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Update

KWELM creditors approve scheme of arrangement

LONDON—The provisional liquidators of the KWELM group of insurance companies say they have secured an "overwhelming majority" of creditors in favor of the proposed scheme of arrangement for the five insurers.

Creditors voted Nov. 17 on the scheme, which over several decades would pay about 40% of claims against the subsidiaries of London United Investments P.L.C. (*BI*, Sept. 13).

Creditors cast individual votes either as

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Market turn still may be very far off, execs say

By JUDY GREENWALD

While investors may be increasingly bewitched with the property/casualty insurance industry, analysts and insurers themselves are bothered and bewildered over when—or if—the commercial insurance market will ever harden.

"I'd say it's an industry hoping that some miracle will step in to cover the mistakes of the past seven years," remarked David Seifer, vp with Donaldson Lufkin & Jenrette Securities Corp. in New York.

9 MONTH
Property/Casualty Insurers

While some observers do believe there will be some signs of a turn in the market next year, others say factors—including the large influx of new capital into Bermuda and the new corporate capital flowing into Lloyd's—raise the question of whether the market will ever harden.

"I think with what we know about what's happening, it's hard to figure there's any reason for the market to turn," said Barbara Stewart, president of Stewart Economics in Atlanta.

Meanwhile, the major U.S. com-

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Employers fight data bank

Reporting requirement not needed: Coalition

By NANCY P. JOHNSON

WASHINGTON—Business groups vow to continue to fight against what they say is a burdensome health plan reporting provision in President Clinton's budget package.

Ten groups have formed a coalition to repeal the provision, which requires employers to collect and report health care coverage information to go into a government data bank (*BI*, Sept. 13). The data bank is to help the government recoup over five years about $1 billion in claims that employer health plans, not Medicare or Medicaid, should have paid.

The business groups have a champion in Washington—Sen. Joseph Lieberman, D-Conn.—who late last week attempted to push through a measure to delay the provision, as the Senate hurried to adjourn before the holidays.

The coalition—the Employee Benefits Coalition on W-2 Health Care Reporting—argues that the collected data probably never will be used, so the millions of dollars employers would have to spend collecting data and revising their systems would be wasted.

The coalition is making much of the fact that the Health Care Financing Administration, the federal agency that administers Medicare and will oversee the data bank, has not yet issued any guidelines for data collection. Such guidelines often provide much-needed specifics that address generalities in laws Congress passes.

The business groups also emphasize that when Congress approved the bill to allocate 1994 funds for HCFA, it did not include funds to implement the data bank.

The data bank provision is the latest in a string of federal efforts to shore up Medicare financially. That process began in the 1980s with a series of laws designed to shift to employer plans some health care costs previously paid by Medicare. With those laws, employer plans became the primary payer of health care for employees over age 65; Medicare became the secondary payer.

But, the government has saved less than it projected because Medicare improperly continued to pay claims for beneficiaries who were no longer covered primarily by Medicare—generally employees older than 65 and their spouses.

That led HCFA to begin demanding reimbursement for Medicare overpayments from employers, insurers and third-party claims administra-

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Leading the fight against Medicare reporting

Ten business groups are lobbying against new health plan reporting requirements.

- Assn. of Private Pension & Welfare Plans
- Employers Council on Flexible Compensation
- The ERISA Industry Committee
- Food Marketing Institute
- National Assn. of Manufacturers
- National Employee Benefit Institute
- Profit Sharing Council
- Small Business Council of America
- Society of Professional Benefit Administrators
- U.S. Chamber of Commerce

GRAPHIC BY KIM ROME

House, Senate act on benefits for vets

By JERRY GEISEL

WASHINGTON—Employers with veterans returning to the workforce after military service face higher savings plan costs under legislation awaiting congressional approval.

Bills passed this month by the Senate and earlier this year by the House to protect the jobs and benefits of employees who join the military, would allow returning veterans to make retroactive contributions to their 401(k) and other savings plans.

Under both bills, employers would have to retroactively match those contributions to the same extent they matched other workers contributions during the period of military service.

The House bill would go even further. It would require employers with profit-sharing plans to retroactively provide employees returning to their jobs after military service with the same defined contribution plan payments, such as profit-sharing benefits, that other workers received during that period,

The House bill also would require employers to credit employees' savings plans accounts with investment income that would have been earned during the period of service.

On the health care side, another provision in both House and Senate bills is aimed at small employers. It would require all employers to offer COBRA-like health coverage to former workers who had joined the military and their dependents for 18 months after the worker entered the military. Currently, employers with fewer than 20 workers are exempt from the extended health care provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

Both House and Senate measures come in response to the 1991 Persian Gulf War when tens of thousands of workers were called up for duty.

At that time, employers weren't sure what their benefit obliga-

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D&O rulings favor directors

Courts deal federal bank, thrift regulators three setbacks

By MARK A. HOFMANN

WASHINGTON—Federal bank and thrift regulators are heading back to the dugout after striking out in directors and officers liability cases before federal appellate courts.

The first two strikes came in October rulings by the 4th U.S. Circuit Court of Appeals in Richmond, Va., and the 5th U.S. Circuit Court of Appeals in New Orleans. Both rulings impose strict limits on the amount of time the Federal Deposit Insurance Corp. has to file suits against directors and officers of failed financial institutions.

The third—and potentially most damaging—strike was thrown Nov. 9 by the 7th U.S. Circuit Court of Appeals in Chicago, which ruled that to collect money damages the Resolution Trust Corp. must prove that directors and officers of failed federally chartered financial institutions were guilty of gross negligence rather than simple negligence.

"It's a very significant turn of events," said Ronald Glancz, a partner in the Washington law firm Venable, Baetjer, Howard & Civiletti who specializes in financial institution D&O law.

Taken together, the three decisions—plus moves by some states to set a higher standard of negligence for actions against directors and officers in state courts—could mean "fewer large judgments," Mr. Glancz said.

The RTC hasn't decided what its next move will be in the wake of the 7th Circuit's decision in *RTC vs. Francis X. Gallagher et al.*

The court had been asked to determine whether the standard of simple or gross negligence applies when regulators are seeking monetary damages from officials of failed federally chartered financial institutions.

It is easier to prove simple negligence, which is defined as a failure to use reasonable care, than gross negligence, which involves failure to exercise even slight care

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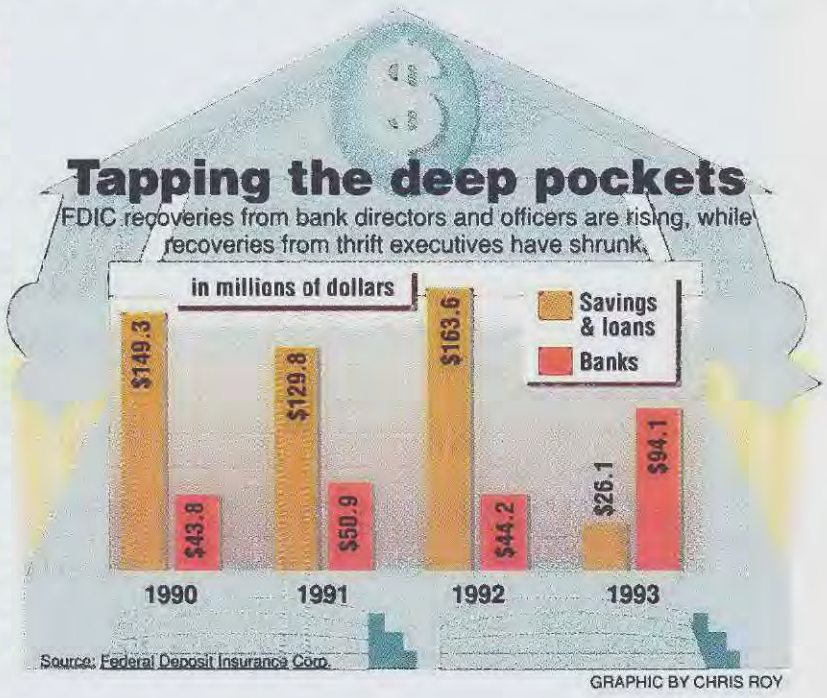

GRAPHIC BY CHRIS ROY

Updates

KWELM plan approval seen

Continued from previous page
protected or unprotected policyholders for each company. Provisional liquidator Coopers & Lybrand would not give final figures last week.

A House of Lords' decision on the status of many U.S. policyholders, expected today, could slightly affect the count in each of the 10 voting categories, explained Ian Bond, a Coopers partner and one of the scheme's authors.

The House of Lords decided in July that U.S. policyholders who are members of professional partnerships are eligible for compensation from a British guaranty fund under the U.K. Policyholders Protection Act. But the House of Lords reserved judgment on whether professional corporations and individuals within a professional corporation are eligible for coverage (*BI*, July 19).

California launches probes

LOS ANGELES—California regulators are investigating about 10 unidentified workers compensation insurers for possible overbilling.

The state probe comes on the heels of an Insurance Department investigation into overbilling by State Compensation Insurance Fund, which resulted in the insurer refunding $22.8 million to some 26,500 employers (*BI*, Nov. 15).

Meanwhile, the department is also beginning a market conduct examination of all Farmers Insurance Group subsidiaries after an Orange County Superior Court last month found Farmers' Truck Insurance Exchange unit guilty of bad faith for refusing to defend a policyholder. The policyholder was awarded $58 million in legal fees and punitive damages.

California fire loss estimate

RAHWAY, N.J.—Insured property damage from the California brush fires is now at least $950 million, according to the Property Claim Services division of the American Insurance Services Group.

Rahway, N.J.-based PCS estimated last week that the fires in Malibu, which were assigned Catastrophe No. 75, caused an estimated $375 million in insured property damage. The estimate came on the heels of $435 million in insured property damage caused by Catastrophe No. 74, assigned to the Laguna Beach and Orange County fires of Oct. 27-28.

PCS also took the unusual step of estimating a $140 million aggregate insured property damage figure for the numerous smaller fires, including the Altadena brush fire, that plagued Southern California in late October and early November. Those fires were not assigned a catastrophe number.

NME to settle lawsuits

FORT WORTH, Texas—National Medical Enterprises will pay about $15 million to settle 66 patient care lawsuits.

Embattled NME settled 59 suits against some of its Texas psychiatric hospitals and reached agreements requiring court approval in seven additional cases involving minors.

Those 66 cases represent about half of the conspiracy and fraud suits against NME related to psychiatric care, said Christi R. Sulzbach, its associate general counsel and senior vp.

Settlement costs are included in a reserve for insurance, malpractice and shareholder litigation, the Santa Monica, Calif.-based mental health care provider said.

NME, the subject of a federal fraud probe, recently agreed to pay $125 million to six insurers to settle charges that it filed $740 million in fraudulent psychiatric claims. A separate suit by 13 other insurers has been ordered into mediation (*BI*, Oct. 4).

Reforms help California firms

SAN FRANCISCO—President Clinton's health reform proposal generally would save California employers money on their health care benefits, though creation of a single statewide purchasing alliance would cause companies in poor and rural areas to subsidize those in wealthy and urban areas, according to new research.

California firms that now provide health coverage for their employees would save an average of about $1,000 per worker, concluded one study by Lewin-VHI Inc. But employers that do not provide coverage would have to pay $1,512 per worker.

Among firms that do not now offer insurance, the increase in costs will be lowest in industries dominated by small companies with low-wage workers that would qualify for subsidies under President Clinton's health care plan.

Overall, the study found, corporate health spending in California would rise $4.7 billion under the Clinton plan. But state spending would drop $3.7 billion, and individuals would pay $2.5 billion less. The federal government would pay $6.2 billion more on health care in California.

Another study, by Rand Corp., found that a single statewide purchasing alliance, like that favored by Insurance Commissioner John Garamendi, would be the most "regressive" way to implement the Clinton plan. Poor and rural areas would be unfairly hurt under a statewide alliance, said Rand, which favors smaller, regional alliances.

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Errors & Omissions

- Pegasus Advisors Inc. is a unit of Medical Brokers Inc., not Skandia America Corp. as reported in the Nov. 1 issue.
- The International Chamber of Commerce supports strict liability for the operators of potentially polluted sites. This was incorrectly reported in a Nov. 15 article on E.C. pollution liability proposals.

Pro-policyholder rulings upheld in asbestos case

By MICHAEL SCHACHNER

SAN FRANCISCO—The nation's largest and longest asbestos coverage dispute may finally be winding down after a California appeals court last week affirmed key coverage issues in favor of policyholders.

In the massive coordinated asbestos litigation case that began in the early 1980s, a three-judge panel for the 1st District of the California Court of Appeals upheld the most important coverage rulings issued from 1987 to 1989 by San Francisco Superior Court Judge Ira A. Brown Jr.

Although the three asbestos firms involved in the case have already settled most outstanding disputes with dozens of insurers over coverage for asbestos-related bodily injury claims, the Nov. 15 ruling enhances policyholders' improving position in ongoing coverage battles.

Specifically, the court affirmed a "continuous" trigger of coverage—the broadest possible—for asbestos-related bodily injury claims and a broad "multiple" trigger for property damage claims, as well as wide scopes of applicable coverage.

If the ruling stands, it will indicate that the insurance industry has lost its high-stakes gamble in pushing for coordinated handling of early 1980s coverage suits by Armstrong World Industries, GAF Corp. and Fibreboard Corp.

The coordinated trial that began in 1985 in San Francisco quickly

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California halts insurer

State says surplus lines insurer did not follow business plan

By DOUGLAS McLEOD

SAN FRANCISCO—What California giveth, it can also taketh away.

Just ask Paradigm Insurance Co., which was recently ordered to stop writing business in California only four months after state regulators waived capital and surplus requirements for the Indiana insurer's benefit.

California regulators ordered Paradigm to stop underwriting this month after charging that it has failed to provide the inner-city medical malpractice insurance it had promised to write.

Regulators granted Paradigm an exemption from the state's minimum $15 million surplus requirement for surplus lines insurers in July on the understanding that it would provide malpractice coverage for clinics in Hispanic neighborhoods.

Instead, the insurer has written mainly commercial general liability and property business, much of it through a Sonoma, Calif., agency that formerly produced business for previously barred offshore insurers.

Paradigm lawyers argue that the Insurance Department's findings are based on errors—including a reporting error by a Paradigm producer—and that the insurer has written a substantial amount of malpractice business.

Dr. Michael D. O'Leary, Para-

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Prudential to sell 40% of unit for $420 million

IPO planned for Pru Re stake

By DOUGLAS McLEOD

NEWARK, N.J.—Prudential Insurance Co. of America plans to spin off a 40% stake in its Prudential Reinsurance Co. unit in a $420 million initial public offering.

Prudential announced the stock offering last week after failing to find a private buyer earlier this year when the entire reinsurance unit was offered for $1.2 billion.

Pru Re is the largest broker market reinsurer in the United States. It reported net written premiums of $416.5 million for the first half of 1993, and $797.4 million for all of 1992. Policyholders surplus stood at $544.7 million as of June 30.

The initial public offering, expected to be completed early next year, includes Pru Re subsidiaries Prudential National Insurance Co. and Le Rocher Reinsurance Ltd., which is based in London.

In a registration statement filed with the Securities and Exchange Commission, Prudential says it will sell 20 million shares in Prudential Reinsurance Holdings Inc., a new holding company for Pru Re, at $21 a share.

Proceeds from the sale will go to Prudential, which says it will use the funds in its other businesses and for general corporate pur-

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Merrett deals collapse

Travelers withdrawal leaves Lloyd's agent searching for capacity

By ADRIAN LADBURY

LONDON—Merrett Holdings P.L.C. is fighting to save its Lloyd's of London syndicates from possible collapse after two efforts to boost their capital fell through last week.

Travelers Corp. last week withdrew from a consortium that had planned to acquire a majority stake in the Lloyd's of London underwriting organization. Shortly thereafter, efforts by Merrett to interest fellow managing agency A.J. Archer Holdings P.L.C. in a merger were rejected.

Merrett is seeking new sources of capacity after members agents withdrew support from its syndicates. Stephen Merrett, chairman of the holding company, resigned as chairman of Merrett Underwriting Agency Management Ltd. in September to appease members agents (*BI*, Aug. 23).

Sources close to Merrett say the company so far has only managed to attract about 150 million pounds ($222 million) in capacity for its syndicates for the 1994 underwriting year, down sharply from roughly 350 million pounds ($530.5 million) in capacity this year.

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Inside

- Despite the daily stresses of corporate life, risk managers and benefit managers have much to be grateful for on Thanksgiving, this week's editorial says. **PAGE 8**
- Many Lloyd's participants are optimistic about 1994 capacity, especially because corporate capital has not been discouraged by the ongoing dispute between loss-plagued names and their members agents. **PAGE 63**
- British press reports this month indicate that the government is planning to shift sick pay and workers comp medical benefit costs to employers. **PAGE 63**
- As the demand for home health care services rises, so do the potential risks faced by the care providers, experts said at the recent American Society for Hospital Risk Management conference. **PAGE 67**
- The Health Insurance Assn. of America likely will continue its health reform ad campaign next year. **PAGE 69**

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Specialty Risks

Buyers market seen for pollution cover

Increased demand, more expertise add up to growth for mature market

By LOUISE KERTESZ

Bolstered by growing technical expertise, premium growth and a better understanding of the regulatory process governing cleanups, underwriters are becoming more comfortable writing pollution insurance.

Part of the market's growth is being generated by a new focus on coverage for property cleanups. But the market's traditional roots in contractors coverages also are getting a boost from the transition of many government contractors to the private sector.

According to Rollins Hudig Hall Group Inc., "the market for environmental insurance has improved dramatically in recent months. New coverages are available, higher limits are being offered and pricing has become more competitive on many products," the broker said in a recent newsletter to clients.

The ball is now in corporate America's court, brokers and insurers say. It's up to businesses to take advantage of the array of available environmental coverages for their normal operations and for remediation of newly acquired property.

"There's a very distinct willingness on the part of the major pollution underwriters to be more creative and adaptive with their policies, which is in line with the increased competition between them," observes Gregor Bond, vp of major accounts at RHH's retail brokerage unit, Rollins Hudig Hall Co., in Chicago.

Although more businesses are purchasing environmental coverage, "the state of the economy is such that a lot of risk managers still look at pollution as luxury insurance," said Robert J. Patterson, vp at Zurich American Specialties, a division of Zurich American Insurance Co., in New York.

"We tend to think that everybody has environmental exposures—and we believe the majority of risk managers would agree." But, so far, only a fraction of them "feel it's worth buying insurance," he observed.

"We find, in our excitement in generating these products, a significant lag time in the product coming to market and industry catching up with the true purpose and overall benefit in these policy coverages," agreed David Rosenberg, executive vp at Exton, Pa., Environmental Compliance Services Inc., a managing general agent that writes pollution-related coverages on behalf of Reliance National Insurance Co. of New York.

Many large corporations still self-insure their primary layers of environmental coverage, but that picture is changing.

For example, Sunkist Growers Inc. self-insures because pollution coverage "has been very scarce up until about 18 months ago," said Ted Jones, director of administration, in Sherman Oaks, Calif. Mr. Jones also found that available limits of $1 million were too low, while the cost of inspecting sites before issuing coverage was quite steep. That cost is not refunded if the coverage isn't issued, he said.

"I'd like to look around" now that coverage is more available, he added.

Although companies with major exposures, like petroleum distributors and hazardous waste site operators, have been the traditional customers for pollution insurance, "as it has become more competitive, there has been more interest from compa-

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Photo by Michael Melford/Image Bank

Outlook for state pollution funds. Page 18
Good times for municipal bond insurers. Page 54
Analyst questions bond insurers' ratings. Page 57
Connie Lee defends business strategy. Page 58

Big Six losses don't add up to cover crisis for small firms

By MICHAEL SCHACHNER

Professional liability insurance for accountants is a numbers game: The Big Six are facing a coverage crisis, while smaller firms are having an easy time finding affordable coverage.

The Big Six accounting firms perform nearly 95% of the financial audits for the Fortune 500 industrial firms, the top 100 defense contractors, the 100 largest commercial banks and the 100 fastest-growing U.S. companies. Yet, commercial insurers in the United States and abroad have all but stopped writing coverage for the big accounting firms as their perceived exposure to loss has ballooned.

And, in the rare cases where commercial coverage still exists, it is prohibitively expensive and requires enormous deductibles, brokers and insurers report.

Once a thriving accountants professional liability market offered large firms limits of more than $200 million on top of modest $250,000 deductibles. Now, with that market degenerated and fragmented, accounting firms face painfully high premiums for what has proven to be inadequate coverage against skyrocketing court awards and settlements.

Large firms are buying only bits and pieces of commercial coverage, relying primarily on self-insurance arrangements or coverage from a pair of Bermuda mutuals—Padua Ltd., and Professional Asset Indemnity Ltd.

Meanwhile, new insurers are competing in the professional liability market for smaller, regional accounting firms—those with 20 or fewer certified public accountants—that do not derive the bulk of their revenues from auditing public companies.

"For the smaller firms, it's truly a buyer's market. They can get up to $10 million in

Continued on next page

Cleaning up Superfund

Reform proponents optimistic of changing law

By MARK A. HOFMANN

Superfund reform proponents think they have a better chance than ever of changing the controversial pollution cleanup law's approach to assessing liability.

Their optimism stems from several factors, not the least of which is the U.S. Treasury Department's recent endorsement of an overhaul of Superfund liability as a prerequisite for the law's reauthorization (*BI*, Oct. 11).

The Treasury Department has called for an end to joint and several liability and retroactive liability in allocating cleanup costs. Under the plan, the government would pay cleanup costs for sites polluted before a designated date.

The Superfund law, officially known as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, must be reauthorized by Congress by the end of next year or the federal government could lose its ability to levy taxes to clean up sites for which no responsible parties can be found.

Reform advocates also draw optimism from a recent study prepared by Rand Corp. at the behest of the Environmental Protection Agency (*BI*, Nov. 8). The Rand study found that at least one-third of the money spent by potentially responsible parties for Superfund site cleanup goes toward so-called transaction costs like legal fees, expenditures that don't move a spadeful of contaminated soil.

In addition, reformers are picking up support from groups not traditionally associated with the effort to overhaul the law. The most significant of these new allies is the National Assn. for the Advancement of Colored People, which is interested in seeing urban areas cleaned up for health reasons and to stimulate economic development.

There also appears to be a growing consensus that many of Superfund's problems stem from one simple fact. Congress "underestimated virtually everything about the problem" of cleaning up pollution sites when it passed Superfund in 1980, said Leslie Cheek III, director-domestic external affairs for Xerox Corp. in Washington.

At that time, the lawmakers thought they were dealing with only a few hundred industrial sites that could be cleaned up for $1.6 billion in five years, he said. But the number of sites grew. Now there are more than 1,200 sites on the EPA's priority list, though only about 155 of them have been cleaned.

Cleanup costs were grossly underestimated as well. The cost of cleaning up the average Superfund site has been estimated in the $30 million-to-$50 million range,

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Accounting firms

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coverage without major exclusions. But with all the headlines about massive settlements, I don't think smaller, uninsured firms realize how inexpensive adequate coverage is," said James Eskritt, vp-lawyers and accountants professional liability with CNA Insurance Cos. in Chicago, which only writes coverage for smaller accounting firms.

The story is different not only for the Big Six—Arthur Andersen & Co., Coopers & Lybrand, Deloitte & Touche, Ernst & Young, KPMG Peat Marwick and Price Waterhouse—but also for some of the large regional firms that do audit work for high-profile clients. These firms are finding it almost impossible to buy coverage that costs less than 25% of total recoverable limits.

Even more troubling for large accounting firms, capacity has all but evaporated.

According to Minet Group P.L.C., the leading risk financing adviser and insurance broker to the Big Six, only about 1% of the world's 13,000 insurance companies and Lloyd's of London syndicates will write professional liability coverage for large U.S. accountants.

The reason: Insurers view the exposure arising from an uncontrolled tort system as too volatile and as growing at too rapid a rate to constitute a strategically sound use of underwriting capital. That dearth of capacity, along with higher premiums, is forcing larger firms to bear a larger percentage of losses than they can healthily absorb. Currently, the Big Six firms that still purchase some conventional coverage must individually assume at least the first $45 million of each claim before coverage is triggered.

At that point, maximum available per-claim limits above deductibles total only $50 million, Minet said in a September letter to an attorney representing the Big Six on tort reform issues. "Even within this narrow band of coverage, it is impossible to find sufficient worldwide capacity to fully place" a no-gap insurance program for a large firm, said the letter, which was written by Rick Murray, executive vp with Minet and chairman of Minet's Global Professional Services division.

Therefore, the large firms must not only retain the first $45 million of a claim, but a portion of the next $50 million and everything above $100 million.

The situation is grave enough that both Coopers & Lybrand and Arthur Andersen are almost entirely self-insured, and the other large firms are seeking alternatives to the standard market, said industry sources. Neither firm would comment.

But the risk financing programs that these firms must turn to can only be viewed as financially dangerous, considering that during 1992 and 1993 all of the Big Six firms except Price Waterhouse were hit with at least one court award of more than $20 million or paid a settlement of similar magnitude.

Just in the past six weeks:

- Ernst & Young agreed to pay $111 million to settle negligence charges stemming from the 1985 failure of the Insurance Corp. of Ireland, which its predecessor, Ernst & Whinney, audited from 1978 to 1983 (*BI*, Oct. 11).
- Deloitte & Touche was ordered by a Texas state jury to pay $103 million in compensatory and punitive damages stemming from the 1986 approval by Touche Ross of a client's $95 million tax deduction, which was later rejected by the Internal Revenue Service (*BI,* Nov. 8).

Both firms were fully insured but only because the claims stemmed from actions that occurred years ago, when they could buy huge limits of coverage.

There would be little coverage for similar awards and settlements resulting from present-day audits, brokers and insurers say. And, with the claims that currently are facing the Big Six, such settlements and awards appear to be likely.

Currently, the six largest firms face claims of about $30 billion—an estimated 20 times their combined capital.

Last year, the Big Six paid out $783 million related to judgments, settlements and legal defense, $185 million of which was recovered from insurers. The total cost, before insurance recoveries, arising from negligence claims constituted 14.3% of the Big Six's $5.47 billion in revenues. These figures—which come from the accounting firms—are expected to increase this year.

In total, the Big Six spent nearly $600 million in out-of-pocket practice protection costs in 1992, or about 11% of gross revenues.

"The situation is a crisis. There's no two ways about it," said Mr. Murray in a recent interview.

"Joe Smith, the small accountant, can't walk into the major corporations with a pencil and ledger and say, 'Let me be your auditor.' The large multinational and domestic corporations won't have anyone but the Big Six," Mr. Murray noted. But at the same time, the risks associated with doing audit work for these volatile corporations is enormous. When something goes wrong, it goes wrong in a big way."

The biggest problem facing the big firms, according to Mr. Murray and accountants, is the doctrine of joint and several liability. Under it, accounting firms whose negligence caused only minor damages can be held liable for the full amount of an award.

"Joint and several liability began as a method of getting at conspirators. But now it's being used as a club against peripheral defendants not engaged in the action that has caused the claim," said Walter Primoff, president of the New York State Society of Certified Public Accountants. "CPAs should be held responsible for negligence, but when they're not involved in any illegality, it's like saying the cops are as guilty as the criminals because they didn't catch them."

"This exposure to loss and the liability crisis are all a product of the tort system," said Kevin Conboy, president of CPI Insurance Group Inc. in Morristown, N.J., which operates as an exclusive broker and managing general agent for American International Group Inc. Like CNA, AIG no longer writes professional liability coverage for the Big Six firms.

"So much of what the Big Six do involves Securities and Exchange Commission work and investment consulting," said Mr. Conboy. "The exposure here is just too great."

None of the Big Six firms contacted by *Business Insurance* would speak about their insurance arrangements or why their risk management problems have reached crisis proportions.

But Mr. Murray's letter indicates that insurers' past underpricing is partly responsible for recent underwriting losses.

"Underwriters, for at least a decade, underestimated the losses that would be incurred on these accounts and underpriced the insurance product they were selling. . . .The rate of escalation of accounting firm

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Things to be happy about.

Window offices.

Coffee breaks.

Sharp pencils.

Three-day weekends.

Black ink.

Humana health care plans.

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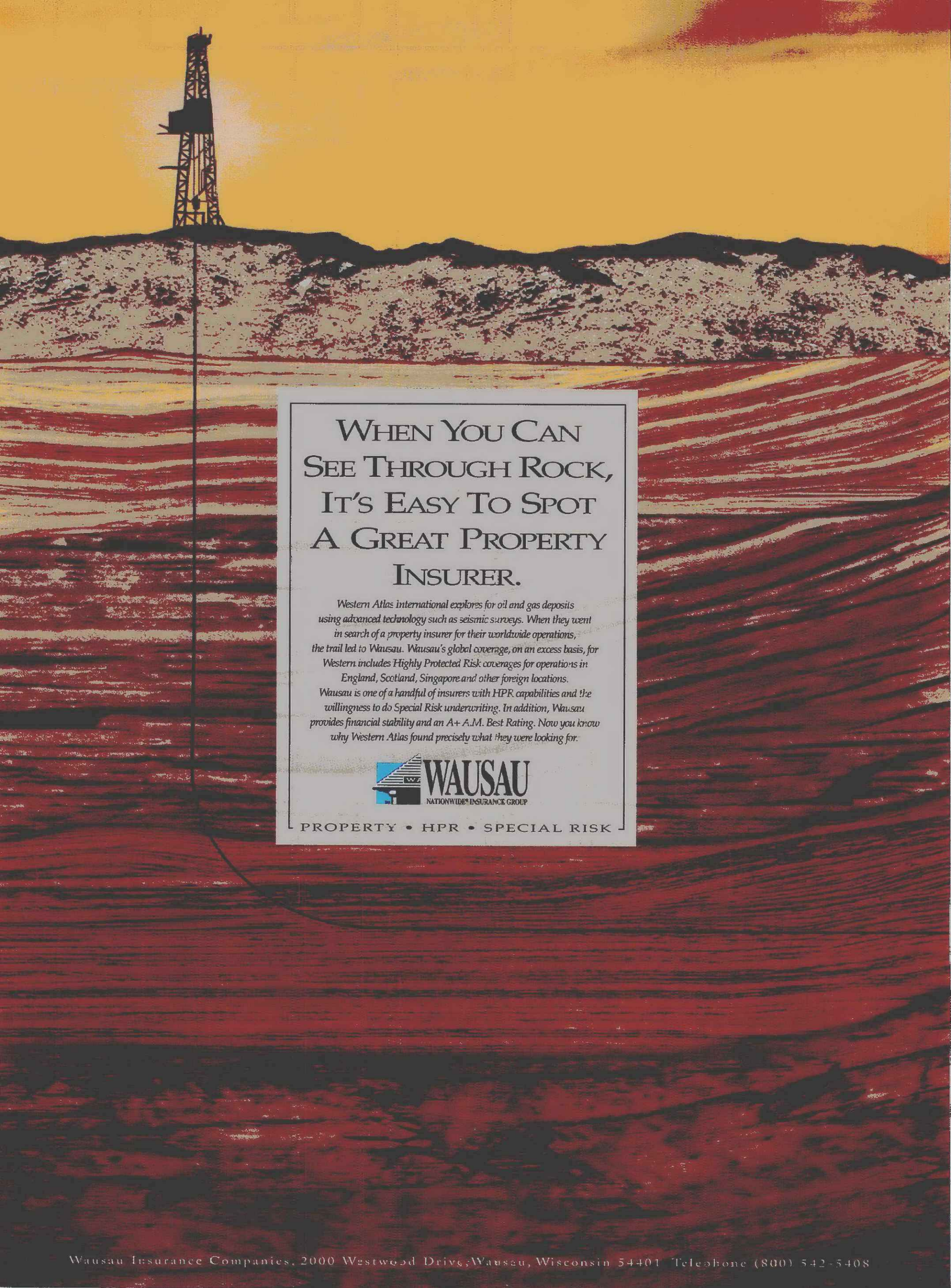

When You Can See Through Rock, It's Easy To Spot A Great Property Insurer.

Western Atlas International explores for oil and gas deposits using advanced technology such as seismic surveys. When they went in search of a property insurer for their worldwide operations, the trail led to Wausau. Wausau's global coverage, on an excess basis, for Western includes Highly Protected Risk coverages for operations in England, Scotland, Singapore and other foreign locations. Wausau is one of a handful of insurers with HPR capabilities and the willingness to do Special Risk underwriting. In addition, Wausau provides financial stability and an A+ A.M. Best Rating. Now you know why Western Atlas found precisely what they were looking for.

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Accounting firms

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liability has grown more dramatically and rapidly than commercial experience would have given any reason to believe."

Accounting firms re-emphasized what they consider the problem in a pair of "white papers" prepared for the Securities and Exchange Commission and Congress. The white papers called for tort reforms, especially the elimination of joint and several liability that fosters going after "deepest pockets."

"Jurors and the public have no concept of the repercussions of multimillion-dollar judgments," said Richard Kropp, senior vp-underwriting with Shand, Morahan & Co. Inc., an underwriting manager in Evanston, Ill. "There seems to be subtle applause every time a jury sticks it big to an accounting firm."

But will all the lobbying by accounting firms get Congress to protect them from growing liability?

Probably not, says an academician who has written on accounting firm liability.

"The Big Six reducing their exposure depends on more than just asking Congress to protect them. They're dreaming if they think they can waltz into Washington and get federal protection. The poverty of the accounting community is not generally thought of as one of the nation's major problems," said John Burton, an accounting and finance professor at Columbia University in New York.

"Maybe it's time for accountants to become public financial reporters rather than just auditors. They could also benefit from taking more responsibility for their actions. They could use some sort of self-regulatory body," Mr. Burton said. BI

Superfund reform

Continued from page 3
with the total cost of the program running perhaps as high as $1 trillion, depending on how many sites ultimately end up on the list.

The federal government has already spent about $10 billion on cleanups. Although no one knows how much private money has been spent, the insurance industry alone estimates it spends about $500 million per year. What's more, 88% of that amount goes toward legal fees and other transaction costs, according to a 1992 study conducted by the Rand Institute for Civil Justice (*BI*, May 4, 1992; April 27, 1992).

Hopes for reform, however, are tempered by other concerns: the slowness with which the Clinton administration has moved in preparing its position on Superfund reauthorization; congressional sluggishness on legislative reauthorizations in general; and the possibility that Superfund reform will be overshadowed by other issues like health care reform.

In fact, despite the Treasury Department recommendations, the administration still is mulling its options and doesn't expect to release its Superfund reauthorization legislation until early next year.

Nevertheless, "there really is a galvanizing" of opinion that reforms must be made, said Peter A. Lefkin, vp-federal affairs in Fireman's Fund Insurance Co.'s Washington office. "A consensus is emerging between business, insurance and environmental groups that Superfund doesn't work."

Changing Superfund's liability provisions and its cleanup standards could mean the revitalization of some inner-city areas, Mr. Lefkin added. "We've got to clean up the sites and preserve the health of people who live there, but we've also got to restore those areas so we can create jobs and generate new taxes."

The Rev. Benjamin Chavis, the NAACP's executive director and chief executive officer, recently unveiled an eight-point plan for Superfund reform. The Chavis proposal—which was developed in conjunction with Joseph Brown, chairman, president and CEO of Talegen Holdings Inc., the Xerox unit once known as Crum & Forster Inc., and John Johnstone, chairman, president and CEO of Olin Corp.—calls for an end to the current system of retroactive, site-specific liability.

"I've never seen the legislative environment more conducive" to reform, said Franklin W. Nutter, president of the Reinsurance Assn. of America in Washington. "Only the most philosophical ideologues in the environmental community" support the current Superfund system.

This stands in sharp contrast to the situation in 1986, when the last major reauthorization of Superfund occurred, Xerox's Mr. Cheek pointed out.

The EPA was reeling at the time from a series of scandals, and environmentalists were able to argue that Superfund's liability system had not been given a chance to prove its value, he recalled.

"The chances are vastly higher than in 1986" that Superfund will be reformed, agreed Michael McGavick, director of the American Insurance Assn.'s Superfund Improvement Project. "The prospects are unusually high" largely because of the Treasury Department's proposal, he said.

In 1986, proponents of Superfund reauthorization wanted the Reagan administration to enforce the program, not reform it.

In addition, the business community splintered in 1986 over the question of who would pay new taxes for cleanup, said Mr. Cheek. As businesses battled each other, insurers took a relatively low-key role in the reauthorization battle, he said.

This time, insurers are helping lead the reform efforts, he said. Both the Superfund Improvement Project and the National Environmental Trust Fund—which was launched several years ago by American International Group Inc. Chairman Maurice R. Greenberg and which is now financed by several commercial insurers—are seeking to build grass-roots support for changes in the liability system.

If people live near a Superfund site, they generally don't know much about the program "unless they've been contacted by one of the inside-the-Beltway organizations that's trying to create grass-roots programs" like the NETF or the Superfund Improvement Project, Mr. Cheek said.

"When you talk to some of those 26,000 (potentially responsible parties), what you hear is outrage, frustration and incredulity that anyone would create a cleanup program that would work this way," said Jan Edelstein, director of the NETF.

"Go into your dry cleaner and you'll get an earful," said Fireman's Fund's Mr. Lefkin, who noted that dry cleaners are among the small-business people most likely to be named as PRPs.

Mr. Lefkin dismissed the theory that Americans are willing to pay an ever-higher price for a clean environment. "I think the public's far more practical than that—they realize societal resources are limited."

While everyone wants to make the environment as clean as possible, "most of the public doesn't want to close down industrial enterprises—

Continued on page 12

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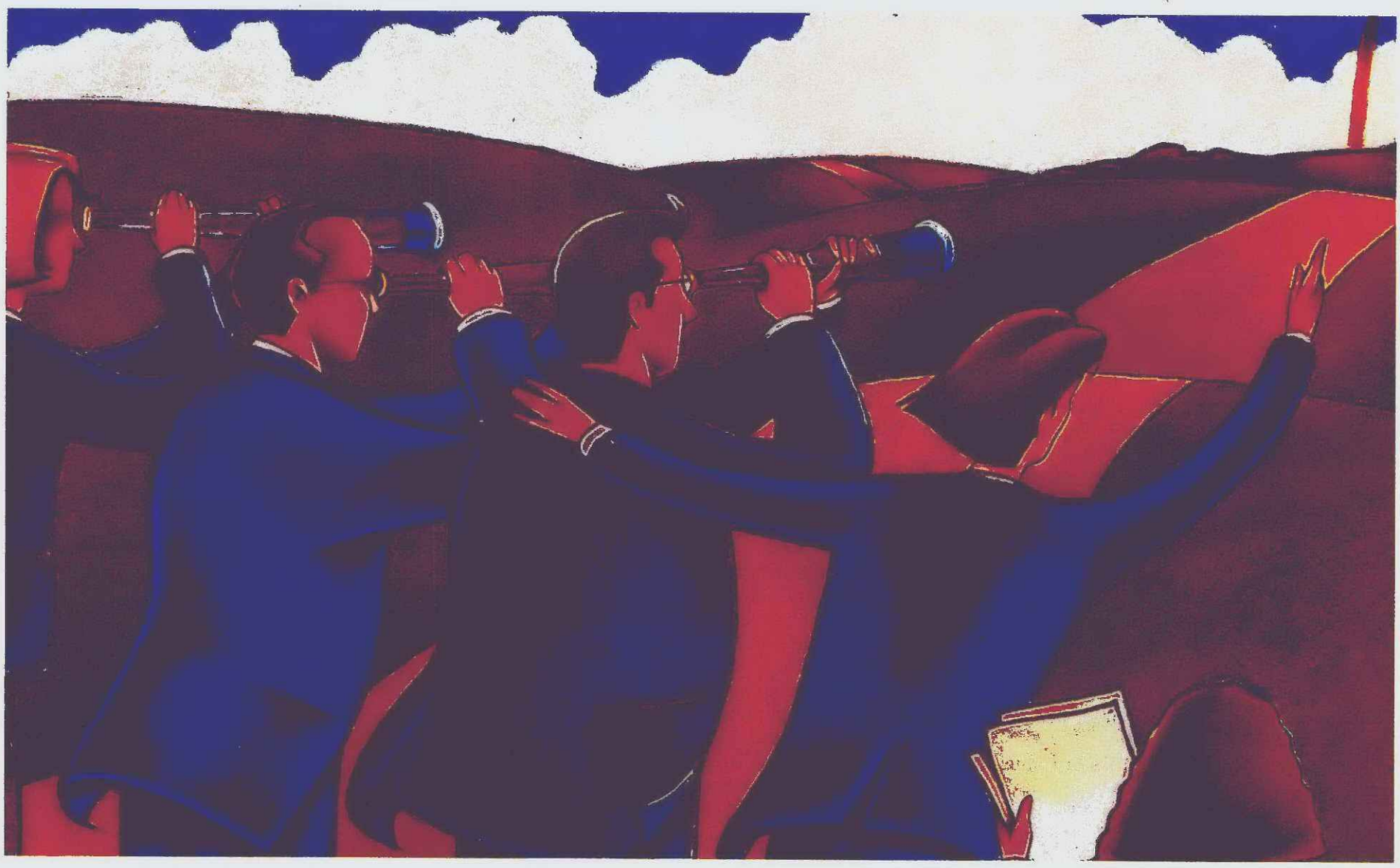

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Opinions

A time to give thanks

BEFORE WE BEGIN digging into the turkey, sweet potatoes, cranberries and pumpkin pie, let us give thanks for a variety of things:

• That the nation is finally aware that our health care system is indeed sick.

