturge Names Action Group members out of 5,700 members of Sturge syndicate 210 in 1990.

The group hopes to raise up to 5 million pounds ($7.9 million) to bring the action, which it says could start as early as January but concedes could take up to two years to reach the courts.

—By Adrian Ladbury

U.K. eyes Japan market

LONDON—U.K. government officials and insurance executives are increasing the global pressure on Japan to open its insurance market.

U.K. insurance executives accompanied Corporate Affairs Minister Jonathan Evans on a three-day trip last week to lobby the Japanese government for speedy liberalization of its insurance industry and lowering of barriers to foreign competition.

The current Japanese government, led by Prime Minister Tsutomu Hata, announced a widespread deregulation program this summer. Mr. Hata's government promised to immediately tackle 279 measures and said it is committed to reforming a host of other regulations that hinder a free market in Japan.

The U.K. delegation made the trip to try to ensure that deregulation of the Japanese insurance market and improved access for foreign insurers is near the top of the list.

The United States and Japan signed a trade agreement last month to provide greater access to the Japanese market (*BI*, Oct. 10).

Japan's insurance market is the second-largest in the world, with 22% of the global market by premium income. But, despite the United Kingdom's highly developed insurance industry, insurance does not rank even in the top 10 U.K. exports to Japan. Non-Japanese insurers underwrote only 3% of all Japanese premiums last year.

"The Japanese (insurance) market is heavily regulated, with strict controls over products and prices, and dominated by a few very large domestic companies. Associations of underwriters and insurance brokers are not permitted. Foreign and domestic insurers are subject to different laws," the DTI said last week.

The delegation planned to take its case to government bodies, regulators and the insurance trade association. It hoped to meet with the prime minister's office; the fair trading commission; the Ministry of Finance; the Ministry of Trade and Industry; and the Japanese Insurance Council, called the Keidanren.

Former Council Chairman Gaishi Hiraiwa oversaw preparation of a report in 1992 that urged the government to deregulate Japan's insurance industry and change its regulations for the first time since 1944.

The Ministry of Finance is working out how to implement the council's recommendations into law. Current council Chairman Shoichiro Toyoda welcomed the deregulation package announced last June.

Insurance executives who accompanied Mr. Evans and the DTI team included: Robin Rowland, chairman of the British Invisibles Japan Committee and director and group general manager of Royal Insurance Holdings Ltd., which has a direct writing operation in Japan; Richard Keeling, deputy chairman of Lloyd's of London and a leading international catastrophe reinsurance underwriter; and Antony Pinsent, chairman of the Lloyd's Insurance Brokers Committee and deputy chairman of London broker Nicholson Leslie Ltd.

—By Adrian Ladbury

London brokers report 9-month results

By ADRIAN LADBURY

LONDON—As part of a major restructuring, Willis Corroon Group P.L.C. aims to cut costs by 30 million pounds ($47.1 million) by the end of 1995, and contends it can do so without seriously impairing its operations.

In addition, the broker announced new management changes in the United States.

Willis hopes the changes will solve problems, especially in its U.S. retail brokerage division, that have hampered results lately.

The London-based broker says the expense reduction strategy will result in a charge of about 40 million pounds ($62.8 million) to fourth-quarter results, mostly due to severance payments but also to lower values on property assets due to accounting rule changes.

Willis would not discuss its cost cutting plans in detail.

The broker also said Donald H. Payne, chairman and chief executive officer of Willis Corroon Americas, will return to the United Kingdom to take up an as-yet-undetermined role. Kenneth H. Pinkston, chairman and CEO of Willis Corroon Corp., will succeed Mr. Payne.

Roger Elliot, executive chairman of the group, and Richard Miller, chief executive, announced the changes last week along with third-quarter results.

Nine-month pretax profits fell 19% to 55.8 million pounds ($87.6 million). Brokerage revenues and fees were up 2% from 1993 levels, a smaller increase than Willis had planned.

"The 19% reduction (in earnings) largely results from the same factors reported at the half-year, which have given rise to expenses growing faster than revenue," the company said. Expenses in continuing operations grew 6% during the first nine months.

The broker blamed a 14% decline in first-half earnings to the expense of replacing a construction team that defected to Rollins Hudig Hall Group Inc. (*BI*, Aug. 29).

Third-quarter results also were announced by fellow London brokerages Sedgwick Group P.L.C. and C.E. Heath P.L.C.

Sedgwick reported that profits grew 19% to 78.7 million pounds ($123.7 million) on the strength of a 20% increase in revenues. Excluding acquisitions, though, underlying growth in brokerage revenues and fees was only 1%, which matched increased expenses of 1%.

CEO Sax Riley said that a strong retail brokerage performance was offset by tough conditions in the London market, which faces overcapacity and tough overseas competition. He also said that U.K. consulting business had been affected by problems and uncertainty in the U.K. pension industry.

C.E. Heath's nine-month profits fell 45% to 6.4 million pounds ($10.1 million) as revenues fell 1%. Brokerage revenues and fees were up 2% excluding the effects of acquisitions, disposals and the effects of foreign exchange adjustments.

Heath attributed its lower profits to: a decline of 4.8 million pounds ($7.5 million) in the contribution from underwriting unit C.E. Heath International Holdings Australia; and the creation of a new direct marketing motor insurance unit called Premium Search P.L.C., which cost Heath 1.6 million pounds ($2.5 million) in start up costs. BI

Baltica

Continued from previous page
it has reached an agreement with authorities, including the Danish Financial Supervisory Board and the ministry of finance, about Danica, now referred to as Danica Liv I. The agreement sets out Danica Liv I's future business strategy regarding dividends and transfers to equity.

According to this strategy, policyholders whose policies were in effect at the time of the privatization will be protected under the Supreme Court judgment. Danica Liv I will not in principle distribute a dividend for 25 years.

Baltica added in a separate statement that shareholders equity in Danica will not exceed the level in Statsanstalten before the privatization.

Baltica and Den Danske Bank have decided not to initiate proceedings against the government, the statement said. Such proceedings would have been based on a claim that Baltica's purchase of Statsanstalten be revoked due to the failure of a basic assumption regarding the possibility of distribution of dividends.

Bank Chairman Knud Sorensen said that the circumstances have given the bank an opportunity to gain a foothold in a part of the insurance market where the bank has a strategic interest, primarily life and personal non-life business.

Den Danske and Baltica say the cost of the joint operations will be reduced over a number of years, including staff reductions. The name Danica will continue to be used. Whether the name Baltica will be used depends on the circumstances under which a number of non-life subsidiaries are sold, the bank said. The bank eventually plans to sell Baltica's remaining non-life and commercial interests. BI



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Summary of major property/casualty insurers' nine-month results

Ranked by change in net income. All amounts in thousands of dollars.