Like it or not, President Clinton's health care reform plan has focused nearly all of America's attention on the severity of our health care problems. We can only hope that by next Thanksgiving, Congress will have passed constructive, meaningful reforms that will both extend coverage to those who need it and hold down employers' and individuals' health care costs.

• That property/casualty insurance rates have remained low.

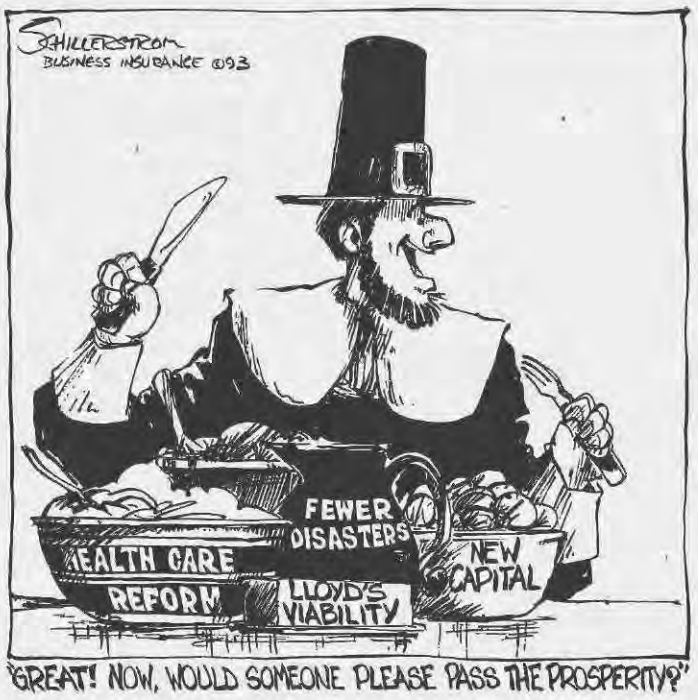
While we are still worried that rates may be *too* low, which could cause some very unpleasant surprises for risk managers if prices suddenly rocket upward, most risk managers should be happy that their 1993 insurance budgets were pretty much on target, with little possibility that they will be socked with big across-the-board rate hikes during year-end renewals.

• That catastrophe losses so far this year have been much more mild than in 1992.

While there were indeed some huge disasters in the past year—including the big winter storm, the World Trade Center bombing and the recent California wildfires—another Hurricane Andrew has not come our way.

• That Lloyd's of London is still very much alive and kicking.

Despite reporting staggering losses for three straight years, predictions that Lloyd's would fail are being scotched by the hundreds of billions of dollars of corporate capital flowing into the marketplace. And, Lloyd's position will be further strengthened if it can negotiate a settlement between members facing huge losses and their members agents.



"GREAT! NOW, WOULD SOMEONE PLEASE PASS THE PROSPERITY?"

• That the insurance industry can still attract investors' attention.

The corporate capital at Lloyd's, combined with the more than $4 billion in capital garnered by the new Bermuda property catastrophe reinsurers and the huge amounts of capital being raised through public offerings by U.S. insurers and reinsurers, say good things for the future of the insurance industry—as long as it uses these funds wisely.

• That there's hope the Superfund law, which threatens all American businesses in general and property/casualty insurance companies in particular, can be amended to ease its onerous liability provisions.

Cleaning up polluted sites is an admirable goal; however, as study after study has shown, Superfund does little to improve the environment.

Letters

Readers support HIAA campaign against reform

To the editor: I read your Nov. 8 editorial with shock and surprise. It is your opinion that the health insurance industry in general, and the Health Insurance Assn. of America in particular, should back off of its campaign to defeat President and Hillary Rodham Clinton's plan to have the federal and state governments take over the delivery of health care. The Clinton technique of creating a crisis (health care), pointing out the enemy (health insurers) and offering a solution (government control) should be exposed for the political theater it is.

What is at stake here needs to be communicated to the American people in the most dramatic way that is professionally possible. Hundreds of thousands of people will lose their jobs in the health care financing industry if the Clintons get their way. These include brokers, agents, third-party administrators, insurance company backroom employees and many others.

More importantly, the fundamental shift in the way health care is delivered from the current free-market system to one controlled by government-run and government-controlled health care collectives needs to be dramatized for what it is: more government control of our lives.

Eighty percent of the people in this country have health insurance coverage. Eighty percent of those are quite satisfied with their coverage. Any politician should be ecstatic at an 80% approval rating. If the Clintons are truly concerned about the 20% who don't have health insurance coverage, then let them go after that segment without revolutionizing the whole system that is working quite well.

It's time to take the gloves off. Good work, HIAA.

J. Allen Hall
President
J. Allen Hall & Associates
Indianapolis

* * *

To the editor: I am confused by the statement in your Nov. 8 editorial that "by contrast, employers now are free to offer only an HMO and restrict employees' choice of providers," as opposed to the proposed health care alliances' choice of a traditional indemnity plan, a health maintenance organization and a preferred provider organization.

Could it be that you are not aware that for years insurance companies have been able to offer a combination of these three types of coverage in one package? Are you not aware that some insurers offer a choice of up to four plans in one package for groups as small as five employees? Are you not aware that offering an HMO along with a PPO or indemnity plan has become commonplace?

Whatever you might think of the Clinton plan, it would certainly offer less choice because it is designed to eliminate many excellent smaller insurance companies and create a bureaucracy that will deal only with a monopoly of industry giants that have sufficient market share and resources to be considered "accountable."

Susan J. Bradshaw
President
Benefit Design Group Inc.
Virginia Beach, Va.

* * *

To the editor: You make a good conclusion in your Nov. 8 editorial that Mrs. Clinton and the HIAA should work together, even though you err in your assumption that both Mrs. Clinton and the HIAA are off base. Your condemnation is even-handed, much like splitting a rapist's sentence 50/50 between the rapist and the victim.

The lies are the administration's, not the insurance industry's. The HIAA is guilty only of using the same slick methods to get its point across as everyone else does. You can hardly fault the group for being a product of the times.

The HIAA's ad is truthful; Mrs. Clinton's public information is not. Good job and thank you, HIAA. You speak for many of us.

Norm Robins
ALTA Insurance Agency Inc.
Walnut Creek, Calif.

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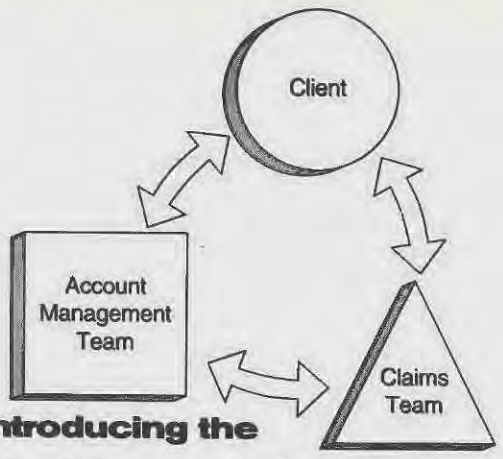

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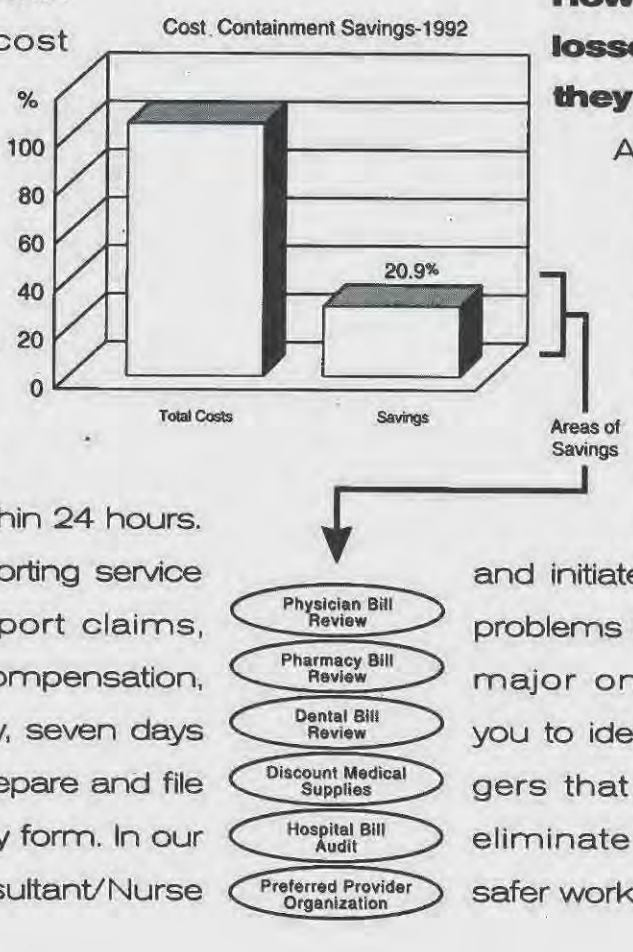

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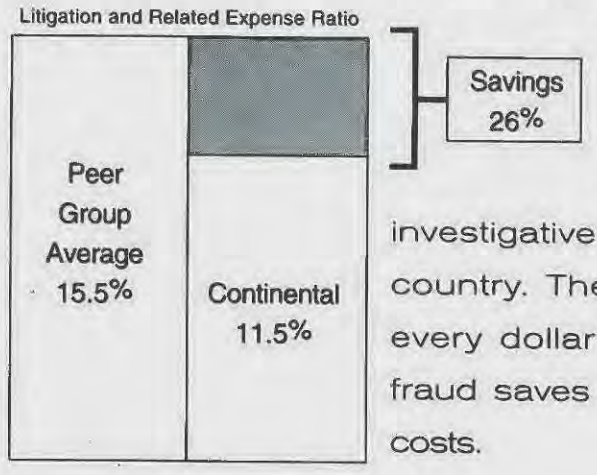

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Superfund reform

Continued from page 6

that's their jobs. I think some of the environmental groups, particularly those who live off trust funds, aren't as cognizant of economic realities as most of us who work for a living," he said.

But, from a taxpayer's point of view, the fact that Superfund has forced businesses to pay for cleanups is not a bad thing, said Robert Nakamura, professor of political science at the State University of New York at Albany and co-author of "Cleaning up the Mess: Strategies for Implementing Superfund," a study published by the Brookings Institution in Washington.

The Superfund program has met some of its goals very well, Mr. Nakamura said. For example, its emergency removal program, which provides money to contain immediate hazards of chemicals leaching into water supplies and other threats, has provided "a lot of immediate risk reduction for modest sums."

In addition, the public wants cleanup but doesn't want to pay taxes to achieve it, so the Superfund setup is basically anti-business, Mr. Nakamura said.

"As a practical matter, there are a lot of things in a lot of people's backyards," he said. Superfund cleanups have become a "reverse NIMBY"—"not in my backyard"—issue, he said. "The sites are already there and the people want to get rid of them."

Ms. Edelstein agreed that people want pollution sites cleaned up, but added that "a lot of people don't trust anyone" to do it, whether it be government or industry.

The EPA stands firm on the need to maintain the central premise of the Superfund liability system: The polluter pays.

"We at the EPA believe that people support the concept of polluter pays, and that's what Congress intended when it passed the law in 1980," an EPA spokeswoman said. One in four citizens lives within four miles of a Superfund site, she added. "People are concerned about future generations."

But Dennis H. Chookaszian, chairman and CEO of CNA Insurance Cos. in Chicago, questioned whether the "polluter pays" theory embodied in the EPA's reading of Superfund really involves polluters. He pointed out that many PRPs are being held liable for cleaning up wastes that were disposed of in accordance with laws predating Superfund.

"By following the law, you're now being held accountable for something that you could have avoided by breaking the law," Mr. Chookaszian said. Applying retroactive liability in such a manner is simply bad public policy, he added.

"You can't get rid of the squabbling without getting rid of 'polluter pays retroactively,' " he said.

"Most communities are now more aware of the tradeoffs they have to make. The best evidence of that is the so-called 'brown fields' issue," said Xerox's Mr. Cheek.

Under current Superfund cleanup standards, the cost of cleaning up urban industrial sites so far exceeds the value of the property it is uneconomical for a company to do the clean up and restore the property to profitable use, said Mr. Cheek.

As a result, these "brown fields" are overlooked by businesses in favor of "green fields," or untouched land, which many regard as a waste of natural resources.

Liability reformers agree that the cost of allowing Superfund to remain unchanged makes reform imperative, but they disagree on how quickly the program must be reauthorized to avoid an economic disaster.

"If anything, the litigation among PRPs and between PRPs and insurers will become even more bitter and protracted" if the law remains unchanged, Mr. Cheek predicted.

"We're already there in terms of harmful economic consequences. No industry can afford to continue paying out nearly a half-billion a year in transaction costs out of surplus and expect to be around indefinitely."

Fireman's Fund's Mr. Lefkin said that if Superfund isn't reformed, "we'll probably see more of the same" for two or three years. But, he added, "the alarming trend is that the real costs" are still ahead despite the billions in transaction costs that have already been rung up. When large-scale cleanup begins, significant business bankruptcies and insurer insolvencies will follow if there's no reform, he said.

The RAA's Mr. Nutter said that the contingent exposure of environmental liability threatens the capital base of the insurance industry, with the ultimate liability of both primary insurers and reinsurers remaining unknown. The mere existence of that threat makes insurance industry executives very conservative about writing other lines of business, he said.

If there's no reform, the bad news is that some businesses and insurers will be forced out of business, said CNA's Mr. Chookaszian. The good news is that "eventually one of these sites will require so much" litigation and money for cleanup that the government will be forced to take action to remedy the law's problems, he said.

How soon Congress will move on Superfund depends largely on the Clinton administration's submission of a reauthorization bill.

Although key congressional leaders, including House Energy and Commerce Committee Chairman John D. Dingell, D-Mich., warned the White House last summer that a bill might not be approved in 1994 unless it reached the House before last Labor Day, the administration isn't expected to submit its bill until early next year.

The Treasury proposal has drawn criticism from other government agencies, most notably the EPA, and these differences will have to be rectified before the White House submits its proposal.

"Next year's an election year, and your window of opportunity is very limited," said Richard Seibert, vp-resources and environment for the National Assn. of Manufacturers in Washington. "Quite frankly, we'd like to get on with the process."

The complexity of the Superfund debate and the fact that the reauthorization bill will have to pass through several committees on each side of Capitol Hill before it gets to the floor of either house complicates things. "I don't think many people are expecting to see reauthorization next year," Mr. Seibert said. Instead, the program could be reauthorized for a year at a time.

Mr. Lefkin sees little wisdom in postponing reauthorization until after the 1994 congressional elections, elections in which many Washington observers are already predicting significant GOP gains. "On environmental policy, there has not been that dramatic a difference between Republicans and Democrats as some people think there is," he said. While reform might fare a little better under GOP leadership, Democrats bring a better relationship with the environmental community to discussions, he said. BI

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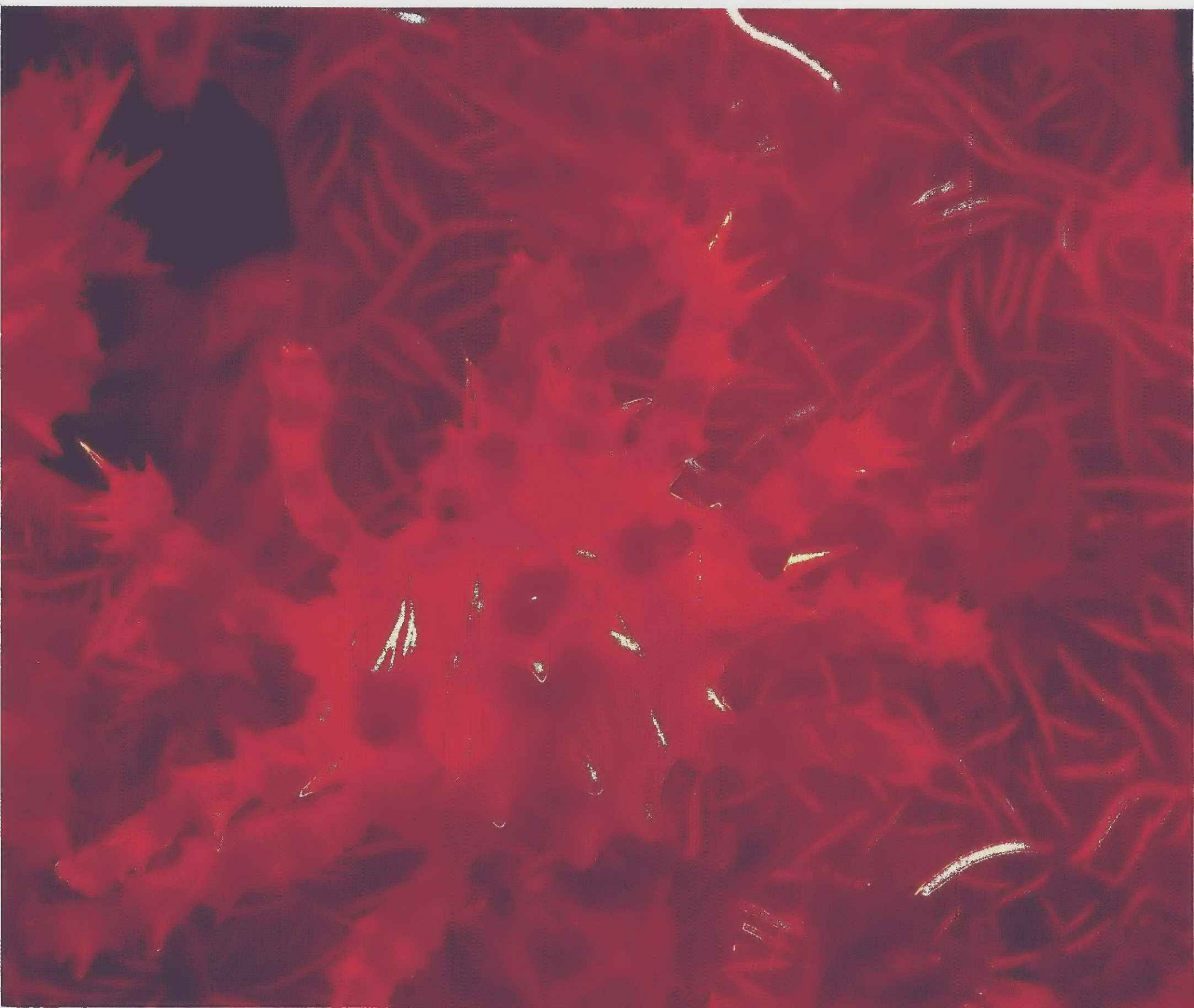

EIL market

Continued from page 3

nies with a lower exposure. We see more and more companies that have never bought it before," observed Mr. Patterson.

And, with Superfund up for reauthorization in 1994, "we believe the whole focus of the administration and the Environmental Protection Agency is going to be enhancing the voluntary cleanup approach and returning authority (for regulating cleanup) to the states," Mr. Rosenberg said. So underwriters are designing products to encourage businesses to use insurance mechanisms to fund environmental cleanup. Those products are "the wave of the future," he said.

During the past year, the four major environmental underwriters—American International Group Inc., Reliance Group Holdings Inc., Zurich American Insurance Group and United Coastal Insurance Co. of New Britain, Conn.—have added to their product lines and raised coverage limits.

They have also continued to refine their so-called "seamless" approaches to insuring complicated environmental risks. These seamless, or integrated, approaches blend layers of self-funding, insurance and reinsurance. Because more risk is retained by the policyholder, underwriters can insure properties previously considered uninsurable. These include sites that have been only partially cleaned up—the so-called "burning buildings" outside the scope of traditional underwriting.

On the heels of Zurich entering the environmental market last year, a fifth insurer—CNA Insurance Cos.—has weighed in with a property transfer liability product.

Columbia Casualty Co., a Chicago-based CNA unit, will provide environmental remediation insurance for commercial properties. General Environmental Management Corp., a subsidiary of Aon Specialty Group Inc., will act as underwriting manager for the Columbia policies.

The CNA policy is designed to pay cleanup costs for contamination on a policyholder's commercial property and can also cover claims resulting from legal liability for remediating neighboring properties. The coverage will protect commercial lenders, real estate advisers and other institutional real estate investors from Superfund liabilities.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, or Superfund, requires that the current owner of contaminated property conduct and pay for its cleanup, even if the pollution was caused by a former owner.

CNA's environmental market debut with this particular product earlier this year is a sign of where the market is heading, industry sources say. In the beginning, the market consisted of coverages for contractors and environmental engineers, but "I see the market moving into more property environmental liability coverages," said John J. Theiss, vp at Willis Corroon Los Angeles Inc. "I spend a great deal of time with clients reviewing the potential environmental liability they may incur as a result of acquiring property or a company in which property may be involved," he said.

CNA offered an environmental liability policy 10 years ago, but discontinued the product for lack of demand, said Richard Quehl, chief operating officer of Columbia Casualty. Now, he said, "We feel it's something our customers want."

"People are becoming more and more aware of the need to protect themselves from potential environmental losses, so for companies like CNA, large multiline insurers with a huge customer base, if we're not providing that level of environmental coverage and other companies were to do so, we would find ourselves in jeopardy of losing our customers," he said.

CNA/GEM modified the initial engineering requirements for their property transfer product "to make it much more viable for large portfolios," RHH's Mr. Bond said.

"Currently they're only requiring an environmental data base search", which can cost thousands of dollars less than the environmental engineering site assessment previously required. Data base search companies maintain lists of sites that are known to be contaminated, are possibly contaminated, or are registered because of a hazardous operation on the premises. The companies can provide this information to insurers or potential underwriters.

When Zurich decided to offer property transfer liability coverage, it acquired a product "instantly" by forming an alliance last summer with niche marketer ERIC Group Inc., Mr. Patterson said. ERIC previously offered a property transfer policy through another insurer.

Property transfer coverages are discussed a lot, but they "really haven't caught on yet," said Kenneth Cornell, vp of Commerce & Industry Insurance Co., an AIG unit in New York. "We initially provided only retrospective coverage," that is, coverage for pollution undetected at the time the property was purchased. "Now we provide retrospective, prospective and first-party cleanup—it's sort of matured. Now buyers have to get familiar with it. I'm quite optimistic in how it will do in '94 and beyond," particularly because recent court decisions have raised financial institutions' awareness of their liability in managing trusts, Mr. Cornell said.

"There's no question (businesses) will be clamoring for it in two or three years," ECS's Mr. Rosenberg asserted. "There will not be any major commercial. . .lender that does not insist on the borrower complying with a due diligence survey," including a requirement that the borrower obtain an insurance policy to ensure that the funds are available for required cleanups, he said.

Apart from property transfer coverages, AIG, Reliance and Zurich within the past year have all created more comprehensive environmental liability coverages, providing first-party cleanup and third-party liability coverage in one policy. And, United Coastal has just introduced a product that combines these two coverages.

These new comprehensive coverages carry much higher limits for pollution cleanup than the "very limited" coverages that were previously available with standard property insurance, said Zurich's Mr. Patterson. Combining significant coverages for first-party cleanup costs with liability coverage is "where the market is moving."

Zurich and United Coastal now offer $5 million in cleanup limits on the combined forms. "We anticipate having a minimum of $10 million in limits available next year," Mr. Patterson said.

Reliance offers limits of $15 million per occurrence/$30 million aggregate coverage for first-party cleanups and third-party claims in a new combined form.

And, AIG has added first-party cleanup costs to its pollution legal liability coverage for "major industrial environmental exposures" like chemical and manufacturing facili-

Continued on page 16

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EIL market

Continued from page 14

ties. Limits are available up to $50 million "in individual cases, if the need arose," said Mr. Cornell."We're getting more comfortable with our experience," he explained.

Previously, underwriters were wary of writing cleanup coverage for a company's own premises for fear the company might dump waste on its own property and then file a claim to clean up the pollution, Mr. Theiss said. But now, underwriters "have become comfortable from an environmental engineering standpoint with the risk."

"There is a potential moral hazard" in extending first-party cleanup coverage, "which is why I think a lot of the markets probably approach it with a higher deductible and perhaps more comprehensive engineering," Mr. Patterson said.

"We've done it on an accommodation basis for a couple of our insureds, and we'll be marketing it aggressively over the next quarter. Deductibles should be placed at a level that should reduce the moral hazard" of a company knowingly polluting its own property and filing a claim, he said.

Those deductibles will vary from policyholder to policyholder, he said. Alternatively, the policyholder might have to pay a percentage of the cleanup costs, he said.

"One of the most important developments" in the new comprehensive environmental coverage "is not so much the product itself as the way our underwriters are approaching it," observed AIG's Mr. Cornell. "There's a tremendous amount of information to be provided to the underwriter. We have tried to make that process easier by being able to assist the insured to pull together the information."

Assistance includes sending an engineer to a company's facilities to search through files and interview individuals. "It takes the onus off the risk manager, who might otherwise have to send applications to various plant managers and wait to hear back from them. That's generally where the process breaks down," Mr. Cornell said.

Such assistance, which AIG provides at the request of brokers and risk managers, "makes the product more approachable," he said.

Insurers and brokers are especially excited about the seamless, or integrated, approach to writing coverages, which is "a big step forward" in an environmental underwriter's ability to meet a client's needs, said William McElroy, assistant vp at Zurich American Specialties. "There's no off-the-shelf integrated insurance product. Every one of these deals is custom."

The new coverages "combine into a seamless insurance policy a layer of prospective loss funding" with a layer of true risk transfer, said Paul Raybin, senior vp-major accounts for Rollins Hudig Hall Co. in Chicago.

In an integrated policy, which resembles a funded reinsurance cover, the primary insurer places the policyholder's premiums into a separate fund used to pay any losses the policyholder incurs. Losses that exceed the funded amount would be covered by a layer written by the insurer, which may cede a portion of that coverage to a reinsurer.

In effect, the "fund" is a large self-insured retention that enables an owner or operator of a contaminated site to obtain insurance.

The self-funded layer covers the "burning building," or identified contamination. A layer of insurance is written on top of that. Coverage for pre-existing or unknown pollution "was available a year ago. Now (a risk manager) can get coverage for something he knows about—identified contamination," said Steven L. Hargreaves, vp of product development at ERIC Group Inc. in Englewood, Colo.

Businesses have been asking for this coverage, added Mary Ellen Gallagher, vp of marketing at ERIC. "Initially, people seemed more concerned with what they didn't know about and what they couldn't foresee. Then, existing property contamination soon became more of a concern. It's been kind of an evolution in the market perception of what is a real environmental problem."

The "flexibility" of these seamless coverages "allows the knowledgeable insured to create a truly meaningful environmental insurance program without giving away all their assets to do it, which they would have to do if they insured on a first-dollar basis," Mr. Raybin said.

Legislative developments are encouraging the use of the seamless approach to environmental underwriting, said ECS's Mr. Rosenberg. For example, New Jersey's Industrial Site Recovery Act, which became effective this summer, allows an insurance policy to serve as the required guarantee that the parties in a real estate transfer will remediate any pollution on the property.

This is the first time any state legislation has recognized insurance as an element in required pollution cleanups, he said.

But, despite the broadening of property coverages, insurers are reporting that premium growth in the past year has come from their more traditional liability policies for environmental contractors.

"Our premium volume has grown substantially. . .(and) we saw our greatest growth in contractor-oriented coverages," C&I's Mr. Cornell said. That is because more and more contractors are interested in doing remedial work, insurers and brokers say.

Contractors that were primarily civil engineering companies are moving into remediation work, simply because there is a lot more of it to be had, with the sizing down of government facilities and the closing of military bases.

"Large defense contracting companies have diversified into environmental remediation (and are) very much encouraged by the new administration to make that move. It is part of the administration's desire to help the defense industry to make the conversion" into environmental work—a movement akin to beating swords into plowshares, Willis Corroon's Mr. Theiss explained.

Accordingly, insurers have raised the limits on their environmental contractors liability policies. For example, in 1992, ECS/Reliance's limits on those policies were $10 million per loss/$20 million aggregate, and this year they are $15 million per loss/$30 million aggregate.

With all this opportunity, will more insurers move into the environmental insurance market?

"I do believe there will probably be more players. There's still capital and surplus available in the industry, and these have been proven profitable areas of operation," Mr. Cornell said.

Environmental premium volume is now at about $250 million a year and is "dwarfed by standard lines." But, that volume "is growing every year" and will probably peak at about $1 billion by 2000, said Henry Nozko Jr., president of United Coastal. That "will command more respect from the major carriers" and probably encourage new entrants into the market, he said. BI

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Spotlight report

State UST funds probably will not go under

However, policyholders often not fully reimbursed

By DEBORAH SHALOWITZ

State funds that provide pollution liability coverage for owners and operators of petroleum underground storage tanks are unlikely to fail despite the dismal financial picture for those funds.

There are several reasons why the funds won't go under. Foremost among them: These state financial assurance funds have the power of government behind them, so taxes could be raised or money borrowed, if necessary.

Also, many funds are instituting tighter claims reviews and cleanup fee schedules and are prioritizing cleanup sites.

While these cost-control efforts are good for the state funds' bottom lines, in many cases the result is that UST owners and operators are not reimbursed for the full amount of cleanup costs.

In addition, state funds' delays in reimbursing the cost of cleanups undertaken by UST owners and operators is a significant problem, experts note.

As a result, some UST owners and operators are buying commercial insurance even though they also are covered by a state financial assurance fund.

Under a rule instituted by the Environmental Protection Agency, by the end of this year all UST owners and operators will be required to show they have the financial resources to cover cleanups and third-party damages for leaks. The requirements set forth specific coverage limits that UST owners and operators must secure.

The EPA requires UST owners and operators to purchase coverage with limits of up to $1 million per claim and $2 million aggregate, depending on the owners' size. The coverage also must meet other EPA requirements (*BI*, Nov. 23, 1992).

Several risk financing alternatives are allowed, including surety bonds, letters of credit, commercial insurance or coverage from a federally approved state trust fund.

The EPA has approved trust funds in 31 states. In six additional states, trust fund programs have been submitted to the agency for review and, for now, can be used to satisfy the financial responsibility requirements. Another six states have established trust fund programs but have not yet submitted them for EPA approval.

"Certainly there's a perception that there are difficulties" with many state funds, said Amy Bouska, a consulting actuary and principal in the Minneapolis office of Tillinghast, a Towers Perrin unit.

The funds are "threatened by runaway costs and the fact that (most) state programs don't have a built-in mechanism to keep costs under control," said Brian Donovan, president of Containment Advisors Inc., a Lake Zurich, Ill., company that conducts UST leak investigations.

The EPA currently does not have a record of the financial health of any of the state funds, but it recently instituted a new program to monitor the funds, according to Sammy Ng, branch chief of the agency's office of USTs in Arlington, Va.

Under the new program, which began last August, each fund must submit to regional EPA offices data that illustrates the fund's financial status. Problems will be identified and solutions devised, Mr. Ng said.

While the EPA cannot force states to adopt certain actions, "we have the authority to withdraw the fund approval as a (financial assurance) compliance mechanism," Mr. Ng pointed out. "My hope is that it would not come to that point."

The EPA also has begun holding semiannual meetings with state fund administrators to help them manage the funds, he said.

Few people are concerned that a state fund will fail, experts say.

UST owners and operators "don't seem to be that concerned with the solvency" of the funds, said Mike Ryan, vp of environmental impairment at Agricultural Excess & Surplus Insurance Co. in Cincinnati.

"Are (the funds) ever really totally out of money if they can continue to tax?" he asked.

"There have been some moves to increase the funding flowing into" some of the state funds, noted Tillinghast's Ms. Bouska.

For example, in Michigan the state financial assurance fund had issued $67 million of commercial paper as of mid-November to pay part of the backlog of approved claims, said a spokeswoman for the state Department of Management and Budget.

The state, which began issuing the commercial paper and paying the claims in September, plans to pay all approved claims by the end of February 1994 by issuing more commercial paper. The total debt incurred by the financial assurance fund will be between $100 million and $150 million, the spokeswoman said.

Michigan's fund raises between $50 million and $55 million per year from a 0.875-cent tax per gallon on all fuel sold in the state.

In addition to raising more money to pay claims, Michigan also has tightened administration of the fund. The state is developing a new qualified consultant list that owners and operators must use and now requires bidding on certain cleanup activities, which previously was not mandatory, the spokeswoman said.

And, Michigan now requires claimants to prove they have incurred $5,000 in costs before they can submit a claim. Then, UST owners and operators must pay 10% of every invoice submitted, to a maximum of $15,000, for the first release of pollutants. Claimants will have to pay 30% of each work invoice, up to a maximum of $45,000, for a second release. The state will not reimburse UST owners or operators for additional releases. Previously, the state simply required a $10,000 deductible for each release.

Michigan ultimately intends to phase out the fund. Although the

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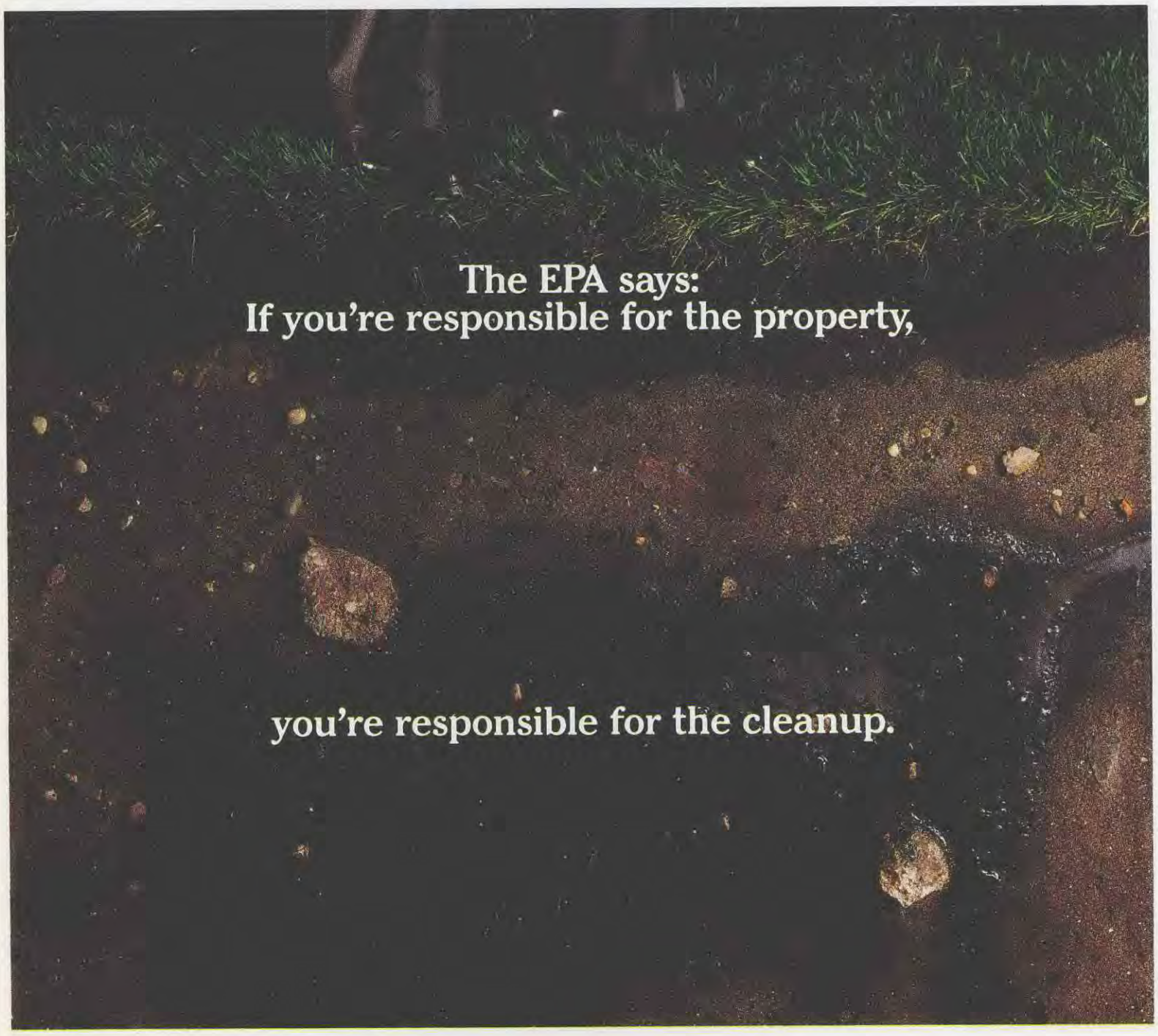

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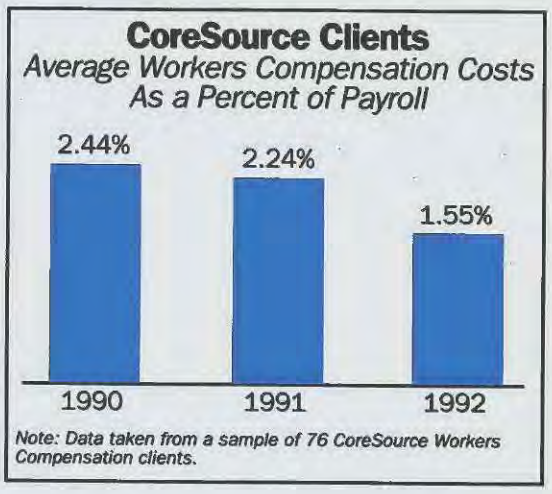

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UST coverage

Continued from page 18

current policy limit is $1 million per occurrence, beginning in 1995 the amount UST owners and operators will be able to claim from the fund will decrease by $200,000 each year. After Dec. 23, 1998, no distributions will be made from the fund.

Texas' Petroleum Storage Tank Reimbursement Program also has borrowed money to pay off its backlog of approved claims and instituted some changes to help control future costs.

In September, Texas transferred $130 million from the general revenue fund to the financial assurance fund to pay off some of the backlog of approved claims, explained Joe Woodard, director of the petroleum storage tank division of the Texas Natural Resource Conservation Commission. The money must be paid back to the general revenue fund by Aug. 31, 1995.

The financial assurance fund gets about $60 million a year from a gasoline tax of 0.06 cents per gallon.

As of December 1992, Texas only accepts claims for reimbursement of cleanups at sites that pose a threat to human health or safety, Mr. Woodard said.

Effectively, the state is telling owners and operators of leaking USTs that if the leak is not serious, UST owners and operators do not have to clean it up unless they are prepared to pay for the whole cleanup, he explained.

However, "that does not preclude them from any responsibility for third-party claims," so some UST owners and operators are paying for the complete cleanup of their sites, he added.

There are 145,000 registered USTs in Texas, about 15,000 of which are leaking, Mr. Woodard said. Nearly 5,000 have been cleaned up so far. And, the fund still receives daily reports of 10 to 15 new sites with contamination.

In March, Texas instituted new cleanup reimbursement guidelines that specify how much different cleanup activities should cost so UST owners and operators can determine if bids from contractors are reasonable, he said.

The guidelines also state that all cleanup activities must receive prior approval from the state or they will not be reimbursed, he explained. During the approval process, the state evaluates the planned work and tells the UST owner or operator how much the state will pay.

These kinds of cost controls can improve the financial health of state funds, but the consequence can be higher costs for UST owners and operators, said Keith Cannon, assistant vp in charge of environmental programs and risk management services for broker Henderson & Phillips Insurance in Norfolk, Va.

For example, in Virginia, the percentage of claims for cleanup reimbursements denied has skyrocketed in the past several years, Mr. Cannon said.

According to the Virginia Department of Environmental Quality, 70% of all claims submitted to the state fund so far in fiscal 1994 have been denied, compared with 47% of the claims submitted in fiscal 1993 and 26.6% of those submitted in fiscal 1992.

And, the lag time between when a UST owner or operator submits a claim and when he or she receives reimbursement can be a burden, especially for small operators.

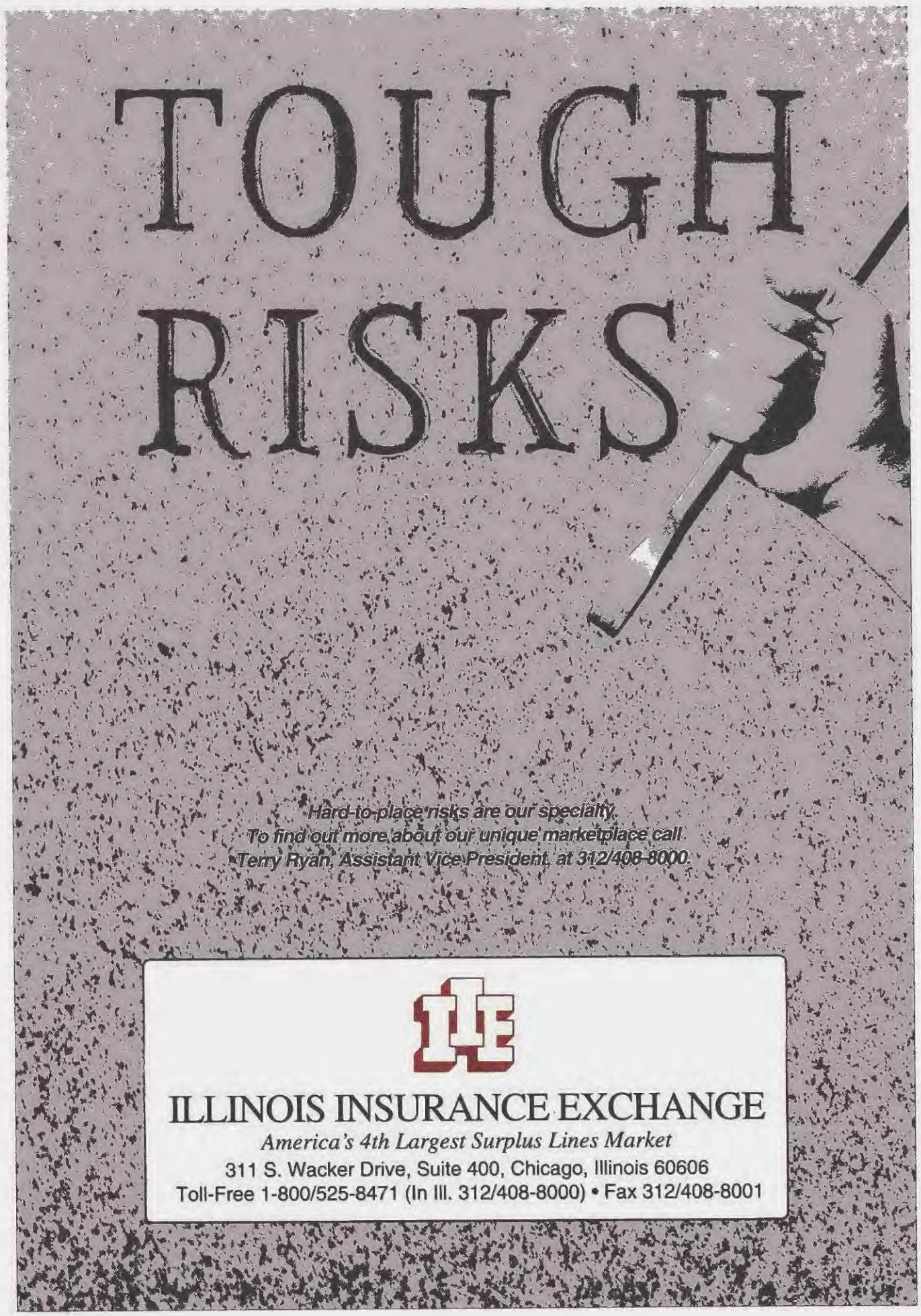
"The problem for policyholders is that in a lot of cases the funds pay, but they pay very slowly," Tillinghast's Ms. Bouska said. "Cash flow is a real problem."

As a result, some owners and operators of USTs in states that do have a trust fund are buying commercial insurance anyway.

AESIC's Mr. Ryan said "most buyers that come to us that have a state fund" are concerned with cash flow. "We've been able to appeal to that client since we pay first-dollar," he added.

"We're seeing more and more owners turn to insurance because they no more want to depend on state funds than they would depend on the Social Security system for their retirement," stated Mr. Cannon of Henderson & Phillips.

UST insurance inquiries and purchases have increased in the last year, agreed Nancy Self, manager of the UST division for broker Crump Insurance Services of Texas Inc. in Dallas. She added that prices for commercial UST coverage have remained stable for the last several years. BI



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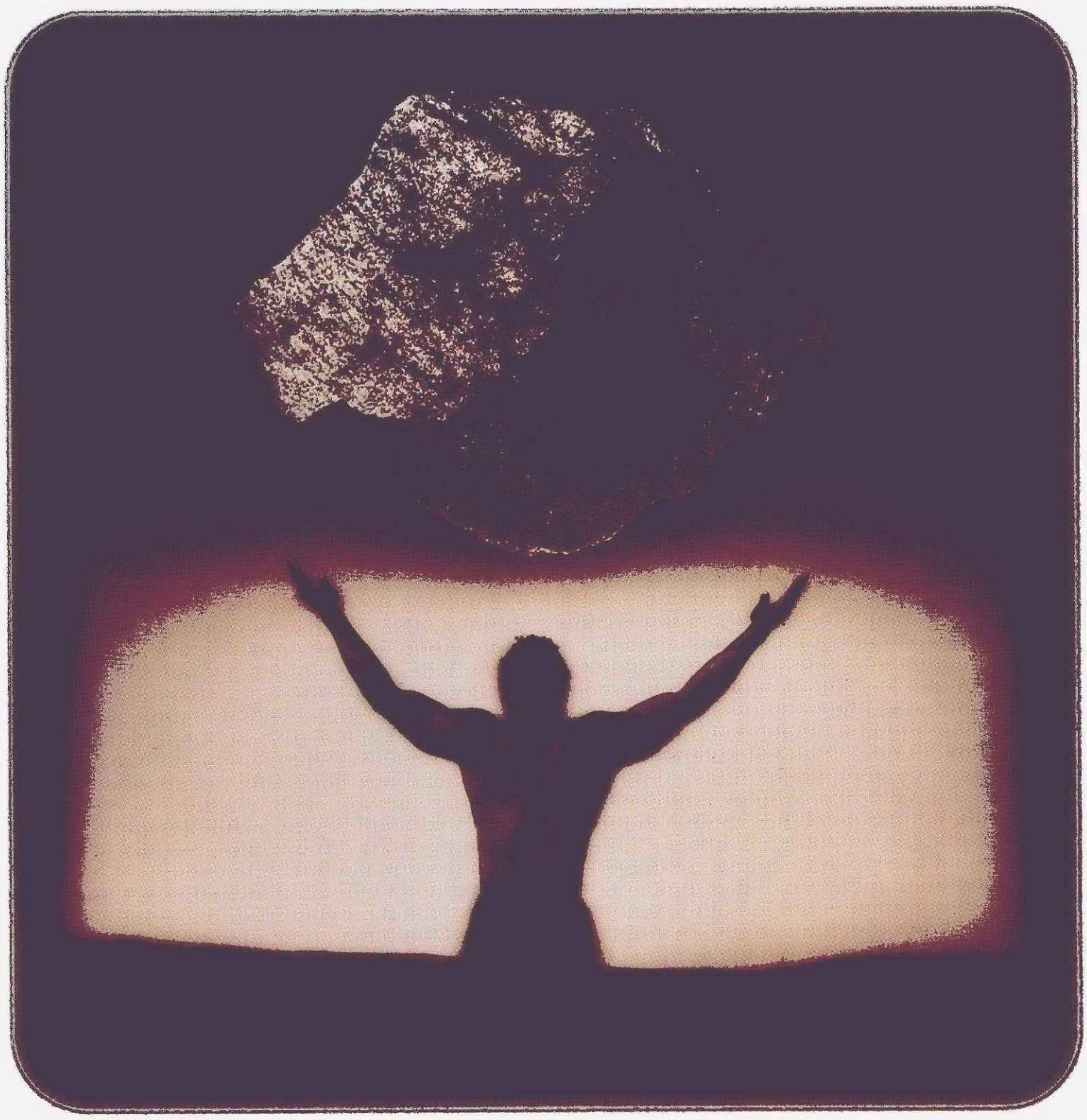

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Parent: ABB Inc.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis, UST management and removal; occasional litigation support, risk financing.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 550 total; 400 environmental professionals including 50 principal consultants, 350 consultants. Professional designations include 35 PEs, 25 CPGs, one attorney, 10 CGWPs.
Clients: 350 total environmental consulting clients; 325 corporate and institutional clients.
Specialties: High technology, financial investors, manufacturing and process industries.
Branch offices: Arlington, Va.; Clark, N.J.; Farmington Hills, Mich.; Indianapolis; Knoxville, Tenn.; Orange Park and Tallahassee, Fla.; Portland, Maine.
Compensation: By the hour: principal consultant, $115 to $130; consultant, $60 to $100.
1992 gross revenues: $81 million total, 60% from unbundled environmental risk management consulting.
Officers: Craig H. Muhlhauser, president-ABB Service Industries; Margaret A. VanHemert, corporate finance; Michael Smith, corporate sales/marketing; Robert Sansone, corporate human resources; William Fisher, total quality management.
Contact: Richard G. DiNitto, manager-Massachusetts operations.

AIG Consultants Inc.

72 Wall St., 9th Floor, New York, N.Y. 10270; 212-770-3630; fax: 212-785-8287

Services began: 1977.
Parent: American International Group.
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, risk financing, environmental claims investigation and management; occasional waste minimization plans, litigation support.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting; occasional remediation activities.
Staff: 185 total; 70 environmental professionals including 20 principal consultants, 50 consultants. Professional designations include one PE, one CPG, two CPCUs.
Clients: 80 total environmental consulting clients; 75 corporate and institutional clients.
Specialties: Insurers and financial service organizations, multinational industrial concerns.
Branch offices: Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Philadelphia, San Francisco, Seattle, United Kingdom.
Compensation: By the project; on retainer; by the hour: principal consultant, $110 to $130; consultant, $75 to $110.
1992 gross revenues: $8 million total, 75% from unbundled environmental risk management consulting.
Officers: Arnold Goldberg, president; Robert Blaunstein, Charles Benda, Leon Busiello, Jack Leonard, vps.
Contact: Robert Blaunstein, 202-861-8683.

AWD Technologies Inc.

15204 Omega Drive, Rockville, Md. 20850; 301-948-0040; fax: 301-948-6094

Services began: 1987.
Parent: The Dow Chemical Co.
Environmental services: Frequent real estate 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 manufacturing plant audits.
Other services: Frequent remediation activities, general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: 380 total; 108 environmental professionals including five principal consultants, 100 consultants. Professional designations include 64 PEs, 26 CPGs, three attorneys.
Clients: 100 total environmental consulting clients; 20 corporate and institutional clients.
Specialties: Chemical, utilities, manufacturing, construction, commercial and industrial real estate.
Branch offices: Boise, Idaho; Bellevue, Wash.; Fairfield, N.J.; Houston; Indianapolis; Midland, Mich.; Newport Beach and San Francisco, Calif.; Pittsburgh; Salt Lake City; Tampa, Fla.; Sarnia, Ontario.
Compensation: By the project; on retainer; by the hour: principal consultant, $110 to $137; consultant, $62 to $102.
1992 gross revenues: $59 million total, 12% from unbundled environmental risk management consulting.
Officers: Barry N. Naft, Lowell R. Edmonson, Alan J. Shepherd.
Contact: Rob Kleinsteuber, manager-marketing communications.

Accredited Environmental Technologies Inc.

28 N. Pennell Road, Media, Pa. 19063; 215-891-0114; fax: 215-891-0559

Services began: 1984.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, asbestos remediation plans; occasional waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal.
Other services: Occasional general risk management consulting.
Staff: 63 total; eight environmental professionals including one principal consultant, seven consultants. Professional designations include one PE, one CPG, one attorney.
Clients: 100 total environmental consulting clients; 50 corporate and institutional clients.
Branch offices: Charlotte, N.C.; Edison, N.J.
Compensation: By the project; by the hour: principal consultant, $75 to $100; consultant, $50 to $75.
1992 gross revenues: $1.5 million total, 25% from unbundled environmental risk management consulting.
Officers: Alan J. Sutherland, president; Roy Mosicant, Donald Heim, Eric Houseknecht, vps.
Contact: George B. Porter, manager-business development.

Aralie Inc.-Risk Liability Enterprises

8 William St., Pequannock, N.J. 07440; 201-654-7896; fax: 201-694-5307

Services began: 1983.
Environmental services: Frequent real estate audits; manufacturing plant audits; waste minimization plans; litigation support; UST management and removal; risk financing; safety, health and environmental protection-strategic planning; program management and implementation; pollution prevention; total quality environment management; sustainable development; 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; environmental liability insur-

Continued on next page

HOW KEMPER LOOKS

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Continued from previous page
ance brokering, consulting, claims handling; loss prevention and control; risk management and reduction; occasional remediation activities.

Staff: Nine total; seven environmental professionals including three principal consultants, four consultants. Professional designations include three PEs, one CPG, two ARMs, one CPCU, one CGWP.

Specialties: Chemical, pharmaceutical, biotechnology and high tech companies, realty developers, construction, banks and institutions.

Branch offices: Bernardsville, Elmwood Park and Hackensack, N.J.; Burlington, Vt.; Hartsdale and Westbury, N.Y.; San Francisco; Windsor, Conn.

Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $200; consultant, $50 to $150.

1992 gross revenues: 90% from unbundled environmental risk management consulting.

Officers: C.P. Priesing, president; M. Feldman, Vince Agnihotri, W. Askins, J.A. Fischer, vps.

B

BCM Engineers Inc.

1 Plymouth Meeting, Plymouth Meeting, Pa. 19462; 215-825-3800; fax: 215-834-8236

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, UST management and removal; occasional litigation support, regulatory and public policy analysis.

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

Staff: 803 total; 237 environmental professionals including 70 principal consultants, 150 consultants. Professional designations include 120 PEs, 24 CPGs, one attorney, two CGWPs.

Clients: 1,415 total environmental clients; 142 corporate and institutional clients.

Specialties: Chemical, petrochemical, manufacturing, building maintenance, real estate, hotel/motel, financial institutions, insurance industry.

Branch offices: Albuquerque, N.M.; Atlanta; Burlington, N.J.; Chicago; Dallas; Detroit; Huntersville, N.C.; Jackson, Miss.; Lafayette, La.; Los Angeles; Mobile, Ala.; New York; Panama City, Fla.; Pittsburgh; Washington.

Compensation: By the project; on retainer; by the hour: principal consultant, $90 to $150; consultant, $65 to $85.

1992 gross revenues: $75 million total, 14% from unbundled environmental risk management consulting.

Officers: M.Z. Hanlon, president/CEO; J.J. Jablonski, CEO; R.L. Swavely, COO; D.B. Wright, executive vp; Thomas J. Baker, treasurer.

Contact: Thomas J. Baker.

Baker Environmental Inc.

420 Rouser Road, Building 3, Airport Office Park, Coraopolis, Pa. 15108; 412-269-6000; fax: 412-269-6097

Services began: 1981.

Parent: Michael Baker Corp.

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, process safety management; occasional litigation support, regulatory and public policy analysis.

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

Staff: 280 total; environmental professionals include three principal consultants, 195 consultants. Professional designations include 38 PEs, eight CPGs, two CGWPs.

Clients: 130 total environmental consulting clients; 90 corporate and institutional clients.

Specialties: Metals and chemicals.

Branch offices: Alexandria, Va.; Cypress, Texas; Merrillville, Ind.; Princeton, N.J.; Westboro, Mass.; London; Wiesbaden, Germany.

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

1992 gross revenues: $25 million total, 80% from unbundled environmental risk management consulting.

Officers: Andrew P. Pajak, president; Arthur E. Robb Jr., vp; John D. Whiteford, assistant vp.

Contact: Peter S. Bussey.

The Robert B. Balter Co.

18 Music Fair Road, Owings Mills, Md. 21117; 410-363-1555; fax: 410-363-8073

Environmental services: Frequent real

Continued on page 28

Guide to listing of environmental consulting firms

The fourth 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 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 1992 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, 1992 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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John C. Calkins, Director Risk & Insurance Mgmt

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Kemper National Insurance Companies

Continued from page 25

estate audits, UST management and removal; occasional manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis.

Other services: Frequent monitoring of well installations, wetland consulting; occasional remediation activities, consulting to insurers and public policy-makers.

Staff: 60 total; four environmental professionals. Professional designations include three PEs, three CPGs.

Clients: 58 total environmental consulting clients; 25 corporate and institutional clients.

Branch offices: Fairfax, Va.

Compensation: By the project; by the hour: principal consultant, $80 to $125; consultant, $70 to $85.

1992 gross revenues: $2.6 million total.

Officers: Barbara G. Balter, president; Edward G. Balter, Lori A. Balter, vps.

Contact: Edward G. Balter or David A. Easterbrooks.

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, environmental risk management services network referrals.
Other services: Frequent environmental consulting to insurers and public policy-makers, general risk management consulting.
Staff: 48 total; eight environmental professionals, including three principal consultants, five consultants. Professional designations include two ARMs, five CPCUs.
Clients: 1,600 total environmental consulting clients; all corporate and institutional clients.
Specialties: Manufacturing, environmental consultants, construction industry, with emphasis on remediation contractors.
Branch offices: Darien, Conn.
Compensation: By the project; on retainer.
1992 gross revenues: $6.2 million total, 16% from unbundled environmental risk management consulting.
Officers: James F. Tomchik, Jonathan W. D'Elia, Edward J. Cooke, Ronald V. Lesko, Mark A. Fries.
Contact: Kim McGillicuddy, director-environmental services.

Curt B. Beck, Consulting Engineer

P.O. Box 2442, Pampa, Texas 79066-2442; 806-665-9281; fax: 806-665-7209

Services began: 1984.
Environmental services: Frequent regulatory and public policy analysis, state and federal permitting; occasional real estate audits, manufacturing plant audits, waste minimization plans, litigation support.
Staff: Two total; one environmental professional, a principal consultant and PE.
Clients: Six total environmental consulting clients.
Specialties: Oil and gas, chemical and petroleum, processing and pipelines.
Compensation: By the hour: principal consultant, $45 to $70; consultant, $35 to $45.
1992 gross revenues: $40,000 total, all from unbundled environmental risk management consulting.
Officers: Curt B. Beck, owner.

R.L. Beeckman & Co. Inc.

1523 Court St., P.O. Box 6700, Saginaw, Mich. 48608-6700; 517-791-4545; fax: 517-791-4714

Services began: 1986.
Environmental services: Frequent litigation support, risk financing.
Other services: Frequent general risk management consulting.
Staff: 11 total. Professional designations include one attorney, four ARMs, five CPCUs.
Clients: 10 total environmental consulting clients.
Branch offices: South Bend, Ind.
Compensation: By the hour: principal consultant, $75 to $150.
1992 gross revenues: 10% 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; 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.
Branch offices: Indianapolis; Lexington, Ky.; Toledo, Ohio.
Compensation: By the project; by the hour: principal consultant, $80; consultant, $50.
1992 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; Nyle Gillott, comptroller.

Burlington Environmental Inc.-Technical Services Division

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

Services began: 1975.
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 investigations, waste treatment and recycling.
Staff: 265 total; 50 environmental professionals, including 10 principal consultants, 40 consultants. Professional designations include 15 PEs, 15 CPGs, five CGWPs.
Clients: 320 total environmental consulting clients; 250 corporate and institutional clients.
Specialties: Oil and gas, chemical, manufacturing, schools, utilities, transportation, electronics.
Branch offices: Houston, Pittsburgh, Seattle.
Compensation: By the project; by the hour: principal consultant, $90 to $110; consultant, $60 to $90.
1992 gross revenues: $26 million total, 70% from unbundled environmental risk management consulting.
Officers: Dr. John Craig, president/CEO; Gary M. Mathes, vp-technical services; Roger Nelson, Michael Brochu, Mike Keller, senior vps.
Contact: Ann Bronson, manager-marketing communications.

C

CH2M Hill Cos. Ltd.

P.O. Box 22508, Denver, Colo. 80222; 303-771-0900; fax: 303-843-0759

Services began: 1946.
Environmental services: Frequent design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, regulatory compliance audits of industrial facilities; occasional real estate audits, manufacturing plant audits, litigation support, risk financing.
Other services: Frequent remediation activities, corporate environmental strategies for industry; occasional environmental consulting to insurers and public policy-makers, general risk management consulting.
Staff: 5,600 total; 560 environmental professionals. Professional designations include 298 PEs, 17 CPGs.

Continued on page 30

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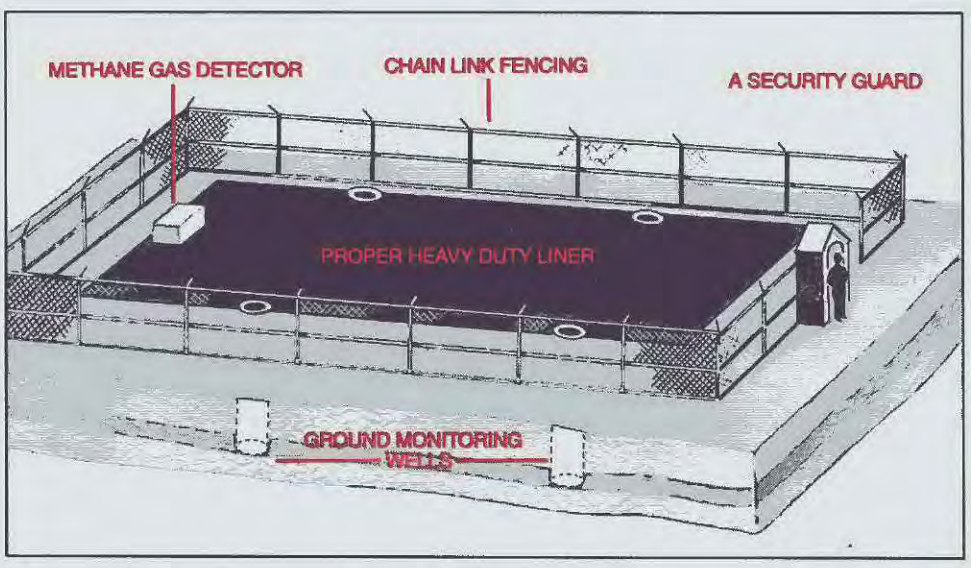

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SPECIALTY INSURANCE GROUP

Spotlight report

Continued from page 28

Clients: 3,514 total environmental consulting clients; 2,668 corporate and institutional clients.

Specialties: General manufacturing, chemicals, petroleum, food products, electronics, pulp and paper industries.

Branch offices: Albuquerque, N.M.; Anchorage, Alaska; Atlanta; Austin, Dallas, Houston and San Antonio, Texas; Baton Rouge, La.; Boise, Idaho; Boston; Charleston, S.C.; Charlotte, N.C.; Chicago; Colorado Springs, Colo.; Corvalis and Portland, Ore.; Dayton, Ohio; Deerfield Beach, Gainesville, Key West, Miami, Orlando and Tampa, Fla.; Fresno, Los Angeles, Redding, Sacramento, San Diego, San Francisco and San Jose, Calif.; Honolulu; Las Vegas and Reno, Nev.; Memphis and Oak Ridge, Tenn.; Milwaukee; Montgomery, Ala.; Newport News and Reston, Va.; Parsippany, N.J.; Philadelphia; Phoenix and Tucson, Ariz.; Pittsburgh; Richland, Seattle, Spokane and Yakima, Wash.; St. Louis; Salt Lake City; Tulsa, Okla.; Washington. Bracknell, Berkshire, London, U.K.; Budapest, Hungary; Calgary, Edmonton and Lethbridge, Alberta;Nasr City, Cairo, and Roushdy (Alexandria), Egypt; Paris; Riyadh, Saudi Arabia; Sydney, Australia; Taipei, Taiwan; Vancouver, B.C.; Waterloo, Ontario.

Compensation: By the project; by the hour.

1992 gross revenues: $561 million total, 10% from unbundled environmental risk management consulting.

Officers: Ralph R. Peterson, CEO; Philip Hall, chairman; Craig T. Zeien, president; Lyle Hassebroek, chief administrative officer; Robert Card, director-environmental business line.

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: Four total. Professional designations include two PEs.

Clients: 25 total environmental consulting clients; four corporate and institutional clients.

Specialties: Manufacturing.

Compensation: By the hour: principal consultant, $100 to $125; consultant, $80 to $85.

1992 gross revenues: $350,000 total, 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: Frequent litigation support, current and historical coverage analysis for mergers and acquisitions.

Other services: Frequent general risk management consulting.

Staff: Five total, including one principal consultant, two consultants. Professional designations include one CPCU.

Specialties: Energy (oil and gas, pipelines, independent power producers and utilities), banks and manufacturing.

Compensation: By the hour: principal consultant, $150 to $200; consultant, $50 to $85.

1992 gross revenues: 15% from unbundled environmental risk management consulting.

Officers: Peter J. Lunati, principal.

Chopra-Lee Inc.

1741 Baseline 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, asbestos services, lead services, indoor air quality; occasional manufacturing plant audits, waste minimization plans, litigation support.

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

Staff: 38 total; eight environmental professionals including three principal consultants, five consultants. Professional designations include one PE.

Clients: 150 total.

Branch offices: Albany and Rochester, N.Y.; St. Catherines, Ontario

Compensation: By the project; by the hour: principal consultant, $45 to $95; consultant, $35 to $55.

1992 gross revenues: $1.8 million total, 90% from unbundled environmental risk management consulting.

Officers: Dr. Kuldip S. Chopra, president; Raj Chopra, business manager; Paul Chopra, laboratory manager; Blair Ingalls, Anthony Buttino, senior project engineers.

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, UST management and removal; occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment.

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

Staff: Four total; three environmental professionals including two principal consultants, one consultant. Professional designations include one PE, one CPG, one CGWP.

Clients: 80 total.

Branch offices: East Providence, R.I.

Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $150; consultant, $80 to $100.

1992 gross revenues: $500,000 total, 80% from unbundled environmental risk management consulting.

Officers: Michael F. Geisser, president; Leland J. Figgins Jr., vp.

Contact: Michael F. Geisser.

Clayton Environmental Consultants Inc.

41650 Gardenbrook Road, Suite 155, Novi, Mich. 48375; 313-344-8550; fax: 313-344-0229

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, environmental consulting to insurers and public policy makers.

Staff: 302 total; 106 environmental professionals including 35 principal consultants, 71 consultants. Professional designations include 13 PEs, three CPGs, one attorney, three CGWPs.

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

Branch offices: Cypress and Pleasanton, Calif.; Edison, N.J.; Kennesaw, Ga.; Honolulu; Birmingham, Gateshead, Ilford and Southampton, United Kingdom; Toronto and Windsor, Ontario.

Compensation: By the project; by the hour: principal consultant, $80 to $250; consultant, $40 to $100.

1992 gross revenues: 95% from unbundled environmental risk management consulting.

Officers: Thomas P. Kowalski, president/CEO; Nicholas Pyetz, CFO; Kirit H. Vora, vp-sales/marketing; Alice C Farrar, vp/chief technical officer; Jaswant Singh, senior vp/national director-environmental health services; Lisa Simkins, national director-environmental health services; Ronald Peters, national director-analytical services.

Contact: Kirit Vora, 908-344-8550

Comco Inc.

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

Services began: 1980.

Continued on next page

Continued from previous page

Parent: Communications Concepts.

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 and institutional clients.

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

Branch offices: Los Angeles

Compensation: By the project.

1992 gross revenues: 100% from unbundled environmental risk management consulting.

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

Compu-Weather Inc.

P.O. Box 1122, 29-50 Union St., Flushing, N.Y. 11354; 800-825-4445

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: 55 total.

Compensation: By the project; on retainer.

Officers: Jeff Wimmer, president.

Contact: Peter Muldavin, sales manager.

Con-Test Inc.

39 Spruce St., P.O. Box 591, East Longmeadow, Mass. 01028-0591; 413-525-1198; fax: 413-525-8227

Services began: 1984.

Environmental services: Frequent asbestos, lead-based paint and hazardous material testing, analysis, consulting and training, occasional real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, UST management and removal.

Other services: Frequent general risk management consulting, worker and management environmental training, regulatory and customized programs, accredited laboratory analysis.

Staff: 180 total. Professional designations include two PEs.

Clients: 300 total environmental consulting clients; 200 corporate and institutional clients.

Specialties: Commercial buildings, construction and remediation contractors, colleges and universities, schools.

Branch offices: Albany, Elmsford, Highland, Long Island and New York, N.Y.; Boston; Lee, Marion and Pittsfield, Mass.; Newport Beach, Calif.; Philadelphia; Providence, R.I.; Rocky Hill, Conn.; Stafford, Texas; Williston, Vt.

Compensation: By the project; on retainer; by the hour: principal consultant, $85 to $100; consultant, $50 to $85.

1992 gross revenues: $93.2 million total, 30% from unbundled environmental risk management consulting.

Officers: Thomas E. Veratti, CEO; Martin A. Stevens, vp-Northeastern manager; Joe L. Boyer, director-field services; Greg Morsch, manager-Mid-Atlantic; Joseph J. Knapik, industrial hygienist.

Consulting Environmental Engineers Inc.

100 Shield St., West Hartford, Conn. 06110; 203-953-0023; fax: 203-953-7407

Services began: 1973.

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, FATE/transport of ground water contaminants; occasional litigation support, public health risk assessment.

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

Staff: 31 total; 12 environmental professionals. Professional designations include 11 PEs, one CPG, one attorney, one CGWP.

Clients: 90 total environmental consulting clients; 80 corporate and institutional clients.

Specialties: Manufacturing, banks.

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

1992 gross revenues: $2.4 million total, 40% from unbundled environmental risk management consulting.

Officers: John Gruigen, president; William Williams, Robert Prybylo, vps.

Contact: Michael Hatem, manager-business development.

Consulting Services Inc.

415 Eagleview Blvd., Suite 115, Exton, Pa. 19341; 215-458-7280; fax: 215-458-7285

Services began: 1984.

Parent: Environmental Compliance Services.

Environmental services: Frequent real estate audits, manufacturing plant audits, UST management and removal, environmental risk assessment surveys for the loss control engineering needs of the pollution liability industry; occasional design and analysis of remediation plans, waste minimization plans, litigation support, regulatory and public policy analysis.

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

Staff: 55 total; 44 environmental professionals, including 10 principal consultants, 34 consultants. Professional designations include three PEs, one CPG, one attorney.

Clients: 65 total environmental consulting clients, all corporate and institutional clients.

Compensation: By the project; on retainer; by the hour: principal consultant $75 to $100; consultant, $50 to $75.

1992 gross revenues: $5.2 million total, 10% from unbundled environmental risk management consulting.

Officers: William Kronenberg, president; David Rosenberg, executive vp; Frank Piliero, senior vp.

Contact: Claudia O'Brien, marketing coordinator.

Containment Advisors Inc.

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

Services began: 1988.

Environmental services: Frequent storage tank leak investigations.

Staff: Two total; one environmental professional.

Clients: Nine total.

Compensation: By the hour: principal consultant, $200; consultant, $125 to $150.

1992 gross revenues: $340,000 total, all from unbundled environmental risk management consulting.

Officers: Brian C. Donovan, president.

Control Engineering & Technology Inc.

P.O. Box 250112, Franklin, Mich. 48025; 313-683-2444; fax: 313-683-7290

Services began: 1976.

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, risk financing, wetland/woodland delineation and mitigation plans.

Other services: Occasional environmental consulting to insurers and public policy-makers, general risk management consulting, management services, including bid solicitation qualifying and bid recap.

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

Clients: 52 total environmental consulting clients; 47 corporate and institutional clients.

Branch offices: Buffalo, N.Y.

Compensation: By the project; on retainer; by the hour: principal consultant, $80 to $100; consultant, $55 to $75.

1992 gross revenues: $265,000 total, 85% from unbundled environmental risk management consulting.

Officers: Mark S. Mastrangel, president; Glenn Gelinas, Walter Kurzeja, vps.

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Converse Consultants East

3 Century Drive, Parsippany, N.J. 07054-0265; 201-605-5200; fax: 201-605-8145

Services began: 1975.
Parent: Converse Professional Group.
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, subsurface investigations, groundwater and contaminant modeling, operations and maintenance of remediation programs; occasional manufacturing plant audits, waste minimization plans.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, geotechnical engineering, landfill engineering, dam safety, soil mechanics laboratory, subsurface drilling.
Staff: 40 total; 13 environmental professionals including two principal consultants, 11 consultants. Professional designations include two PEs, three CPGs.
Clients: 150 total environmental consulting clients; 300 corporate and institutional clients.
Specialties: Manufacturing, petroleum storage facilities.
Branch offices: Costa Mesa, Hesperia, Irvine, Pasadena, San Francisco and San Diego, Calif.; Las Vegas and Reno, Nev.; Seattle; State College, Pa.
Compensation: By the project; on retainer; by the hour: principal consultant, $120 to $150; consultant, $40 to $100.
1992 gross revenues: $5 million total, 40% from unbundled environmental risk management consulting.
Officers: Issa S. Oweis; R. Brian Ellwood; Joseph D. Chastanet; Robert S. Woolworth.

Corporate Risk Management Inc.

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

Services began: 1980.
Environmental services: Frequent risk financing, rate reduction services.
Other services: Frequent general risk management consulting.
Staff: Seven total; five environmental professionals including three principal consultants, one consultant. Professional designations include one ARM, one CPCU.
Specialties: Construction, asbestos abatement, manufacturing, fuel distribution.
Compensation: By the project; on retainer; by the hour: principal consultant, $150 to $200; consultant, $75 to $150.
1992 gross revenues: $500,000 total, 20% from unbundled environmental risk management consulting.
Officers: Robert A. Wilson, president; Robert W. Wilson, executive vp; Jack Close, vp.
Contact: Robert A. Wilson.

Crawford & Co.

P.O. Box 5047, 5620 Glenridge Drive N.E., Atlanta, Ga. 30302; 404-256-0830; fax: 404-847-4025

Services began: 1969.
Environmental services: Frequent real estate audits, manufacturing plant audits, waste minimization plans, UST management and removal, monitoring and auditing of contractor work, project management, process PML studies, site H/S plans; occasional litigation support, public health risk assessment, norms analysis, document management.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, contingency planning, systems development, asset management.
Staff: 160 total; 36 environmental professionals including six principal consultants, 30 consultants. Professional designations include two PEs, one ARM.
Clients: 40 total environmental consulting clients; 34 corporate and institutional clients.
Branch offices: Boston; Cleveland; Clifton, N.J.; Dallas, Houston and San Antonio, Texas; Detroit; Fairfax, Va.; Hartford, Conn.; Lafayette and Long Beach, Calif.; Orlando, Fla.; Philadelphia; St. Paul, Minn.; Schaumburg, Ill.; Winston-Salem, N.C.
Compensation: By the project; on retainer; by the hour: principal consultant, $90 to $150; consultant, $45 to $90.
1992 gross revenues: $598 million total, 5% from unbundled environmental risk management consulting.
Officers: F.L. Minix, chairman/CEO; D.A. Smith, president/COO-claims services; P.A. Bollinger, president/COO-risk management services; R.P. Albright, senior vp-health care management services; D.R. Chapman, executive vp/CFO.
Contact: Gene Renfroe, vp-catastrophe services.

Curtner Risk Management Inc.

1616 17th St., Suite 464, Denver, Colo. 80202; 303-628-5556; fax: 303-628-5596

Services began: 1984.
Environmental services: Frequent litigation support, risk financing, policy archeology.
Other services: Frequent general risk management consulting.
Staff: Two total; one environmental professional, a principal consultant and ARM.
Clients: Two total environmental consulting clients, both corporate/institutional clients.
Compensation: By the project; on retainer; by the hour: principal consultant, $90 to $110.
1992 gross revenues: $150,000 total, 20% from unbundled environmental risk management consulting.
Officers: Walter R. Curtner, president.

Custard Insurance Adjusters

4875 Avalon Ridge Parkway, Norcross, Ga. 30071; 800-457-3390; 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; three environmental professionals.
Clients: 350 total environmental consulting clients; 50 corporate and institutional clients.
Specialties: Trucking/transportation industry.
Branch offices: Akron, Cincinnati, Cleveland, Columbus and Toledo, Ohio; Albuquerque, N.M.; Athens, Atlanta, Cartersville, Macon and Tifton, Ga.; Baltimore; Belleville, Chicago and Quad Cities, Ill.; Birmingham and Mobile, Ala.; Charlotte, Raleigh, Winston-Salem/Greensboro/Highpoint, N.C.; Charleston, W.Va.; Cranford and Philadelphia/South Jersey, N.J.; Dallas, El Paso, Houston/Fort Worth/Galveston and San Antonio, Texas; Davenport and Des Moines, Iowa; Denver; Detroit; Elkhart, Evansville, Fort Wayne, Gary, Indianapolis, Kokomo, Lafayette, Muncie, New Albany, South Bend and Terre Haute, Ind.; Fort Lauderdale, Fort Myers, Jacksonville, Miami, Orlando, St. Petersburg, Tampa and West Palm Beach, Fla.; Fresno, Los Angeles, Oakland, Sacramento, San Diego, San Fernando Valley, San Francisco and San Jose, Calif.; Jackson, Miss.; Kansas City, Springfield/Branson and St. Louis, Mo.; Kansas City and Wichita, Kan.; Knoxville, Memphis and Nashville, Tenn.; Las Vegas and Reno, Nev.; Little Rock, Ark.; Louisville, Ky.; Metairie and Shreveport, La.; Minneapolis; Mt. Vernon, Seattle and Tacoma, Wash.; New York; North Charleston, S.C.; Omaha, Neb.; Philadelphia/South Jersey area and Pittsburgh, Pa.; Phoenix, Sedona and Tucson, Ariz.; Portland, Ore.; Salt Lake City; Virginia; Warwick, R.I.; Branch, Mass.; Warwick, Conn.; Washington.
Compensation: By the project; by the hour: principal consultant, $55 to $85; consultant, $38 to $47.
Officers: Cindy Custard, Mike Gates, Ron Foltz, Barry Kriegle, Gary Marsh.

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

Continued on next page

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BI-13

Hertz Claim Management Corporation, 225 Brae Boulevard, Park Ridge, NJ 07656-0713, 1-800-426-7389.

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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, remediation construction management services; occasional litigation support.

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

Staff: 3,000 total; 2,050 environmental professionals, including 600 principal consultants, 1,450 consultants. Professional designations include 900 PEs, 350 CPGs, four attorneys, four ARMs, one CPCU, 250 CGWPs.

Clients: 800 total environmental consulting clients; 600 corporate and institutional clients.

Specialties: Petroleum, petrochemical, industrial pharmaceutical, transportation industry, manufacturing, government agencies.

Branch offices: 120 worldwide, including Australia, Canada, Europe and United States.

Compensation: By the project; by the hour: principal consultant, $90 to $150.

1992 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-corporate development; Anne Toepker, chief-human resources; Maurice Yellen, controller.

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 designations include eight PEs, two CPGs, two CGWPs.

Clients: 500 total; 20 environmental consulting clients.