Rank 1994	Corporate: Consolidated revenues 1994	Corporate: Net income 1994	Corporate: Percent increase (decline) 1993-1994	Property/casualty operations: Combined[1] ratio 1994	Property/casualty operations: Combined[1] ratio 1993	Property/casualty operations: Net premiums written 1994	Property/casualty operations: Percent increase (decrease) 1993-1994	Property/casualty operations: Pretax underwriting income (loss) 1994	Property/casualty operations: Percent increase (decline) 1993-1994	Property/casualty operations: Pretax investment income 1994	Property/casualty operations: Percent increase (decrease) 1993-1994	Property/casualty operations: Policyholder surplus 1994	Property/casualty operations: Percent increase (decrease) 1993-1994
1 Hartford Steam Boiler	454,700	38,500	1,427.6	93.6	111.1	251,800	(0.6)	13,400	145.9	19,100	(15.5)	281,600	1.0
2 CIGNA Corp.	13,669,000	372,000	830.0	125.7	139.3	2,963,000	(6.0)	(795,000)	37.8	478,000	(3.2)	1,680,000	20.9
3 Chubb Corp.	4,239,500	372,600	127.6	100.6	98.7	2,967,000	13.0	(37,700)	92.9	415,600	4.9	1,822,100	9.4
4 TIG Holdings	1,325,900	30,100	120.0	113.7	131.5	1,224,800	3.7	(151,900)	60.3	191,200	(2.9)	854,000	(1.2)
5 USF&G Corp.	2,368,000	170,000	60.4	109.2	110.1	1,722,700	(6.9)	(155,000)	13.6	315,900	(3.6)	1,566,000	0.6
6 Fremont General Corp.	487,799	41,659	35.4	98.4	101.4	330,889	(6.5)	5,254	207.1	47,496	(2.0)	241,566	28.1
7 Home Insurance Co.	1,683,000	(121,000)	25.3	122.4	133.1	1,240,000	(15.1)	(280,000)	39.7	171,000	(9.5)	706,000	(4.6)
8 Berkshire Hathaway Group	802,653	237,074	21.9	106.0	117.5	712,477	15.0	(28,834)	57.0	325,493	16.6	N/A	N/A
9 Ohio Casualty Corp.	1,175,532	84,026	21.4	106.2[2]	110.4[2]	983,826[2]	(1.7)	(55,997)	52.4	138,504	(4.3)	709,231	0.1
10 Sentry Insurance Cos.[2]	1,089,080	64,837	17.7	105.3	106.1	854,183	(8.9)	(43,701)	25.3	134,256	0.2	1,019,149	10.3
11 ITT Hartford Group Inc.	7,962,000	424,000	14.0	103.1	105.2	5,083,000	3.9	(190,000)	32.9	527,000	2.3	3,241,000	6.2
12 American International Group	16,526,885	1,597,839	11.8	99.0[2]	100.0[2]	8,321,504	8.3	82,213	3,713.2	1,062,547	7.1	N/A	N/A
13 Argonaut Insurance Co.	257,577	67,546	(0.2)	102.3[2]	100.1[2]	165,894[2]	(10.9)	(139)	(103.0)	75,386[2]	0.1	625,764	10.5
14 The St. Paul Cos. Inc.	3,527,992	322,007	(4.7)	103.4[2]	104.8[2]	2,734,506	17.1	(116,666)	0.2	498,369	1.7	1,853,324	(4.8)
15 Lincoln National Corp.	5,112,900	256,200	(10.8)	107.3	109.0	1,269,600	(5.9)	(79,000)	32.8	181,000	(3.9)	1,453,500	(4.4)
16 Old Republic Int'l	1,268,919	108,040	(13.4)	104.3	106.6	631,108[2]	(2.1)	(32,306)[2]	39.1	127,899[2]	1.1	1,211,703	4.9
17 General Re Corp.	2,854,000	465,000	(13.8)	103.8[2]	102.4[2]	2,296,000	20.9	(54,000)	(30.0)	555,000	(2.0)	3,771,000	3.3
18 Royal Group (U.S. subs.)[2]	N/A	41,100	(20.2)	119.6	118.8	1,156,100	(11.0)	(223,600)	12.5	214,900	(5.5)	836,400	(4.0)
19 SAFECO Corp.	2,809,398	218,587	(26.8)	104.9	100.7	1,585,710	5.9	(73,657)	(688.7)	211,070	1.5	1,506,393	0.4
20 Aetna Life & Casualty Co.	13,103,700	307,400	(59.8)	125.4	114.7	3,264,500	(7.7)	(718,800)	(45.7)	557,300	(11.0)	2,474,200	(1.4)
21 Reliance Ins. Co. and subs.	2,352,715	32,055	(63.8)	105.1[3]	109.5[3]	1,383,510	4.4	(75,704)	34.4	172,884	5.0	892,711	(5.7)
22 CNA Financial Corp.	8,180,000	(59,400)	(133.0)	115.9[2]	130.8[2]	5,230,000[2]	9.2	(854,100)[2]	41.9	885,600[2]	12.0	3,310,000	11.4
23 Continental Corp.	3,815,500	(363,400)	(357.7)	124.1	108.5	3,306,600	(3.7)	(958,700)	(220.9)	362,900	(3.3)	1,645,000	(15.2)
— Travelers Insurance Cos.	2,563,100	N/A	N/A	112.4[2]	N/A	1,845,500[2]	N/A	(226,900)[2]	N/A	378,200[2]	N/A	N/A	N/A
— Commercial Union Ins. (U.S.)	N/A	N/A	N/A	108.1[3]	107.0[3]	1,249,900	6.0	(118,800)	(15.0)	165,100	6.0	943,500	1.2
— Nationwide Mutual Ins. Co.[2]	N/A	N/A	N/A	108.5	107.5	5,612,138	3.0	(516,052)	(18.6)	636,124	(1.8)	4,680,734	21.7
— Liberty Mutual Ins. Co.[3]	N/A	N/A	N/A	111.5	112.9	3,977,027	(11.5)	(379,002)	31.5	751,699	(2.0)	N/A	N/A
Cumulative	97,629,850	4,706,770	(6.4)	109.6	111.6	62,365,272	1.8	(6,064,691)	21.7	9,599,527	0.8	37,324,875	4.5

[1]After dividends [2]Statutory [3]Before dividends N/A-Company did not provide data

P/C results

Continued from page 1

"We don't really see a lot of impetus" for prices to rise, though there are all kinds of reasons why they should be, said Alan Levin, managing director at Standard & Poor's Corp. in New York. Any comments on rate increases are still "wishful thinking," he said.

Market dynamics are one reason prices remain low.

"I see companies really trying to get out of this soft market and trying not to incite these rate wars and really pricing according to what the risks are worth. But I also see there are so many other companies willing to undercut them," said Joanne Morrissey, principal at Firemark Consultants Inc. in Parsippany, N.J.

"The cycle as we knew it is dead, and the reason is that everyone understands the dynamics" now, so that even if some company leaves the market, others will replace it right away, said Barbara Stewart of Stewart Economics in Atlanta.

"If there's a shortage of capacity or a sudden increase in prices, it doesn't last very long. It's a very short-lived kind of thing," she said.

Rates will likely remain low, though they may eventually rise if there is increased pressure from catastrophic losses, if environmental reserves are greatly increased and if the bond market remains pressured, said Michael Lewis, first vp with Dean Witter Reynolds in New York.

He conceded, though, that it is difficult to say just how much more pressure would be needed.

"The pressures have been building a long time," agreed Gloria Vogel, managing director and senior insurance analyst at Landenburg, Thalmann & Co. Inc. in New York. However, nothing is happening, she said. "I don't know what will shake things up. We're going through the Chinese water torture routine here."

Still, at a recent Salomon Brothers insurance conference, there were "some very guarded signs of optimism for 1995, very guarded," said Jay Cohen, an analyst at the New York firm.

It is possible that higher interest rates, which reduce bond values, and continued losses from environmental exposures could encourage capital to leave the industry, leading to higher prices, Mr. Cohen said.

But, "no one is out there pounding the table saying the cycle's going to turn tomorrow, and no one is seeing rate increases now, either," he added.

"I think it's generally a positive outlook," said John Ward, chief executive officer of Cincinnati-based Ward Financial Group. "More and more companies are focusing on cost controls and are taking serious steps to do something about that."

As the soft market lingers, more companies are trying to rein in the costs over which they have control, said Mr. Ward. "But it appears that the pricing discipline is really not in place yet, and that's going to continue into the foreseeable future.

"I would say at least through the next 12 months it's going to be a reasonably soft market overall pricing-wise," except for hurricane- and earthquake-prone areas, he said.

The 27 major property/casualty insurers surveyed by *Business Insurance* reported a 109.6% combined ratio, an improvement from the 111.6% reported by the 26 companies that provided comparable data for the first nine months of 1993. Results do not include Long Grove, Ill.-based Kemper National Insurance Cos., which does not plan to release its results until the end of the month.

Among other nine-month results:

- The 23 companies surveyed by *Business Insurance* that reported net income posted a 6.4% decline for the first nine months of this year, to $4.71 billion from $5.03 billion for the same period a year ago.

This is better, though, than the 13.9% decline to $3.38 billion reported for the first half, and the first quarter's 39.5% plunge to $1.29 billion, which reflected the record catastrophe losses (*BI*, Aug. 29).

- Net written premiums increased 1.8%, to $60.52 billion from $59.43 billion. This data does not include Travelers Insurance Cos., which did not provide comparable 1993 numbers. The 28 companies included in the first-half survey reported a 4.2% increase, to $42.87 billion.
- Underwriting losses improved by 21.6%, to $5.84 billion from $7.45 billion for the companies reporting data for both years. This is a dramatic improvement from the 4.7% increase in underwriting losses, to $4.42 billion, reported for the first half.
- Pretax investment income increased a slight 0.8%, to $9.22 billion from $9.15 billion, for the companies providing data for both years. This is a decline from the 3.5% improvement, to $6.5 billion, reported in the first half.
- Policyholder surplus for the companies reporting this information increased 4.5%, to $37.32 billion from $35.72 billion. This is an improvement from the 0.7% increase, to $38.5 billion for the first half.

Catastrophe losses were unexpectedly high due to the continued fallout of the Northridge earthquake that struck Los Angeles and other early-year catastrophes. Third-quarter cat losses were actually light.

TIG Holdings Inc., for instance, reported $15.1 million in the third quarter in pretax catastrophe losses and reinsurance reinstatement premiums principally related to the Northridge earthquake.

SAFECO Corp. said its third-quarter results reflect an additional $30.2 million in earthquake costs. Aetna Life & Casualty Co.'s $28 million in third-quarter catastrophe costs included $17.9 million related to the earthquake, and Lincoln National Corp. reported an additional $6 million in quake-related claims.

"It really is a monumental task to get your arms around and to try to quantify the level of exposure that occurs from one major event like an earthquake or hurricane," said Mr. Ward. Even 1992's Hurricane Andrew, he added, "is still working its way in a negative manner through some reserves."

Third-quarter results were also affected by some companies adding to environmental or asbestos reserves.

"We're going to see more of that," said Carol Manning, an analyst at Prudential Securities in New York. "The question on that is when it will happen for some of the companies in the industry."

Continental Corp.'s third-quarter results, for instance, included pretax charges of $400 million to establish loss reserves for incurred-but-not-reported asbestos-related, environmental and other toxic tort claims (*BI*, Oct. 17).