Specialties: Manufacturing, banking, petroleum.

Branch offices: Muskegon Heights, Mich.

Compensation: By the project; on retainer; by the hour: principal consultant, $50 to $100; consultant, $25 to $50.

1992 gross revenues: $5 million total, 60% from unbundled environmental risk management consulting.

Officers: Leroy R. Dell, president; Ron Urdesman, vp; Jeff Pfost, Rich Sageman, senior project managers; Bob Zahray, laboratory manager.

Contact: Leroy R. Dell.

Deloitte & Touche

50 Fremont St., Suite 2800, San Francisco, Calif. 94105; 415-247-4000; fax: 415-247-4717

Services began: 1895.

Environmental services: Frequent manufacturing plant audits, waste minimization plans, litigation support, regulatory and public policy analysis, risk financing, systems assessments, actuarial approach to quantifying risks; occasional real estate audits, design and analysis of remediation plans, UST management and removal.

Other services: Frequent environmental consulting to insurers and public policy-makers, general risk management consulting, diagnostics (management systems, facility audits, stakeholder expectations).

Staff: 56,000 total; 20 environmental professionals, including three principal consultants, 17 consultants. Professional designations include five PEs, one attorney, one ARM, two CPCUs.

Clients: 20 environmental consulting clients.

Specialties: Manufacturing, public sector, high-technology companies.

Branch offices: Detroit; Hartford, Conn.; Los Angeles; New York; Portland, Ore.; Seattle; London; Mexico City; Rio De Janeiro, Brazil; Tokyo; Toronto and Ottawa, Ontario.

Compensation: By the project; by the hour: principal consultant, $400; consultant, $210 to $325.

1992 gross revenues: $500 million total (U.S. management consulting only), 1% from unbundled environmental risk management consulting.

Officers: Gary Brayton, principal; Erik Gilberg, John Freitas, senior managers; Charles McGlashan, John Rafter, managers.

Contact: Gary Brayton, 415-247-4039; Charles McGlashan, 415-247-4048.

Drucker Health & Safety Management Inc.

505 N. Sepulveda Blvd., Suite 16, P.O. Box 3515, Manhattan Beach, Calif. 90266; 310-372-8686; fax: 310-318-1450

Services began: 1983.

Environmental services: Frequent real estate audits, manufacturing plant audits, litigation support, industrial hygiene, safety consultation, occasional 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: Five total; four environmental professionals, all principal consultants.

Clients: 200 total environmental consulting clients; 150 corporate and institutional clients.

Compensation: By the hour: principal consultant, $90 to $100; consultant, $80 to $90.

Officers: Marjorie A. Drucker, president.

E

EMG Inc.

1530-B Commerce Drive, Stow, Ohio 44224; 216-686-2557; fax: 216-686-0484

Services began: February 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, occasional waste minimization plans, public health risk assessment.

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

Staff: 18 total. Professional designations include two PEs, two CPGs, two attorneys.

Clients: 105 total environmental consulting clients; 90 corporate and institutional clients.

Specialties: Manufacturing.

Branch offices: Detroit.

Compensation: By the project; by the hour: principal consultant, $85 to $110; consultant, $65 to $85.

1992 gross revenues: $2.7 million total, 80% from unbundled environmental risk management consulting.

Officers: David G. Hartman, president; R.R. Clark, R. Charles Larlham, vps; John C. Pierson, secretary; Alan Godfrey, treasurer.

Contact: David G. Hartman.

ERM Group

855 Springdale Drive, Exton, Pa. 19341; 800-544-3117; fax: 215-524-7334

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 environmental 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 150 PEs, 138 CPGs, eight attorneys, four CGWPs.

Clients: 450 total environmental con-

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Continued from previous page
sulting clients; 375 corporate and institutional clients.

Specialties: Construction, manufacturing, chemical, petrochemical and refinery, primary metals, pharmaceuticals.

Branch offices: Over 75 locations worldwide in Australia, Canada, Europe, Far East, Mexico, South America and the United States.

Compensation: By the project; on retainer; by the hour: principal consultant, $110 to $195; consultant, $35 to $65.

1992 gross revenues: $233 million total, 82% from unbundled environmental risk management consulting.

Officers: Paul H. Woodruff, chairman; Kent Patterson, president; William Lorenz, Alan Hassett, Jack Newell, principals.

Contact: Dorothy C. Buffington, director-communications.

ESM Inc.

211 Springdale Drive, Akron, Ohio, 44333; 216-666-8700; fax: 216-666-9601

Services began: 1987.

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, training classes.

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

Staff: 20 total; nine environmental professionals including four principal consultants, five consultants. Professional designations include one CPG, one attorney.

Clients: 160 total.

Specialties: Banking.

Branch offices: Columbus, Ohio.

Compensation: By the project; on retainer; by the hour: principal consultant, $55 to $75; consultant, $25 to $65.

1992 gross revenues: $1.5 million total, 40% from unbundled environmental risk management consulting.

Officers: Greg Bobonik, president; John Braswell, vp.

Contact: Ron Patterson, sales manager.

Eastern Environmental Engineering Services Inc.

P.O. Box 649, Oldwick, N.J. 08858-0649; 908-439-3497; fax: 908-439-2765

Services began: 1989.

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

Staff: Six total; two environmental professionals including one principal consultant, one consultant. Professional designations include one PE.

Clients: 30 total environmental consulting clients; 16 corporate and institutional clients.

Specialties: Municipal governments, school boards, small manufacturers, transportation companies (bus and truck lines).

Compensation: By the project; by the hour: principal consultant, $100 to $150; consultant, $60 to $100.

1992 gross revenues: $290,000 total, all from unbundled environmental risk management consulting.

Officers: Gregory A. Brown, president.

Ebasco Environmental

160 Chubb Ave., Lyndhurst, N.J. 07071-3586; 800-580-3765; fax: 201-460-0625

Parent: Ebasco Services Inc.

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

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

Staff: 980 total; 64 environmental professionals including six principal consultants, 58 consultants. Professional designations include 62 PEs, 16 CPGs, nine attorneys, seven ARMs.

Clients: 300 total environmental consulting clients; 186 corporate and institutional clients.

Specialties: Petroleum, chemical, manufacturing and some transportation.

Branch offices: Aiken and Columbia, S.C.; Arlington, Va.; Augusta and Norcross, Ga.; Baton Rouge and New Orleans, La.; Bellevue and Richland, Wash.; Bethesda, Md.; Boston; Chicago; Columbus, Dublin and Fairfield, Ohio; Dallas; Denver and Lakewood, Colo.; Greensboro, N.C.; Houston; Huntsville, Ala.; Idaho Falls, Idaho; Langhorne, Pa.; Long Beach, Sacramento, San Francisco and Santa Ana, Calif.; Madison, Wis.; New York; Oak Ridge, Tenn.; Princeton, N.J.; Salt Lake City; Santa Fe, N.M.; Stuart, Fla.; Washington; Cairo, Egypt; Cologne, Germany; The Hague, Netherlands; Madrid, Spain; Manila, Philippines; Milan, Italy; Seoul, South Korea; Singapore; Taipei, Taiwan.

Compensation: By the project; by the hour: principal consultant, $70 to $210; consultant, $57 to $75.

1992 gross revenues: $200 million total, 34% from unbundled environmental risk management consulting.

Officers: James J. Ferris, president; Thomas N. Sargent, senior vp marketing-sales/planning; Don I. Rogers, senior vp-environmental restoration; Joseph A. Franco, senior vp; Rhonnie L. Smith, vp.

Ecology & Environment Inc.

Buffalo Corp. Center, 368 Pleasantview Drive, Lancaster, N.Y. 14086; 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; occasional real estate audits, litigation support.

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

Staff: 1,200 total; 800 environmental professionals.

Branch offices: Albuquerque, N.M.; Anchorage, Alaska; Baton Rouge, La.; Chicago; Cincinnnati; Cleveland; Dallas; Denver; Detroit; Fresno, Los Angeles

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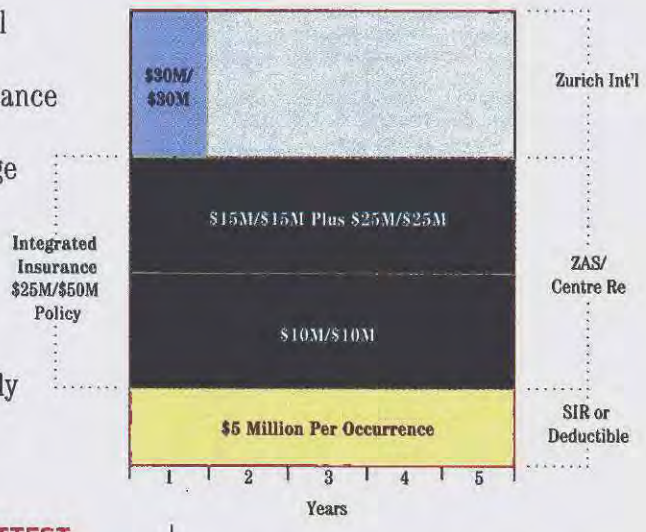

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Spotlight report

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and San Francisco, Calif.; Ft. Lauderdale, Pensacola and Tallahassee, Fla.; Houston; Idaho Falls, Idaho; Kansas City, Kan.; New York; Philadelphia; Seattle; St. Louis; Washington.

Compensation: By the project.

1992 gross revenues: $90 million total, 10% from unbundled environmental risk management consulting.

Officers: Gerhard J. Neumaier, president; Frank B. Silvestro, Gerald A. Strobel, Ronald L. Frank, executive vps; Eugene R. Mruk, senior vp.

Contact: Ronald J. Skare, vp-sales.

EnecoTech Inc.

1580 Lincoln St., Suite 1000, Denver, Colo. 80203; 303-861-2200 or 800-659-8324;
fax: 303-861-2200

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, UST management and removal, identification of possible regulatory liabilities associated with a site; occasional manufacturing plant audits, waste minimization plans.

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

Staff: 180 total; 150 environmental professionals including 20 principal consultants, 130 consultants. Professional designations include 11 PEs, 13 CPGs, two CGWPs.

Clients: 180 total, all environmental consulting clients.

Specialties: Oil and gas industry, mining, chemical manufacturing, industrial facilities.

Branch offices: Austin and Houston, Texas; Chicago; Detroit; Kansas City, Kan.; Little Rock, Ark.; Los Angeles; Minneapolis; Phoenix; San Diego; Tulsa, Okla.

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

1992 gross revenues: $16.5 million total, all from unbundled environmental risk management consulting.

Officers: Barry L. Stewart, president/treasurer; John S. Stevenson, executive vp; James A. Kuenning, secretary; Dennis F. Fransway, vp.

Contact: John S. Stevenson.

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, air quality planning.

Staff: 1,600 total; 590 environmental professionals. Professional designations include 409 PEs, 151 CPGs, four attorneys, 30 CGWPs.

Clients: 813 total environmental consulting clients; 558 corporate and institutional clients.

Specialties: Metal finishing, printed circuit board, food and beverage, explosives and munitions, petroleum and petrochemical, pulp and paper, chemical, pharmaceutical, utilities.

Branch offices: Alameda, Bakersfield, Berkeley, Monterey, Sacramento and San Diego, Calif.; Atlanta; Austin, Houston and San Antonio, Texas; Baton Rouge, La.; Boston; Cincinnati; Cleveland; Denver; Detroit; Fairfax, Va.; Honolulu; Jacksonville, Orlando and Tampa, Fla.; Oak Brook, Ill.; Oak Ridge, Tenn.; Phoenix; Pittsburgh; Raleigh/Durham, N.C.; Richland, Wash.; St. Louis; Salt Lake City; Syracuse, N.Y.; Washington.

Compensation: By the hour: principal consultant, $100 to $150; consultant, $60 to $100.

1992 gross revenues: $157 million total, 15% from unbundled environmental risk management consulting.

Officers: A.W. Loven, president; N.L. Presecan, K.P. Barney, C.J.G. Thompson, senior vps.

Envirometrics Inc.

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

Services began: 1984.

Environmental services: Frequent manufacturing plant audits, waste minimization plans, regulatory and public policy analysis; occasional litigation support, public health risk assessment.

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

Staff: Seven total; six environmental professionals including four principal consultants, two consultants. Professional designations include four PEs.

Clients: 63 total environmental consulting clients; 51 corporate and institutional clients.

Compensation: By the hour: principal consultant, $75 to $100; consultant, $45 to $75.

1992 gross revenues: $236,153 total, 60% 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: 285 total; 171 environmental professionals including 27 principal consultants, 144 consultants. Professional designations include 14 PEs, three CPGs, two attorneys.

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

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

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

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

1992 gross revenues: $42 million total.

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

Contact: Marilyn C. Bracken, vp-marketing/business development.

Environmental Claims Services Inc.

1900 The Exchange, Suite 450, Atlanta, Ga. 30339; 404-916-1908;
fax: 404-916-0618

Services began: 1993.

Parent: Sureco Bond Services Inc.

Environmental services: Frequent environmental claims analysis and support; occasional design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, risk financing.

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

Staff: Four total, all environmental professionals including two principal consultants, two consultants. Professional designations include one PE, two attorneys, one CPCU.

Specialties: Environmental remediation industry, insurance industry.

Compensation: By the project; by the hour: principal consultant, $125; consultant, $65.

Officers: Lloyd A. Fox, president; James G. Leach, vp/general counsel; Jeffrey Hood, vp.

Contact: Jeffrey Hood.

Environmental Engineering Consultants Co.

P.O. Box 9697, South Laguna, Calif. 92677; 714-499-1865;
fax: 714-499-3765

Services began: 1988.

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The exposure on the left could

Now is the time to minimize future environmental losses; a proactive plan could make the difference between a $40 million loss and a $4 million one.

AM-RE SERVICES, INC., a wholly owned subsidiary of American Re-Insurance Company, can work with insurers to anticipate future environmental liabilities and identify ways to reduce them. We offer expertise in technical underwriting, claims management and financial planning. We have environmental specialists who can spot a future liability before it happens and give you access to the newest technologies in pollution prevention, waste reduction and recycling. Litigation managers who can suggest methods of dispute resolution to reduce 'transaction costs' so 88% of insurer costs aren't spent on lawsuits. Reinsurance professionals who can structure creative E.I.L. programs

Continued from previous page

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, corporate environmental compliance policy development, storm water pollution prevention plans, emissions measurements, occasional regulatory and public policy analysis, UST management and removal.

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

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

Clients: Eight total environmental consulting clients, all corporate and institutional clients.

Specialties: Manufacturing, legal/financial services.

Compensation: By the hour: principal consultant, $125 to $150; consultant, $85 to $110.

1992 gross revenues: $512,000 total, all from unbundled environmental risk management consulting.

Officers: Dr. Jack E. Cotter, principal.

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.

Specialties: Petroleum, country clubs, agrichemical dealers, lenders.

Branch offices: Raleigh, N.C.

Compensation: By the project.

1992 gross revenues: $500,000 total, 40% from unbundled environmental risk management consulting.

Officers: J. Adam Abram, CEO; John J. Metelski, president; Michael Sommer, vp; Judy Young, secretary/treasurer; Sara Gosnell, controller.

Contact: Barbara Reilly.

Environmental Insurance Services Inc.

200 Cahaba Park S., Suite 200, Birmingham, Ala. 35242; 205-991-7885; fax: 205-991-7767

Services began: 1989.

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

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

Staff: Six total; two environmental professionals, both principal consultants.

Clients: 200 total environmental consulting clients, all corporate and institutional clients.

Specialties: Contractors, facility owners.

Compensation: By the project.

1992 gross revenues: $500,000 total, all from unbundled environmental risk management consulting.

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

Contact: William G. Twitty.

Environmental Management Group

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

Services began: 1986.

Environmental services: Frequent real estate audits, litigation support.

Other services: Frequent general risk management consulting.

Staff: 75 total; 47 environmental professionals. Professional designations include two PEs, five CPGs.

Clients: 410 total.

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

Branch offices: Baltimore; Chicago; Denver; Kansas City, Mo.; Los Angeles and Oakland, Calif.; Minneapolis; New York; Richmond, Va.

Compensation: By the project.

1992 gross revenues: $6 million total, 85% from unbundled environmental risk management consulting.

Officers: Michael Logsdon, president; Hank Post, CEO; Bryan Mooney, vp; Carroll Sparwasser, director; Sue Smith, field operations.

Contact: Bryan Mooney.

Environmental Management Insurance Services Inc.

1900 The Exchange, Suite 450, Atlanta, Ga. 30339; 404-916-1908; fax: 404-916-0618

Services began: 1990.

Parent: American Safety Casualty Insurance Co.

Environmental services: Frequent risk financing, occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, regulatory and public policy analysis.

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

Staff: 21 total, including two principal consultants, five consultants. Professional designations include one PE, two attorneys, one CPCU.

Specialties: Environmental remediation industry, insurance industry.

Compensation: By the project; on retainer.

1992 gross revenues: $1.8 million total, 5% from unbundled environmental risk management consulting.

Officers: Lloyd A. Fox, president; James G. Leach, vp/general counsel; Steve Crim, vp.

Contact: Natalie Liss.

Environmental Risk Assessment Services Inc.

P.O. Box 361003, Birmingham, Ala. 35236; 205-987-3727; fax: 205-987-3266

Services began: 1991.

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, regulatory and public policy analysis.

Other services: Occasional remediation activities, general risk management consulting.

Staff: Two total; one environmental professional, a principal consultant.

Clients: 50 total.

Specialties: Financial industry (banks and mortgage companies), real estate, legal industry, oil industry.

Compensation: By the project; by the hour: principal consultant, $40 to $80.

1992 gross revenues: $60,000 total, 80% from unbundled environmental risk management consulting.

Officers: James R. White Jr., president.

Environmental Risk Consulting Inc.

P.O. Box 175, Pasadena, Md. 21122-0175; 410-787-2735; fax: 410-553-6268

Services began: 1991.

Environmental services: Frequent phase I assessments-commercial and residential; occasional real estate audits, manufacturing plant audits, litigation support, public health risk assessment, risk financing.

Other services: Frequent environmental consulting to insurers and public policy-makers; occasional general risk management consulting, sale of "environmental risk management manual."

Staff: Two total, both environmental professionals. Professional designations include one ARM, one CPCU.

Clients: 36 total environmental consulting clients; two corporate and institutional clients.

Specialties: Real estate-commercial and residential.

Compensation: By the project; on retainer; by the hour: principal consultant, $75.

1992 gross revenues: $75,000 total, all from unbundled environmental risk management consulting.

Officers: Anthony P. Carey, president.

Environmental Risk Limited

120 Mountain Ave., Bloomfield, Conn. 06002; 203-242-9933; fax: 203-243-9055

Services began: 1985.

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AM·RE SERVICES, INC.
555 College Road East, Princeton, NJ 08543-5241 (609) 243-4200

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

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

Staff: 40 total; 30 environmental professionals including 13 principal consultants, 17 consultants. Professional designations include five PEs, one CPG, one attorney.

Clients: 1,000 total environmental consulting clients, all corporate and institutional clients.

Specialties: Cogeneration, petro-chemical, waste management, general manufacturing, lawyers, financial institutions, developers.

Branch offices: Clifton, N.J.

Compensation: By the hour: principal consultant, $105 to $165; consultant, $55 to $90.

1992 gross revenues: 75% from unbundled environmental risk management consulting.

Officers: Richard S. Atkins, president; Gordon T. Brookman, David I. Brandwein, Mitchell M. Wurmbrand, principals; Mona B. Oks, vp-administration/finance.

Contact: David I. Brandwein.

Environmental Risk & Loss Control Inc.

309 E. 90th St., New York, N.Y. 10128; 212-369-5400; fax: 212-722-7381

Services began: 1991.

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

Other services: Frequent environmental consulting to insurers and public policy makers; general risk management consulting; consulting in asbestos, solid waste, hazardous waste, air quality, waste water, indoor air, electromagnetic fields.

Staff: One total, a principal consultant.

Clients: 20 total.

Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $150.

1992 gross revenues: 100% from unbundled environmental risk management consulting.

Officers: Wayne Tysa, president.

Environmental & Safety Services Inc.

3315 N. Oak Trafficway, Suite 141, Kansas City, Mo. 64116; 800-523-3774; fax: 816-459-6886

Services began: 1989.

Parent: Farmland Industries Inc.

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

Staff: 55 total; 42 environmental professionals. Professional designations include one PE, one attorney, one CGWP.

Clients: 500 total environmental consulting clients; 35 corporate and institutional clients.

Specialties: Petroleum, chemicals, agribusiness, food processing.

Branch offices: Amarillo, Texas; Des Moines, Iowa; Enid, Okla.; Grand Island, Neb.; Greeley, Colo.

Compensation: By the project; on retainer; by the hour: principal consultant, $102; consultant, $60 to $80.

1992 gross revenues: $6 million total, 25% from unbundled environmental risk management consulting.

Officers: Tracy Mack, president/general manager; Jim Arend, controller.

Environmental Solutions Inc.

P.O. Box 11323, St. Louis, Mo. 63105-0123; 314-863-9801; fax: 314-721-0759

Services began: 1986.

Environmental services: Frequent real estate audits, UST management and removal, consulting on radon, air toxics and indoor air quality; occasional manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis.

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

Staff: Eight total; four environmental professionals including two principal consultants, two consultants.

Clients: 1,200 total environmental consulting clients; 400 corporate and institutional clients.

Compensation: By the project; by the hour: principal consultant, $90 to $110; consultant, $52 to $85.

1992 gross revenues: $741,000 total, 25% from unbundled environmental risk management consulting.

Officers: William M. Vaughan, president/treasurer; Alice P. Vaughan, secretary.

Contact: William M. Vaughan.

Environmental Specialists Inc.

4500 W. Mitchell St., West Milwaukee, Wis. 53214; 414-647-1616; fax: 414-647-1660

Services began: 1992.

Environmental services: Frequent asbestos abatement; occasional real estate audits, litigation support, regulatory and public policy analysis.

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

Staff: 15 total.

Clients: 200 total environmental consulting clients; 180 corporate and institutional clients.

Compensation: By the project.

1992 gross revenues: $1 million total, 10% from unbundled environmental risk management consulting.

Officers: Deven McGlenn, president.

Environmental Strategies Corp.

11911 Freedom Drive, Suite 900, Reston, Va. 22090; 703-709-6500; fax: 703-318-3972

Services began: 1986.

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, technical support for environmental insurance claims, environmental risk assessments in support of pollution insurance; occasional risk financing, asbestos evaluations and remediation.

Other services: Frequent general risk management consulting, organize RIMS and CPCU chapter meetings on pollution issues; occasional remediation activities, environmental consulting to insurers and public policy makers.

Staff: 122 total; 91 environmental professionals including four principal consultants, 87 consultants. Professional designations include 13 PEs, 13 CPGs, 12 CGWPs.

Clients: 390 total environmental consulting clients; 310 corporate and institutional clients.

Specialties: Electronics, refining, utilities, chemical, financial institutions, insurance companies.

Branch offices: Boxborough, Mass.; Houston; Minneapolis; Pittsburgh; San Jose, Calif.; Chester and London, United Kingdom.

Compensation: By the project; on retainer; by the hour: principal consultant, $125 to $140; consultant, $55 to $80.

1992 gross revenues: 80% from unbundled environmental risk management consulting.

Officers: Lynne M. Miller, president; Michael J. Murphy, chairman; Douglas E. Gladstone, Richard E. Freudenberger, senior vps; James P. Bulman, vp-technical.

Contact: Lynne M. Miller.

Environmental Title Services Inc.

401 Euclid Ave., Suite 445, Cleveland, Ohio 44114; 216-696-5554; fax: 216-861-3433

Services began: 1990.

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

Other services: Frequent environmental consulting to insurers and public policy makers, environmental due diligence/potentially responsible party document investigation; occasional general risk management consulting.

Staff: Eight total; three environmental professionals, all principal consultants. Professional designations include three attorneys.

Clients: 45 total; 40 environmental consulting clients.

Specialties: Real estate, insurance claims, legal.

Compensation: By the hour: principal consultant, $65 to $75; consultant, $35.

1992 gross revenues: $450,000 total, 75% from unbundled environmental risk management consulting.

Officers: Wayne A. Weber, president; Kevin Goodman, vp-litigation support; Rick Rosenbaum, vp-operations; Mark Rasnick, vp-senior examiner; David Eisler, counsel.

Contact: Wayne A. Weber.

Environmental Warranty Inc.

15 N. Main St., West Hartford, Conn. 06107; 203-521-4747; fax: 203-521-5810

Services began: 1993.

Environmental services: Frequent real estate audits; occasional UST management and removal, environmental site assessment insurance.

Other services: Frequent environmental insurance; occasional remediation activities.

Staff: 10 total; one environmental professional.

Specialties: Lenders, developers, municipalities.

Compensation: By the project.

1992 gross revenues: 100% from unbundled environmental risk management consulting.

Officers: Charles L. Perry Jr., president/CEO; Anthony W. Drescher, senior insurance officer; Thomas S. Lux, senior technical officer; William A. Gildea, Robert E. Clifford, senior vps-select markets.

Contact: Kelly E. Anderson, client services coordinator.

The Envirovision Group Inc.

331 Route 9W, Congers, N.Y. 10920; 914-268-6660; fax: 914-268-2065

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, risk financing, automated fuel management system, remote access third party monitoring systems, wastewater processing oil/water separators.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, asbestos, lead-based paint surveys and air monitoring, indoor air quality investigation/testing, HVAC system cleaning and maintenance.

Staff: 72 total, including four principal consultants. Professional designations include one PE, one CPG, one CGWP.

Branch offices: Baltimore.

Compensation: By the project; on retainer; by the hour: principal consultant, $85 to $105; consultant, $45 to $70.

1992 gross revenues: $5.1 million total, 50% from unbundled environmental risk management consulting.

Officers: Robert C. Hayman, president; Brion Hayman, vp; Bob Rivkin, vp/treasurer; Steven Asquith, vp/secretary.

F

R.M. Fields & Co. Ltd.

Public Ledger Building, Independence Square, Philadelphia, Pa. 19106; 215-625-9639; fax: 215-625-9679

Services began: 1982.

Environmental services: Frequent litigation support, insurance archaeology, historic insurance audits.

Other services: Frequent general risk management consulting.

Staff: 10 total; nine environmental professionals including four principal consultants, five consultants. Professional designations include one attorney.

Clients: 100 total.

Branch offices: Los Angeles, London.

Compensation: By the hour: principal consultant, $175 to $250; consultant, $60 to $125.

1992 gross revenues: $1.5 million total.

Officers: Randolph M. Fields, Henry Booth, David Jones, Carl Watkins, directors.

Contact: Randolph M. Fields or Henry Booth.

First Risk Management Co.

636 Old York Road, Jenkintown, Pa. 19046; 215-885-1125; fax: 215-885-1161

Services began: 1987.

Environmental services: Frequent litigation support.

Other services: Frequent general risk management consulting.

Staff: Seven total, including one principal consultant. Professional designations include one ARM, one CPCU.

Specialties: Case preparation/litigation support, consulting for attorneys/firms involved in environmental cases.

Compensation: By the hour: principal consultant, $320; consultant, $185 to $225.

1992 gross revenues: $1 million total, 20% from unbundled environmental risk management consulting.

Officers: Leonard J. Silver, president; Bonnie Esposito, secretary; Harry Cylinder, assistant vp.

Contact: Leonard J. Silver.

J.H. Frank & Associates

1638 Virden Drive, Glendale, Calif. 91208-2722; 818-246-7527; fax: 818-246-6870

Services began: 1985.

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

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

Staff: Eight total; three environmental professionals, all principal consultants. Professional designations include one PE, one CPG, one attorney, one ARM, one CPCU, one CGWP.

Clients: 11 total environmental consulting clients; four corporate and institutional clients.

Compensation: By the project; on retainer; by the hour: principal consultant, $175 to $250; consultant, $135 to $150.

1992 gross revenues: 33% from unbundled environmental risk management consulting.

Officers: Jaye Frank, P.S. Buck, C.E. Simmons, P.R. Majchrowicz, N. VanBroekhoven, principals.

Contact: Michael W. Frank, 818-246-7527.

G

GAB Business Services Inc.-Environmental Claims Division

123 William St., New York, N.Y. 10038; 212-815-8900; fax: 212-815-8936

Services began: 1885.

Parent: SGS.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, risk financing, complete package of pre-loss and post-loss services, claims management and claims financing mechanisms, environmental drilling, air emissions assessment, motor fuel quality evaluation; occasional manufacturing plant audits, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal.

Other services: Frequent environmental 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. Occasional remediation activities.

Staff: 3,200 total. Professional designations include 31 PEs, four attorneys, 39 CPCUs.

Clients: 7,980 total environmental consulting clients; 960 corporate and institutional clients.

Specialties: Environmental engineering, oil companies, manufacturing, utilities, risk management, chemical and petroleum industries.

Branch offices: Over 500 locations in the United States and 31 countries worldwide.

Compensation: By the project; on retainer.

1992 gross revenues: $285 million total.

Officers: Richard Simon, chairman/CEO; William Bergs, president/COO; Joseph Rizzo, executive vp; John Darden, CFO; G. Roger Eiler, senior vp.

Contact: Thomas C. MacArthur, managing director.

GBS Environmental

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

Services began: 1974.

Parent: Shaw, Weiss & De Naples.

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

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

Staff: Six total, all consultants. Professional designations include two PEs.

Clients: 53 total; 33 environmental consulting clients.

Branch offices: Columbus, Ohio.

Compensation: By the project; by the hour: consultant, $55 to $95.

1992 gross revenues: $356,000 total, 44% from unbundled environmental risk management consulting.

Officers: George Shaw, president; Ron Schmidt, David Kraft, vps.

Contact: Richard B. Robertson, manager.

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, public health risk assessment, regulatory and public policy analysis, industrial hygiene consulting and laboratory analysis (asbestos and lead); occasional manufacturing plant audits, design and analysis of remediation plans, 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, 11 CPGs, one attorney, five ARMs.

Clients: 1,352 total environmental consulting clients; 370 corporate and institutional clients.

Specialties: Real estate developers, property managers, industrial manufacturers, municipalities, schools, religious institutions, commercial clients, petrochemical.

Branch offices: Albuquerque, N.M.; Batavia, Chicago and Peoria, Ill.; Boston; Cedar Rapids, Iowa; Charlotte, N.C.; Cleveland; Hartford, Conn.; Los Angeles, Sacramento and San Francisco, Calif.; New York; Washington.

Compensation: By the project; on retainer; by the hour: principal consultant, $90 to $130; consultant, $65 to $85.

1992 gross revenues: $87 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: Fred Potenza or Kurt Montalto, sales representative.

Galson Corp.

6601 Kirkville Road, E. Syracuse, N.Y. 13066; 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 environmental consulting to insurers and public

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policy makers, general risk management consulting.

Staff: 242 total. Professional designations include 18 PEs.

Clients: 750 total.

Specialties: Industrial, utilities, institutions, independent power producers, developers, governmental agencies.

Branch offices: Berkeley, Calif.; Hawthorne and Rochester, N.Y.; Plymouth Meeting, Pa.

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

1992 gross revenues: $17 total, 3% from unbundled environmental risk management consulting.

Officers: Allen E. Galson, CEO; R. Leland Davis, president; Michael J. Lorenz, CFO/senior vp; Robert V. Bibbo, Joseph F. Unangst, senior vps.

Contact: Cindy Kuiper, marketing resources manager.

Geomatrix Consultants Inc.

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

Services began: 1986.

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 environmental consulting to insurers and public policy-makers.

Staff: 150 total; 71 environmental professionals, including 14 principal consultants, 57 consultants. Professional designations include 10 PEs, one CGWP.

Clients: 170 total environmental consulting clients; 40 corporate and institutional clients.

Specialties: Manufacturing.

Branch offices: Folsom, Fresno, Oakland and Santa Ana Heights, Calif.

Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $165; consultant, $63 to $95.

1992 gross revenues: $21.2 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; Tom Graf, principal engineer.

Contact: Karen Ball, marketing manager.

Gradient Corp.

44 Brattle St., Cambridge, Mass. 02138; 617-576-1555; fax: 617-864-8469

Services began: 1985.

Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, CGL claims evaluation/litigation, electromagnetic field risk consulting.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, environmental chemistry, data quality services, library of historically good practices in waste management.

Staff: 70 total, including eight principal consultants, 50 consultants.

Clients: 144 total; 120 environmental consulting clients.

Specialties: Insurers' outside counsel.

Branch offices: Boulder, Colo.; Ann Arbor, Mich.

Compensation: By the hour: principal consultant, $150 to $190; consultant, $85 to $150.

1992 gross revenues: $6 million total, 80% from unbundled environmental risk management consulting.

Officers: David B. Kiser, chairman; Jean P. Gosselin, president; Brian L. Murphy, Neil S. Shifrin, directors; Barbara Beck, principal.

Contact: Brian L. Murphy.

Green Environmental Inc.

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

Services began: 1986.

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

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

Staff: 50 total; 15 environmental professionals, including five principal consultants, 10 consultants. Professional designations include two PEs, seven CPGs.

Clients: 150 total environmental consulting clients; 120 corporate and institutional clients.

Specialties: Institutional, construction.

Compensation: By the project; on retainer; by the hour: principal consultant, $85 to $125; consultant, $55 to $85.

1992 gross revenues: $6 million total, 50% from unbundled environmental risk management consulting.

Officers: Glenn C. Ferguson, principal; Andre Bissonnette, vp-construction; Mark Germano, senior geologist; Karl Dickman, remediation.

Contact: Wallace H. Pimental, vp-marketing/sales.

Greenbaum Associates Inc.

994 Longfield Ave., Louisville, Ky. 40215; 502-361-8447; fax: 502-361-4793

Services began: 1980.

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

Other services: Occasional remediation activities.

Staff: 13 total; two environmental professionals, including one principal consultant, one consultant. Professional designations include two PEs.

Clients: 90 total environmental consulting clients; 85 corporate and institutional clients.

Specialties: Manufacturing, petrochemical, fuel dispensers, printing.

Compensation: By the project; on retainer; by the hour: principal consultant, $75 to $125; consultant, $60 to $90.

1992 gross revenues: $800,000 total, 60% from unbundled environmental risk management consulting.

Officers: Janet Greenbaum, president; Sandor Greenbaum, vp; Milton Greenbaum, secretary/treasurer.

Contact: Milton Greenbaum.

Griffin Environmental

25251 Paseo de Alicia, Suite 200, Laguna Hills, Calif. 92653; 714-457-0919; fax: 714-380-8950

Services began: 1991.

Environmental services: Frequent manufacturing plant audits, waste minimization plans, regulatory and public policy analysis; occasional real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory agency permit assistance (air pollution, water quality).

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

Staff: Three total; one environmental professional, a principal consultant and PE.

Clients: Five total environmental consulting clients; four corporate and institutional clients.

Specialties: Manufacturing, property owners, real estate developers.

Compensation: By the project; by the hour: principal consultant, $100 to $135; consultant, $85 to $95.

1992 gross revenues: $175,000 total, 45% from unbundled environmental risk management consulting.

Officers: Roger D. Griffin, president; A.M. Griffin, chairman.

Contact: Roger D. Griffin.

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, regulatory and public policy analysis.

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 and institutional clients.

Specialties: Manufacturing, transportation, banks, oil companies, chemical.

Branch offices: Columbia, S.C.; Mobile, Ala.; Venice, Fla.

Compensation: On retainer; by the hour: principal consultant, $90 to $125; consultant, $60 to $90.

1992 gross revenues: $4.8 million total, 60% from unbundled environmental risk management consulting.

Officers: Mark Miller, president; David Rogers, Craig Hurst, Kurt Gildemeister, vps; Jayne Stewart, CFO.

Contact: Jayne Stewart.

H&GCL

180 Canal St., Boston, Mass. 02114; 617-723-4664; fax: 617-367-1386

Services began: 1982.

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.

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

Staff: 222 total; 179 environmental professionals, including 21 principal consultants, 158 consultants. Professional designations include 43 PEs, 34 CPGs, one attorney, one CGWP.

Clients: 650 total.

Specialties: Manufacturing, commercial real estate.

Branch offices: Albuquerque, N.M.; Chicago; Cleveland; Hartford, Conn.; Los Angeles; New York; San Francisco; Washington.

Compensation: By the project.

1992 gross revenues: $22 million total, 68% from unbundled environmental risk management consulting.

Officers: Kenneth Schoultz, chairman; Alberto A. Gutierrez, president/CEO; Russ Matthews, treasurer; Scott Feldmann, senior vp-operations.

Contact: Scott Hale, director-marketing, 505-842-0001.

HKM Associates

P.O. Box 31318, Billings, Mont. 59107; 406-656-6399; fax: 406-656-6398

Services began: 1990.

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

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

Staff: 75 total, including six consultants. Professional designations include two PEs, two CPGs, one CGWP.

Clients: 20 total environmental consulting clients; 15 corporate and institutional clients.

Branch offices: Bozeman, Mont.

Compensation: By the project; by the hour: principal consultant, $75 to $95; consultant, $55 to $65.

1992 gross revenues: $4 million total, all from unbundled environmental risk management consulting.

Officers: A.T. Kersich, president; Ron Billstein, vp; Jim Kaercher, secretary.

Contact: Dave Fishbaugh.

Heritage Remediation Engineering Inc.

1175 Western Drive, Indianapolis, Ind. 46241; 317-243-7475; fax: 317-243-2046

Services began: 1970.

Parent: Heritage Environmental Services Inc.

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

Other services: Frequent remediation activities.

Staff: 250 total; 20 environmental professionals. Professional designations include 18 PEs, five CPGs, one attorney, two CGWPs.

Clients: 1,000 total environmental consulting clients; 200 corporate and institutional clients.

Specialties: Oil, automotive, general manufacturing.

Branch offices: Chicago; Louisville, Ky.; St. Louis; Toledo, Ohio.

Compensation: By the project; by the hour.

Officers: John Renkes, president; Jim Maloney, vp.

Hillmann Environmental Co. Inc.

1089 Cedar Ave., Union, N.J. 07083; 908-688-7800; fax: 908-686-3335

Services began: 1985.

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

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

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

Clients: 150 total.

Specialties: Commercial real estate owners and managers.

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

Compensation: By the project; by the hour: principal consultant, $60 to $100; consultant, $50 to $80.

1992 gross revenues: 95% from unbundled environmental risk management consulting.

Officers: Chris Hillmann, president; Joe Hillmann, executive vp; Kent Ward, vp.

Contact: Chris Hillmann.

Huntington Engineering & Environmental Inc.

662 Cromwell Ave., St. Paul, Minn. 55114-1776; 612-645-3601; fax: 612-659-7515

Services began: 1938.

Parent: Huntington International Holdings.

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

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

Staff: 662 total; 166 environmental professionals. Professional designations include 38 PEs, 20 CPGs, four CGWPs.

Clients: 14,000 total environmental consulting clients; 6,300 corporate and institutional clients.

Specialties: Construction, manufacturing, government, Department of Defense, Department of Energy.

Branch offices: Appleton, Eau Claire, La Crosse and Wausau, Wis.; Bismark, Fargo and Grand Forks, N.D.; Des Moines, Cedar Rapids and Waterloo, Iowa; Duluth, Mankato, Rochester and St. Cloud, Minn.; Kansas City, Knob, Noster and St. Louis, Mo.; Shawnee Mission, Kan.; Lead, Rapid City and Sioux Falls, S.D.; Moline, Ill.; North Platte and Omaha, Neb.

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

1992 gross revenues: $46 million total, 40% from unbundled environmental risk management consulting.

Officers: Dave Recker, Marc Shannon, Robert Temme, vps; Garry Hoden, controller.

Contact: Jody Elam, marketing manager.

I

IAG Ltd.

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

Services began: 1985.

Environmental services: Frequent litigation support, location of missing policies for companies beset by environmental cleanup/toxic tort claims, historic insurance research, coverage graphics, sample policy form procurement, insurance contract analysis, organization of records.

Staff: 20 total; 13 environmental professionals, including four principal consultants, nine consultants. Professional designations include one attorney, one CPCU.

Clients: 200 total environmental consulting clients, all corporate and institutional clients.

Specialties: Utilities, chemical, manufacturing, mining, metals, pharmaceuticals, energy, marine.

Branch offices: London.

Compensation: By the hour: principal consultant, $125 to $200; consultant, $60 to $125.

1992 gross revenues: 80% from unbundled environmental risk management consulting.

Officers: Sheila Mulrennan, president; Michele Pierro, senior vp; Luz Moreno, vp.

Contact: Sheila Mulrennan.

I.E.S.

2040 E. Algonquin Road, Schaumburg, Ill. 60173; 708-925-0022; fax: 708-925-0048

Services began: 1989.

Environmental services: Frequent litigation support, insurance advice, investigations, claims audits, environmental consulting to risk managers; occasional manufacturing plant audits, regulatory and public policy analysis, UST management and removal, risk financing.

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

Staff: 22 total; 18 environmental professionals, including 10 principal consultants, eight consultants. Professional designations include two attorneys.

Clients: 38 total.

Specialties: Insurance companies, risk managers, broker defense counsel, reinsurers.

Branch offices: Atlanta; Los Angeles; New York; San Francisco.

Compensation: By the hour: principal consultant, $90 to $95; consultant, $55 to $75.

1992 gross revenues: $785,589 total, 15% from unbundled environmental risk management consulting.

Officers: John E. Conway, president; Richard L. Maniurski, senior vp; George K. Riley, vp.

Contact: Christine Pippin, marketing director.

IES-Integrated Environmental Services

44 Shelter Rock Road, Danbury, Conn. 06877; 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; occasional waste minimization plans, litigation support, public health risk assessment, UST management and removal.

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

Staff: 194 total; four environmental professionals, including two principal consultants, two consultants. Professional designations include four PEs, one CPG.

Clients: 39 total environmental consulting clients; 10 corporate and institutional clients.

Compensation: By the project; by the hour: principal consultant, $75 to $105; consultant, $53 to $68.

1992 gross revenues: $7 million total, 10% from unbundled environmental risk management consulting.

Officers: William J. Manlon, president; Francisco Trejo, vp; David M. Jurasek, secretary/treasurer.

Contact: Ann Sloane, marketing coordinator.

Incinerator Consultants Inc.

11204 Longwood Grove Drive, Reston, Va. 22094-1302; 703-437-1790; fax: 703-437-9048

Services began: 1986.

Environmental services: Frequent design and analysis of remediation

Continued on page 42

The Haircut's Ten Dollars, But The Retirement Planning Advice Could Cost Him Thousands.

When it comes to choosing from the increasingly wide array of investment options in the typical retirement program, most employees have nowhere to turn. So they end up turning to Lou the barber, or Larry the co-worker, or Brenda the sister-in-law—armchair investors with good intentions but a dubious grasp of the facts.

But now there's a way to make sure your employees are getting sound financial counseling. In an ITT Hartford Retirement Program they get a full range of investment options. But, more important, we also offer individual employees the kind of informed financial counseling needed to help them enjoy a secure retirement.

Hartford professionals conduct on-site seminars to school your employees in the fundamentals of retirement planning. Videos, workbooks and risk tolerance questionnaires become the basis for ongoing counseling between employees and Asset Management Services Professionals. The result: your employees receive a thorough explanation of their investment options, and goals are established according to each employee's individual tolerance for risk.

If you're looking for sound retirement planning advice for your employees, call or write Chuck Clinton.

If you're looking for a haircut, we suggest you call Lou.

Continued from page 40
plans, litigation support; occasional manufacturing plant audits, public health risk assessment, regulatory and public policy analysis.

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

Staff: One total, a principal consultant and PE.

Clients: 20 total environmental consulting clients; 15 corporate and institutional clients.

Compensation: By the project; on retainer.

1992 gross revenues: $500,000 total.

Officers: C.R. Brunner, president.

Industrial Compliance

1746 Cole Blvd., Building 21, Suite 300, Golden, Colo. 80401; 303-277-1400; fax: 303-277-1405

Services began: 1985.

Parent: SPEUS.

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; occasional environmental consulting to insurers and public policy makers.

Staff: 175 total; 50 environmental professionals including 30 principal consultants, 20 consultants. Professional designations include 25 PEs, 20 CPGs, two attorneys, 10 ARMs, five CPCUs, 15 CGWPs.

Clients: 350 total.

Specialties: Transportation.

Branch offices: Dallas; Kansas City, Mo.; Knoxville, Tenn.; Little Rock, Ark.; Phoenix; Sacramento, Calif.

Compensation: By the hour: principal consultant, $85 to $160; consultant, $45 to $90.

1992 gross revenues: $32 million total, 45% from unbundled environmental risk management consulting.

Officers: John Spisak, CEO/president; Steve Lange, COO; Jim Roebuck, director-corporate development; Ed Delgado, CFO; Linnea Simons, corporate counsel.

Contact: Jim Roebuck.

Insurance Control Systems Inc.

1118 N. La Brea, Inglewood, Calif. 90302; 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 environmental consulting to insurers and public policy makers.

Staff: 12 total; three environmental professionals. Professional designations include one ARM.

Clients: 39 total environmental consulting clients; 15 corporate and institutional clients.

Branch offices: Atlanta; Dallas; Reno, Nev.

Compensation: By the project; by the hour.

1992 gross revenues: $1.02 million total, 15% from unbundled environmental risk management consulting.

Officers: Alfred Kirkpatrick, president; Valeta Paganelli, vp; Laura Patten, vp-operations; Keri Dito, service; Velda Heitkamp, controller.

Contact: Laura Patten.

Insurance Service Corp. of Iowa

320 Third St. S.E., Cedar Rapids, Iowa 52401; 319-366-2723; fax: 319-366-7823

Services began: 1990.

Environmental services: Frequent risk financing.

Other services: Frequent general risk management consulting.

Staff: 29 total, including two principal consultants. Professional designations include one attorney, three ARMs, five CPCUs.

Clients: 100 total.

Specialties: Environmental consultants, contractors, haulers, storage facilities.

Compensation: By the project.

1992 gross revenues: 10% from unbundled environmental risk management consulting.

Officers: Dennis L. Park, Duane Smith.

Integral Engineering Corp.

P.O. Box 167, Carrollton, Texas 75006; 214-387-4735; fax: 214-387-7939

Services began: 1988.

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

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

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

Clients: 68 total environmental consulting clients; 62 corporate and institutional clients.

Specialties: Banking, gasoline marketing industry.

Compensation: By the project; on retainer; by the hour: principal consultant, $80 to $110; consultant, $60 to $80.

1992 gross revenues: $893,431 total, 11% from unbundled environmental risk management consulting.

Officers: William H. Quortrup, president; Stephen D. Brandt, vp.

Contact: William H. Quortrup.

International Technology Corp.

23456 Hawthorne Blvd., Torrance, Calif. 90505; 310-378-9933; fax: 310-791-2587

Services began: 1926.

Parent: International Technology Corp.

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, biological assessment, endangerment assessment, fire and explosives assessments, hazard evaluation, noise evaluation, impact evaluation statements; occasional litigation support, regulatory and public policy analysis.

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

Staff: 3,200 total; 572 environmental professionals including 67 principal consultants, 134 consultants. Professional designations include 184 PEs, 127 CPGs, 13 attorneys, 134 ARMs, six CGWPs.

Clients: 18,000 total environmental consulting clients; 1,000 corporate and institutional clients.

Specialties: Department of Defense, Department of Energy, EPA, chemicals, petroleum, manufacturing, transportation, aerospace, electronics, real estate, pharmaceuticals, pulp and paper.

Branch offices: Albuquerque and Los Alamos, N.M.; Atlanta: Austin, Dallas and Houston, Texas; Avenel and Edison, N.J.; Baton Rouge, Lake Charles and Port Allen, La.; Chicago; Cincinnati; Columbia, S.C.; Deerfield Beach, Ocala, Orlando and Tampa, Fla.; Denver; Detroit; Durham, N.C.; Idaho Falls, Idaho; Irvine, Martinez, San Bernardino, San Diego, San Jose and Wilmington, Calif.; Kansas City, Mo.; Knoxville and Oak Ridge, Tenn.; Las Vegas; Montgomery, Ala.; Pittsburgh; Richland, Wash.; Rochester, N.Y.; St. Paul, Minn.; Shrewsbury, Mass.; Charleston and Vienna, W.Va.; Washington.

Compensation: By the project; by the hour: principal consultant, $120 to $150.

1992 gross revenues: $410 million total, 27% from unbundled environmental risk management consulting.

Officers: Murray H. Hutchison, chairman; Robert B. Sheh, president/CEO; Anthony J. DeLuca, senior vp/CFO; James R. Mahoney, senior vp-corporate development; Eric Schwartz, senior vp/general counsel/secretary.

Contact: James R. Mahoney.

J

The Jefferson Group

1341 G. St. N.W., Suite 1100, Washington, D.C. 20005; 202-638-3535; fax: 202-638-3536

Services began: 1988.

Continued on next page

Diagnostek Enhances Its Performance

The recent acquisition of Perform Cost Management Services, Inc., expands Diagnostek's reputation as health care's most progressive manager of prescription drug benefits and related pharmacy services.

Perform, recognized for its technical and management prowess, is widely acknowledged as the prescription benefit industry's most flexible, innovative processor of prescription drug claims. Their on-line real time claims adjudication software was developed by personnel who built the first point-of-service system. Annually, Perform on-line adjudicates millions of prescription drug claims for Fortune 500 corporations, Blue Cross and Blue Shield organizations and insurance carriers nationwide.

"This acquisition furthers our vision of offering prescription drug benefits that emphasize financial risk-sharing, employee choice, clinical pharmacy expertise and real time information management," said Nunzio DeSantis, Diagnostek's chairman. "Perform's experience enhances the effectiveness of RxChoice, our point-of-service managed care prescription drug program."

The search for excellence never truly ends. It does, however, yield extraordinary results.

RxChoice delivers significant cost savings and improved employee satisfaction. Offered on a capitated or fee-for-service basis, RxChoice provides comprehensive drug utilization review, formulary management, on-line claims adjudication and processing, detailed management reporting and account and customer service. Employees fill prescriptions at a national preferred retail pharmacy network and through Diagnostek's state-of-the-art mail service pharmacies.

With RxChoice, clients control the cost of their prescription drug benefit while ensuring employee satisfaction.

For more information, phone 1-800-554-4056.

Again

DIAGNOSTEK, INC.
4500 Alexander Boulevard NE, Albuquerque, New Mexico 87107
Managing Pharmacy and Prescription Benefit Innovation

Continued from previous page

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

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

Staff: 65 total; eight environmental professionals, including seven principal consultants, one consultant. Professional designations include three attorneys.

Clients: 20 total.

Specialties: Manufacturing.

Branch offices: Denver; Irvine, Calif.; San Juan, Puerto Rico.

Compensation: By the project; on retainer; by the hour: principal consultant, $175 to $225; consultant, $125 to $175.

1992 gross revenues: $5 million total, 25% from unbundled environmental risk management consulting.

Officers: Mark D. Cowan, CEO; Robert E. Carlstrom, president; Fred Hannett, COO; Carolyn McLaughlin, chief administrative officer.

Contact: Randal P. Schumacher, senior vp.

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

KRMS-NATLSCO

1 Kemper Drive, Long Grove, Ill. 60049-0075; 708-320-4665; fax: 708-320-7183

Services began: 1968.

Parent: Kemper National Insurance Cos.

Environmental services: Frequent manufacturing plant audits, waste minimization plans, litigation support, public health risk assessment, UST management and removal, risk financing, environmental program development assistance, environmental training, environmental permitting.

Other services: Occasional environmental consulting to insurers and public policy makers, general risk management consulting, environmental compliance audits, air and waste water permits, hazardous materials training.

Staff: 70 total; 40 environmental professionals, including 20 principal consultants, 20 consultants. Professional designations include two PEs.

Clients: 1,500 total.

Specialties: Food industry (emergency planning and training).

Compensation: By the project; by the hour.

1992 gross revenues: $100 million total, 10% from unbundled environmental risk management consulting.

Officers: F.G. Minchk, president; A.D. Odom, vp-technical services.

Contact: John Wiemhoff, environmental services manager.

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 to insurers and public policy-makers, general risk management consulting.

Staff: 350 total; 104 environmental professionals. Professional designations include 104 PEs, 10 CPGs, one attorney.

Branch offices: Bakersfield, Irvine, Palo Alto and Sacramento, Calif.; Federal Way, Wash.; Reno, Nev.

Compensation: By the project; by the hour: principal consultant, $125 to $150.

1992 gross revenues: $34 million total, 35% from unbundled environmental risk management consulting.

Officers: David D. Kennedy, president; Donald F. Graf, Nathan A. Graves, vps; Lawrence E. Peirano, chairman; Jon M. Stedman, controller.

Contact: Sharon Taplin, manager-marketing services.

Komex International Ltd.

4500 16th Ave. N.W., Suite 100, Calgary, Alberta, Canada T3B 0M6; 403-247-0200; fax: 403-247-4811

Services began: 1977.

Environmental services: Frequent design and analysis of remediation

Continued on next page

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This List is Incomplete.

That's because there are more service businesses than you can think of, let alone list. And nearly every one of them has an errors and omissions exposure, meaning that in their everyday line of work, these companies risk getting sued for making mistakes. They may end up having to pay at least attorney's fees, even if they didn't make a mistake!

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America's E&O Authority ®

Spotlight report

Continued from previous page

plans, waste minimization plans, regulatory and public policy analysis; occasional real estate audits, manufacturing plant audits, litigation support, public health risk assessment, UST management and removal.

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

Staff: 45 total; 14 environmental professionals, including five principal consultants. Professional designations include 13 PEs, four CPGs.

Clients: 250 total.

Specialties: Oil and gas, chemical, manufacturing.

Branch offices: Huntington Beach, Calif.; Bristol, U.K.

Compensation: By the project; on retainer; by the hour: principal consultant, $90 to $120; consultant, $40 to $90.

1992 gross revenues: $3 million total, 75% from unbundled environmental risk management consulting.

Officers: Frederic B. Claridge, president; Tadeusz L. Dabrowski, executive vp-hydrogeology; Joseph F. Wells, vp-environmental engineering; Miles Scott-Brown, vp-environmental assessment; Paul E. Hardisty, ground water engineering.

Contact: Nancy L. Olsen or Joseph F. Wells.

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, litigation support, UST management and removal, environmental permitting; occasional manufacturing plant audits.

Other services: Occasional remediation activities.

Staff: 35 total; 10 environmental professionals, including two principal consultants, eight consultants. Professional designations include four PEs, one CPG.

Clients: 90 total environmental consulting clients; 70 corporate and institutional clients.

Specialties: Industry, legal firms and finance agencies.

Branch offices: St. Augustine, Fla.

Compensation: By the project; by the hour: principal consultant, $95 to $115; consultant, $55 to $85.

1992 gross revenues: $2.5 million total, 50% from unbundled environmental risk management consulting.

Officers: John A. Lacz, president; Guy D. VonDoren, Kenneth H. Karle, vps; Ronald Panicucci, treasurer; Steve Secora, secretary.

Lawrence & Associates Ltd.

P.O. Box 886, Notre Dame, Ind. 46556; 219-289-4137 or 800-892-6263; fax: 219-289-4664

Services began: 1991.

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

Other services: Frequent general risk management consulting.

Staff: Six total; two environmental professionals, both principal consultants and attorneys.

Clients: 20 environmental consulting clients.

Specialties: Transportation industry.

Branch offices: Red Wing, Minn.

Compensation: By the project; on retainer; by the hour: principal consultant, $125; consultant, $75 to $90.

1992 gross revenues: $200,000 total, 50% from unbundled environmental risk management consulting.

Officers: Stephen A. Lawrence, president.

Contact: Tom Travis, 219-289-4137 or Patrick Freehan, 612-388-7067.

The Scott Lawson Group Ltd.

29 River Road, Suite 18, P.O. Box 894, Concord, N.H. 03301; 603-228-3610; fax: 603-228-3871

Services began: 1978.

Environmental services: Frequent manufacturing plant audits; occasional real estate audits, litigation support, public health risk assessment, regulatory and public policy analysis, OSHA/EPA compliance consulting.

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

Staff: 30 total; six environmental professionals, including two principal consultants, four consultants.

Clients: 590 total; 400 environmental consulting clients.

Specialties: Paper industry, electronics industry, construction, power plants.

Compensation: By the project; by the hour: principal consultant, $65 to $125; consultant, $45 to $65.

1992 gross revenues: $2 million total, 50% from unbundled environmental risk management consulting.

Officers: Scott H. Lawson, president; Donald P. McLelland Sr., vp.

Contact: Donald P. McLelland Sr.

Levine-Fricke

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

Services began: 1983.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, hazardous materials spills, hazardous materials planning and response, soil and ground water investigations, regulatory permitting and planning assistance, air and water quality monitoring and control, remedial action planning, design, construction and implementation, remedial strategy development and cost estimation, construction management, risk assessment, construction dewatering; occasional waste minimization plans.

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

Staff: 172 total. Professional designations include 16 PEs, 14 CPGs, one CGWP.

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

Branch offices: Emeryville and Roseville, Calif.; Honolulu; Tallahassee, Fla.

Compensation: By the project.

1992 gross revenues: $23 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, design and analysis of remediation plans, waste minimization plans, litigation support.

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

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

Clients: 14 total environmental consulting clients, all corporate and institutional clients.

Specialties: Manufacturing, metallurgical and chemical industries.

Compensation: By the project; on retainer; by the hour: principal consultant, $115; consultant, $85.

1992 gross revenues: $500,000 total, 90% from unbundled environmental risk management consulting.

Officers: Charles A. Licht, president.

Litigation Management Specialists Inc.

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

Services began: 1988.

Environmental services: Frequent

Continued on next page

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management of law suits, risk spreading analysis and implementation, project coordination, identification and management of technical and legal service providers; occasional real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support (excluding expert testimony), regulatory and public policy analysis, risk financing.

Other services: Frequent general risk management consulting, management education, training, loss prevention.

Staff: Three total. Professional designations include one attorney.

Clients: 12 total environmental consulting clients; five corporate and institutional clients.

Specialties: Manufacturing.

Compensation: By the project; on retainer; by the hour: principal consultant, $95 to $125; consultant, $60 to $75.

1992 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. 03053; 603-432-8700; fax: 603-432-3349

Services began: 1987.

Environmental services: Frequent litigation support, risk financing.

Other services: Frequent general risk management consulting.

Staff: Four total; two environmental professionals, both principal consultants. Professional designations include ARMs, CPCUs.

Specialties: Public entities, solid waste management, mass burn incineration facilities.

Compensation: By the hour.

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

Contact: Lorene R. Larrabee.

Market Information Inc.

4100 N. Marine Drive, Suite 10E, Chicago, Ill. 60613; 312-871-4388; fax: 312-871-4388

Services began: 1992.

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

Other services: Frequent general risk management consulting, secondary research, data base management, casualty insurance analysis.

Clients: Two total environmental consulting clients, both corporate and institutional clients.

Specialties: Manufacturing.

Compensation: By the project.

1992 gross revenues: 100% from unbundled environmental risk management consulting.

Contact: Barbara Abarbanell, president.

Minet Risk Services

220 E. 42nd St., New York, N.Y. 10017; 212-297-9000; fax: 212-297-9015

Services began: 1993.

Parent: Minet Inc.

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

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

Staff: 38 total; one environmental professional, a principal consultant and CPCU.

Specialties: Energy and marine, financial, manufacturing, construction.

Branch offices: Los Angeles.

Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $150.

Officers: J. Bernard Friemann, CEO; Michael Dangelo, executive vp; L. Ware Preston, James M. Gevlin, senior vps.

Contact: Nola M. Cameron, environmental affairs manager, 213-228-1804.

Morrow & Associates International Inc.

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

Services began: 1989.

Environmental services: Frequent litigation support, risk financing.

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

Staff: One total, a principal consultant.

Clients: 12 corporate and institutional environmental consulting clients.

Compensation: By the project; on retainer; by the hour: principal consultant, $150 to $250.

1992 gross revenues: $200,000 total, all from unbundled environmental risk management consulting.

N

Normandeau Associates Inc.

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

Services began: 1970.

Environmental services: Occasional public health risk assessment, UST management and removal.

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

Staff: 145 total. Professional designations include three PEs, one CPG.

Branch offices: Aikan, S.C.; Lakewood, N.J.; Middleboro, Mass.; Peekskill, N.Y.; Richmond, Calif.; Yarmouth, Maine.

Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $150; consultant, $50 to $85.

1992 gross revenues: 98% from unbundled environmental risk management consulting.

Officers: Pamela S. Hall, president; Peter C. Kinner, John Shipman, Gene Eidsen, vps.

Contact: Peter C. Kinner.

P

PACS Laboratory Inc.

6125 Tuscawaras Road, Industry, Pa. 15052; 412-495-2726

Services began: 1985.

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

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

Staff: 20 total, including four principal consultants, two consultants. Professional designations include one PE, one CPG, one attorney, one CGWP.

Clients: 19 total environmental consulting clients; 18 corporate and institutional clients.

Specialties: Real estate evaluation, laboratory, pilot plant operations.

Compensation: By the project; on retainer.

1992 gross revenues: $270,000 total, 20% from unbundled environmental risk management consulting.

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

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 environmental consulting to insurers and public policy

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Continued from previous page
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 and institutional clients.

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

1992 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, 309-688-1760 or Seyed Mohammadi.

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 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.

1992 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, CFO.

Contact: Mark Johnson, 703-556-2852.

Pedersen & Pedersen Inc.

1191 Pittsburgh Road, Valencia, Pa. 16059; 412-898-3300; fax: 412-898-2980

Services began: 1986.

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

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

Staff: 25 total; seven environmental professionals including five principal consultants, two consultants. Professional designations include two PEs.

Clients: 45 total environmental consulting clients; 15 corporate and institutional clients.

Compensation: By the project; on retainer; by the hour: principal consultant, $65 to $95; consultant, $50 to $150.

1992 gross revenues: $800,000 total, 30% from unbundled environmental risk management consulting.

Officers: Harold C. Pedersen, president; Rebecca A. Pedersen, secretary/treasurer; Harvey M. Treschow, vp-operations; Victor Trust, vp-remedial services; Stanley T. Maitland, vp-waste management.

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: 25 total, all environmental professionals including four principal consultants, 12 consultants. Professional designations include five PEs, three CPGs.

Clients: 300 total.

Branch offices: Princeton, N.J.; San Ramon, Calif.; Seattle.

Compensation: By the project.

1992 gross revenues: 100% from unbundled environmental risk management consulting.

Officers: Eric D. Kieselbach, John T. French, Colin Wigglesworth, William Hillyard, Michael A. Neill.

Contact: John T. French, Scott Dolan, or Chang Lee.

Pinnacle Environmental Group Inc.

6800 Wales Road, Northwood, Ohio 43619; 419-661-1506; fax: 419-661-1612

Services began: 1990.

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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.

1992 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 assessment, UST management and removal; occasional regulatory and public policy analysis.

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

Staff: 909 total; 562 environmental professionals including 147 principal consultants, 415 consultants. Professional designations include 237 PEs, 22 CPGs, four attorneys, one CGWP.

Clients: 1,400 total.

Specialties: Pharmaceuticals, chemicals, mining, petrochemicals, food, paper, textiles, metal finishings, state and local governments.

Branch offices: Akron, Cleveland and Columbus, Ohio; Albany, Buffalo, Rochester and Syracuse, N.Y.; Boston; Cranbury and Mahwah, N.J.; Chadds Ford, Pa.; Fort Lauderdale and Orlando, Fla.; Hartford, Conn.; Houston and San Antonio, Texas; Jackson, Miss.; Lansing, Mich.; Minneapolis; New Orleans, La.; Newport News, Va.; Phoenix and Tucson, Ariz.; San Diego, Calif.

Compensation: By the project; on retainer; by the hour: principal consultant, $122 to $200; consultant, $53 to $125.

1992 gross revenues: $121,491 total.

Officers: John H. Foster, Paul L. Busch, Garret P. Westerhoff, Daniel R. Shevchik, Michael T. Sobczak.

Contact: Judy Berkun, manager-corporate communications.

Professional Liability Risk Management Ltd.

214 Bronson Road, Syracuse, N.Y. 13219; 315-488-2162; fax: 315-487-4983

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, vitrification process.

Staff: Six total; two environmental professionals including one principal consultant, one consultant. Professional designations include one attorney.

Clients: 14 total environmental consulting clients; 10 corporate and institutional clients.

Specialties: Design professionals, architects and engineers.

Compensation: By the hour: principal consultant, $50 to $75; consultant, $35 to $45.

1992 gross revenues: 100% from unbundled environmental risk management consulting.

Officers: E. Marposon 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: One total, an ARM and CPCU.

Clients: 34 total.

Specialties: Manufacturing, real estate, public entities, medical.

Compensation: By the hour: principal consultant, $90 to $190.

Officers: Carl F. Lidstrom, president.

R

Radian Corp.

P.O. Box 201088, Austin, Texas 78720-1088; 512-454-4797; fax: 512-459-0525

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 procedures 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: 2,100 total; 200 environmental professionals including 50 principal consultants, 150 consultants. Professional designations include 187 PEs, 53 CPGs, seven attorneys, two CGWPs.

Clients: 3,500 total environmental consulting clients; 50 corporate and institutional clients.

Specialties: Industrial companies.

Branch offices: Albuquerque, N.M.; Alexandria, Va.; Atlanta; Baton Rouge, La.; Boulder and Denver, Colo.; Cincinnati; Houston and San Antonio, Texas; Los Angeles, North Los Angeles, Orange County, Sacramento and San Francisco, Calif.; Louisville, Ky.; Milwaukee; Minneapolis; Oak Ridge, Tenn.; Raleigh/Durham, N.C.; Rochester, N.Y.; Salt Lake City; Seattle; Washington; Hannover, Germany; London; Hong Kong; Madrid, Spain; Mexico City and Monterrey, Mexico; Taipei, Taiwan; Toronto.

Compensation: By the project; by the hour.

1992 gross revenues: $214 million total, 18.5% from unbundled environmental risk management consulting.

Officers: Donald M. Carlton, president; P.E. Hudson, W.N. Kocurek, F.S. LaGrone, R.M. Wells, senior vps.

Contact: S.R. Fernandes, vp.

Risk International Services Inc.

190 Montrose West Ave., Suite 160, Akron, Ohio 44321-2786; 216-666-2556; fax: 216-666-0842

Services began: 1986.

Parent: International Marine Casualty Services.

Environmental services: Frequent insurance archeology, claims recoveries; occasional litigation support, risk financing.

Other services: Frequent general risk management consulting.

Staff: 20 total; eight environmental professionals including four principal consultants, four consultants. Professional designations include three attorneys, one CPCU.

Clients: 26 total environmental consulting clients; 17 corporate and institutional clients.

Branch offices: Houston.

Compensation: By the project; by the hour: principal consultant, $150; consultant, $100.

Officers: Del R. Jones, chairman; David C. Hatch, president; Douglas L. Talley, vp/counsel; Daniel C. Buser, Richard A. Green, claims managers/counsel.

Contact: Douglas L. Talley.

Risk Management Associates-RISK MAN

Academic Suites, 13 Franklin Circle, Northboro, Mass. 01532; 508-393-2519; fax: 508-393-1467

Services began: 1972.

Continued on next page

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Aetna

Continued from previous page

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 coverages analysis.

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

Staff: Four total; three environmental professionals including one principal consultant.

Clients: Six total.

Specialties: Petro/chemical.

Compensation: By the hour: principal consultant, $90 to $125.

1992 gross revenues: 80% from unbundled environmental risk management consulting.

Officers: Edward V. Harding, proprietor; Joan M. Harding, president (Independent Insurance Auditing Inc.).

Risk Management Technologies Inc./RTM Communications Inc.

1020 N. Fairfax St., Suite 201, Alexandria, Va. 22314; 703-549-0977; fax: 703-548-5945

Services began: 1987.

Environmental services: Frequent real estate audits; manufacturing plant audits; public health risk assessment; regulatory and public policy analysis; risk financing; consulting to bankers, institutional investors, investment bankers, insurers and manufacturing/industrial companies in the areas of strategic market planning, risk assessments, risk financing and due diligence audits. Occasional design and analysis of remediation plans, waste minimization plans, litigation support.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, government relations and creation/management services to the formation of Environmental Bankers Association.

Staff: 11 total, all environmental professionals including seven principal consultants, four consultants.

Clients: 37 total environmental consulting clients; 29 corporate and institutional clients.

Specialties: Banking, institutional investors, investment bankers, SIC 20-39 companies, chemical, petroleum, manufacturing (automotive packaging), waste management industry, aerospace industry.

Branch offices: Washington.

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

1992 gross revenues: 73% from unbundled environmental risk management consulting.

Officers: Dean Jeffery Telego, president; 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, UST management and removal, risk financing, seminars to industry, environmental risk management programs for industry; occasional design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment and regulatory and public policy analysis.

Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, environmental impairment liability risk assessments for underwriters of pollution insurance.

Staff: 11 total, all environmental professionals. Professional designations include two PEs, two CPGs, one attorney, one ARM, one CPCU, one CGWP.

Clients: 200 total.

Branch offices: Los Angeles; Copenhagen, Denmark; Sydney, Australia.

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

1992 gross revenues: $920,000 total, all 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 management and removal, UST monitoring and engineering firm activity support; occasional regulatory and public policy analysis.

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

Staff: 17 total; five environmental professionals including one principal consultant, four consultants.

Clients: 50 total.

Specialties: Petroleum marketers, rental car companies, trucking companies, environmental impairment insurance, public agencies.

Compensation: By the hour: principal consultant, $175 to $225; consultant, $85 to $95.

1992 gross revenues: $1.2 million total.

Officers: Warren F. Rogers, president;

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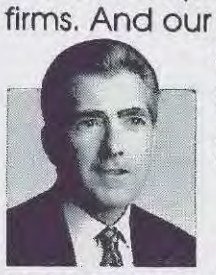

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Continued from previous page
William P. Jones, executive vp; Jill B. Jones, vp.
Contact: Jill Jones.

Rollins Hudig Hall Risk Managment Services

Strandgade 4C, Copenhagen, Denmark DK-1401K; 45-32-96-96-64; fax: 45-32-96-96-34

Services began: 1991.
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: Five total; one environmental professional, a principal consultant.
Clients: Three total environmental consulting clients, all corporate and institutional clients.
Specialties: Manufacturing.
Compensation: By the project; by the hour: principal consultant, $150 to $200.
1992 gross revenues: $400,000 total, 20% from unbundled environmental risk management consulting.
Officers: Knud Petri, Niels de Bang, Lone Hertz, Stuart Henney.
Contact: Stuart Henney or Kell Kvist.

S

SE Technologies Inc.

1370 Washington Pike, Bridgeville, Pa. 15017; 412-257-6015; fax: 412-257-6093

Services began: 1977.
Parent: Vanadium Enterprises.
Environmental services: Frequent manufacturing plant 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, ecological risk assessment.
Other services: Frequent industrial hygiene, indoor air quality, solid waste management, groundwater investigations, wetlands, stormwater management, site planning training, regulatory compliance, lead paint management; occasional environmental consulting to insurers and public policy makers.
Staff: 460 total; 115 environmental professionals including 80 principal consultants, 35 consultants. Professional designations include 27 PEs, three CPGs.
Specialties: Utilities, manufacturing.
Compensation: By the project; by the hour: principal consultant, $65 to $70; consultant, $42 to $58.
1992 gross revenues: $42.7 million total, 2.5% from unbundled environmental risk management consulting.
Officers: Alexis Tsaggaris, president/CEO; Paul Fallert, vp/CEO; Dr. Bal Gupta, executive vp; Dr. E.J. Duckett, senior vp; Leslie Ward, group vp.
Contact: Gary Homonai, 412-257-6058.

SSM/Spotts Stevens & McCoy Inc.

345 N. Wyomissing Blvd., Reading, Pa. 19610; 215-376-6581; fax: 215-376-6950

Services began: 1968.
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.
Other services: Frequent industrial hygiene and air pollution-related services; occasional remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 170 total; 20 environmental professionals including five principal consultants, 15 consultants. Professional designations include 17 PEs, three CPGs, one CGWP.
Clients: 125 total; 45 environmental consulting clients.
Specialties: Manufacturing industries.
Branch offices: Baltimore, Md.
Compensation: By the project; by the hour: principal consultant, $95 to $125; consultant, $50 to $90.
1992 gross revenues: $11 million total, 29% from unbundled environmental risk management consulting.
Officers: Jacob A. Palmer III, president; Dennis H. Hatt, Gary D. Kraft, Willard A. Wade III, Edwin C. Hostetter, vps.
Contact: Willard A. Wade III.

STS Consultants Ltd.

111 Pfingsten Road, Northbrook, Ill. 60062; 708-272-6520; fax: 708-498-2721

Services began: 1948.
Parent: STS Holdings Inc.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, waste minimization plans, UST management and removal, air quality; occasional manufacturing plant audits, litigation support.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers.
Staff: 300 total; 70 environmental professionals including 13 principal consultants, 57 consultants. Professional designations include 22 PEs, eight CPGs, one CGWP.
Clients: 240 total environmental consulting clients; 100 corporate and institutional clients.
Specialties: Pulp and paper, retail, waste management, commercial development, food processors.
Branch offices: Green Bay, Milwaukee, Oshkosh and Wausau, Wis.; Kalamazoo and Lansing, Mich.; Minneapolis.
Compensation: By the project; on retainer; by the hour.
1992 gross revenues: $38 million total.
Officers: William Perpich, chairman; Michael Russell, president; Steven Shimek, principal scientist; James Senger, principal geologist.
Contact: Katie Gauer, marketing services coordinator.

Sageri S.A.

2 Rue Ancelle, 92551 Neuilly-Sur-Seine, France; 331-47-38-6060; fax: 331-47-38-2146

Services began: 1984.
Parent: Gras Savoye Et Cie.
Environmental services: Frequent manufacturing plant audits, public health risk assessment, regulatory and public policy analysis; occasional real estate audits, waste minimization plans, litigation support, risk financing, environmental management indicators.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, remediation advice and assistance.
Staff: 36 total; 11 environmental professionals including four principal consultants, seven consultants. Professional designations include nine PEs, one CPG, one CGWP.
Clients: 19 total environmental consulting clients; 15 corporate and institutional clients.
Branch offices: Barcelona and Madrid, Spain; Luxembourg.
Compensation: By the project.
1992 gross revenues: $3 million total, 25% from unbundled environmental risk management consulting.
Officers: D. Naftalski, chairman/managing director; J.C. Lupi, managing director; A. Benard, director-environment; M. Chaker, director-loss control; P. Ruze, technical director.
Contact: Vanda Williamson or Jeremy Tree.

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 4 principal consultants, 50 consultants. Professional designations include one PE.
Clients: 200 total environmental consulting clients; 75 corporate and institutional clients.
Specialties: Manufacturing, insurance.
Branch offices: Philadelphia; Rockville, Md.; San Antonio, Texas.
Compensation: By the project; on retainer; by the hour.
Officers: Dr. Howard M. Sandler, president; Sheldon H. Rabinovitz, Richard S. Blume, vps; Amaila C. Apostoleris, director.
Contact: Lisa Fallon, marketing coordinator.

Sedgwick

1285 Ave. of the Americas, New York, N.Y. 10019; 212-830-1000; fax: 212-830-1169

Parent: Sedgwick Group P.L.C.
Environmental services: Frequent manufacturing plant audits, design and analysis of remediation plans, risk financing; occasional real estate audits, waste minimization plans, litigation support, public health risk assessment.
Other services: Frequent general risk management consulting; occasional environmental consulting to insurers and public policy makers.
Staff: 21 total; 15 environmental professionals including six principal consultants, nine consultants. Professional designations include five PEs, four attorneys, six ARMs, five CPCUs.
Branch offices: Atlanta; Boston; Chicago; Columbia, S.C.; Dallas; Denver; Detroit; Harrisburg, Philadelphia and Pittsburgh, Pa.; Irvine and San Francisco, Calif.; Memphis and Nashville, Tenn.; Portland, Ore.; Seattle and Spokane, Wash.; Calgary, Alberta; London; Melbourne, Australia; Toronto.
Compensation: By the project; by the hour: principal consultant, $150 to $250; consultant, $115 to $150.
Officers: Rodney J. Taylor, U.S. director; Steve Osselton, Canada-national director; Nick Chipman, U.K. managing director.
Contact: Rodney J. Taylor, 615-783-2503.

Skelly & Loy Inc.

2601 N. Front St., Harrisburg, Pa. 17110; 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, regulatory and public policy analysis, UST management and removal; occasional litigation support.

Continued on next page

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Continued from previous page

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

Staff: 180 total; 25 environmental professionals. Professional designations include four PEs, three CPGs.

Clients: 150 total environmental consulting clients; 100 corporate and institutional clients.

Branch offices: Monroeville, Pa.

Compensation: By the project.

1992 gross revenues: $5 million total, 25% from unbundled environmental risk management consulting.

Officers: Leroy D. Loy, Michael D. Loy, John W. Gunnett, Sandra Loy.

Contact: Carol Quigley, assistant vp-waste management division.

Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan

2500 First Union Capitol Center, Raleigh, N.C. 27601; 919-821-1220; fax: 919-821-6800

Services began: 1927.

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

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

Staff: 58 total; two environmental professionals, both attorneys.

Specialties: Legal consulting to clients including banking, industrial and development businesses.

Compensation: By the hour: attorneys $75 to $165.

Officers: Michael W. Hubbard, partner.

Southwestern Laboratories Inc.

P.O. Box 8768, Houston, Texas 77249; 713-869-7913; fax: 713-869-7374

Services began: 1912.

Parent: Huntingdon International Holdings.

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, risk financing.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, geotech drilling, construction materials testing, non-destructive testing.

Staff: 625 total; 160 environmental professionals including 40 principal consultants, 120 consultants. Professional designations include 20 PEs, 30 CPGs, 15 CGWPs.

Clients: 40 total.

Specialties: Banks, insurance companies, real estate management companies.

Branch offices: Atlanta; Austin, Beaumont, Dallas, Midland, Rio Grande Valley and San Antonio, Texas; Shreveport, La.

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

1992 gross revenues: $30 million total, 60% from unbundled environmental risk management consulting.

Officers: William B. Harper, president; George Love, George D. Cozart, senior vps; Richard Beale, vp.

Contact: Roger Rheinheimer, 512-447-9081.

Squier Associates Inc.

4260 Galewood St., P.O. Box 1317, Lake Oswego, Ore. 97035; 503-635-4419; fax: 503-635-1430

Services began: 1984.

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

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

Staff: 22 total; 11 environmental professionals including three principal consultants, eight consultants. Professional designations include four PEs, four CPGs.

Clients: 62 total environmental consulting clients; 58 corporate and institutional clients.

Specialties: Manufacturing, commercial, governmental.

Compensation: By the project; by the hour: principal consultant, $75 to $135; consultant, $49 to $75.

1992 gross revenues: $2.7 million total, 25% from unbundled environmental risk management consulting.

Officers: L. Radley Squier, president; Arlan H. Rippe, senior vp; Gary Peterson, William D. Hartford, Saiid Behboodi, vps.

Superior Environmental Corp.

2201 Wolf Lake Road, Muskegon, Mich. 49442; 616-788-5558; fax: 616-788-5450

Services began: 1989.