Aetna's results included $23 million in environmental reserve additions, while Home Holdings Inc. added $60 million to its reserves for known asbestos, environmental and breast implant claims (*BI*, Nov. 14).

Aside from these developments, it has been an uneventful quarter.

"Not a lot of surprises. Not a lot of great news, either, as far as the

Continued on page 68

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All interested respondents should contact Peter F. Devlin, Consultant Contract Administration, Design Division, Michigan Department of Transportation, 425 W. Ottawa St., Lansing, MI 48933 (517) 373-9476, in order to obtain the proposal invitation package. The sealed proposals must be received by 4:00 P.M. local time on December 5, 1994.

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P/C results

Continued from page 65

fundamentals go," explained Salomon Bros.' Mr. Cohen. "There may be still some early signs of improving fundamentals, but they're still very weak signs."

One of those signs is improving year-to-year investment income due to higher interest rates, he said. Another is that workers comp results have remained favorable this year largely because of successful reforms in a number of states.

"Basically, things are kind of, I think, steady as she goes," said Dean Witter's Mr. Lewis. "It seems that the well-capitalized strong companies continue to do reasonably well and the problem companies are getting recapitalized," he said, pointing to Continental's planned new capital and The Home's plan to raise $250 million.

Some observers fear, however, that the industry is in a vulnerable position should another major catastrophe occur.

"What is still nagging is that commercial casualty underwriting and pricing standards continue to disintegrate, and a number of the major contributors to this price war are not owning up to their past, present or future liabilities," said DLJ's Mr. Seifer.

"Very few balance sheets have any inventory of unrealized gains, and with loss reserves understated, it appears hard for a number of companies to withstand the next major loss for the industry, whenever that takes place," he said.

"With shrinking cash flows and balance sheets pretty well debilitated, it just seems to me that the industry at the end of nine months of 1994 is vulnerable to loss and has few if any options to protect itself against these losses," he said. BI

Compact

Continued from page 2

uniform receivership rules, including rules governing the exchange of information across state borders.

The commission also will appoint and oversee independent receivers for failed insurance companies based within the compact states, or serve as the receiver if requested to by regulators in the state where the failed insurer is based.

As stated in previous NAIC Midwest Zone drafts (*BI*, June 20; May 30), commission operations would be financed jointly by the states and insurers operating in them. The recent proposal calls for participating states to contribute 25% of the $1 million to $3 million in annual commission operating costs, and insurers to pay the remaining 75%.

Insurers had complained about an earlier proposal that had them footing 90% of the bill. And at the hearing last Monday, representatives of several of the major insurer trade associations said they now support the amended draft in principle, but would prefer a 50/50 funding split.

Two other differences in the current version are the exclusion of guaranty funds and the opt-out provision, said James Schacht, acting director of the Illinois Insurance Department and chairman of the Midwest Zone's compact drafting group, which includes regulators from Illinois, Iowa, Kansas, Michigan, Oklahoma and Wisconsin.

"We feel (the interstate compact) is the only way to protect citizens in various states when a non-domestic insurer fails. Today, receiverships are conducted without input from other states, where there could actually be more policyholders than the domiciliary state," Mr. Schacht said.

Under the proposal, the commission would oversee receiverships, provide a forum for airing of disputes involving member states, and make other rules that member states would abide by unless they choose to opt out, he explained.

"This compact should be supported," Mr. Schacht said, adding that receiverships will be smoother and less costly under the plan. "The efficiency that will arise from the compact will lessen the (financial) impact on member states and their guaranty funds," he said.

"This really has come together in the past six months as a result of full and frank discussions between regulators and legislators. Clearly we've made some major changes to a project that has been in the works for a few years and is close to fruition," said Peter Gallanis, chief legal counsel for the office of the special deputy receiver, which reports to the Illinois department.

"We really need this if NCOIL and the NAIC are concerned about federal regulation of insurance," Mr. Schacht added.

In response to the final draft, which will be submitted for approval to the NAIC and state legislatures throughout the country in upcoming months, several industry representatives praised NCOIL and the Midwest Zone members for their efforts.

"This is one answer to the criticism that states can't regulate properly because they can't interact with each other," said James Jackson, vp and deputy general counsel with Transamerica Occidental Life Insurance Co. in Los Angeles.

One critic of state regulation said agreements that promote central coordination should be endorsed in principle, "so long as they have some clout."

"However," added John B. Chesson, a staffer on the congressional committee chaired by Rep. John D. Dingell that produced the recent "Wishful Thinking" report, "Rep. Dingell doesn't believe that interstate compacts are a viable replacement for unified government action. He has had ample experience with interstate compacts in other areas and he has been less than impressed with their results."

Initially standoffish about interstate compacts, insurers became more receptive to this one because it is limited to receivership, said Michael Duncan, an associate general counsel with Allstate Insurance Co. in Northbrook, Ill.

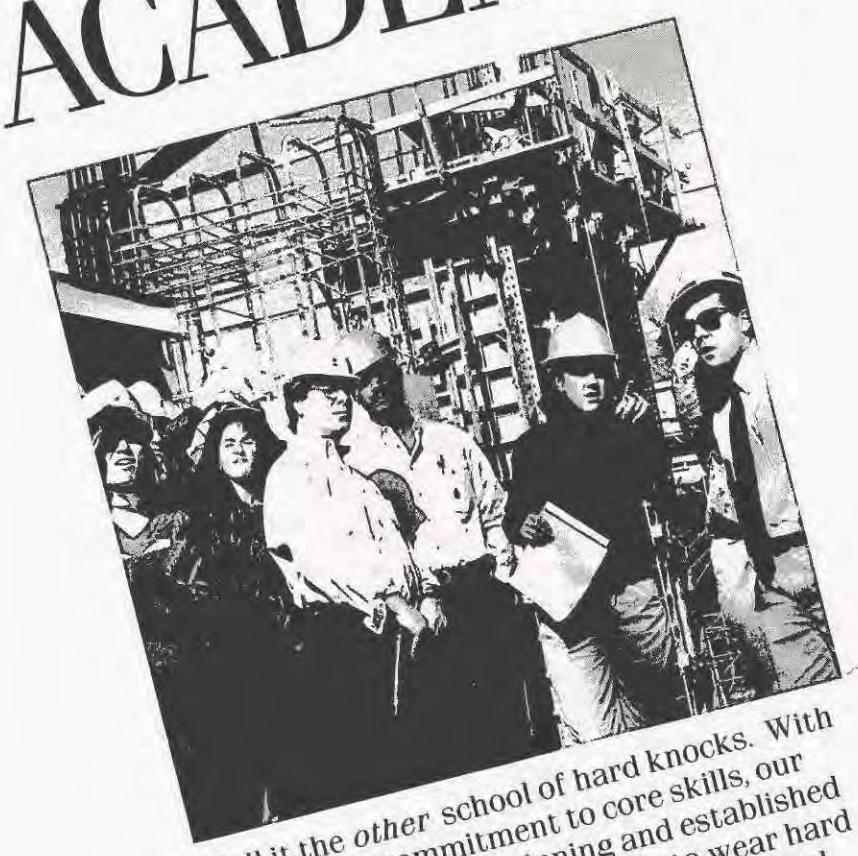
"We're still concerned about assessing the industry so much when the commission has no budget and is not accountable to anyone for its activities. But, we support it as a novel and hopeful experiment. It's a good way for state regulators to try something without it affecting business throughout the country," Mr. Duncan said.

In-house lawyers for the Alliance of American Insurers, the American Council of Life Insurers and the National Assn. of Independent Insurers at the hearing indicated they appreciated the significant improvements that have been made since the Midwest Zone issued its first proposal draft, but stopped short of endorsing the proposal.

Meanwhile, the Michigan Insurance Bureau, which participated in drafting the Midwest interstate receivership compact, earlier this year issued its own proposal, the Optional Interstate Insurance Regulation Compact, that was introduced in the Michigan Senate, but not voted on, said Robert A. Bailey, the state's first deputy commissioner.

"Our compact has been distributed to other states. It's not limited to receiverships. It could apply to all insurance issues, including agent and broker licensing, alien insurer licensing and other things. What it is is a skeleton that can be adopted as a state wishes," he said. BI

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Subway

Continued from page 1

company, they pay it.

"But the claims must be legitimate," he insists.

Mr. Sesay has taken precautions to ensure that the Los Angeles County Metropolitan Transit Authority is only held liable for losses caused by the subway construction—not the recent earthquake, the 1992 riots or the economic deterioration caused by a lingering Southern California recession.

There are plenty of people who would like to sue the MTA as a deep pocket for losses suffered as a result of these catastrophes, he points out.

To protect the MTA, he has hired consultants to develop a state-of-the-art risk management information system to track the condition of properties adjacent to the tunnel before, during and after construction (see related story).

He also supervises legions of safety consultants to oversee workers throughout the various stages of the 30-year, $200 billion project.

And he has assembled a total of six owner-controlled insurance programs to collectively provide $100 million in general liability coverage, $60 million in design professionals errors and omissions coverage and $20 million in pollution liability coverage to hundreds of contractors.

"We realize that we're building a subway system in a litigious urban environment," Mr. Sesay says. "We have to anticipate that the economy has been bad and we are viewed as the deep pocket. Even though we are a public entity, there are certain rights we can't violate. We have to take all necessary precautionary measures."

As a means to this end, Mr. Sesay has employed what he calls an "urban guerrilla approach."

Indeed, it's almost as if he were a risk manager on a battlefield.

"Recognizing the magnitude of this project, it does, perhaps, bring out the worst in people," acknowledges John Theiss, vp at Willis Corroon Los Angeles Inc. in Glendale. Mr. Theiss helped assemble the environmental coverage portion of the wrap-up program (*BI*, Sept. 20, 1993).

But Mr. Sesay, who has served as risk manager for the city of Philadelphia and as director of insurance for the city of New York, is well-equipped to handle the Los Angeles situation, Mr. Theiss said. "He really has the prowess to know not to step on that next mine."

A recent well-publicized threat by the Hollywood Boulevard Property Owners Assn. to sue the MTA for $1 billion in property damage is just the latest in a string of suits that have marred the subway project's progress:

- Texaco Refining & Marketing Inc. sued the MTA for $35 million, alleging nearby construction interfered with the potential sale of its Wilshire Boulevard building.
- The Radisson Wilshire Plaza Hotel filed a suit seeking $20 million in damages and lost revenues from business interruption allegedly caused by nearby construction.
- The Wiltern Theatre, also on Wilshire Boulevard, is seeking $200,000 in property damage and unspecified business interruption losses as a result of the construction.

Meanwhile, rumblings from a group known as the Los Angeles Transportation Whistleblowers in favor of Congressional Enquiry, or "LA TWICE," has prompted several state and federal lawmakers to investigate the project's safety.

It was LA TWICE that alerted the media to the sinking of Hollywood Boulevard near the landmark Pacific Theater on Aug. 17.

The next day, tunneling was halted and the federal Transportation Administration froze $1.6 billion in federal funds until MTA officials came up with a plan to correct the construction defects and introduce a new quality control system.

In a study commissioned by the MTA, an outside forensic engineering firm, Wiss, Janney, Elstner Associates of Chicago, found that wooden wedges substituted for metal bracing in 12 miles of subway tunnel failed because they were not surrounded with concrete grout that the project's design specifications required.

MTA officials and contractors have been criticized by whistle blowers and others for not seeking outside expert opinion to review procedures and the project's progress.

One whistle blower, Bob D'Amato, director of safety at the American Safety Institute in Northridge, Calif., alleges that the Hollywood subsidence was caused by "over-excavation."

"The contractors took out more dirt than was specified," said Mr. D'Amato, who is a former employee of Argonaut Insurance Co., MTA's primary general liability and workers compensation underwriter.

In a report to the MTA's board of directors, Mr. Sesay says the cause of what he has labeled "the Hollywood Boulevard Occurrence" has not been determined.

While a determination of fault will be necessary to settle the claims seeking indemnification for property damage, he has put all of MTA's general liability insurers on notice.

And even though no claim has yet been filed against the subway's designers, he has also notified the MTA's professional liability underwriters in London.

Claims from the Hollywood Boulevard Occurrence, which Mr. Sesay has reported to insurers as a single incident, can be divided into four broad classifications:

- Property damage claims that allege structural damage from the subsidence. There are 36 of these claims, and engineering experts are expected to release their preliminary findings on whether they are justified early next month.
- Property damage claims that allege either non-subsidence causes or moderate damages or both. There have been 20 of these claims, and a total of $2,500 has been paid to date. All the claims are being investigated.
- Business interruption claims that allege a long-term or non-specific loss of business use or income. There have been 43 of these claims, and $4,750 has been paid out. All of these are under investigation, and are being evaluated individually.
- Business interruption claims from the Aug. 20-22 closure of Hollywood Boulevard. There have been 65 claims of this type, and 47 of them totaling $42,785.94 have been paid. Additional documents are being requested on the other 18 claims.

MTA's primary CGL policy, underwritten by Menlo Park, Calif.-based Argonaut, will pay $2.5 million per occurrence, subject to a $500,000 per-occurrence deductible payable by the MTA and a $10,000 per-occurrence deductible payable by the contractor.

Excess liability coverage of $98 million is provided by Lloyd's of London underwriters and London companies.

MTA's builder's risk exposure is covered by Burbank, Calif.-based Allianz Insurance Co., which provides up to $100 million in coverage for damage to MTA properties in the course of construction. Certain sublimits apply for specific hazards, such as a $40 million sublimit for earthquake damage.

The MTA's deductible under the builders risk policy is $25,000 subject to a specified deductible for certain perils. For example, there is a $500,000 deductible for collapse and a $1 million deductible for defective design. The contractors' deductibles are $7,500 for fire, theft, vandalism and other common perils, and $25,000 for all other perils.

The MTA's design professional liability wrap-up provides coverage limits up to $60 million for design errors and omissions by MTA-contracted design professionals. This coverage, which is placed in London, will respond if MTA pursues claims against any of its design team members after the conclusion of current investigations, according to Mr. Sesay.

All design professionals on the project except construction manager Parsons Dillingham are covered by the design professionals wrap-up. Its MTA contract requires Parsons Dillingham to maintain at least $10 million in professional liability coverage.

But that's not enough coverage for Hollywood businessman Gerald Schneiderman, who leads the charge against MTA for losses allegedly caused by the subway project, arguing that its construction has cost area businesses more than $1 billion.

Hollywood businesses, of course, have other problems. Parts of Hollywood itself have deteriorated into a graffiti-scarred ghetto and as Mr. Schneiderman is discussing his complaints about the MTA, a street person is urinating outside the building at 6777 Hollywood Blvd. that houses his company, Landlords Tenant Improvement Contractor Inc.

Regardless of the condition of the neighborhood, he contends that the MTA tunneling has created new liability problems for local firms. Since tunneling caused sidewalks to sink nearly 10 inches, "all of the sidewalks are illegally sloped," he says. "Who's liable if someone in a wheelchair slides off into the street and gets hit by a car?

"If the city is in the insurance business (by arranging the wrap-up), couldn't it be held liable for not providing enough coverage?," he adds.

When a Hollywood property owner stops by to inquire about joining the lawsuit, Mr. Schneiderman instructs her to bring her insurance policy to him.

"We'll take care of the claim," he tells her. "We have experts who will look for coverage in the policy and then we'll ask the insurers to join in the suit to subrogate against the MTA."

Mr. Schneiderman says he is soliciting bids from lawyers interested in taking the case on a contingency basis and waves an inch-thick stack of business cards wrapped in a rubber band.

MTA officials are taking his overtures seriously, and with good reason. No stranger to the courthouse, Mr. Schneiderman says he has won hundreds of thousands of dollars in lawsuits. "I have a beautiful track record," he boasts.

Mr. Sesay is taking an equally hard line.

"You have to go there and physically examine the zone of influence on both sides of the subway tunnel," he explains.

"Of particular concern are the buildings that are either uninsured or underinsured. They see MTA as a deep pocket. We don't want to set a precedent where we give people money (too easily)," said Mr. Sesay. "We have to make good use of the taxpayers' money.

"It's a fine line that we're trying to walk," he says. BI

RMIS tracks property during project

LOS ANGELES—The designers of the state-of-the-art risk management information system created specifically for the Los Angeles subway construction project recognize that even the best laid plans can go awry.

The system, developed by Day & Zimmermann Inc.'s Moorestown, N.J.-based SEACOR Division, documents existing defects in buildings and other structures along the Los Angeles County Metropolitan Transit Authority's underground route as a means of defending against exaggerated property owner claims related to construction.

The baseline preconstruction data collected by expert survey teams on hand-held computers, as well as 35mm photographs of each defect, are stored on CD-ROM disks that can be read easily by a personal computer with multimedia capabilities.

However, as property conditions change, the data is updated in exhaustive detail.

When significant defects are discovered, the survey teams use high-resolution photogrammetry to further document the condition of the property. Photogrammetry is the process of taking a pair, or several pairs, of photos with precisely established angles and converting them into engineering drawings through the use of computer-aided drafting techniques. The accuracy of the drawings can be to three one-thousandths of an inch.

The property inspections are so meticulous that "we can have five people in one building for a week," says Gene Haas, SEACOR senior field staff manager.

Many of the Hollywood-area buildings whose property owners are suing the MTA (see story, page 1) had already been surveyed prior to the Jan. 17 earthquake, so SEACOR sent out survey teams to reinspect those buildings after the aftershocks diminished.

The new data, along with information culled from property owners' earthquake insurance claims—all of the Hollywood Boulevard property owners filed claims for assistance from the Federal Emergency Management Agency—will be downloaded into the RMIS "to make a comparative analysis to determine the degree of liability we have," explained MTA Risk Manager Abdoul Sesay.

"This could mitigate any potential claims and enhance insurers' ability to defend claims," he believes.

—By Joanne Wojcik

Pollution

Continued from page 2

bility for cleanup costs at the site under the Comprehensive Environmental Response, Compensation and Liability Act.

Weyerhaeuser has spent $18 million cleaning up the site but has reduced its exposure to $2.3 million through settlements with other potentially responsible parties, Mr. Horkovich said.