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

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

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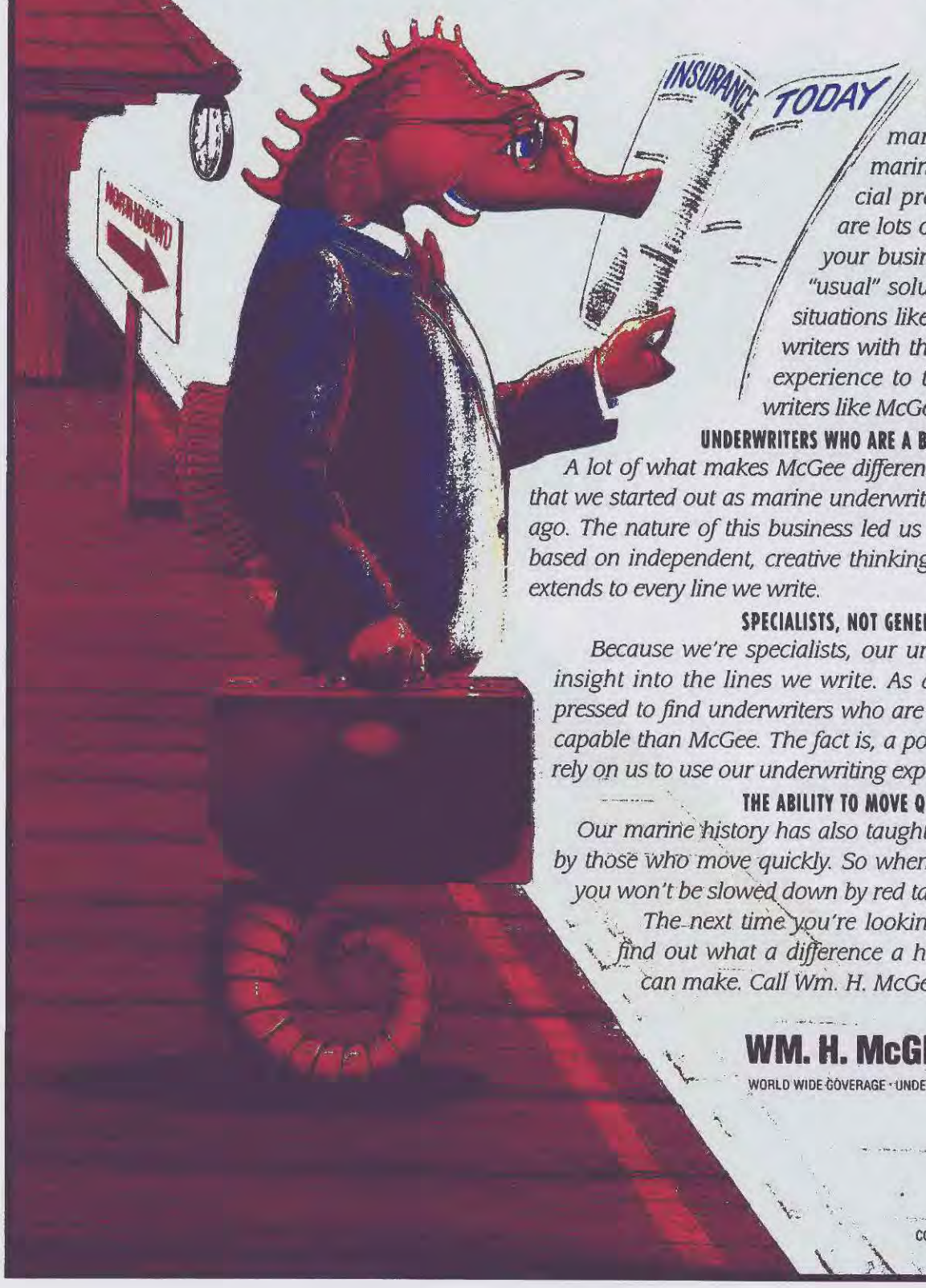

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ing; indoor air quality, stack sampling, air, storm water, waste water and TSD permitting.

Staff: 126 total; 42 environmental professionals including two principal consultants, 81 consultants. Professional designations include one PE, three CPGs, one CGWP.

Clients: 468 total environmental consulting clients; 68 corporate and institutional clients.

Specialties: Petroleum/chemical industry, manufacturing, landfill, legal, transportation, agriculture.

Branch offices: Bay City, Brighton, Grand Rapids, Kalamazoo and Marshall, Michigan; Tallmadge, Ohio; Waukesha, Wis.

Compensation: By the project; on retainer; by the hour: principal consultant, $75 to $95; consultant, $60 to $75.

1992 gross revenues: $15 million total, 30% from unbundled environmental risk management consulting.

Officers: James Quince, president; Bill Wesley, vp-operations; Mark Stewart, executive vp; Bob Clark, CFO; Jim Pratt, vp-business development.

Contact: Jim Pratt.

T

Terracon Environmental Inc.

1600 College Blvd., Lenexa, Kan. 66219; 800-593-7777; fax: 913-492-7443

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: 548 total; 90 environmental professionals including 13 principal consultants, 77 consultants. Professional designations include 21 PEs, six CPGs, one CGWP.

Clients: 1,000 total.

Branch offices: Bloomington, Chicago and Rock Island, Ill.; Boise, Idaho; Cedar Falls, Cedar Rapids, Davenport, Des Moines and Storm Lake, Iowa; Cheyenne, Wyo.; Colorado Springs, Denver, Fort Collins, Greeley and Longmont, Colo.; Dallas; Kansas City, Mo.; Las Vegas; Lincoln and Omaha, Neb.; Oklahoma City and Tulsa, Okla.; St. Paul, Minn.; Salt Lake City; Topeka and Wichita, Kan.; Tucson, Ariz.

Compensation: By the project; by the hour: principal consultant, $92 to $115; consultant, $67 to $88.

1992 gross revenues: $35 million total, 90% from unbundled environmental risk management consulting.

Officers: John Hartwell, Bob Sholar, division managers.

Contact: Lori Clintsman, marketing coordinator.

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 principal consultants. Professional designations include ARMs, CPCUs.

Compensation: By the hour.

Officers: Margaret W. Tiller, president; Michael H. Tiller, principal.

Contact: Margaret W. Tiller.

Tillinghast-Division of Towers, Perrin, Forster & Crosby Inc.

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: One total, a principal consultant.

Clients: 93 total environmental consulting clients; 25 corporate and institutional clients.

Branch offices: Arlington, Va.; Atlanta; Bloomington and Chicago, Ill.; Boston; Dallas and San Antonio, Texas; Denver; Hartford and Stamford, Conn.; Irvine and San Francisco, Calif.; Jacksonville, Fla.; Kansas City, Kan.; Minneapolis; Philadelphia; St. Louis; Amsterdam, Netherlands; Cologne and Frankfurt, Germany; Geneva, Switzerland; Hamilton, Bermuda; Hong Kong; London, Newbury and Woking, United Kingdom; Madrid, Spain; Melbourne and Sydney, Australia; Mexico City; Milan, Italy; Montreal; Toronto; Paris.

Compensation: By the hour: principal consultant, $215 to $350; consultant, $135 to $210.

1992 gross revenues: $57.6 million total, 0.5% from unbundled environmental risk management consulting.

Officers: Mike Tuohy, managing principal; W. James MacGinnitie, managing principal-property/casualty division; Jerry Miccolis, risk management leader; Neil Anderson, managing principal-life division; Howard Veit, managing principal-health division.

Contact: Amy S. Bouska, 612-897-3300.

The Traverse Group Inc.

3772 Plaza Drive, Ann Arbor, Mich. 48108; 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, ERMAS program-provides environmental wellness; occasional risk financing.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, in-house analytical laboratory, research and development of remediation technology, environmental impact and feasibility studies, air compliance audits.

Staff: 60 total; 20 environmental professionals including five principal consultants. Professional designations include four PEs.

Specialties: Federal and state agencies, municipalities, petroleum and petrochemical companies, insurance companies, commercial lending institutions, utility companies, manufacturing, automotive companies.

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Branch offices: Traverse City, Mich.
Compensation: By the project; on retainer; by the hour.
1992 gross revenues: $7 million total, 25% from unbundled environmental risk management consulting.
Officers: John M. Armstrong, CEO; Jeff Martin, general manager; Laura A. Armstrong, vp-business development.
Contact: Laura A. Armstrong.

Trinity Consultants Inc.

12801 N. Central Expressway, Suite 1200, Dallas, Texas 95243; 214-661-8100; fax: 214-385-9203

Services began: 1974.
Environmental services: Frequent regulatory and public policy analysis, air quality consulting; occasional litigation support, public health risk assessment.
Other services: Occasional general risk management consulting.
Staff: 80 total; 36 environmental professionals, including 11 principal consultants, 25 consultants. Professional designations include three PEs.
Clients: 90 total environmental consulting clients; 85 corporate and institutional clients.
Specialties: Air quality consulting.
Branch offices: Atlanta: Baton Rouge, La.; Overland Park, Kan.
Compensation: By the hour: principal consultant, $107 to $150; consultant, $43 to $97.
1992 gross revenues: $4.75 million total, 90% from unbundled environmental risk management consulting.
Officers: Richard H. Schulze, president; Deborah K. Fusselman, secretary; Mark J. Van De Casteele, treasurer.
Contact: Mark J. Van De Casteele.

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U

UNIS Service Corp.

180 N. Riverview Drive, Suite 260, Anaheim, Calif. 92808; 714-283-5496; fax: 714-283-8029

Services began: 1981.
Environmental services: Frequent manufacturing plant audits, litigation support, regulatory and public policy analysis, risk financing, hazardous materials management, industrial hygiene monitoring; occasional real estate audits, design and analysis of remediation plans, waste minimization plans, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy-makers, general risk management consulting.
Staff: 14 total; 10 environmental professionals, including two principal consultants, eight consultants. Professional designations include one ARM.
Branch offices: Sacramento, Calif.
Compensation: By the project; on retainer; by the hour: principal consultant, $100 to $120; consultant, $75 to $90.
1992 gross revenues: 10% from unbundled environmental risk management consulting.
Officers: John Farinacci, president; Jay Dulik, vp; Marie Farinacci, secretary.
Contact: Jay Dulik, 916-263-0204.

W

WW Engineering & Science

5555 Glenwood Hills Parkway S.E., P.O. Box 874, Grand Rapids, Mich. 49588-0874; 616-942-9600; fax: 616-942-6499

Parent: Summit Environmental.
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; occasional litigation support, risk financing.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy-makers, general risk management consulting.
Staff: 750 total; 250 environmental professionals. Professional designations include 85 PEs, 25 CPGs.
Branch offices: Bloomington, Ind.; Columbus, Ohio; La Crosse and Milwaukee, Wis.; Livonia, Mich.; Minneapolis.
Compensation: By the project; on retainer; by the hour.
1992 gross revenues: $63 million total, 70% from unbundled environmental risk management consulting.
Officers: S.S. Saless, president; G.M. Kienzle, executive vp; R.R. Rediske, senior vp; R.J. Berner, vp.
Contact: William A. Stough, director-marketing.

Kenneth H. Wells & Associates Inc.

3300 S. Parker Road, Suite 200, Aurora, Colo. 80014; 303-337-0400; fax: 303-337-1650

Services began: 1985.
Environmental services: Frequent feasibility analysis, funding alternatives for remediation plans and funding of site cleanup; occasional litigation support, risk financing.
Other services: Occasional environmental consulting to insurers and public policy-makers.
Staff: 68 total; four environmental professionals. Professional designations include two attorneys, two CPCUs.
Clients: Five total environmental consulting clients; two corporate and institutional clients.
Branch offices: Atlanta; Charlotte, N.C.; Chicago; Dallas; Denver; Detroit; Fayetteville, Ark.; Honolulu; Houston; Los Angeles, Sacramento and San Francisco, Calif.; Miami; New York; Riverside, Conn.; St. Louis; Seattle; Washington.
Compensation: By the project.
1992 gross revenues: $8 million total.
Officers: Kenneth H. Wells, chairman; Joseph Costello, president; Scott Hamilton, corporate vp; Charles Soukup, vp-finance; James Golden, vp.
Contact: Kenneth H. Wells or James Golden.

Roy F. Weston Inc.

1 Weston Way, West Chester, Pa. 19380-1499; 215-692-3030; fax: 215-430-3186

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, occupational health/medicine consulting; occasional litigation support, regulatory and public policy analysis, UST management.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy-makers, general risk management consulting.
Staff: 3,000 total. Professional designations include 103 PEs, 32 CPGs, four attorneys, two CGWPs.
Branch offices: Vernon Hills, Ill.; Wilmington, Mass.; Woodland Hills, Calif.
Compensation: By the project.
1992 gross revenues: $330 million total, 9% from unbundled environmental risk management consulting.
Officers: A. Frederick Thompson, chairman; William J. Marrazzo, president/CEO; Steven Vorndran, executive vp/COO; Philip M. Chen, executive vp-marketing; Christine Murphy, executive vp-quality assurance/finance.
Contact: Kenneth Salamon, 215-430-7208.

Willis Corroon Environmental Risk Management Services

26 Century Blvd., P.O. Box 305024, Nashville, Tenn. 37214; 615-872-3260; fax: 615-872-3333
Services began: 1990.
Parent: Willis Corroon Corp.
Environmental services: Frequent public health risk assessment, regulatory and public policy analysis, UST management and removal, risk financing, environmental contracting risk management services, contract reviews, indemnity/risk allocation negotiations; occasional real estate audits, manufacturing plant audits, analysis of remediation plans.
Other services: Frequent environmental consulting to insurers and public policy-makers, general risk management consulting, development of procedure manuals, audits and pre-emptive environmental strategies.
Staff: Eight total, all environmental professionals, including four principal consultants, four consultants. Professional designations include one PE, one attorney, three ARMs, two CPCUs.
Clients: 160 total environmental consulting clients; 20 corporate and institutional clients.
Specialties: Environmental remediation firms, remedial action contractors, environmental engineering, design and construction firms, manufacturing, financial institutions, public entities, health care.
Branch offices: Bethesda, Md.; London.
Compensation: By the project; by the hour: principal consultant, $150 to $200; consultant, $75 to $150.
1992 gross revenues: $600,000 total, 20% from unbundled environmental risk management consulting.
Officers: Daved J. Dybdahl, managing director; Ken Ayers, vp; Gail McConnon, consultant; Richard M. Miller, CEO; Roger J. Elliot, executive chairman.

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: Six total; three environmental professionals, including one principal consultant, two consultants.
Clients: Four total.
Specialties: Construction, manufacturing, insurance services.
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Business booming for municipal bond insurance market

Record number of issues boosts volume

By JUDY GREENWALD

The good times just keep right on rolling for the municipal bond insurance business.

The total volume of new municipal issues, as well as the percentage of bonds that are insured, will reach record levels in 1993 for the second consecutive year.

"Things are great. It probably can't get any better," said Wallace O. Sellers, chairman and chief executive officer of Enhance Reinsurance Co. in New York, a unit of Enhance Financial Services Group Inc. Mr. Sellers also is chairman of the Assn. of Financial Guaranty Insurors, an Albany, N.Y.-based trade group for the muni bond insurance industry.

As in 1992, the lion's share of new growth was produced by refunding, in which an existing bond is retired by issuing new securities, often at a lower interest rate. Some expect the pace of refundings to abate next year, partly because of limits on the number of times a municipality can refund an issue. Others say the signs of a slowdown are not so clear.

Lower volume could increase rate competition among the six AAA-rated muni bond insurers that dominate the market, some observers say.

Another factor that could boost competition is efforts by smaller muni bond insurers to increase their market share. Currently, more than 90% of the market is controlled by the "Big Three": MBIA Corp., AMBAC Indemnity Corp. and Financial Guaranty Insurance Co.

The three other AAA-rated insurers have much smaller shares: Financial Security Assurance Inc., Capital Guaranty Insurance Co. and Connie Lee Insurance Co.

Another primary insurer, Asset Guaranty Insurance Co., has a AA rating from Standard & Poor's Corp.

Municipal bond insurance tends to be viewed as a commodity, with the Big Three generally regarded as interchangeable. To develop new business, insurers continue to diversify into insuring asset-backed securities and related service areas.

Asset-backed securities are securities 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. One insurer, Capital Markets Assurance Corp., deals almost exclusively in this area.

Muni bond insurers also are becoming involved in other areas, including municipal guaranteed investment contracts, in which insurers offer municipalities guaranteed interest rates for their bond proceeds.

Financial guarantees written by muni bond insurers cover bonds and asset-backed securities in the event of a default, ensuring 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 issues sell at lower levels than the "natural" AAA bonds, although

Continued on next page

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Continued from previous page
some in the industry argue they are, in fact, stronger credits.

Those high ratings recently became the center of controversy when an analyst suggested that muni bond insurers did not deserve the AAA ratings (see story, page 57).

It has been a good year for the muni bond industry in general, and for insurers in particular. For the first 10 months of this year, total municipal bond volume—including refundings—increased 24.1% to $242.4 billion, up from $195.4 billion for the comparable period of 1992.

And the volume of bonds that are insured jumped 34.6% to $90.7 billion from $67.4 billion during this period. Insured bonds accounted for 37.4% of the total muni bond market, up from 34.5% a year ago.

Insurers have benefited from the high number of refundings this year, because unearned premiums on refunded bonds flow down to the insurers' bottom lines.

Some observers think muni bond volume for the full year could hit $300 billion. But it is expected to decline next year, with most estimates falling in the $165 billion to $215 billion range.

"I think it'll surpass $200 billion," said David Elliott, president and chief operating officer of Armonk, N.Y.-based MBIA Inc. and its operating company, MBIA Corp.

"I think it's certainly possible to be as good as this year, but given the incredible increases we had this year, we'll probably fall short."

Volume is expected to diminish in 1994 for two reasons.

"First, certainly I think the general expectation is that interest rates are at historical lows, and may begin to creep up," said Michael E. Satz, chairman and CEO of Capital Re Corp., a Baltimore-based holding company for two financial guarantee reinsurers.

Secondly, he said, various bond issuers are constrained as to the number of times they can refund by law, and some of the issuers have now refunded for the second or third time.

However, Mr. Satz cautioned, "I think it is misleading or inappropriate to surmise that while there was significant refunding activity this year, there will be no refunding activity next year." Any reduction in refunding will probably be gradual, he added.

Not all observers share his optimism.

"I think the sheer volume of refundings that we have done this year reduces dramatically the number of available issues that could be refunded," said Michael Fitzsimmons, principal in charge of trading, underwriting and sales at New York investment banking firm Cain Bros. Shattuck & Co.

"It doesn't take a rocket scientist to decide that if your overall fundings decline, your overall issues are going to decline dramatically," he added.

However, new issues could continue to fuel premium growth for insurers, Mr. Fitzsimmons said. "Everyone has been saying new issue volume is going to decline for quite a while, and the bonds just keep coming."

Insured volume is expected to decline somewhat in 1994, some observers say.

"Insurers in 1993 have a greater market share on refundings than they do on new money issues, so with a decline in refunding activity next year, we would expect that market share might drop back a bit, but it will still probably in the low to mid 30s. I'm not expecting anything lower than that," said Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New York.

The demand for insurance "may go down a couple of notches" to about 35% of the market from about 37% this year, agreed Peter B. Coffin of Boston-based investment adviser Peter B. Coffin Inc. "My view is that as supply declines, spreads will tighten and as spreads tighten, then I think the demand for insurance diminishes," he said.

Volume "might decline a little bit," said David L. Murphy, who manages five tax-exempt bond funds at Fidelity Investments in Boston. "I don't think that insured volume would fall dramatically, but it might fall back to the 30% mark," he said.

One factor that has been working in insurers' favor this year is that retail investors are needed when volumes are high."The retail investor typically likes an insured bond because he or she doesn't have to look at the underlying credit," explained Mr. Murphy. Mutual funds, too, are big buyers of insured bonds, he said.

With lower issuance and greater competition to buy next year, however, "it's likely that the need to bring in the retail buyer is going to be diminished, and many issuers may decide they don't need to insure as much as they did in the past," he said.

However, tax law changes are encouraging more people to try tax-exempt investments. "These are the categories of people who say, 'I want a municipal bond, but I want it insured,'" which is not necessarily true of the very experienced, long-time players, said Ann C. Stern, president of Financial Guaranty Insurance Co., a New York-based unit of General Electric Capital Corp.

"When people are new in this market, they want the added security and safety that insurance brings. So if anything, the overall percentage will continue to rise above the 40% level next year. But that rise will not be enough to compensate for the overall decline in bond issuance volume, so I would not expect the municipal bond insurers will end up with a larger principal amount," she said.

"We're starting to reach that topping effect," said Richard A. Ciccarone, senior vp and director at Kemper Securities Inc. in Chicago, who believes the insured portion of the market still might grow next year, though not at the same rate it has been growing the past few years.

A smaller muni bond market could lead to increased competition among insurers.

"As a broad statement, we would expect that competition would remain intense and, if possible, intensify even further," said S&P's Mr. Smith. "The way it would manifest itself, we believe, would be pressure on the premiums, with everybody bidding for deals, trying to get volume on the premium side."

But insurers would not loosen underwriting standards, said Mr. Smith. "That's a sure way to court disaster."

It is possible competition will increase, said Michael J. Djordjevich, Capital Guaranty's president and CEO. "I would say there's too much emphasis in this industry right now to have a preconceived market share. I think it

Continued on next page

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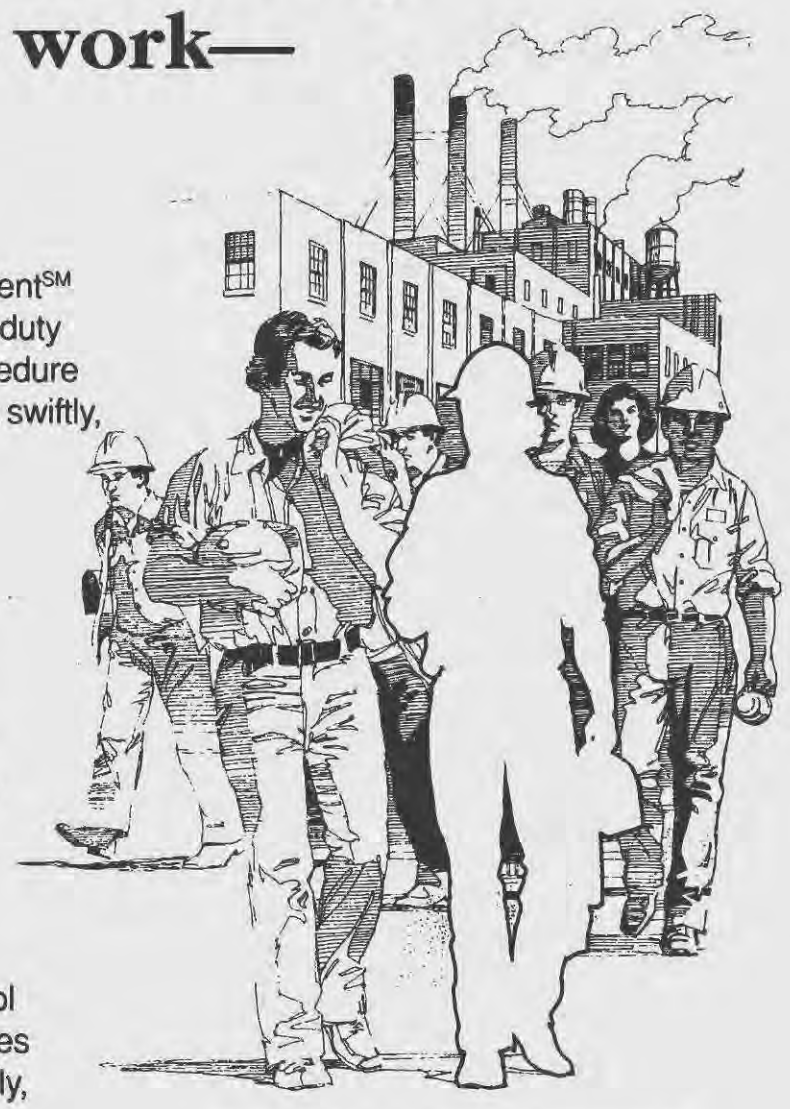

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BI

Muni bond coverage

Continued from previous page

is wrong. More important than market share is the right price for the quality of risk."

On the other hand, Mr. Djordjevich said, interest rates may increase next year, which means there will be wider spreads between high-quality and low-quality investments, creating room for rate hikes. "That may mitigate some of that competition."

Joan Solotar, an analyst with Donaldson, Lufkin & Jenrette in New York, said she does not anticipate increased competition even with a smaller municipal bond market. "I think to date the competitors have been pretty sensible in their pricing, and I wouldn't expect them to compromise their returns," she said.

Robert Genader, AMBAC's senior executive vp, said competition will remain unchanged because of the discipline imposed by the rating agencies. "If you lower your rates below an adequate return, you know that eventually the rating agencies are going to come back to you," he said."

FGIC's Ms. Stern also does not expect rate competition to increase. Instead, she said, a decline in volume will give people more time to focus on the smaller and more complicated issues than they had this year.

"This year, it was a challenge to answer the phone and provide good client service," she said. Volume was so great, segments of FGIC's staff took no vacation for months and people worked seven days a week."Smaller issues and very complicated issues had to sometimes be put on the back burner because we simply didn't have the manpower available," Ms. Stern said.

Also, insurers will introduce new products which had been delayed by the flood of business, she said.

Other observers say that smaller insurers' efforts to gain market share could increase competition next year.

"Next year, for the first time, it is very possible AMBAC, MBIA and FGIC will be more honestly challenged by some of the smaller companies," said Capital Re's Mr. Satz. Financial Security Assurance, he pointed out, has filed a registration statement for an IPO to raise more capital and to restructure itself in response to commercial real estate losses (see story, page 57).

And, he noted, Capital Guaranty—which recently completed an IPO—has received a AAA rating from Moody's Investors Service in addition to its AAA rating from S&P. "Certainly, I think Capital Guaranty is likely to be more aggressive and effective with the AAA rating and FSA, if successful in restructuring itself, is also likely to be more aggressive relative to the core municipal market," said Mr. Satz.

The Big Three will remain the Big Three, but are expected to feel competition from smaller firms.

"I think you'll see the Big Three give a little ground, maybe not willingly," said S&P's Mr. Smith. "Without a whole lot of difficulty" they could lose a few points of market share, he said.

Not that the smaller firms will approach the size of the big three. That, said FGIC's Ms. Stern, will take "some number of years."

"The Big Three are not necessarily better in the risk business, but the smaller companies are going to have difficulty in achieving the same acceptance as their larger counterparts," said Mark H.S. Cohen, executive managing director of rating agency Fitch Investors Service in New York.

"Bond insurance is a business that's driven by the market's perception of the trading value of insured paper, and size normally influences that trading value," he said.

"I don't anticipate that we will ever claim to challenge the major primary insurers. Our strategy seems to be that we find strategic advantage in being a specialty insurer equally qualified to accommodate the more complex, more difficult credits," said Oliver R. Sockwell, president and CEO of Washington-based Connie Lee, which specializes in insuring higher education issues.

Mr. Djordjevich said Capital Guaranty hopes to increase its market share to 5% from its current 2.2% within the next 12 to 18 months. "We do not intend to grow fast," he said. "As you can see, our plans are modest. We want to have a controlled growth. Our emphasis is on the bottom line, not the market share."

"We think taking one or two percentage points from the three major competitors should not engender a price war, for God's sake. We are not squeezing them out of the market," he said.

If The Big Three did engage in a "wholesale price war" in response, said Mr. Djordjevich, "it would be really shooting themselves in the foot, but strange things happen in life. It isn't logical, but logic doesn't prevail always."

To a certain extent, the market views municipal bond insurance as a commodity. Observers say MBIA, AMBAC and FGIC represent the top tier, with the other insurers, who are in the next lower tier, with bonds insured by them trading at somewhat higher interest rates.

"We don't really notice much of a difference between MBIA, AMBAC and FGIC. They all seem to be pretty competitive," while the smaller insurers "are not really seen that frequently," said Randy Smolick, an analyst with Municipal Market Data in Boston.

"I think the market treats at least the top three insurers as interchangeable," said Fidelity Investments' Mr. Murphy. "I think Capital Guaranty is probably maybe on the next level," while FSA and the others "might be a slight notch below that. But even there, you're not talking about a huge differential."

FGIC's Ms. Stern acknowledged that the top three insurers are viewed interchangeably. "It'd be nice if I could say to you, 'No, the FGIC guarantee is viewed as superior to the other two,' " but this is not the case.

"Although each company has some things about it that are different from the others, we're all viewed by the rating agencies as equally strong," Ms. Stern said. The market is indifferent to differences among the three, she said. "Clearly, it's a commodity, but it's a valuable commodity," she added.

"We are all similar in that we are all rated AAA by both rating agencies," AMBAC's Mr. Genader said. Still, "service counts for so much of the business that we do that your ability to work with an investment bank, your ability to work with an issuer, does give the bond insurer opportunities to differentiate themselves." BI

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CONFERENCE AGENDA

WEDNESDAY, JANUARY 19

6:00 – 7:30 p.m. EARLY REGISTRATION & COCKTAIL RECEPTION
Hosted by Business Insurance and International Business Forum

THURSDAY, JANUARY 20

8:00 a.m. *Continental Breakfast & Registration*

9:00 a.m. OPENING REMARKS BY CONFERENCE CHAIRMEN

Kathryn J. McIntyre
Vice President, Publisher & Editorial Director
Business Insurance

James M. Burcke, Editor
Business Insurance

9:15 a.m. KEYNOTE ADDRESS

Russell C. Coile, Jr., President
The Health Forecasting Group

9:45 a.m. HEALTH CARE REFORM: WHAT THE MAJOR PLAYERS WANT

Panel Moderator:
Jerry Geisel, Editor-at-Large
Business Insurance

Larry Milroy
Director – Benefit Management and Health Services
Rockwell International Corp.

William H. Sharkey, Jr.
Senior Vice President, National Marketing
CIGNA Corp.

G. Rodney Wolford, President & CEO
California Healthcare System

10:45 a.m. *Mid-Morning Refreshments & Table-Top Exhibits*

11:15 a.m. CONTROLLING EXPENSIVE CASES: PRENATAL & WELL BABY CARE

Maureen Corry
Director of Education & Health Promotion
The March of Dimes

Beverly King, Director of Human Resources
Los Angeles Department of Water & Power

12:15 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES
Hosted by CIGNA Corp., Intracorp and MCC Behavioral Care

1:15 p.m. KEYNOTE LUNCHEON SPEAKER

Jerry D. Gardner, M.D.
Professor of Internal Medicine
Associate Chairman, Department of Internal Medicine
School of Medicine
St. Louis University Health Sciences Center

Municipal bond insurers' ratings questioned

But ratings agencies say insurers put to stringent test

By JUDY GREENWALD

Do municipal bond insurers deserve their AAA ratings?

One analyst's suggestion that municipal bond insurers may not be as secure in a severe economic downturn as their high ratings imply has generated some vigorous denials from the insurance industry and from rating agencies.

Municipal bond insurers' AAA ratings are based on rating agencies' evaluation of their ability to withstand a scenario similar to the Great Depression. The four main rating agencies are: Duff & Phelps Credit Rating Co., Fitch Investors Service, Moody's Investors Service Inc. and Standard & Poor's Corp.

The insurers confer this AAA rating on the lower-graded bond issues they insure. To the bond issuer, the cost of insurance is more than offset by the lower interest rate at which it can issue a AAA-rated bond.

The only municipal bond insurer to have a lower-than-AAA rating is Asset Guaranty Insurance Co., a New York-based unit of Enhance Financial Group Inc. Asset Guaranty has a AA rating from S&P, though it has a AAA rating from Duff & Phelps.

However, the AA rating gives Asset Guaranty, which acts as both a primary insurer and reinsurer, greater flexibility in the issues it can insure, said Wallace O. Sellers, president of Enhance Financial and chairman and chief executive officer of Asset Guaranty. Asset Guaranty insures relatively small, complex municipal transactions and multifamily housing issues.

Enhance Reinsurance Co., a larger subsidiary of Enhance Financial that specializes in reinsuring monoline primary insurers, is rated AAA by three rating agencies.

Fred Cohen, an analyst with Sanford Bernstein & Co. in New York, suggested in a report earlier this year that all municipal bond insurers should be rated AA.

"We think in the long run, the municipal market itself is getting a little riskier," Mr. Cohen said in an interview. "In general, municipal issuers are becoming more and more economically sensitive."

Instead of obtaining revenues primarily from property taxes, which is a pretty stable source of revenues, many public entities are turning to more economically sensitive taxes like sales, personal income and corporate taxes, he said.

In addition, some public entities' financial obligations are becoming more economically sensitive, such as social service needs that can rise in the future, Mr. Cohen said.

Having both revenues and expenditures more sensitive to an economic downturn creates volatility, so if there is ever a severe recession, the municipalities could suffer, which would put "great pressure on their credit paying ability," he said.

Howard Sitzer, head of municipal research at investment banking firm Greenwich Partners Inc. in Greenwich, Conn., praised Mr. Cohen's report as "great."

"I think it's basically intuitively well thought-out," he said. "I think the kind of protracted downturn that people have developed models along is something that I would not believe could be clearly forecast in terms of how it will develop, how it will resolve itself, how bond insurers will be received" and whether insurers' reserve requirements will be able to sustain them, Mr. Sitzer said.

"I think I've always thought the AAA may be overstating the strength" of the municipal bond insurers, he added.

However, others dismiss Mr. Cohen's report.

"Obviously, I do not agree with him, nor do the four bond rating agencies," said Enhance Financial's Mr. Sellers. "These guys have been rating companies and/or debt, some of them for 100 years or more, and in their opinion the companies are AAA."

'We think in the long run, the municipal market itself is getting a little riskier,' says Fred Cohen.

"I strongly disagree with (the report's) conclusions," said David H. Elliott, chairman, president and CEO of Armonk, N.Y.-based MBIA Inc. and its operating subsidiary, MBIA Corp.

"I think that AAA is a relative term, and over the years the two major rating agencies have both independently come out with what almost everyone looking at agrees is a very stringent test model to gauge the amount of capital that companies should have to support their obligations."

These models, Mr. Elliott noted, are based on a recurrence of the Great Depression. That test is considered to be so stringent as to be unreal, he said, "and so while anyone can portray an economic scenario that is so horrendous that nobody survives, on a relative basis we think that the bond insurers that have to pass this test will be the strongest of the strong."

In fact, the test is much stronger than a "natural" AAA-rated company would have to undergo, said Mr. Elliott.

"They don't have to demonstrate they must go to a Great Depression without slowing down their payments. We do. I think the conclusion is wrong," he said of the report.

"It seems to me very few AAA-rated companies in America are put through that kind of analysis by their rating agencies," agreed Ann C. Stern, president and CEO of Financial Guaranty Insurance Co. in New York.

"I obviously think they deserve it," said Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New

Continued on next page

1:45 p.m. *Break*

2:15 p.m. COMPLYING WITH ADA & EEOC REGULATIONS WHILE CONTROLLING COSTS

Michael J. Lotito, Managing Partner
Jackson, Lewis, Schnitzler & Krupman

3:00 p.m. *Mid-Afternoon Refreshments & Table-Top Exhibits*

3:30 p.m. ALLIANCES IN THE MANAGED PRESCRIPTION DRUG INDUSTRY

Panel Moderator:
Christine Woolsey, Associate Editor
Business Insurance

Managed Health Care Director
The Upjohn Company

Dennis J. Nirtaut, Manager of Employee Benefits
Continental Bank

4:30 p.m. COCKTAIL RECEPTION
Hosted by The Upjohn Company

FRIDAY, JANUARY 21

8:00 a.m. *Continental Breakfast & Table-Top Exhibits*

9:00 a.m. OPENING REMARKS BY CONFERENCE CO-CHAIR

James M. Burcke, Editor
Business Insurance

9:15 a.m. FAIR & ADEQUATE MANAGED MENTAL HEALTH CARE COVERAGE

Panel Moderator:
Joan Pearson, Principal
Towers Perrin

Ann Collins, Director
Employee Benefits North America
Philip Morris Management Corp.

Stephen Connor, M.D., Medical Director
PacifiCare Behavioral Health/LifeLink

William M. Glazer, M.D.
Associate Clinical Professor of Psychiatry
Yale University School of Medicine

10:15 a.m. *Mid-Morning Refreshments & Table-Top Exhibits*

10:45 a.m. EMPOWERING EMPLOYEES TO MAKE WISE HEALTH CARE CHOICES

Carson E. Beadle, Managing Director
William M. Mercer, Inc.

Dorothy E. Dugger, M.D.
Chief Medical Officer, Intracorp

Paula Roe, Vice President – Compensation & Benefits
Norwest Corp.

11:45 a.m. OUTCOMES MEASUREMENT: CAN IT REDUCE HEALTH CARE COSTS?

Lucy Johns, Independent Consultant
Health Care Planning & Policy

William J. O'Neil
Manager of Health Care & Wellness Programs
Procter & Gamble Co.

12:30 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES

1:30 p.m. KEYNOTE LUNCHEON SPEAKER

Ellen M. Sanders, Partner
Innovative Health Care Services, Inc.
First Vice President
American Nurses' Association

2:00 p.m. *Break*

2:30 p.m. DEBATING THE COVERAGE OF EXPERIMENTAL TREATMENT

Panel Moderator:
James M. Burcke, Editor
Business Insurance

Terry Rogers, M.D.
Senior Vice President – Medical Affairs
King County Medical Blue Shield

Lawrence J. Schneiderman
Professor – Department of Family & Preventive Medicine and Department of Medicine
University of California–San Diego

3:30 p.m. WELLNESS PROGRAMS: ARE THEY REALLY EFFECTIVE AT CONTROLLING COSTS?

Panel Moderator:
William E. Hembree, Director
Health Research Institute

William B. Baun
Manager – Health Promotion Department
Tenneco, Inc.

Kurt P. Hobbs
Supervisor – Preventive Health Education
Southern California Edison

Ronald Komers, Personnel Director
County of Ventura

4:30 p.m. CONFERENCE ADJOURNS

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Bond insurer ratings

Continued from previous page
York. "We think our standards are appropriate and consistent with AAA standards throughout S&P."

One can always say any financial stress test should be made tougher, said Mr. Smith, "but there is a point where you can go to extremes. . . and it's not realistic even in a worst-case scenario to think some of the extremes would get that bad. We think our stress tests are appropriately stressful."

"We've come up with what we think is a minimum standard for AAA," said Donald H. Pasten, an analyst with Duff & Phelps in Chicago, which has given AAA ratings to Capital Markets Assurance Corp., Enhance Reinsurance Co., Capital Reinsurance Co. and Asset Guaranty. "As long as companies can beat this hurdle, then they deserve it.

The most notable recent losses in the muni bond insurance industry recently have involved New York-based Financial Security Assurance Inc.

According to a prospectus for an initial public offering filed last month with the Securities and Exchange Commission, FSA, which insures both municipal bonds and asset-backed securities, has incurred $112.5 million in loss and loss adjustment expenses in 1991, 1992 and the first half of this year stemming from three defaulted commercial mortgage transactions. It stopped insuring this type of business in 1990.

To provide quota-share reinsurance for future losses in its commercial mortgage portfolio, FSA shareholders U.S. West Inc. and Tokio Marine & Fire Insurance Co. Ltd. have organized a dedicated reinsurer, Commercial Reinsurance Co., that will have initial claims-paying resources of $446.3 million for these losses.

Observers point out, though, that FSA's losses were not in the municipal bond segment of its business and, in any case, future losses in this industry overall are expected to remain light.

Even if there is a default, municipal bond insurers are obligated only to make timely payments, not pay the entire principal and interest immediately.

"We are confined to the investment-grade section of the market, and there's enormous pressures on municipalities not to default," said Mr. Sellers of Enhance Financial. "That doesn't mean it won't happen, but they're not likely to happen very often."

Duff & Phelps' Mr. Pasten added: "I really don't expect to see losses in the insured portfolios go up at all. While there's more stress on municipalities, in general the quality of the insured business is still very good. The companies are putting more and more effort into surveillance of the books of business."

"I think we're going to be OK," said Donald Duerson, who manages nine insured municipal bond funds for the Franklin Templeton Group in San Mateo, Calif. "I would not expect defaults or fiscal pressures to increase. I would expect them to ease up a little bit—or at least not get worse."

However, Mark H.S. Cohen, executive managing director of Fitch Investors Service in New York, cautioned, "I think if we've learned one thing over the last five years, it's expect the unexpected, and therefore the prudent bond insurers will be the ones that don't get complacent over the track record we've had." BI

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Connie Lee seeks to cover general obligation bonds

Competitors blast expansion proposal

By JUDY GREENWALD

Connie Lee Insurance Co. is once again attempting to expand its financial guarantee business—and once again, its competitors are unhappy about it.

The most recent controversy stems from Connie Lee's reported efforts to expand beyond its higher education specialty. Critics contend that its part ownership by the federal government would give it an unfair advantage if it were to expand its role in the marketplace.

"I'd say it's a very spirited debate in the industry, with most of the bond insurers lining up on one side, and Connie Lee lining up on the other side of the fence," said Mark H.S. Cohen, executive managing director of rating agency Fitch Investors Service in New York.