But, the jury found that Weyerhaeuser is not covered for its cleanup costs at a company-owned site in DeQueen, Ark., because it expected its wood treatment operations there would cause environmental damage.

Weyerhaeuser has spent more than $27 million cleaning up ground water contamination in DeQueen and expects to spend more.

Weyerhaeuser is seeking coverage for its costs to clean 42 sites nationwide—some of which it owns—and its defense costs. The company argues that its costs at its own sites should be covered because the pollution there threatens ground water.

CU was the only insurer among the 35 that covered Weyerhaeuser from 1951 through 1986 that did not settle the claim.

CU and Weyerhaeuser face further litigation over Weyerhaeuser's coverage for its cleanup costs at the remaining 40 sites if they do not settle.

Mr. Horkovich said he likes Weyerhaeuser's chances if the litigation continues because the company beat CU in one of the insurer's two strongest cases. The court selected both sites in the test case from a list of preferred sites that CU submitted.

Attorney Kenneth J. Cusack of Gaitan & Cusack in Seattle, who represents CU, said test cases are designed to encourage settlements.

"If we can settle, we'll settle," he said. But, he also said that CU would litigate further "if that's required."

The trial judge next must determine Weyerhaeuser's limits under the three-year CU policy.

Weyerhaeuser argues that it has at least $5.5 million of limits: $1.5 million per occurrence in each year of the policy plus $1 million of so-called "stub" coverage for January and February of 1970. This two months of coverage was negotiated after the policy was purchased.

CU contends that the policy provides only $1.5 million per occurrence in the one policy year plus the $1 million of stub coverage.

A Dec. 8 hearing on that issue and others is scheduled. Weyerhaeuser also will argue then that all three years of coverage in the policy should respond to Weyerhaeuser's Superfund claim.

Judge Pechman previously decided there is no aggregate limit under the policy.

The case sparked a noteworthy pro-policyholder decision in May by the Washington Supreme Court.

The court ruled that insurers must cover the pollution cleanup liabilities that policyholders voluntarily assume, even when the state has not ordered a cleanup (*BI*, May 30). BI

King County sues in dome dispute

By ROBERTO CENICEROS

SEATTLE—In an effort to prevent coverage disputes over damage to the Seattle Kingdome, Washington's King County officials are taking their insurer to court.

Charging that Allendale Mutual Insurance Co.'s continued requests for information regarding a July 19 incident amount to breach of contract, the county has filed suit against the Johnston, R.I.-based insurer in U.S. District Court in Seattle.

Acoustical ceiling tiles fell into the stadium stands in July. In the lawsuit, the county said the insurer breached its contract by failing to respond to damage claims arising from the incident.

A damage amount is not mentioned in the suit, but losses could reach $70 million, said Dick Holmquist, a King County chief civil deputy prosecutor. The county is asking the court for a declaratory judgment and claims the insurer's requests for more information have been "unwarranted, deceptive and frivolous."

Jack Pomeroy, vp, secretary and general counsel for Allendale, said the insurer was disappointed and surprised by the lawsuit and its report in several newspapers.

Allendale's ability to respond to King County's claim has been hampered because the county has not shared critical data it collected, he said.

"We haven't quantified the amount of loss, and more fundamentally, we have not been able to determine if there is coverage under our policy," he said. "But we do want to get to that point."

Allendale said in a statement: "Consistent with our letters to the county, Allendale will continue to investigate the county's loss and formulate a fair, honest and good faith response despite the lawsuit. We do not intend to resolve the loss or try the case in the media. It is the company's hope that no future public statement will be necessary."

The statement said a response to media reports is warranted because incomplete information was provided to the public.

Mr. Holmquist said Allendale has received all of the county's information and that Allendale's representatives were at the scene after a claim was filed July 21.

"Everything we have given them has been greeted with a need for more paper," he said.

An Allendale all-risk policy went into effect in April 1993 and has limits of $104.6 million. It covers repairs, debris removal, protection of the stadium from further damage, loss of profits and rental income, maintaining business operations, staffing and support for tenants' use of other facilities, Mr. Holmquist said.

The policy also covers costs incurred by building codes that have changed since the county-owned stadium was built.

King County's reasons for filing the suit stem in part from a desire to choose a favorable venue and county officials' belief that Allendale might deny coverage. For example, Mr. Holmquist feared Allendale might pose an argument claiming that water seepage damaged the ceiling before the policy took effect, he said.

"Given the range of potential theoretical arguments that could be spun out. . .we wanted to make certain we didn't get tripped up with the suggestion it happened long ago," he said.

The county has obtained the services of William J. Price, a policyholder attorney with Seattle firm Karr Tuttle Campbell. He said the county instructed him to refer questions to Mr. Holmquist.

Beside repairs, the Kingdome also suffered losses because the city's professional baseball and football teams, the Seattle Mariners and the Seattle Seahawks, had to move games. Also, other scheduled shows either had to be canceled or relocated.

Losses from the cancellations or moves have not been determined, Mr. Holmquist said. BI

Quantum

Continued from page 2

The stakes are high, but how high depends on whom one asks: While actual property losses are relatively low, Quantum has estimated the business interruption losses at more than $200 million and has offered to settle the claims for $88.5 million. Hartford Steam Boiler, by contrast, has estimated them at $14.2 million.

If the insurers can't agree on the amount of Quantum's loss and how much each should pay, the dispute will end up in federal court in Chicago, where litigation was stayed before the arbitration began more than a year ago, lawyers involved in the case say.

"The case is far from over and the question of who will pay what amount of money. . .is still to be determined," said Constance Huttner, a lawyer with Skadden, Arps, Slate, Meagher & Flom in New York, representing Hartford Steam Boiler.

The dispute grew out of a September 1989 explosion and fire at a Quantum plant in Morris, Ill., that killed two workers and injured 16. After the accident, the plant was out of commission until March 1990.

IRI and DR, which split the property coverage 50/50, paid about $21 million for property damage at the plant but denied claims for loss of the heat exchanger itself and resulting business interruption losses.

The property insurers argued that the accident was triggered by a crack that opened in a section of the heat exchanger shortly before it failed, making it a covered "mechanical breakdown" under the Hartford Steam Boiler policy.

Hartford Steam Boiler, however, took the position that the accident was an explosion and fire not covered by its boiler and machinery policy. In 1991, Hartford Steam Boiler filed a declaratory judgment action against Quantum in U.S. District Court in Chicago. Quantum filed a counterclaim—including bad faith allegations—against Hartford Steam Boiler, along with third-party claims against IRI and DR.

The property and boiler and machinery policies all contained loss adjustment endorsements requiring the insurers to jointly advance Quantum the amount of undisputed claims in the event of a disagreement over which insurers were liable.

IRI and DR calculated the undisputed business interruption claims at $55 million and advanced Quantum $27.5 million. Hartford Steam Boiler, however, argued that since there was no covered loss under its policy, it was not obligated to advance any money. It later pegged the undisputed claims at $14.2 million and advanced Quantum $7.1 million in 1993, after the arbitration had begun, lawyers involved in the case say.

The unusual arbitration agreement, hammered out by the insurers in March 1992, created a panel of four engineering experts and a retired Illinois judge to decide the question of whether the accident was caused by a pre-existing crack in the heat exchanger.

The panel heard testimony for 40 days over the course of a year and reviewed 7,500 pages of testimony before deciding the question against Hartford Steam Boiler Nov. 10.

While the ruling triggers coverage under the Hartford Steam Boiler policy, it has not ended the dispute over how much of the loss each insurer must pay.

IRI and DR maintain that the ruling leaves Hartford Steam Boiler liable for most or all of the business interruption claims, along with the roughly $550,000 cost of the heat exchanger, according to Thomas A. McDonald, a lawyer with Clausen, Miller, Gorman, Caffrey & Witous in Chicago, representing IRI and DR.

The property insurers plan to seek reimbursement from Hartford Steam Boiler for the $27.5 million they advanced to Quantum, he said.

Hartford Steam Boiler, however, is responsible only for business interruption attributable to the heat exchanger failure, and much of the loss is attributable to other factors not covered by Hartford Steam Boiler, including fire damage and equipment upgrades to comply with Occupational Safety & Health Administration rules, Ms. Huttner said.

"Quantum is claiming damages that go far beyond any business interruption that relates to replacement of this vessel," she said. "I think the property insurers will end up picking up the vast majority of the business interruption coverage."

If the insurers can't settle the dispute, they and Quantum will be back in court to fight it out. BI

Tort reform advances in states

WASHINGTON—The Nov. 8 elections greatly enhanced the chances of tort reform in several key states, according to the American Tort Reform Assn.

In Texas, for example, Republican Gov.-elect George W. Bush "made it extremely clear" that tort reform will be part of his agenda and the Texas state Senate is now "strongly pro-tort reform" and likely to make punitive damages a priority, said Sherman Joyce, who is president of the Washington-based group.

In addition, three Texas Supreme Court candidates backed by local tort reform advocates won their races.

And, in California, depending on one still-undecided race, Republicans could win control of the Assembly from Speaker Willie Brown, an outspoken Democratic opponent of tort reform.

Tort reform forces also made significant gains in Illinois, Kansas and Michigan, according to Mr. Joyce.