Connie Lee, a subsidiary of the congressionally established College Construction Loan Assn., began reinsuring bonds issued by colleges, universities and teaching hospitals in 1988. At that time, it was owned solely by the Student Loan Marketing Assn. and the U.S. Department of Education.

Private investors in 1991 acquired a 50% stake in the company, and Connie Lee began operating as a primary insurer of bonds issued by institutions of higher education, though it could not insure issues that carry A, AA or AAA ratings (*BI*, Oct. 21, 1991).

The Higher Education Act, passed last year, allows Connie Lee to write A-rated debt, as long as all private monoline financial guarantee insurers have first declined to write the issue (*BI*, July 20, 1992).

That was a compromise. Connie Lee had originally sought to insure higher-rated issues after they have been rejected by only one insurer, but this proposal was changed following a lobbying campaign led by Financial Guaranty Insurance Co., a New York-based municipal bond insurer and one of the industry's so-called Big Three. FGIC had argued that Connie Lee's federal government backing gave it an unfair advantage in the marketplace.

Now, Connie Lee is seeking to expand its franchise even further to insure general obligation bonds for municipalities, market observers say. Once again, its private-sector competitors are crying "foul."

Oliver R. Sockwell, president and CEO of Connie Lee, said the insurer's enabling legislation provides that half its business be primary business and half reinsur-

Continued on page 60

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Connie Lee

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ance for the sake of portfolio balance and diversification.

"The bottom line is that we're (writing) the primary insurance for the other constituents that Congress directed us to serve, but we're not getting the reinsurance business that was anticipated in the legislation," he said. "We are seeking legislative relief that would allow us to replace that reinsurance business that we're not receiving from other insurers."

Mr. Sockwell would not confirm reports that Connie Lee hopes to insure general obligation bonds. "I'm certainly not in a position to anticipate what Congress may decide is appropriate," Mr. Sockwell said.

"I am confident that our key supporters in Congress are very committed to Connie Lee, are very appreciative of the fact that we're insuring BBB credits," even though the company is not attracting reinsurance business, he said. "I fully expect it will be supportive of our efforts to replace that volume."

Mr. Sockwell noted that Connie Lee has been upheld as a model for other potential government-sponsored corporations in areas like transportation and the environment.

"Their worst nightmare is what is actually happening," said Mr. Sockwell, referring to private monoline financial guarantee insurers.

There is greater recognition by government decision makers that "Connie Lee works because it is self-sufficient. It doesn't require ongoing government support or create liabilities" for the government, he said.

In fact, Connie Lee reported net income of $5.4 million for the first nine months of this year, up 24% from $4.3 million a year ago.

And Connie Lee has provided coverage for billions in financing, said Mr. Sockwell, "without taking market share or intruding on the other primary insurers."

He pointed out that the fact that Connie Lee-insured bonds do not trade as well as those of the larger insurers indicates the market does not consider it to be government-backed. "The fact is that our trading value frequently is less" than that of the Big Three—FGIC, AMBAC Indemnity Corp. and MBIA Corp.—"and since we don't take market share from them, the point is irrelevant."

Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New York, said he believes Connie Lee's "real desire" is to be able to grow faster than it currently is.

'I don't think they should have it both ways. I think it's an unfair advantage,' says Ann C. Stern.

"Having said that, I don't believe it's Connie Lee's goal to put itself in a position where it is head-up competing with other bond insurers.

"They're looking to expand their ability to get into other niches of the marketplace that are not being well covered by the bond insurers," which can generate better and faster growth for their investors, he said.

Mr. Smith said he sees no validity to other insurers' concern that Connie Lee has the advantage of implied government backing.

There is no implicit government guarantee, Mr. Smith said. Based on the fact that Connie Lee-insured issues are not trading as well as those backed by the top insurers, investors seem to acknowledge this, he added. "As long as they are not trading as well. . . .I don't think the other majors have an issue here," explained Mr. Smith.

But financial guarantee insurers are nevertheless unhappy about Connie Lee's plans.

Ann C. Stern, FGIC's president and CEO, said Connie Lee is simply trying to obtain the same market rates of return on its business that private insurers get.

However, there is "one thing wrong" with this, according to Ms. Stern, pointing to Connie Lee's 50% government ownership. "If you want to look like us, sell your 50% ownership and really look like us."

It is inappropriate for the federal government to sponsor a player in a market already "extremely well-served" by private reinsurers, she said.

Either Connie Lee should no longer be government-backed or, it should "stick to its mission" of insuring higher education issues. "I don't think they should have it both ways. I think it's an unfair advantage, and the federal government should not be involved," Ms. Stern said.

"We think Connie Lee should fill its mandate" of serving educational institutions before moving into a sector already adequately serviced by the private sector, agreed Robert Genader, senior executive vp of AMBAC Indemnity Corp. in New York.

Many BB- and BBB-rated teaching hospitals and other higher-education institutions could use bond insurance, he said. "They're not fulfilling the mission that Congress set them out to do, and until they fulfill that mission, they should not have an expanded charter."

As to whether he would use Connie Lee as a reinsurer, Mr. Genader said, "We certainly never committed to do any reinsurance, nor have we done any reinsurance with them."

Fitch's Mr. Cohen likened the situation to the tale of the camel trying to squeeze its nose under the tent. The government is perceived as the camel, trying to squeeze its way into the private enterprise's tent, he said.

"It's understandable for the private bond insurers to say, 'Just a minute, this is our tent. What are you doing in our tent? We're doing a pretty good job of keeping this tent up.'

"I wouldn't underestimate (Connie Lee's) chances of increasing their mandate within the next three years. They're persistent; they're in Washington; and they know how those wheels turn down there. And that nose keeps coming back under the tent," Mr. Cohen said. BI

P/C results

Continued from page 1

mercial insurers' nine-month results benefited from year-to-year comparisons with 1992's catastrophe-ridden third quarter, which helped mask continued low casualty insurance rates and declining investment income. The insurers' nine-month results also have been bolstered by realized capital gains.

Nine-month net income for the 24 out of the 28 insurers surveyed by *Business Insurance* that report this information increased 36.2% to $5.12 billion from $3.76 billion in the comparable period of 1992.

Much of that rise was the result of the huge losses that insurers suffered in last year's third quarter because of Hurricane Andrew; insurers' net income only increased 7.3% in the first half of this year (*BI,* Aug. 23).

Other nine-month 1993 results reported by the 28 insurers surveyed by *Business Insurance* include:

- Net written premiums increased only 1.8% to $64.54 billion from $63.38 billion in the first nine months of 1992. This compares with the 2.7% increase in the first half of this year.
- Underwriting losses fell by a hefty 12.1% to $8.22 billion from $9.35 billion. This is a significant improvement from the 3.5% decline in underwriting losses reported in the first half.
- The insurers' aggregate combined ratio improved to 112.8%, compared with 114.7% in the first nine months of 1992.

However, despite this favorable comparison, underwriting performance worsened in the third quarter: The insurers reported a 110.3% combined ratio during the first half of this year.

- Sagging interest rates caused investment income to fall 5.1% among the surveyed insurers to $9.87 billion from $10.4 billion. This is on par with a 5.3% decline in the first half.
- Policyholder surplus for the 24 companies that reported that data for both years increased 3.8% to $40.53 billion from $39.06 billion.

However, the numbers don't necessarily tell it like it is, since factors like Hurricane Andrew, accounting changes, income tax changes and realized capital gains must be taken into account, said John L. Ward, chief executive officer of Ward Financial Group in Cincinnati, an investment banking and management consulting firm specializing in the insurance industry.

"Once you peel back and look at core earnings, you'll find that it was a tough quarter and, specifically, it's a soft market," he said.

Mr. Seifer called the insurers' nine-month results "a disappointment."

While results compared favorably with last year, he said, the industry is facing a "continued cash flow squeeze" and must continue to rely on realized capital gains to bolster its profits.

"Of course, by taking capital gains, they're weakening their asset side, and very few companies thus far are recognizing their reserve shortfalls. The third quarter net gave the illusion that everything is fine and going well, even though the combined ratios are very unprofitable and the cash flows are flat or down from a year ago," he concluded.

Investment income is one of the factors that will force rates to rise at some point, noted James S. Kemper III, executive vp-commercial lines for Kemper National Insurance Cos. in Long Grove, Ill., pointing to flat or declining investment yields. "Investment income is just not going to contribute what it has in the past."

One notable development in the third quarter was the decision by some insurers to increase their loss reserves, said Jay Cohen, an analyst with Salomon Bros. in New York.

The most notable was the decision by Chubb Corp. and CNA Financial Corp. to add $675 million and $500 million, respectively, to reserves in connection with a settlement of asbestos personal injury claims against Fibreboard Corp. (*BI,* Sept. 6).

In addition, CIGNA Corp. took a $351 million aftertax charge in part to bolster its reserves for asbestos and environmental litigation (*BI,* Nov. 8), while Travelers Corp. added $325 million to its property/casualty reserves for asbestos, environmental liabilities and litigation (*BI,* Oct. 18).

"Even though the weather-related losses were lighter than last year, these reserve increases have been coming with increasing regularity in the industry," Mr. Cohen said. These "really have and will continue to have an impact on the industry's results and the industry's surplus, and it's not going to stop anytime soon, I would think."

"We see two wild cards that represent shock risk to major companies and to the industry as a whole": environmental exposures and catastrophe exposures, said Bruce Ballentine, an analyst with Moody's Investors Service Inc. in New York. "The major environmental reserving is bound to continue."

Mr. Cohen said he believes there should be some signs that rates will increase in 1994, with insurer

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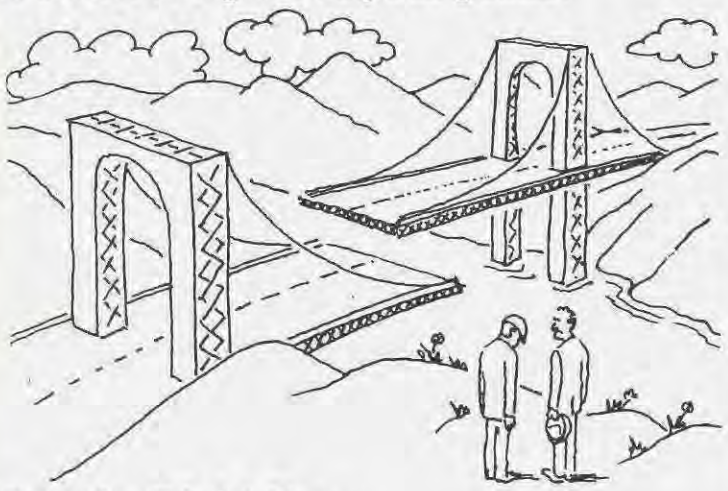

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Summary of major property/casualty insurers' nine-month results

Ranked by change in net income. All amounts in thousands of dollars.

		Corporate			Property/casualty operations								
Rank 1993		Consolidated revenues 1993	Net income 1993	Percent increase (decline) 1992-1993	Combined[1] ratio 1993	Combined[1] ratio 1992	Net premiums written 1993	Percent increase (decrease) 1992-1993	Pretax underwriting income (loss) 1993	Percent increase (decline) 1992-1993	Pretax investment income 1993	Percent increase (decrease) 1992-1993	Policyholders surplus 1993	Percent increase (decrease) 1992-1993
1	USF&G Corp.	2,450,000	106,000	606.7	110.1	117.4	1,849,000[2]	(4.2)	(180,000)[2]	42.3	328,000	(11.1)	1,556,000	10.8
2	Travelers Corp.	7,854,300	251,700	468.5	123.8	125.6	2,726,900	(6.1)	(638,800)	23.6	504,000	(6.7)	1,655,400	(0.6)
3	Continental Corp.	3,892,600	144,600	285.9	108.5[3]	115.4[3]	3,436,700[2]	16.1	(298,800)	38.9	375,400[2]	(12.6)	1,939,000	5.8
4	ITT Hartford Group Inc.	7,521,000	372,000	144.4	105.2	117.2	4,893,000	3.1	(283,000)	63.7	515,000	23.5	3,052,000	1.1
5	Aetna Life & Casualty Co.	12,923,500	564,300	127.6	114.7	121.1	3,536,900	(4.1)	(493,500)	34.1	634,300	(4.6)	2,509,900	24.2
6	Reliance Ins. Co. and subs.	2,184,537	88,498	101.5	109.5	111.5	1,325,798	4.6	(105,100)	16.5	164,591	18.6	946,532	N/A
7	Berkshire Hathaway Group	661,455	194,487	66.0	117.5	138.3	619,313	8.1	(67,056)	62.0	279,138	3.1	N/A	N/A
8	SAFECO Corp.	2,648,192	298,522	44.0	100.7	106.7	1,497,445	9.4	(9,339)	89.2	208,030	(0.9)	1,499,997	21.3
9	The St. Paul Cos. Inc.	3,288,341	337,916	29.2	104.8[3]	114.9[3]	2,335,554	(1.1)	(116,858)	67.0	489,878	2.1	1,945,877	18.7
10	American International Group	14,777,704	1,428,616	19.2	100.0[3]	102.4[3]	7,681,131	10.2	2,156	101.3	992,353	7.0	N/A	N/A
11	Sentry Insurance Cos.[3]	1,170,327	49,780	19.2	105.8	107.4	937,308	(9.5)	(58,514)	16.0	133,943	1.5	923,750	14.6
12	General Re Corp.	2,684,100	540,200	6.7	102.4[3]	107.7[3]	1,898,900	7.5	(41,700)	70.7	565,700	0.7	3,651,200	8.9
13	Ohio Casualty Corp.	1,272,185	69,190	4.2	110.4[3]	108.5[3]	1,000,968[2]	(14.1)	(117,563)	(11.7)	144,704	(0.7)	708,374	12.1
14	Lincoln National Corp.	6,168,300	287,300	1.5	108.9	114.7	1,349,900	(12.1)	(117,600)	50.5	188,300	(12.0)	1,520,900	7.2
15	Argonaut Insurance Co.	282,753	67,648	(8.3)	100.1[3]	102.7[3]	186,114[2]	(16.2)	4,637[2]	166.6	75,309[2]	(11.4)	566,551	13.1
16	Old Republic Int'l	1,250,290	124,750	(8.6)	106.6	108.6	644,391[2]	10.9	(53,015)	14.1	126,498[2]	(3.5)	1,155,170	11.6
17	Royal Group (U.S. subs.)[3]	N/A	51,500	(25.7)	118.8[3]	120.0[3]	1,298,300	12.0	(255,600)	(7.6)	227,400	(8.8)	870,900	4.7
18	Fremont General Corp.	487,933	30,760	(55.3)	101.4	106.9	353,793	13.1	(4,906)	77.0	45,886	1.2	188,576	26.7
19	Chubb Corp.	4,091,400	163,700	(61.0)	119.9[3]	99.8[3]	2,626,200	7.5	(532,400)	(5,950.0)	396,300	8.9	1,723,500	(1.3)
20	CNA Financial Corp.	8,300,000	180,100	(69.2)	130.8[3]	122.0[3]	4,790,000[2]	(2.5)	(1,470,000)[3]	(36.1)	790,800[2]	(13.2)	2,970,000	(22.5)
21	CIGNA Corp.	13,462,000	40,000	(84.7)	139.3	132.3	3,153,000	(12.4)	(1,277,000)	(3.7)	494,000	(13.6)	1,390,000	(10.5)
22	Hartford Steam Boiler	480,600	(2,900)	(112.1)	111.1	101.1	250,000	(4.4)	(29,200)	(981.5)	22,600	(5.8)	270,000	(12.3)
23	Home Insurance Co.	2,011,000	(114,000)	(217.5)	128.7[3]	110.8[3]	1,461,000	16.1	(464,000)	(268.3)	189,000	(9.1)	740,000	(21.5)
24	TIG Holdings	1,442,300	(150,800)	(741.7)	132.8	123.4	1,181,000	(0.9)	(383,000)	(33.4)	180,400	1.4	820,000	N/A
—	Commercial Union Ins. (U.S.)	N/A	N/A	N/A	107.0[3]	108.0[3]	1,179,600	6.4	(98,700)	2.9	142,400	1.8	932,300	13.6
—	Nationwide Mutual Ins. Co.[3]	N/A	N/A	N/A	107.5	108.9	5,451,093	7.6	(333,948)	29.8	647,514	1.0	3,846,471	1.0
—	Kemper National Ins. Cos.[3]	N/A	N/A	N/A	110.0	112.9	2,379,532	0.4	(245,239)	19.4	244,969	(11.7)	1,861,839	7.1
—	Liberty Mutual Ins. Co.[3]	N/A	N/A	N/A	112.9	118.3	4,493,027	(2.7)	(553,418)	28.6	766,836	(6.3)	3,054,806	10.7
	Cumulative	101,304,817	5,123,867	36.2	112.8	114.7	64,535,867	1.8	(8,221,463)	12.1	9,873,249	(5.1)	40,532,511	3.8

[1]After dividends [2]Statutory [3]Before dividends N/A-Company did not provide data

Continued from previous page

results rebounding in 1995.

"We still think chances are pretty good it will be in 1994," agreed Adam Klauber, assistant vp at rating agency Duff & Phelps in Chicago.

Gloria Vogel, senior vp at Lehman Bros. in New York, said, "I'm optimistic. I really think the cycle is turning," though she noted that it's "turning at the speed of a glacier."

Ms. Vogel believes this hardening will become evident sometime next year. "The continued pressure of investment income dropping and the bond market no longer providing the support on the balance-sheet side is going to take a toll somewhere along the line. And, of course, the economy's picking up, so that should help a little bit."

Others disagree, though.

"I don't think we'll ever have a turn like we used to talk about," said Jack Snyder, senior vp with A.M. Best Co. in Oldwick, N.J. "The general property/casualty cycles, I think, are almost a thing of the past, and that's because the industry is largely becoming more fragmented and more specialized.

"I see just very moderate activity in casualty lines that will maybe begin to be visible or apparent in '94, but will probably continue in '95—and I mean modest, single digits. And some lines will not see it at all. There's no longer a tide that lifts all boats" insofar as cycles are concerned, he said.

"There very likely won't be a traditional across-the-board market turn," agreed Moody's Mr. Ballentine. "Companies here have a better picture of the business lines and the geographic areas where they are and aren't making money than they did a decade ago, so they're adjusting pricing and underwriting accordingly. The property/casualty market is more fragmented as a result."

"I think if we look at the general casualty market six to 12 months from now, it will in all likelihood look very much like it does today in the U.S.," said Ronald W. Frank, an analyst with Smith Barney Harris Upham & Co. in New York.

Price increases "get farther away all the time because capital continues to pour into the industry," said Ms. Stewart, noting the capital that has flowed to Bermuda and to Lloyd's.

While rates, underwriting losses and low investment income are putting pressure on insurers, "financial strain in itself has never turned the market. What has turned the market has been withdrawals from the market, or the unwillingness to supply insurance at unsatisfactory prices," said Ms. Stewart.

"I have not seen nor heard of any companies that are deliberately pulling out of the market and as long as they don't," a turn in the market is "not going to happen," she said.

Michael Crall, president of Argonaut Insurance Co. in Menlo Park, Calif., agreed. "One of the things that emerged this year is that maybe it's time to challenge some of the fundamental assumptions one has on market cycles, given the relatively newfound ability to attract large amounts of new capital into the business."

Historically, cycles have been viewed from the perspective of the internal dynamics of the insurance business, with capital levels more or less determined by underwriting losses and investment results. This has now been complicated by the industry's ability to attract large amounts of capital in a relatively short time frame from new investors, Mr. Crall explained.

"I think predicting turns in the market has become more problematic," said Mr. Crall. "I have less confidence that the market will change at all any time in the reasonably near future," and when prices do rise, the hardening will be as likely to be triggered by movements in the wider financial markets as it is by the "ups and downs of operating ratios of existing insurance companies."

However Mr. Seifer observed that the capital that has been attracted by the Bermuda reinsurers is not sufficient to replace the capital previously withdrawn from the market or paid out in catastrophes losses.

Mr. Seifer added, though, that the market will turn only "when managements are convinced there's a cap on realized gains or unrealized gains and that the revenue stream is drying up. Then their lone answer will be, 'Let's do something about revenues.'

"I guess it's just going to take time until the balance sheets and operating statements become really severe," Mr. Seifer said. BI

6th Circuit rejects IBM early retirees' suit

CINCINNATI—Former employees of International Business Machines Corp. who accepted an enhanced early retirement benefits program cannot sue the company on the grounds that they were orally misled about the program, a federal appeals court has ruled.

As part of accepting the enhanced benefits package, employees signed a release agreement in which they agreed to waive their right to sue IBM over the package. Employees who signed the release also said they were not relying on any representations other than those contained in the written agreement.

Employees contend that they were misled about the terms of the agreement in oral interviews.

But the 6th U.S. Circuit Court of Appeals in Cincinnati ruled that the only evidence that mattered was the signed written agreement, affirming a lower court decision.

"Where the parties, following negotiations, make mutual promises which thereafter are integrated into an unambiguous written contract, duly signed by them, courts will give effect to the parties' expressed intentions. . .intentions not expressed in writing are deemed to have no existence," the court said.

•

Vincent Astor et al. vs. International Business Machines Corp., 6th U.S. Circuit Court of Appeals, Nos. 92-3819, 38-3833.

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Veterans' bills

Continued from page 1

tions were for employees who returned after military service.

One federal statute, passed on the eve of World War II, is intended to protect the jobs of returning veterans. But the drafters of that law could not have anticipated modern benefit programs like 401(k) plans.

"There's been a feeling for some time that the old law needed to be brought up to date and strengthened. There have been amendments from time to time, but not a comprehensive rewrite," said Gerald Uslander, a principal with William M. Mercer Inc. in Washington.

Then came the Gulf War. Since then, Congress has considered measures laying out the pension and other employee benefit obligations of employers to employees returning from military service.

Those proposals triggered a wave of employer protest.

Above all, employers complained about vague and sloppy wording. The measures, for example, didn't define how compensation would be calculated for the period of time an employee was in the military.

Such a calculation would be essential in defined contribution plans, like profit-sharing plans, in which an employer contribution typically is a percentage of employee compensation.

The measures also were unclear on how much time employees had to make retroactive contributions to their savings plans after returning from military service. Literally read, employees could have had decades to make retroactive contributions. That would have required employers to keep years of records to be sure that, among other things, the contributions would not retroactively violate Internal Revenue Service non-discrimination rules.

The bills passed by the House and Senate this year are designed to resolve those problems.

For example, both bills generally define compensation as the salary or wages earned by an employee just before he or she entered military service.

In addition, the bills say employees can make retroactive savings plan contributions during any "reasonable" continuous period agreed to by the employer and employee.

But plenty of problems remain, benefit lobbyists say.

Neither bill makes the Tax Code changes needed to accommodate certain requirements laid down by the legislation. For example, while the legislation requires employers to make retroactive contributions to defined contributions on behalf of returning veterans, it does not amend the Tax Code, which now restricts such contributions.

The two congressional veterans affairs committees that earlier passed the bills lack the authority to make Tax Code changes. But the congressional panels with that authority—the Senate Finance and House Ways and Means Committee—have not yet begun to draft relevant tax legislation.

"We need a separate bill worked out by the tax committees," said Lynn Dudley, director of retirement policy at the Assn. of Private Pension & Welfare Plans in Washington.

At the same time, benefit lobbyists say the House bill would impose unreasonable requirements on employers. They question whether employers should have to make profit-sharing contributions for employees in the armed services, especially for volunteers.

"It is a philosophical issue," said Ms. Dudley of the APPWP. Traditionally, employers have considered profit-sharing payments as a type of short-term compensation for work performed during a year and—unlike defined benefit plans—not as a reward for long-term service, she added.

The Clinton administration agrees.

Requiring retroactive employer contributions for returning veterans would put veterans in a more favorable position than other employees who are on leave, Labor secretary Robert Reich said in a statement sent to House Veterans' Affairs Committee.

"Mandating continued wage-based employer contributions to defined contribution plans raises serious issues which have not been assessed," Mr. Reich wrote.

"Through such a provision, this bill would provide for very special treatment for workers who are serving in the military. This treatment would be very favorable compared to other workers needing to be away from work, such as workers needing to take leave for family reasons," Mr. Reich added.

The Senate bill is silent on this issue, which worries some observers.

"As an employer, I would be more comfortable if there was a specific rule that says I don't have to make (a retroactive profit-sharing contribution)," said Chris Lindgren, a technical consultant at Towers Perrin in Valhalla, N.Y.

Benefit experts also criticize a House bill requirement that employee savings plan accounts be credited with investment income that would have been earned while an employee was in the military. They say that requirement would be difficult, if not impossible, to administer if a savings plan had multiple investment options,

Consider, for example, employees who are eligible to participate in a savings plan with multiple investment options—but do not actually make contributions—before joining the military. Then, when they return to work, they retroactively contribute to the savings plan covering the years of military service.

How would employers know how much investment income to credit to the employees? asked Ellin Rosenthal, a consultant with Hewitt Associates in Washington.

In theory, an employee could retroactively select an investment option that earned the most income during the period the employee was in the military. That would put veterans at an advantage over other employees who couldn't use 20-20 hindsight.

While both the House and Senate have passed veterans' rights bills, the differences in the two measures still need to be resolved.

In an unusual procedure, the Senate actually passed two bills. On Nov. 2, it passed its own bill, S. 843. Then, on Nov. 8, the Senate passed the same measure, but added its text to the House-passed measure, H.R. 995, and sent the bill back to the House.

That gives the House the option of passing the bill with the less stringent Senate language—and avoiding the need for a conference committee to iron out the differences—or returning to the language in its original bill, which would require conferees to reconcile the differences.

But according to benefit lobbyists, it is too soon to say if that will happen. BI

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June 13	June 1
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INTERNATIONAL

Lloyd's capacity isn't tied to settlement

By ADRIAN LADBURY

LONDON—Thanks to the arrival of corporate troops, Lloyd's of London will be armed with about 10 billion pounds ($14.81 billion) of capacity next year, up from 8.88 billion pounds ($13.45 billion) this year.

Just over 600 million pounds ($888.6 million) in corporate capital has already been raised, and an estimated 400 million to 500 million pounds ($592.4 million to $740.5 million) is expected from corporate investment trusts within the next few weeks.

The optimistic forecast comes despite the recent cancellation or retrenchment of several corporate trusts because of a scarcity of quality capacity or a lack of additional investor interest. Other funds, though, have reached or even exceeded their capital goals, apparently undaunted even by the ongoing dispute between loss-plagued names and their members agents (*BI*, Nov. 8).

But Lloyd's battle to shore up dwindling capacity and turn around a string of losses is not being fought with the help of corporate investors alone.

According to members agents, individual Lloyd's members have proved remarkably resilient. Measures such as members agents' pooling arrangements—which are pooled investment vehicles in which members' risk is lowered by spreading capacity among several different syndicates—should keep traditional capacity at about 8 billion pounds ($11.85 billion) for the 1994 underwriting year (*BI*, Aug. 30).

Members and managing agents say they will be delighted if the 10 billion pound figure proves close to the mark when 1994 capacity allocations are set Nov. 30.

That figure is high enough for underwriters to increase their business in the current hard market but not high enough to flood the market and cause prices to turn downward again, market participants say.

Still, it's too early to celebrate.

The prospects appear grim for a settlement between loss-plagued names and the errors and omissions underwriters of the managing and members agents they plan to sue. Courts could take up to six years to decide the members' more than 17,000 claims against about 70 agents (*BI*, July 26).

Lloyd's is keeping the settlement proposal very close to its vest until its expected release later this month.

The latest ballpark number was given by Michael Deeny, chairman of the Gooda Walker Action Group, the largest such group with more than 3,000 litigant names and claims totaling more than 500 million pounds ($740.5 million). Mr. Deeny told members at the action group's annual meeting that the very best offer they could expect would be 1 billion pounds ($1.48 billion).

Mr. Deeny alternates with Colin Hook, chairman of the Feltrim Names Assn., as a member of the Lloyd's-appointed Financial Advisory Panel, the group chaired by Sir Jeremy Morse that is charged with negotiating a settlement. The panel held its final meeting last Tuesday.

"There is a small possibility that we may get the E&O insurers up to 400 million pounds and Lloyd's up to 600 million pounds," Mr. Deeny explained.

Lloyd's insiders believe that 1 billion pounds ($1.48 billion) would be the very most that it could scrape together.

Continued on next page

Cat reserve debate continues

By KATE McILWAINE

MELBOURNE, Australia—Australian insurers, facing a scarcity of property catastrophe reinsurance, are establishing property catastrophe reserves even though the funds are not tax-deductible.

The market for cat cover in Australia has tightened sharply due to the severity and frequency of catastrophe claims in the Australian market over the past several years, underwriters say. While they expect the proliferation of new Bermuda cat facilities to ease the capacity crunch in the short term, their long-term impact is uncertain.

As a result, insurers are still waging a campaign to win tax deductions for catastrophe reserves. If insurers lose the battle, property premiums may increase further.

At June 30 renewals, which is the primary renewal season for Australian companies, property rate increases for large industrial risks ranged from 15% to 250% (*BI*, Aug. 2).

John Hodgkinson, secretary of the Insurance Council of Australia Ltd., a Melbourne-based trade group, said a high-level working group, including the chief executive officers of three property/casualty insurers, is drafting a new proposal to submit to government officials, addressing some of the government's concerns with reserve deductions. The government in July rejected an earlier industry proposal.

"We've gone back to the drawing board," Mr. Hodgkinson said. The seven-member committee is headed by John K. Staveley, former managing director of Sydney-based AMP General Insurance Ltd., who is now retired.

Australia's problem is a relatively small premium pool and a lot of catastrophes, Mr. Hodgkinson said.

If insurers do not win the right to establish catastrophe reserves from pretax profits, property premiums will have to be increased, he said.

Queensland-based insurer Suncorp Insurance & Finance Ltd., which has major catastrophe exposures in cyclone-prone Queensland coastal cities, established a $10 million Australian ($6.57 million) catastrophe reserve in October. The fund also will provide capacity for writing some Australian reinsurance business.

Suncorp Chairman J. Graham Tucker said conditions in the world reinsurance market prompted the decision to establish a reserve. "With the majority of our risks in Queensland, the board considered it prudent to further protect the organization against future changes in weather patterns and other risks by establishing a reserve to supplement the protection provided by our reinsurance program against the large aggregation of claims that can emerge when natural disasters oc-

Continued on page 65

Employers in Britain brace for cost shift

By ALINE SULLIVAN

LONDON—Speculation is widespread in the United Kingdom that the government plans to shift a large portion of sickness pay and workers compensation medical costs to employers.

Such a shift, if it indeed occurs, could cost companies more than 1 billion pounds a year ($1.48 billion) on top of their current benefit costs, insurers and employers say.

Currently, employers pay for an employee's first four consecutive days of absence from work, and the government pays for additional days up to 28 weeks.

News reports last week said that a confidential government policy paper sent by a senior official at the Department of Social Security to a Treasury Department official outlined plans to make companies responsible for the full cost of sick pay and workers compensation medical benefits.

A Department of Trade and Industry spokesman declined to comment on the press reports, which said the government will make a decision on benefit spending early next year.

The policy paper also suggests that the U.K. government will allow individuals to opt out of the state pension system in favor of private pension plans. This move is in sync with other European nations, which are faced with mounting deficits and a growing number of retirees compared with active workers.

Added responsibility for sickness and injury benefits would come as a shock to U.K. companies, a spokesman for the Confederation of British Industry said. "It would effectively switch the burden of social costs, which are essentially the responsibility of the government, onto employers," he said. "Imposing such hidden costs would damage U.K. competitiveness and hinder economic recovery."

The CBI estimates employers' current annual cost of sickness benefits alone at 700 million pounds ($1.04 billion). "This is equivalent to add-

Continued on page 65

Cargo claim still tied up in court

Insurer's recovery depends on choice of marine convention

By KATE McILWAINE

MELBOURNE, Australia—An Australian marine insurance underwriting agency is still battling in court to recover a record cargo claim it paid out after a 1991 loss.

The dispute stems from $10.5 million Australian ($6.9 million) paid to the owners of cargo that was lost when the Sanko Harvest, a 33,000-metric ton bulk carrier, struck rocks off the coast of western Australia on Feb. 14, 1991, and sank three days later (*BI*, March 25, 1991). The cargo claim is believed to be the largest in Australia.

Michael Hill, managing director of Melbourne-based Associated Marine Insurers' Agents Pty. Ltd., said AMIA is seeking to recover the $10.5 million Australian from Gard Protection & Indemnity Club in Norway, which wrote liability coverage for the Sanko Harvest.

The cargo, 31,000 metric tons of phosphate fertilizer, was owned by Sydney-based importer Sumitomo Australia Ltd. and was bound for three Australian ports.

AMIA, a joint venture of Zurich Australia Ltd. and Commercial Union Assurance Co. of Australia Ltd., paid the cargo claim and then began negotiating for remuneration with the ship's owner, Japan-based Sanko Steamship Co. Ltd.

AMIA argued the shipping company was liable because it had failed to deliver the fertilizer as required by Sumitomo's contract with the shipper and because the vessel was improperly traveling in uncharted waters.

However, AMIA was unable to reach an agreement on whether Sanko Steamship's P&I club was liable and filed suit.

A trial began in the Federal Court in Sydney on Aug. 31, 1992.

Kevin Woof, superintendent-claims recoveries for AMIA, said the hearing was completed in November 1992.

However, Judge Ian Sheppard is not expected to deliver a ruling until next February at the earliest. The judge is to decide whether the P&I club is liable and, if so, whether its liabilities are capped by international maritime conventions.

After a separate hearing on this issue, a Federal Court panel in Sydney ruled that the 1957 Brussels Limitation Convention is applicable to the Sanko Harvest claim, not the 1976 London Limitation Convention.

The more recent convention has a

Continued on page 65

UNI Storebrand posts profit in first nine months

OSLO, Norway—UNI Storebrand reports profits of 3.84 billion kroner ($538 million) for the first nine months of this year, compared with a loss of 3.59 billion kroner ($625.7 million) a year earlier.

The insurer attributed much of the profit to rising interest rates and stock market gains. Last year's losses were due to charges taken in the third quarter to cover the Norwegian insurer's failed attempt to take over Sweden's Skandia Insurance Co. Ltd. (*BI*, Feb. 1; April 13, 1992).

UNI Storebrand's non-life companies reported an operating profit of 702 million kroner ($98.3 million) in the nine-month period, compared with a loss of 114 million kroner ($19.9 million) a year earlier. International operations registered a loss of 46 million kroner ($6.4 million), compared with a loss of 155 million kroner ($27 million) in 1992.

Gross premium income in the non-life subsidiary in the first nine months of this year rose 16.2% to 5.94 billion kroner ($832.2 million). Much of the increase is due to the assumption of direct business written by UNI Storebrand's international division.

Gross premium income for the international subsidiary during the same period fell nearly 40% to 2.16 billion kroner ($302.6 million) from 3.59 billion kroner ($625.7 million).

The Norwegian company's nine-month consolidated profits were 1.11 billion kroner ($155.5 million), compared with a loss of 3.79 billion kroner ($547.2 million) for the same period last year.

The company's shareholder capital rose 21% to 2.56 billion kroner ($358.7 million), and its debt-to-equity ratio has increased to 7.81%. The Norwegian government requires a minimum debt-to-equity ratio of 4.25%.

—By Maria Kielmas

GLOBAL BRIEFS

Munich Re results

MUNICH, Germany—Munich Re-insurance Co. expects rate hikes to help improve its underwriting results in 1994, says Chairman and Chief Executive Officer Hans-Jurgen Schinzler.

"The disastrous developments in the reinsurance market of recent years have eliminated many competitors from the market," he said at a recent press conference. "As a result, it's possible to push through substantial rate increases and improve policy conditions."

In 1994, the reinsurer expects a moderate increase in premium volume and profits.

Premium volume for the reinsurer in the fiscal year ending June 30 was 16.3 billion deutsche marks ($9.55 billion at appropriate ex-

Continued on page 65

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

NO 009128 OF 1993

IN THE MATTER OF
ANDREW WEIR INSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated the 28th day of October 1993 made in the above matter the Court has directed a Meeting of the Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) of the above-named Company (hereinafter called "the Company") to be convened for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors and that such Meeting will be held at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD, England on Friday the 21st day of January 1994 at 11:30 am at which place and time all the aforesaid Scheme Creditors are requested to attend.

Any person who is or believes that he may be entitled to attend the said Meeting can obtain copies of the Scheme of Arrangement, the Explanatory Statement required to be furnished pursuant to Section 426 of the above-mentioned Act, and Forms of Proxy from the Company at Ibex House, Minories, London EC3N 1JB, England (Telephone: 071 488 3889 or if outside the United Kingdom (44) 71 488 3889) or Price Waterhouse, 200 East Randolph Street, Chicago, Illinois 60601, USA (Telephone: 312 540 2059) during usual business hours on any day (other than a Saturday, Sunday or a public holiday) prior to the day appointed for the said Meeting.

Scheme Creditors may vote in person at the said Meeting or they may appoint another person, whether a Scheme Creditor of the Company or not, as their proxy to attend and vote in their stead.

It is requested that forms appointing proxies be lodged with the Joint Provisional Liquidators Andrew Weir Insurance Company Limited, Ibex House, Minories, London EC3N 1JB, England and fax no: 071 702 4815 (or if outside the United Kingdom (44) 71 702 4815) not less than 48 hours before the time appointed for the said Meeting but if forms are not so lodged they may be handed to the Chairman at the said Meeting. A faxed copy of the form will be accepted subject to receipt of the original within 14 days of the meeting.

By the said Order the Court has appointed Richard Claude Boys-Stones or failing him Colin Graham Bird to act as Chairman of the said Meeting and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the High Court of Justice.

DATED this 11th day of November 1993

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Solicitors for the Company

Corporate capital

Continued from previous page

"It would be wrong for me to describe such a large sum of money as insulting or absurd," Mr. Deeny said at the action group meeting. However, he added, "We believe it is substantially less than what the action group would recover through litigation, and we would not under any circumstances recommend the acceptance of an offer at this level or anywhere near it."

The Gooda Walker group and other action groups are also unhappy with Lloyd's supposed unwillingness to offer a cap on future liabilities of members who agree to settle and the Society of Lloyd's insistence that as part of the deal they would have to desist from all future legal action.

The E&O underwriters are reportedly also not keen on the deal. The underwriters are unable to contribute more because reinsurance recovery, especially from outside the market, would be very difficult if a deal were struck. However, if the members took their agents to court and won, the reinsurers would be forced to pay the E&O underwriters.

So it appears unlikely that the settlement offer will succeed, particularly not in time for the introduction of the new capital in January as Lloyd's top brass had hoped.

The new corporate capital and the Lloyd's agents that are acting as fund advisers agree that it would be preferential for the market to bury its old problems in one fell swoop. But, they also say that if the offer fails, they will not be seriously affected and certainly will not pull out of Lloyd's.

"We worked the issue of the settlement into our business plan and considered how it could impact on the returns on the investment," said James Steen, general manager of New London Capital P.L.C., a 60 million pound ($88.9 million) venture backed by Chartwell Re Corp. and S.G. Warburg Securities. Warburg and Chartwell had originally hoped to raise between 100 million and 150 million pounds but investor interest lagged.

"The settlement is all about resolving problems of the past, and corporate capital is all about the future. . . .Certainly none of the investors we have spoken to seem concerned about complications in the long term," said Mr. Steen.

"Clearly, if it went to litigation, it would take up a lot of a management time, plus all the costs and uncertainty," said Andrew Hamilton, assistant director of Hambros Bank, a sponsor of Masthead Insurance Underwriting P.L.C. Masthead, put together along with Murray Lawrence Members Agency Ltd. and stockbroker Hoare Govett Corporate Finance Ltd., raised just over 42 million pounds ($62.2 million).

Masthead sponsors' original goal was 50 million pounds ($74.1 million), but a lack of quality underwriting capacity—rather than available capital—forced them to make the target 43 million ($63.7 million).

The agents' stability is seen as perhaps the most worrisome aspect of the settlement initiative and possible litigation.

In the corporate capital ranks, most believe Lloyd's will not need to raise a levy across the market to support the ailing agents once the court cases get underway.