Still too close to call is an Alabama judicial race between Chief Justice Sonny Hornsby, who has ruled repeatedly against tort reform measures enacted by the state Legislature, and challenger Perry Hooper, a tort reform proponent.

—*By Mark Hofmann*

Updates

Schwan's settlements allowed

MINNEAPOLIS—Schwan's Sales Enterprises Inc. can still settle individually with thousands of customers who said they were made ill by salmonella-tainted ice cream after a Minnesota judge blocked an attempt by personal injury lawyers to stop the settlements.

Health officials estimate that about 600 illnesses in 29 states were attributable to the product.

Schwan's, though, has settled with far more customers. It has reached a total of $1 million in settlements with more than 6,000 individuals since September, and more than 2,000 additional settlements "are in the pipeline," a spokesman said. Most settlements have been for either a few thousand dollars to cover medical bills and lost wages or for a few dollars for physician office visits, he said. About 4,500 Schwan's customers have refused compensation.

The attorneys want greater court supervision of the settlements, some of which have been reached with claimants who were unaware of the pending class action or the possible long-term effects of salmonella infection. In other cases, parents settled for their minor children, said Randy Hopper, a partner with Zimmerman Reed in Minneapolis. Another hearing is scheduled for Dec. 1.

Liberty Mutual Insurance Co. writes the company's general liability insurance.

Health officials suspect the ice cream was contaminated when ice cream mix was hauled to a plant in Marshall, Minn. (*BI*, Oct. 24).

House leaders take new tack

WASHINGTON—The probable Republican House committee chairmen tapped by House Speaker-to-be Newt Gingrich, R-Ga., appear likely to follow a considerably less intrusive course regarding insurance than their Democratic predecessors.

For example, Rep. Henry Hyde, R-Ill., will succeed Jack Brooks, D-Texas, as Judiciary Committee chairman. Whereas Rep. Brooks, who lost his bid for re-election, was Congress' most persistent critic of the McCarran-Ferguson Act, Rep. Hyde has consistently resisted reform.

The ascension of Rep. Thomas Bliley, R-Va., to the chairmanship of the Energy and Commerce Committee also promises changes. Outgoing Chairman John D. Dingell, D-Mich., criticized state insurance regulation and favored federal solvency regulation; Rep. Bliley has long distrusted federal involvement in economic matters.

In fact, the Energy and Commerce Committee may lose its jurisdiction over insurance, as the new GOP leadership is considering restructuring the committees.

In a move of potential importance to benefit managers, Rep. William Goodling, R-Pa., will become chairman of the House Education and Labor Committee, which Rep. Gingrich wants to rename the "Empowerment" Committee. Rep. Goodling opposes weakening the pre-emption provision of the Employee Retirement Income Security Act.

Briefly noted

The Internal Revenue Service is giving employers until March 31 to file requests for **IRS determination letters** confirming that they properly amended their pension plans to meet a maze of federal requirements laid down by the 1986 tax law and other benefit laws and regulations. . . .General Mills Inc. has filed a product tampering claim with its insurers over the **contamination of 50 million boxes of breakfast cereal** (*BI*, July 11). The Minneapolis-based company would not say whether its claim was filed before or after last week's federal conviction of Y. George Roggy, an independent contractor who knowingly sprayed the company's oats with a pesticide not approved by the FDA. . . .**Paul H. Inderbitzen**, now president of American Re-Insurance Co., will also assume the titles of chairman and CEO effective Jan. 1, replacing Edward B. Jobe, who will remain chairman and CEO of holding company American Re Corp. . . .Lloyd's of London managing agent **R.J. Kiln & Co.** hopes to raise up to 30 million pounds ($47.1 million) in capital for a dedicated corporate capital vehicle, Kiln Capital P.L.C. . . .Thomson Corp., a Toronto-based publishing and information services company, will purchase Ann Arbor, Mich.-based **MEDSTAT Group Inc.** in a stock transaction valued at about $339 million. MEDSTAT operates health care databases. . . .The **Federal Trade Commission** has reopened antitrust examinations of two already-completed deals—Merck & Co.'s purchase last year of Medco Containment Services Inc. and SmithKline Beecham P.L.C.'s purchase of Diversifed Pharmaceutical Services. . . .The California OSHA Standards Board has unanimously rejected implementing a **comprehensive ergonomics regulation**, citing costs and lack of consensus among the regulated public. . . .U.S. District Judge G. Ernest Tidwell in Atlanta has denied a motion by 22 **Delta Air Lines retirees** seeking class-action status for their lawsuit against the airline, said a Delta spokesman. The retirees, who are suing for $100 million, claim the airline broke promises about medical insurance benefits. . . .Graham C. Pewter, president of Commercial Risk Reinsurance Co. Ltd. in Bermuda, will succeed Daniel G. Marren as president and CEO of Bermuda holding company **Commercial Risk Partners Ltd.** . . .**Alexander & Alexander Services Inc.** expects to add a $20 million pretax gain to its fourth-quarter results reflecting the completed sale of its U.S. personal lines business to a unit of Chubb Corp. Also, at **Alexander Reinsurance Intermediaries**, President William R. Coleman named to added post of CEO, succeeding Ronald A. Iles, who will remain chairman. Robert T. Mobyed has been named chief operating officer, succeeding Mr. Coleman. . . .Frank C. Witthun, executive-vp of Indianapolis-based **Acordia Inc.**, has been named to the newly created post of president and chief operating officer. . . .The 8th U.S. Circuit Court of Appeals last week reinstated a lawsuit that charges Crane Co. **fraudulently understated pension liabilities** of a steel unit—CF&I Steel Corp.—that it spun off in 1985 and designed the spinoff to shift Crane's pension obligations to the Pension Benefit Guaranty Corp. The PBGC terminated the plan in 1992 with $270 million in unfunded liabilities.

Kansas City

Continued from page 1

willing and able to accommodate a local variation to their national systems," he said. "The sense that I'm getting now from a half dozen of them is that a uniform system does not present a problem for them."

Uniformity throughout the region is a key to the Kansas City model for cutting workers comp medical costs. The plan's centerpiece is a standard "workability" reporting form for use by employers and physicians. Medical providers use the workability form to provide the employer with an initial diagnosis of the worker's injury, the treatment plan, the employee's work status and other information the employer needs to make informed decisions.

The form and other elements of the project were under development for two years before the test sites began implementing the model program in June (*BI*, Aug. 15).

The model also includes communications guidelines to facilitate the transfer of information about injured workers between physicians and employers, and sets out a list of medical protocols to standardize the treatment of worker injuries.

"When the risk managers first started talking about uniformity, I wasn't sure that it would be workable," Mr. Brown said. Now, though, "there's no reason to think that we cannot have a uniform approach," he said. The insurers and TPAs are taking the attitude "we can have uniformity and still compete," Mr. Brown said. "The competition is in the service."

Early results from five local companies operating as "test sites" for the model have been "excellent," Mr. Brown said. It's still too early to evaluate the hard data the test sites are reporting in hopes of documenting cost savings.

But project organizers already are seeing the test sites' efforts paying dividends in other ways. The companies' risk managers and the health care providers they work with are becoming "serious students" of how to pool knowledge in a community, Mr. Brown said. They also are learning how the local workers compensation system works and how it can be made to work better.

"To an extent, that's really a quantum jump, because there really hasn't been a forum here for pooling that expertise and discussing what the issues are and what the solutions are," Mr. Brown said.

Ultimately, the coalition hopes to bring the program to the 200 largest employers in the Kansas City area, and hopes the resulting improvements in claims handling efficiency will have a trickle down benefit to smaller employers as well.

In June, organizers of the workers comp project sent information on the model to the chief executives of 40 of those companies. The group has now formed "teams," including some of the area's top executives and risk managers, who will call on executives at targeted companies to market the cost containment model.

"We're going to make a sort of sales call, if you will, on the CEO or the president—hopefully the risk manager will be with them—and spend 30 or 40 minutes with them to explain the program," said Bill Cauveren, director of risk management and safety for building supplies retailer Payless Cashways Inc., and chairman of the coalition's workers comp committee. "The key, I think, is to get as many employers as possible to buy into this and endorse it," Mr. Cauveren said.

Over the next several months, each of the five or six marketing teams will call on four or five area CEOs.

The large companies—and in particular their risk managers—will be a barometer of the cost-containment project's chances for success, Mr. Brown believes. "If they come aboard, start spreading a positive word, you know it's going to work," he said.

To help Kansas City area companies implement the program, the project's leaders have enlisted Coopers & Lybrand to provide consulting services.

Coopers & Lybrand's role derives from an "understanding that each employer's needs are different," said Ms. Voorhees. Different companies have different employee bases and different injury experiences.

She said the coalition's model is a "vanilla" platform "that sets some real good groundwork for cost containment."

The consultant will help interested companies take the platform the model provides and tie it into the specifics of their operations, claims handling and the like.

Ultimately, the model "may in fact help them eliminate some levels of claims management," Ms. Voorhees said.

"One of the things about the current workers comp community is there are watchers and there are watchers watching the watchers, and then there are audit people watching the watchers watching the watchers," she said.

"That's where we see an opportunity to add some value. If the model works and you've developed good communications and trust among all the players in the claims-handling process, then hopefully you don't need as many people watching the store."

Mr. Brown believes the Kansas City group's approach would be applicable in any other similarly sized city, and he said the response he's getting from outside the area convinces him the local group is on to something.

"We're getting a substantial number of inquiries from other coalitions and large brokers and state governments, so I know we're on the right track," he said. BI

Curtiss

Continued from page 2

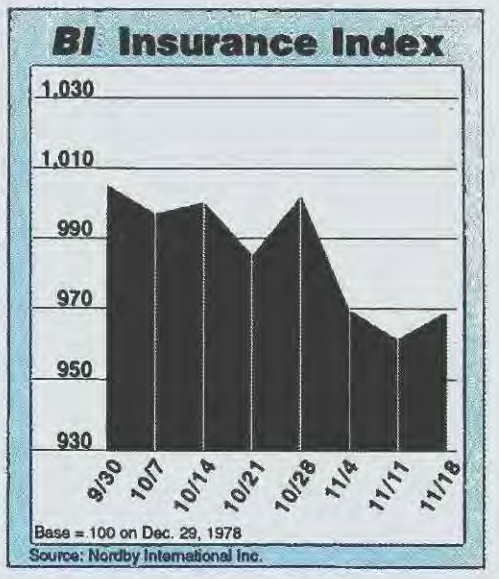
ground of corporation law" to mean the company's board or a board-authorized committee or individual can amend the plan.

- Section 402(b)(3), upon which the 3rd Circuit relied, "serves as an important, indirect disclosure function," but its "predominant purpose is to ensure that employee benefit plans all have some mechanism for amendment."

The section only requires plan sponsors to provide enough information so a participant can determine whether an amendment has been promulgated. It does not require plan sponsors to specify their amendment procedures.

"Established principle of trust law provide a sound basis for determining the validity of an amendment promulgated in the absence of a plan-specified procedure. Under trust law, when a settlor makes clear his reservation of authority to amend the trust but fails to set out a procedure for doing so, he may exercise that authority in any manner that sufficiently manifests his intention to modify the trust. By analogy, a plan sponsor should be required to establish than an amendment has been promulgated with due authority, in a formal writing, and delivered to the plan's fiduciaries."

- Since Congress' intent was to ensure that all plans include an amendment mechanism, suggesting that sponsors cannot amend their plans if their plans fail to specify amendment procedures is "perverse." BI



Insurance stocks rose last week, as the *Business Insurance* Index gained 7.8 points to 969.2 Nov. 18 from 961.4 on Nov. 11. Advancing issues for the week were led by: Seibels Bruce Group, up 14.3%; Wellpoint Health Networks, up 9.9%; and Penn-America Group, up 7.4%. Declining issues for the week followed: Home Holdings Inc., down 15.4%; Safeguard Health Enterprises, down 7.8%; and NAC Re Corp., down 6.7%. The most active issue was U.S. Healthcare, 4.0 million shares traded. The *BI* Index rose 0.8%; the Dow Jones 30 Industrials gained 0.4%; the NYSE Composite fell 0.4%; and the Standard & Poor's 500 fell 0.2%.

British Issues

Nov. 17 Companies	Price pence	P/E*	Div.* pence	Yield %	1 week high—low
Commi Union	533	16.9	31.0	5.8	552—533
Genl Accident	572	11.4	34.4	6.0	584—565
Gdn Royal Exch	193	12.4	9.5	4.9	193—191
Independent	240	7.8	10.4	4.3	244—240
Royal	289	12.6	9.4	3.3	292—286
Sun Alliance	338	15.1	18.4	5.4	338—330
Brokers					
Bradstock	92	10.4	6.9	7.5	92—92
Fenchurch	158	12.3	9.0	5.7	158—156
CE Heath	248	8.9	20.0	8.1	248—219
JIB Group	124	10.9	9.4	7.6	124—124
Lloyd Thmpson	171	12.0	9.8	5.7	177—171
Lowndes Lmbrt	156	9.9	9.4	6.0	157—156
Nelson Hurst	173	17.0	7.0	4.0	173—173
PWS Holdings	35	N/M	1.9	5.4	35—35
Sedgwick Grp	146	16.2	7.5	5.1	147—146
Steel Brl Jones	116	N/M	11.3	9.7	116—115
Willis Corroon	146	13.3	8.3	5.7	146—138

Source: Philip Olsen, London * Latest actual year

BI Industry Stock Report NOV. 14, 1994, THROUGH NOV. 18, 1994

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	28.88	5.00	17.26	28.88	21.00	16	0.60	2.08	15	13.24	2.18
Alexander & Alexander	NYS	19.75	0.00	-0.63	22.75	14.00	213	0.10	0.51	-152	6.08	3.25
E W. Blanch Holdings Inc.	NYS	19.00	-1.30	9.35	23.00	15.75	122	0.32	1.68	16	4.55	4.18
Gallagher Arthur J. & Co.	NYS	31.75	-3.79	-11.19	37.13	28.13	43	0.88	2.77	17	6.48	4.90
Hilb, Rogal & Hamilton	NYS	11.25	-5.26	-14.29	13.63	11.13	97	0.56	4.98	14	4.72	2.38
Marsh & McLennan	NYS	72.88	-2.51	-10.45	88.75	72.88	433	2.90	3.98	14	19.40	3.76
Poe & Brown	NDQ	20.00	-3.61	11.11	22.75	16.88	21	0.48	2.40	13	4.49	4.45
BROKERS	AVERAGE		-1.6	0.2					2.6	-9		
INSURERS/REINSURERS												
ACE Ltd.	NYS	23.00	-3.66	-24.59	31.25	22.00	122	0.44	1.91	-21	22.45	1.02
Acceptance Insurance Cos.	NYS	13.88	-0.89	19.35	18.00	11.13	229	0.00	0.00	10	9.83	1.41
AEGON N.V.	NYS	63.13	1.61	15.30	64.00	49.00	33	2.94	4.65	11	43.84	1.44
Aetna Life & Casualty	NYS	45.63	-2.67	-24.27	65.75	44.00	1578	2.76	6.05	-6	57.21	0.80
Allied Group Inc.	NDQ	25.50	-3.77	2.00	31.00	22.75	232	0.60	2.35	6	23.43	1.09
Allmerica Prop. & Casualty	NYS	15.25	-3.94	-29.21	22.16	14.25	114	0.16	1.05	9	19.45	0.78
Allstate Corp.	NYS	23.75	1.60	-20.17	30.13	22.63	1259	0.72	3.03	19	19.60	1.21
American General	NYS	26.88	-3.15	-5.70	30.50	24.88	1185	1.16	4.32	18	20.39	1.32
American Heritage Life Ins.	NYS	18.00	2.13	-3.36	20.13	16.50	108	0.66	3.67	11	12.42	1.45
American Indemnity/Fin'l	NDQ	11.00	2.33	-15.38	14.75	10.00	9	0.24	2.18	5	15.92	0.69
American International	NYS	94.25	1.48	6.95	96.88	81.75	1913	0.45	0.49	14	49.75	1.89
American Re Corp.	NYS	27.63	-0.90	-2.21	35.75	23.50	100	0.00	0.00	15	16.85	1.64
Aon Corp.	NYS	31.13	-2.73	-3.24	35.75	30.00	942	1.28	4.11	10	21.96	1.42
Argonaut Group	NDQ	28.25	-0.44	-7.38	32.75	26.25	107	1.16	4.11	8	29.80	0.95
AVEMCO Corp.	NYS	14.63	-4.10	-22.00	20.25	13.75	13	0.44	3.01	12	6.30	2.32
Baldwin & Lyons Inc.	NDQ	15.00	0.00	0.84	16.25	13.75	17	0.24	1.60	9	13.56	1.11
Berkley W.R. Corp.	NDQ	33.25	-3.62	1.53	42.00	32.00	324	0.44	1.32	20	36.47	0.91
Berkshire Hathaway Inc.	NYS	20400.00	2.54	24.96	20475.00	15150.00	0	0.00	0.00	26	9157.79	2.23
Capital RE Corporation	NYS	22.00	-2.76	-14.56	25.75	18.50	52	0.20	0.91	8	21.48	1.02
Capsure Holdings Corp.	NYS	12.75	0.99	-5.56	16.13	12.13	27	0.00	0.00	13	13.72	0.93
Chubb Corp.	NYS	70.25	-1.06	-10.65	83.13	66.63	1033	1.84	2.62	12	48.40	1.45
CIGNA Corp.	NYS	66.25	-2.93	4.74	74.00	57.00	731	3.04	4.59	8	80.98	0.82
CNA Financial Corp.	NYS	64.50	1.38	-18.10	82.25	60.00	52	0.00	0.00	170	73.83	0.87
Continental Corp.	NYS	14.50	-0.85	-47.51	30.25	12.00	714	0.00	0.00	-2	29.69	0.49
EMC Insurance Group Inc.	NDQ	9.75	-4.44	2.63	10.75	8.50	2	0.52	5.33	8	10.77	N.A.
Emphesys Financial Gr. Inc.	NYS	32.50	0.00	NA	38.50	21.25	267	0.60	1.85	9	N.A.	N.A.
EXEL Ltd.	NYS	39.00	-2.19	-13.33	45.75	36.00	203	1.32	3.38	9	31.62	1.23
Fremont General Corp.	NYS	23.38	-3.11	-3.11	26.00	21.50	46	0.76	3.25	7	22.90	1.02
Frontier Insurance Group	NYS	19.38	-6.06	-55.84	37.50	18.75	286	0.48	2.48	16	14.94	1.30
Gainsco Inc.	ASE	8.25	-1.49	-8.33	9.41	7.63	172	0.04	0.48	11	3.79	2.18
General RE Corp.	NYS	114.25	-0.22	7.53	125.50	101.75	639	1.92	1.68	15	57.17	2.00
Guaranty National Corp.	NYS	16.13	0.78	-7.86	20.00	13.75	10	0.50	3.10	10	11.84	1.36
Harleysville Group	NDQ	23.50	-1.05	-17.54	30.25	19.75	31	0.68	2.89	17	20.18	1.16
Hartford Steam Boiler	NYS	42.13	-0.30	5.34	53.38	42.13	112	2.20	5.22	17	14.62	2.88
HCC Insurance Holdings	NDQ	20.63	-1.79	2.27	22.25	15.00	156	0.00	0.00	14	10.75	1.92
Home Holdings Inc.	NYS	4.13	-15.38	-76.09	18.50	3.50	738	0.00	0.00	-1	22.36	0.18
ITT (Hartford Group)	NYS	85.00	0.00	-7.36	95.97	78.63	1120	1.98	2.33	11	49.95	1.70
Kemper Corp.	NYS	48.63	-4.42	35.54	65.00	33.13	1158	0.92	1.89	13	28.68	1.70
Lincoln National	NYS	36.75	-0.68	-14.53	44.88	34.63	882	1.72	4.68	13	31.99	1.15
Markel Corp.	NDQ	41.00	-2.38	6.49	44.50	37.50	40	0.00	0.00	11	25.15	1.63
Mid Ocean Ltd.	NDQ	23.13	2.78	-18.14	30.50	22.38	315	0.00	0.00	11	20.24	1.14
Mutual Risk Mgmt. Ltd.	NYS	26.13	-2.34	-12.92	30.75	21.13	29	0.32	1.22	15	9.11	2.87
NAC Re Corp.	NDQ	24.50	-6.67	-15.88	32.00	24.00	157	0.16	0.65	12	19.75	1.24
National Re Corp.	NYS	23.38	-3.11	-23.67	33.75	23.38	152	0.16	0.68	10	17.31	1.35
Navigators Group	NDQ	15.50	-1.59	-55.71	39.00	14.25	27	0.00	0.00	-6	10.21	1.52
Nobel Insurance Ltd.	NDQ	8.25	0.00	8.20	8.75	7.00	29	0.20	2.42	4	6.84	1.21
NWNL Companies	NYS	28.75	-1.29	-11.54	34.50	27.00	231	0.90	3.13	9	24.81	1.16
Ohio Casualty Corp.	NDQ	30.00	-1.23	-5.88	33.75	26.50	313	1.46	4.87	11	24.68	1.22
Old Republic Int'l	NYS	19.63	-1.88	-12.78	24.50	19.63	223	0.48	2.45	7	24.60	0.80
Orion Capital Corp.	NYS	32.00	4.92	3.64	34.75	28.13	56	0.80	2.50	8	25.86	1.24
Partner Re Holdings Ltd.	NDQ	19.38	-4.32	-10.92	22.25	18.50	1628	0.40	2.06	17	N.A.	N.A.
Penn-America Group, Inc.	NDQ	7.25	7.41	-5.69	8.75	6.50	31	0.00	0.00	9	6.21	1.17
Phoenix RE Corp.	NDQ	25.75	6.74	-6.36	31.75	18.50	418	0.30	1.17	5	22.86	1.13
Provident Life	NYS	22.75	-2.67	-28.06	31.88	22.75	66	1.04	4.57	6	27.09	0.84
Re Capital Corp.	NDQ	12.75	-2.86	-6.42	14.75	12.25	96	0.32	2.51	10	17.63	0.72
Reliance Group Holdings	NYS	5.50	-2.22	-29.03	8.13	4.88	413	0.32	5.82	13	3.48	1.58
RLI Corp.	NYS	20.38	-1.21	-23.83	27.75	20.38	63	0.60	2.94	-28	20.51	0.99
St. Paul Companies	NYS	42.50	2.72	-5.29	46.19	37.69	830	1.50	3.53	9	31.88	1.33
SAFECO Corp.	NDQ	48.69	0.91	-10.87	59.75	47.75	1346	1.96	4.03	10	46.94	1.04
SCOR U.S. Corp.	NYS	9.75	-3.70	-22.77	14.25	9.50	13	0.36	3.69	-44	13.60	0.72
Seibels Bruce Group	NDQ	3.00	14.29	71.43	3.50	0.94	139	0.00	0.00	12	1.05	2.86
Selective Ins. Group	NDQ	24.50	-3.92	-19.01	30.75	23.00	61	1.12	4.57	10	23.36	1.05
Sphere Drake Holdings	NYS	12.63	3.06	-23.48	18.25	12.00	37	0.16	1.27	5	13.15	0.96
TIG Holdings	NYS	18.00	-1.37	-20.44	23.25	17.25	640	0.20	1.11	22	17.25	1.04
Titan Holdings, Inc.	NYS	9.75	4.00	-10.34	11.75	7.75	40	0.28	2.87	8	9.31	1.05
Tokio Marine & Fire	NDQ	57.63	1.10	6.71	66.00	49.25	26	0.41	0.70	-	57.72	1.00
Torchmark Corp.	NYS	34.63	-3.48	-22.63	49.50	34.63	1218	1.12	3.23	9	17.49	1.98
Transatlantic Holdings	NYS	52.88	1.20	-0.94	56.38	45.38	60	0.36	0.68	13	32.43	1.63
Transnational Re Corp.	NDQ	20.50	5.81	-24.07	27.00	17.25	298	0.00	0.00	10	N.A.	N.A.
Travelers Corp.	NYS	32.00	-3.40	-17.68	43.25	31.00	3274	0.60	1.88	8	24.26	1.32
Trenwick Group Inc.	NDQ	36.75	0.00	-5.16	43.75	33.25	33	1.00	2.72	13	29.20	1.26
United Fire & Casualty	NDQ	42.00	3.70	16.67	44.00	36.00	1	1.08	2.57	10	28.96	1.45
Unitrin	NDQ	44.50	0.00	4.71	51.50	38.50	171	1.60	3.60	21	38.64	1.15
UNUM Corp.	NYS	37.50	-3.23	-28.57	58.00	37.50	2300	0.96	2.56	16	27.78	1.35
US Facilities Corp.	NDQ	10.38	-3.49	-12.63	14.63	8.25	56	0.00	0.00	12	11.07	0.94
USF&G Corp.	NYS	14.25	0.88	-5.79	16.13	11.69	1059	0.20	1.40	7	10.04	1.42
USLICO Corp.	NYS	20.25	0.62	22.73	24.00	15.75	37	0.24	1.19	10	24.44	0.83
USLIFE Corp.	NYS	32.25	0.00	-16.77	41.38	30.88	166	1.32	4.09	7	40.82	0.79
Washington National	NYS	20.50	-1.20	-15.46	26.13	20.50	48	1.08	5.27	7	23.61	0.87
Zenith National Ins.	NYS	21.88	-2.23	-1.13	27.38	20.63	66	1.00	4.57	10	17.54	1.25
Zurich Reinsurance Centr.	NYS	27.25	-0.46	-3.54	30.75	24.25	65	0.00	0.00	-26	22.26	1.22
INSURERS/REINSURERS	AVERAGE		-0.8	-9.2					2.4	11.5		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	27.13	2.36	4.33	31.00	20.25	1112	0.00	0.00	16	12.22	2.22
Humana Inc.	NYS	22.38	-3.76	21.77	25.38	14.88	1783	0.00	0.00	23	6.04	3.70
Pacificare Health Sys.	NDQ	68.75	2.42	82.12	79.50	36.00	606	0.00	0.00	23	14.21	4.84
Safeguard Health Enter.	NDQ	8.88	-7.79	-29.00	15.50	8.50	63	0.00	0.00	20	6.16	1.44
Sierra Health Services	NYS	31.13	4.18	39.89	33.50	15.50	193	0.00	0.00	19	6.04	5.15
United Healthcare Corp.	NYS	50.63	3.58	35.45	55.38	35.25	2571	0.03	0.06	33	6.57	7.71
U.S. Healthcare	NDQ	46.75	4.47	21.96	49.00	33.75	4021	0.84	1.80	20	5.04	9.28
Wellpoint Health Networks	NYS	29.25	9.86	-5.26	37.00	24.25	1110	0.00	0.00	14	12.73	2.30
HMOs	AVERAGE		1.9	21.4					0.2	19		
ALL COMPANIES	AVERAGE		-0.2	4.1					2.6	12		

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