"It shouldn't be a problem for corporate capital," said Charles Phillips, director of the corporate finance department at NatWest Markets, which, in cooperation with independent Lloyd's members agent Stace Barr Underwriting Agencies Ltd., raised just under 70 million pounds ($103.7 million) for Angerstein Underwriting Trust P.L.C.

"The last thing Lloyd's wants is to lose face in the (London financial district), and at this stage we are not aware of any intention by the Council to levy corporate capital to pay for past mistakes. But, where the outcome would hurt Lloyd's investment trusts is if the funds' agents come under financial pressure and cannot provide satisfactory service.

"This was one of the issues we considered when we chose Stace Barr as our partner—they don't have any writs in the drawer that we are aware of," said Mr. Philips.

"The settlement is between the names and the agents. It has nothing to do with what is going on in the market. . . .It's really all a question of perception and confidence," said Robert Hiscox, deputy chairman of Lloyd's.

Mr. Hiscox, a key figure in Lloyd's effort to introduce corporate capital for 1994, is chairman of members agent Roberts & Hiscox Ltd., which has launched one corporate trust capitalized at 30 million pounds ($44.4 million) and plans a second one that would raise 25 million pounds ($37 million).

He believes the market is at "equilibrium" with 10 billion pounds of capacity.

"Without any formal capital management, we seem to have got it just right and matched supply with demand. You can find a lot of good capital as long as there is the good syndicate capacity to accommodate it. And, it seems that corporate capital has behaved like any good names and only placed its capital with deserving syndicates. However, I believe there would have been sufficient capital for 11 to 12 billion pounds ($16.29 billion to $17.77 billion) worth of capacity if there had been enough good syndicates to place it with," Mr. Hiscox said.

Mr. Hiscox and many others in the market believe that if Lloyd's had secured too much capital too soon, rates would have softened and Lloyd's would have lost any benefits it might have derived from the new capital.

"From our contact with managing agents and other members agents, the level of capital appears to be just about right. Underwriters have not taken on more capacity than planned and we still want the capital to enforce selectivity. From what we can see, there is about enough to account for the increase in rates and also even take in some new business," said Anthony Smithson, managing director of Murray Lawrence Members Agency Ltd.

Julian Avery, chairman of Wellington Members Agency Ltd., was also confident that 10 billion pounds in capacity would be reached by the whole market. Wellington raised 32.5 million pounds ($48.1 million) in association with Noble & Co. Ltd. for Premium Trust P.L.C. and Premium Underwriting P.L.C., a split capital investment vehicle.

"I believe personal capacity will be near 8 billion pounds. It's holding up much better than people expected and has been boosted by the arrival of corporate capital. There could be as much as 2 billion ($2.96 billion) corporate capacity—which is limited by the lack of quality capacity—which makes a probable total of 10 billion," he said.

Mr. Avery said that Wellington's individual members have increased their premium limits by about 10%, partly due to MAPAs, the introduction of high-liquidity names—wealthy names who can get 1 million pounds of capacity but must invest 200,000 pounds ($296,000) at Lloyd's and must meet certain asset and income requirements—and the ability of names to offset 1990 losses with 5% of 1993 profits.

But, like many in the market, Mr. Avery stressed that to prosper, Lloyd's needs controlled, steady capacity growth. BI

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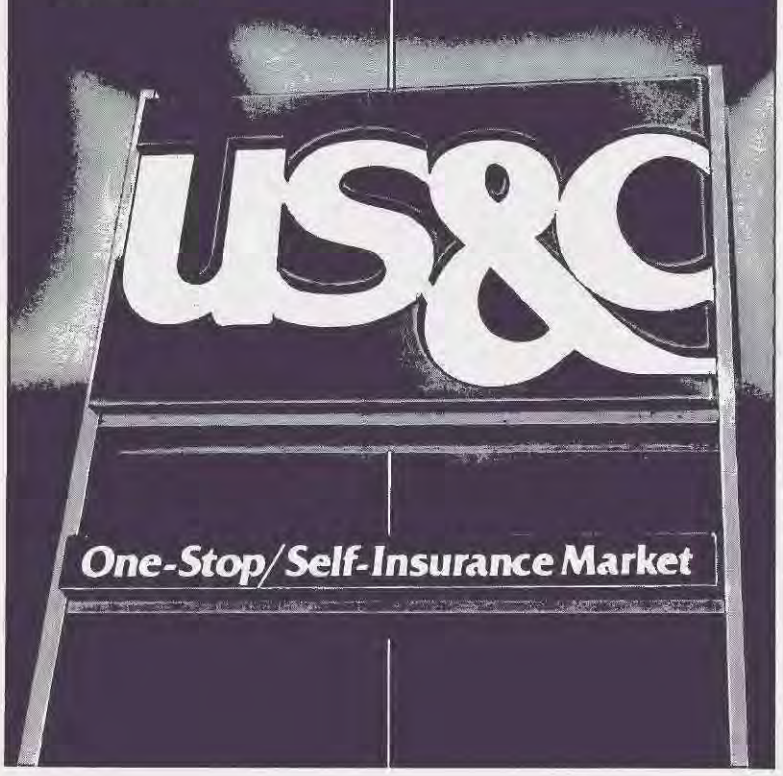

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INTERNATIONAL

Cat reserves

Continued from page 63

cur," he said.

Several other major Australian insurers have established similar catastrophe reserve funds, Mr. Hodgkinson said.

Suncorp CEO Bernard Rowley said the industry's request merits consideration because the government cannot afford to have Australian insurers disadvantaged in relation to overseas companies if it wants a strong insurance industry. He noted that the United Kingdom and some European countries are considering tax-deductibility for catastrophe reserves (*BI*, Aug. 30).

Paul J. Miller, managing director of Sydney-based General Reinsurance Ltd., said the government must understand that insurers and reinsurers do not have financial capabilities to significantly increase catastrophe retentions if these funds, which come from net income, are being taxed. Profits "to a degree are illusory, as catastrophe losses are paid out of aftertax dollars."

"Some form of amortization allowing deferral of tax would help locally licensed companies grow their retentions, limit cash paid overseas and perhaps impact positively on the balance of trade in services," he said.

Geoff Tonkin, reinsurance manager of Sun Alliance-Royal Insurance Ltd., said Japanese insurers were able to pay massive catastrophe losses from typhoons and rainstorms out of reserves established after the massive contraction in catastrophe reinsurance capacity that followed 1991's Typhoon Mireille (*BI*, Nov. 1). "We need to be able to do the same."

Mr. Hodgkinson said the nation's insurance regulatory body, the Insurance and Superannuation Commission, generally supports the insurers' request, but wants them to consider alternatives rather than "straight tax concessions."

The working party is currently gathering statistics on the "number of insurers which failed or stopped underwriting following losses from Hurricane Andrew and other catastrophes," he said. He hopes the working party, of which he is secretary, will have a proposal to submit to the federal treasurer early next year. BI

Cost shifting

Continued from page 63

ing an extra 5% onto companies' total corporation tax bills this year," the spokesman said. Bearing the burden of sick pay could squeeze companies' cash flow, hitting small firms particularly hard, he said.

According to the Department of Social Security, approximately 330,000 people receive statutory sick pay at a given time in the United Kingdom. Total costs to the government were about 710 million pounds ($1.05 billion) in the last fiscal year.

About the same number receive workers compensation benefits, with the government's total annual expenditures about 650 million pounds ($962.7 million).

Benefit consultant Sedgwick Noble Lowndes believes that these changes could "send a panic through industry," said a company spokeswoman in Croydon, England. Sick pay already costs private firms 4% of their annual payroll, she said. "We could see companies taking a hard look at sickness absence rates and introducing measures to monitor absence more carefully."

The Assn. of British Insurers is discussing with the government and association members the opportunities and possible difficulties of having the private sector assume some of the state's benefit burdens, an ABI spokesman said. He declined to comment further.

The Assn. of Insurance & Risk Managers in Industry & Commerce will meet this week to talk about this issue, the spokesman said. "We could see that the government was planning to say something about employers liability, but we don't know any more at this stage." BI

Cargo claim

Continued from page 63

higher liability limit of $7.5 million Australian ($4.9 million), rather than $3 million Australian ($2 million) under the older convention. However, it is easier to avoid the liability limits under the 1957 convention than the 1976 pact, Mr. Woof said.

AMIA had argued before the Full Court panel that the 1957 convention applied because Australia did not ratify the 1976 convention until June 1, 1991, more than three months after the Sanko Harvest sank.

The ship's owners sought to appeal the Full Court panel's decision on this issue to the High Court of Australia. The High Court is expected to rule in February whether it will allow the appeal. BI

GLOBAL BRIEFS

Continued from page 63

change rate) up 11.8% from 14.57 billion deutsche marks ($9.56 billion at appropriate exchange rate) the previous year.

However, Munich Re's underwriting losses widened to 1.09 billion deutsche marks in fiscal 1992-1993 ($638.4 million) from 922 million deutsche marks ($604.9 million) in 1991-1992.

The reinsurer blames large claims from natural catastrophes like Hurricane Andrew, as well as automobile reinsurance losses, for its poor underwriting results. Automobile reinsurance losses jumped to 450 million deutsche marks ($263.6 million) in the 1992/93 fiscal year, from 150.6 million deutsche marks ($98.8 million) a year earlier.

Despite those underwriting losses, the reinsurer posted aftertax profits of 71.5 million deutsche marks ($41.8 million) in 1992-1993—a nearly 6% increase from 67.6 million ($44.3 million) a year earlier.

Munich Re Group, which includes the reinsurer and its holdings in 12 insurers, saw gross premiums rise 11% to 25.56 billion deutsche marks ($14.97 billion) last year, from 23.02 billion deutsche marks ($15.1 billion) in fiscal 1991/92. Underwriting losses worsened to 1.27 billion deutsche marks (743.8 million) from 1.1 billion ($721.7 million) a year earlier.

Group aftertax profits increased 2.9% to 286.9 million ($168 million) from 278.8 million deutsche marks ($182.9 million).

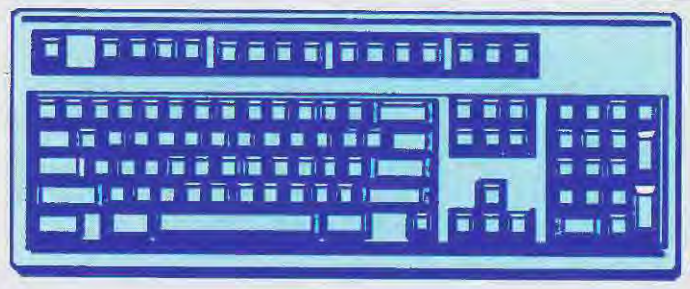
—By Don Lewis Kirk

Skandia to run bank

STOCKHOLM, Sweden—Sweden's Skandia Insurance Co. Ltd. has applied for authorization to open a bank.

The bank, called Skandiabanken, is expected to begin operations in early 1994. Skandiabanken will be a retail bank rather than a merchant bank, the company said.

—By Maria Kielmas



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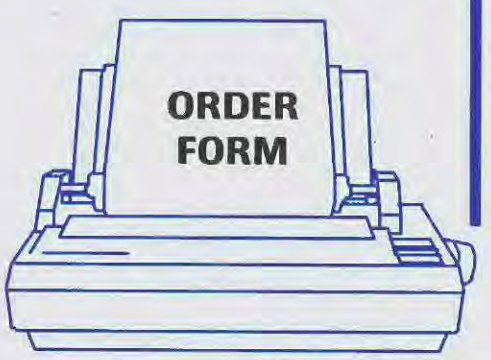

Business Insurance®

Paradigm order

Continued from page 2

digm's president, said he is "appalled" by department allegations that call into question the insurer's integrity and reputation. Paradigm, he maintains, "has acted honestly and in good faith at all times."

Paradigm has requested a hearing on the department's order. None had been scheduled as of last week.

Based in Louisville, Ky., Paradigm is licensed only in Indiana and operates on a surplus lines basis in about 15 other states. The insurer is owned through two intermediate holding companies by Tri-Star Holdings Ltd. of Bermuda.

One intermediate holding company is Sona International Inc. of the Turks & Caicos Islands, which was used in the 1987 acquisition of Paradigm by its current owners.

A firm with that name formed in 1981 was struck from the Turks & Caicos register of companies in 1985, according to a Turks & Caicos document obtained by *Business Insurance*.

Janett R. Hock, Paradigm's corporate secretary, questioned whether that company is the same Sona International that acts as Paradigm's intermediate parent. She said she believes the Paradigm affiliate was formed in the Turks & Caicos in 1985, adding that Sona is now being dissolved.

Direct written premiums for Paradigm totaled $12 million in 1992, including $10.2 million in medical malpractice business and $1.8 million in commercial multiperil coverage. Net written premiums amounted to $8.9 million, and policyholders surplus stood at $6.2 million as of last Dec. 31, the insurer told A.M. Best Co.

For the first six months of this year, direct premiums totaled $10.2 million and net premium volume was $9.6 million, according to Best. Policyholders surplus was $7 million as of June 30.

Although current management has controlled the insurer for six years, Best has not rated Paradigm, in part because of shifts in the territorial concentration of its business, rapid premium volume growth and the long-tail nature of its malpractice business.

Earlier this year, Paradigm applied for an exemption from the $15 million minimum surplus requirement imposed on non-admitted insurers last December by a revision of California's Regulation 2174 (*BI*, Dec. 7, 1992).

An Insurance Department attorney approved the exemption July 20, based on Paradigm's assertion that it would write badly needed malpractice coverage for clinics in Hispanic communities and for nurse anesthetists.

The insurer argued that fewer than three insurers served such clinics and fewer than 10 insured nurse anesthetists in the state, according to department documents.

On Nov. 4, however, the California department ordered Paradigm to stop writing in the state, concluding that its existing malpractice policies had lapsed and that the insurer had written no new malpractice business since obtaining its exemption.

Paradigm's main malpractice policy—written for a group of Los Angeles clinics and generating $549,960 in premiums—was canceled as of Jan. 1, and four other policies had lapsed by August, the department found.

Paradigm premium volume reported to the state Surplus Lines Assn. as of Oct. 23 included $1.1 million in commercial liability and property premiums. A negative figure was reported for malpractice premiums, however, because of the cancellation of the Los Angeles clinic policy, according to Dennis Ward, the Insurance Department's chief of enforcement.

By contrast, virtually all of Paradigm's 1992 California premiums of $616,000 related to malpractice coverages, he said.

"The department questions the integrity of the carrier based upon its failure to adequately disclose the facts of its medical malpractice business," said the Nov. 4 objection letter written by Carol A. Fistler, the same department attorney who earlier had granted the exemption.

"The department never would have granted the exemption had it known that the major medical malpractice policy issued by the carrier had been canceled, that no policies would be renewed or that no new business would be written."

In a Nov. 12 response, however, a Paradigm lawyer argues that the department's order is based on "mistakes or omissions."

Paradigm didn't cancel the Los Angeles clinic policy, but rewrote it with a Jan. 1 effective date, according to the letter from John A. Sebastinelli, with the San Francisco firm of Aguilar & Sebastinelli.

The new policy wasn't reported to the Surplus Lines Assn. because a Paradigm broker mistakenly reported it to regulators in Tennessee, where the Los Angeles clinic owner also does business, Paradigm says.

Several other malpractice policies with July 1 renewal dates lapsed because Paradigm didn't learn until July 20 that it would receive its exemption from the surplus requirement, the letter adds.

Paradigm also has written three new malpractice policies since receiving its exemption, and these premiums have been reported to the Surplus Lines Assn., Mr. Sebastinelli said.

Paradigm's Ms. Hock said the insurer is also writing annual property and general liability premiums of about $1.5 million in California.

A contractors program managed by Apollo General Insurance Agency Inc. of Sonoma generates much of this volume, while some is produced by a bar and restaurant program managed by Apollo and another agency, she said.

Apollo formerly produced business for several offshore insurers banned by California and other states, including the now-defunct Anchorage Fire & Casualty Co. Ltd. (*BI*, Sept. 27; June 1, 1992).

Ms. Hock said she doesn't believe any of Paradigm's Apollo-generated business was previously written by offshore companies. Robert Elster, an Apollo official, could not be reached.

She also complained that California regulators didn't contact anyone at Paradigm or Apollo before issuing its objection letter, basing its action only on business reported to the Surplus Lines Assn.

"Everyone was shocked" by the letter, Ms. Hock said.

Convincing the regulators to change their minds may not be easy, though. Even if Paradigm has written the malpractice business it says it has, its total volume would still consist largely of commercial property and liability business, said Mr. Ward, noting that this was not the type of business that led the department to approve the exemption. BI

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Sub-total	**28,112**
Associations	385
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Commercial Consumers	
Sub-total	**29,572**
Insurance Agents and Brokers	8,714
Insurance Companies	7,981
Accountants, Actuaries, Attorneys & Consultants	3,532
Managers & Health Care Providers	1,936
Others Allied to the Field	1,936
TOTAL	**52,816**

★ Source Business/Occupational breakdown of qualified circulation, May 31, 1993 Issue, as submitted to BPA for June 1993 BPA Publisher's Statement.

D&O decisions

Continued from page 1

and can include an element of recklessness.

The RTC argued that the gross negligence standard in the 1989 federal Financial Institutions Reform, Recovery and Enforcement Act did not pre-empt regulators' right to bring actions based on simple negligence standards of liability under federal or state common law.

The 13 defendants, all former officers and directors of Concordia Federal Bank for Savings of Lansing, Ill., argued that FIRREA set a gross negligence standard for actions brought against officials of federally chartered financial institutions. The trial court agreed, holding that FIRREA "pre-empted all previously existing federal common law and created a federal cause of action solely for gross negligence."

The RTC appealed in November 1992.

In his decision, 7th Circuit Judge Michael S. Kanne reviewed the legislative history of FIRREA, noting that the Senate had removed language establishing a simple negligence standard in its FIRREA bill and that the House version of the bill "preserved the Senate's removal of the simple negligence language." He further noted that an attempt to revive the simple negligence standard was killed by the House Banking Committee in 1991.

"We find that Congress intended to pre-empt federal common law and establish a gross negligence standard of liability for officers and directors of failed federally chartered financial institutions. However, we stress that we do not reach the issue of whether (FIRREA's) gross negligence standard pre-empts state law. The Supreme Court has clearly held that, because of federalism concerns, greater evidence of congressional intent is required to pre-empt state law than federal common law," Judge Kanne wrote.

Mr. Glancz said the decision sends regulators a clear signal: "If you're looking to federal law, there's only one federal law and that's FIRREA." He predicted that other courts will follow the reasoning in *Gallagher*.

Mark Rosen, former deputy general counsel for the FDIC and currently a senior vp at Executive Re Indemnity Inc. in Simsbury, Conn., called the *Gallagher* decision a "setback" for regulators, because it raises the standard of care that regulators must apply in such cases. He also noted that the decision is the first appellate court ruling that addresses the standard of care that must be followed in cases involving federally chartered institutions.

But, Dan Bailey, a partner in the Columbus, Ohio, law firm Arter & Hadden and co-author of the standard legal text on directors and officer's legal liability, said the fact that the 7th Circuit did not address state standards of care "may well limit" the *Gallagher* impact.

He also questioned how significant the distinction between levels of care might be to juries hearing financial institution-related cases.

"I don't get too excited because, in the real world, the distinction between simple negligence and gross negligence" is not all that great, Mr. Bailey said. The two levels of care often blend together in juries' minds, he said.

RTC officials had no comment on the ruling, other than to say the RTC was studying the decision and reviewing its options.

The FDIC, on the other hand, already has sought reconsideration of the two statute of limitations cases handed down by appellate courts last month and could ultimately seek Supreme Court review, a spokesman for the agency said.

The cases, *FDIC vs. Rockleigh S. Dawson Jr.* and *FDIC vs. Charles P. Cocke*, dealt with the FDIC's ability to bring actions against the directors and officers of failed financial institutions after the statutes of limitations set by state law for bringing such actions had expired.

Federal regulators had tried to avoid those limits by evoking the "adverse domination" theory. Under that theory, regulators claimed that the failed institutions' boards were so dominated by negligent directors that boards could not prevent bad lending practices and, therefore, the statutes of limitations do not take effect until the institutions are taken over by the regulators.

The 5th Circuit ruled in *Dawson* on Oct. 21 that the doctrine couldn't be applied broadly to escape the limits set by Texas law. Instead, it "must be limited to those cases in which the culpable directors have been active participants in wrongdoing or fraud, rather than simply negligent."

Six days earlier, the 4th Circuit ruled in *Cocke* that regulators could not avoid Virginia's statute of limitations unless the federal government could prove that directors "concealed their wrongdoing" from all "the parties from whom the FDIC derived its interest in this lawsuit, during the period after the last act of alleged misconduct until the FDIC became receiver."

The FDIC said the decisions could "adversely affect" as many as 60% of the agency's pending cases, in large part because a quarter of all the FDIC's cases involve Texas institutions. Texas, as well as Louisiana and Mississippi, falls under the 5th Circuit's jurisdiction.

The FDIC alone recovered $120.2 million from the directors and officers of failed financial institutions during the first nine months of this year, said the spokesman. It recovered $207.8 million from similarly situated directors and officers last year, $180.7 million in 1991 and $190.1 million in 1990.

Executive Re's Mr. Rosen said if other courts follow the twin decisions, the result "could be the running of the statute of limitations before the agency was appointed conservator or receiver."

That development and the refusal of state courts to void the regulatory exclusions in D&O liability policies will make it increasingly difficult for regulators to recover monetary damages from directors and officers of failed financial institutions, he said.

Mr. Bailey called the 4th and 5th Circuit decisions "helpful but not a godsend" to financial institution directors and officers. He said the decisions could lead regulators to file suits sooner and could make them "a little trigger-happy" in their efforts to recover damages.

"The government is down but not out," said Mr. Glancz. Although the three decisions signal that the "tide has turned" in favor of defendants in some financial institution cases, regulators could seek remedial legislation in Congress, he said.

•

FDIC vs. Charles P. Cocke, 4th U.S. Circuit Court of Appeals; No. 92-1987, Oct. 15, 1993. FDIC vs. Rockleigh S. Dawson Jr. et al., 5th U.S. Circuit Court of Appeals; No. 92-2460, Oct. 21, 1993. RTC vs. Francis X. Gallagher et al., 7th U.S. Circuit Court of Appeals; No. 92-4023, Nov. 9, 1993.

Home care exposures on the rise

By CHRISTINE WOOLSEY

CHICAGO—President Clinton's proposal to cover home health care services in Americans' basic benefit package is bound to boost the revenues of the home health industry.

But as the industry's business and visibility grow, liability exposures also may increase.

Risk managers for independent agencies and hospitals offering home health care services should examine areas of potential liability and be sure programs are in place to minimize any exposure.

Home health care services can range from housekeeping and grocery shopping to blood testing and respirator therapy, said Susan E. Corsey, risk manager for Rush-Presbyterian-St. Lukes Medical Center in Chicago, which operates its own home care network.

Ms. Corsey and Marilyn E. O'Rourke, agency director of the Rush Home Care Network, outlined potential areas of risk during a session at the 15th annual American Society for Hospital Risk Management educational conference last month.

Total home care spending in 1993 is estimated to be $20 billion, a figure that would double under the Clinton health plan, Ms. O'Rourke said. Currently, there are more than 12,400 home care organizations in the United States and

Continued on next page

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Home health care

Continued from previous page
7,000 companies that sell or rent medical equipment to be used in the home.

"Hospitals have liability for post discharge care arranged with any home health care agency," Ms. O'Rourke said. The use of home care services is increasing as patients are being released from hospitals sooner and are undergoing more outpatient procedures, she said.

Several trends are increasing liability risks. First, because medical advances have made even complex care possible in the home, home care givers are dealing with more acutely ill patients.

Stricter insurance reimbursement plans also pose a liability problem. Because insurers are paying for fewer visits per patient, care givers are spending less time in the home of each patient.

"Patients could see this as poor quality care" and sue for negligence if something goes wrong, Ms. O'Rourke said. And competitive marketing may lead patients to believe that home care firms are "deep pockets" able to pay big damage awards.

Home care agencies and hospitals also put themselves at risk if they create unrealistic patient expectations, she said. "Watch what you promise. Don't say you are the 'best' agency available or that you provide care 24 hours a day. What happens if a patient lives in a high-risk area? Can you guarantee someone will visit at 3 a.m.?"

Home health care agencies have liability exposure for the care administered, for other situations involving their employees and for a facility's loss of reputation or market share, Ms. O'Rourke explained. But risk managers can do a number of things to reduce those risks.

Most importantly, risk managers can ensure that agencies hire only highly qualified, dedicated staff. "Look for a commitment to home care," said Ms. O'Rourke. For example, people who do not want to work evenings or weekends should send up a red flag, since those hours are critical to home care.

Assessing care givers' work is also important, because supervision of care givers is remote, rather than direct. Supervisors should make periodic field visits with staff and the agency should frequently survey patients and their families.

Also, staff members should be given clear job descriptions and agencies should clearly limit their scope of practice. For example, even if a patient complains of something that can be treated with over-the-counter remedies, staff members should realize it's not their role to prescribe drugs, she warned.

Careful pre-employment screening can help agencies limit their liability, Ms. O'Rourke said. Check references and run police checks, monitor care givers closely during a probationary period and discipline them if necessary, she advised.

"The reason home care has grown and stayed on the cutting edge is its willingness to take risks and try new things," Ms. O'Rourke said.

One of the risks, however, is deciding which patients make good candidates for home care. Agencies that establish guidelines to ascertain which patients' needs can be met by home care services can prevent potential liability, she said.

Before agreeing to provide home care, examine a patient's overall medical condition and assess the adaptability of the place or residence where the patient will be receiving care. For example, patients getting intravenous therapy at home must have a phone, in case of an emergency, and a refrigerator in which to keep their medication.

Agencies also should look at the capability of patients to participate in their care and gauge their understanding and expectations of home care. "Patients who think home care means they'll have a 24-hour nurse will be disappointed, and this does increase risks for the agency," Ms. O'Rourke said.

The use of portable medical equipment poses another huge risk for home care agencies, Ms. Corsey pointed out. "It's important to know what vendor is bringing in the equipment, because the vendor is held to product liability standards. If the product fails, the vendor can be held liable even if it didn't manufacture the equipment," she said.

Home care agencies should make sure any equipment vendors they contract with are responsible for maintaining the equipment and educating patients and staff members about its use. BI

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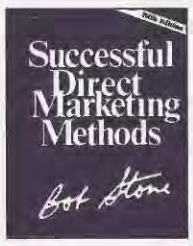

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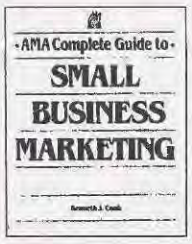

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Risk execs assured about job security

CHICAGO—Hospital risk managers fear their jobs might be in jeopardy due to consolidation among health care providers jockeying for position in a reformed health care system.

But the president of the American Society for Healthcare Risk Management says most of those involved in the profession need not worry about future job security.

Health care reform means change and "change is a time for opportunity," said Jane McConnell, ASHRM president and vp of insurance and risk management for Allegany Health System in Tampa, Fla. "We have to look at (health care reform) from a positive perspective."

Ms. McConnell acknowledged the worries of many hospital risk managers who have heard war stories about their peers getting fired as new health systems begin to trim staff in an effort to become more cost efficient. "Don't let the anecdotes scare you," she said.

Some risk managers lost their jobs even before health care reform, she pointed out during a special session at ASHRM's 15th annual educational conference held last month.

As health reform moves forward, downsizing will occur within hospitals, but most facilities will retain their risk managers while eliminating redundant administrative staff or staff not critical to the risk management function, she predicted.

In addition, hospitals will re-examine their corporate risk management structures.

"Risk managers will remain, but there will be fewer directors of risk management and other higher-level (risk management) staff. They'll try to get the people with the necessary credentials on top," Ms. McConnell said.

Even so, risk managers should begin to demonstrate their worth and market themselves to top hospital administrators now, she said.

"More than ever, you'll need knowledge about different types of risk financing. And, with limited staff, you'll need to get other departments to help you," she said.

ASHRM, which represents about 2,800 hospital risk managers, attorneys, insurers and consultants, established a health care task force in 1993 to look at the impact health care reform will have on a facility's risk management department.

"We will be affected," Ms. McConnell told risk managers. "We have to be flexible and open to change and ready to get the credentials necessary to do our job. But we also have to be there for the patients—remember, that's the bottom line."

—By Christine Woolsey

Medicare

Continued from page 1

tors (*BI*, Jan. 18). Employers denounced those demands—dubbed the Data Match Program, which included requests for information—as badly thought-out and time-consuming.

And, employers view the current budget act provision as even more expensive and burdensome.

The first report, covering the 1994 plan year, would be due Feb. 28, 1995.

Penalties for violating the reporting rules include $1,000 for each beneficiary or dependent that is not included.

Benefit managers criticize such penalties as greatly disproportionate to potential government gains.

"They are using an atom bomb to solve a $10 problem," said Cathy Wooster, benefits planning manager for Barnett Banks Inc. in Jacksonville, Fla.

Even the General Accounting Office notes that only about 2% of all employees or their dependents would be subject to the Medicare secondary-payer provision.

But, employers have a sympathetic ear in the Senate.

Late last week, Sen. Lieberman attempted to add an amendment to the Senate Medicare technical corrections bill to delay the effective date of the law and the penalties for failure to report.

His last-minute amendment to delay the penalties probably will not make it into the final language of the bill, a staffer said, but the senator introduced a stand-alone bill Friday morning that would delay penalties for failure to report until the first day of the first calendar year that begins 90 days after guidance has been released.

This means that if HCFA releases guidelines before Sept. 30, 1994, the penalties would start for collection of 1995 data, the senator's staffer explained.

The Senate was expected to adjourn sometime over the weekend.

"It is simply a matter of fairness," said Sen. Lieberman. "It is unconscionable to impose penalties on business for not collecting information when we haven't told them what to collect or how to submit it. If HCFA can't issue final guidance to employers before Jan. 1, penalties should be waived."

Sen. Lieberman plans to pursue his data bank proposal in January if it is not passed this session, the staffer said.

For now, though, repeal or delay of the reporting rules is uncertain. "The odds are that the provision will still be in effect Jan. 1, but the danger here is that employers will think a repeal will happen without their effort," said Frank McArdle, a consultant with Hewitt Associates in Washington.

"We are in the early stages of attracting opposition" to this provision, said Mr. McArdle. "There is an analogy here to Section 89, which wasn't repealed overnight."

Internal Revenue Code Section 89 set complex non-discrimination testing rules for health plans. After intensive lobbying from business groups, it was repealed before it actually took effect (*BI*, Nov. 13, 1989).

In the meantime, members of the coalition insist they will continue to fight the reporting requirements, which they call a waste of money.

The provision—part of the Omnibus Budget Reconciliation Act of 1993—requires employers that offer group health plans to compile coverage information on groups of people they probably aren't already tracking. Those groups include dependents of employees, retirees, dependents of retirees and former employees who are receiving COBRA health benefits. The report goes on an attachment to workers' W-2 forms.

The required data includes: the name and Social Security number of each employee and former employee covered under the health plans; whether single or family coverage is selected; the name, address and identification number of the plan covering the employee or the former employee; the name and Social Security number of each covered dependent; and the period during the calendar year that coverage was in effect for each person.

Employers say the provision is burdensome, unclear and gives them too little time to comply.

Barnett Banks' experience illustrates some of the problems. The bank arranged for its plan administrator to collect the needed data during its recent annual flexible benefits program enrollment. But now, Barnett and the administrator have to go back and determine how many employees did not respond with the requested information and try again to obtain it. This will represent "another layer of cost, postage and manpower," said Ms. Wooster.

Barnett complied with HCFA's earlier efforts to match Medicare secondary-payer data, supplying information to the government for years during the 1980s, said Ms. Wooster. "But out of all that, we've only had one letter from the government questioning payment of a claim—for $10."

Gathering and maintaining the data will be "a big undertaking for most employers," said Dennis Nirtaut, vp-employee benefits at Continental Bank in Chicago.

The requirement "imposes an incredible administrative burden on employers," agreed Rick Smith, director-health care policy of the Assn. of Private Pension & Welfare Plans in Washington, a member of the coalition. "It asks for mountains of data, all to capture data on a small number of individuals."

And, he added, "As we move toward health reform, that data would quickly become obsolete" as employers set up new information systems to track medical data. "We are putting the cart before the horse."

The reporting process would be expensive, disruptive and could delay the transmission of W-2 forms, contends Mark J. Ugoretz, president of the Washington-based ERISA Industry Committee, another member of the coalition. Compliance would be "like throwing paper down a big black hole."

Some observers had expected an early demise for the reporting requirement because HCFA declined to appropriate funds for implementation and enforcement.

But the provision would be difficult to rescind, "given that the Office of Management and Budget had pushed it as a big revenue provider," said Curtis E. Rooney, counsel for the APPWP in Washington. "They would have to find a way to replace those dollars."

It is not clear why HCFA did not appropriate money to implement and enforce the reporting rules. "Everyone is wondering that," said Mr. Rooney. "It seems to be an oversight, but I'm not sure whose."

In the meantime, legislators are looking for more efficient alternatives to the data bank. Late last week, the Senate was considering a proposal in the Medicare technical corrections bill that would require HCFA to mail questionnaires to individuals before they become entitled to benefits under Medicare Part A or enroll in Part B, to determine if the individual is covered under a primary plan.

"HCFA will question people about other coverage, which is a fair question," said Linda Laarman, a principal with William M. Mercer Inc. in Washington. And, "it is a much less burdensome method of obtaining information than on the W-2."

"The hope is that the questionnaire can become a substitute" for the Medicare secondary-payer data bank, "but at this point, it is not," said Hewitt's Mr. McArdle.

If Sen. Lieberman's efforts are not successful this session, the coalition will try again for delay or repeal in January, according to the ERISA Industry Committee's Mr. Ugoretz.

"I think it will be repealed and should be repealed," he said.

Benefit managers, too, hope the rule will be delayed or repealed.

"We'd like outright repeal, but we'd be happy to get the penalties removed," Barnett's Ms. Wooster said.

"I think it is a good thing that employers are going after this to stop it," agreed Continental Bank's Mr. Nirtaut.

"Unless employers want to spend a lot of time and money collecting information for the government, they have to weigh in on this issue," Hewitt's Mr. McArdle warned. BI

Provision cuts costs but not paperwork

By NANCY P. JOHNSON

WASHINGTON—There's good news and bad news for employers regarding a benefit provision in the federal budget.

The good news is it will still save employers money and reduce their accounting liability for post-employment benefits under Financial Accounting Standard 112. The bad news is that, under the implementation rules, the cost savings will require more work than originally anticipated.

The provision relieves employers of primary responsibility for health care coverage for disabled employees who are no longer working and are eligible for Medicare. Before the budget bill was passed in August, employers were required to pay all benefits to which individuals would be entitled if they were not eligible for Medicare. Medicare would then pay benefits not covered by the employer's plan (*BI*, Aug. 23).

According to guidance released Nov. 9 by the Health Care Financing Administration, employers should take the following steps to shift primary payment responsibility for those employees to Medicare:

- The employer should send to its state Medicare insurer a list of the affected disabled individuals, noting that they no longer have employer-provided coverage. The letter should include each individual's name, date of birth, sex, Social Security number and the identification number assigned by Medicare. Multistate employers can write to the insurer in the state where the employer's home office is located.
- The insurer will write to the employer, confirming that Medicare is the primary payer for those employees as of Aug. 10, 1993.
- The employer should send copies of both letters—excluding the information about other individuals—to each individual and instruct him or her to take both letters to a local Social Security office to enroll for Medicare Part B as soon as possible.

Although the provision went into effect in August, the law doesn't allow HCFA to refund money directly to benefit plans, said Linda Laarman, a principal at William M. Mercer Inc. in Washington.

Employers that want refunds must obtain them from providers or disabled employees, who may obtain reimbursement from HCFA. "This might be a consideration for catastrophic claims, but for smaller claims, it might not be worth the effort," she said.

Care should be taken "when you inform (affected individuals) that you had been providing them coverage, but now they have to enroll in Medicare," she added. BI

The HIAA's latest 'Harry and Louise' TV ad discusses the need for health care reform.

HIAA to continue ads

However, new commercial to take softer approach

By JERRY GEISEL

WASHINGTON—The Health Insurance Assn. of America is likely to continue next year its controversial advertising campaign dealing with health care reform issues, association executives say.

The HIAA's current ad campaign, which has been angrily denounced by Hillary Rodham Clinton, will conclude at the end of the month.

The most recent ad in the group's "Harry and Louise" series is somewhat softer in tone than earlier ads that drew the First Lady's ire, HIAA officials acknowledge.

The current ad shows two middle-aged adults—Harry and Louise—their two children and a number of Louise's relatives sitting at a Thanksgiving table. Louise's father has called a toll-free number—sponsored by the HIAA—from which he received information about health care reform. He says reform is backed by "thousands of Americans like your mother and me. . .and our insurance company," and would lead to universal coverage.

One of the purposes of the last ad was to convey the message that the insurance industry is "four-square" against the status quo and, like President Clinton, favors universal coverage and certain insurance underwriting and market reforms, explained HIAA Executive Vp Chip Kahn.

In earlier ads, Harry and Louise were concerned over whether the administration's health reform proposal could interfere with their choice of health care plans. The couple also questioned what would happen if proposed health care alliances run out of money.

Mrs. Clinton lit into those ads, charging they were inaccurate and misleading (*BI*, Nov. 8).

But HIAA officials say that the ads are accurate, adding they may have helped influence the administration's change of certain features in its health care reform package, including expanding the number of health care plans an alliance would offer.

The HIAA's Mr. Kahn said the ads "clearly caught the imagination and attention of people all over the country." More than 200,000 calls were made to the toll-free number highlighted in the ads to obtain additional information about health care reform.

"We are raising important issues that need to be addressed," he said.

Mr. Kahn said "it is highly probable" the HIAA will continue its advocacy campaign next year.

Mr. Kahn, who was a congressional staffer before joining the HIAA, denied that there was significant opposition from HIAA members over the ad campaign.

With a few exceptions, members have supported the $6.5 million ad campaign, he said.

One of those exceptions—Prudential Insurance Co. of America—earlier said it would not contribute to the ad campaign because it felt the tone was too negative. BI

Prudential

Continued from page 2

poses.

Prudential would still hold 30 million shares, or 60%, of Prudential Reinsurance Holdings' stock, though it plans to sell off a "substantial portion" of that holding in the future as market conditions allow, a Prudential spokesman said.

As part of the offering, a Prudential unit will also provide Pru Re with up to $285 million in stop-loss reinsurance for its asbestos, environmental and other long-tail exposures.

Under the plan, Gibraltar Casualty Co., a Prudential subsidiary, will reinsure Pru Re against adverse development in its reserves as of Sept. 30, 1993, including allocated loss adjustment expenses and incurred-but-not-reported losses.

Stop-loss limits will total up to $210 million for asbestos and environmental claims and up to $75 million for all other losses, according to the registration statement.

Pru Re's current top officers are expected to continue running the reinsurer after the public offering. They include Robert E. Riley, chairman and chief executive officer; James E. Dwane, president; and Thomas J. Gallagher and Dewey P. Clark, senior vps.

"Prudential Re's employees are excited about this new chapter in the company's history" Mr. Riley said in a statement. "We will all continue working to serve our customers as we make the transition from private to public ownership."

Prudential put Pru Re on the block in March at an asking price of $1.2 billion. By August, though, it had abandoned efforts to find a private buyer and said it was considering other options, including an IPO (*BI*, Aug. 23; March 15).

Standard & Poor's Corp. has had Pru Re's AA rating on CreditWatch with developing implications since the sale announcement earlier this year, and will reevaluate the company after the offering, explained Senior Vp Alan M. Levin.

Mr. Levin said he saw "plusses and minuses" in the offering, expressing surprise that none of the proceeds will be contributed to Pru Re but noting that the reinsurer will have the benefit of stop-loss coverage from Gibraltar.

"Everything else being equal, you would sort of like to have a little more conservative capital base for an independent entity than for one that's part of a larger parent company," he said.

Although the offering won't be completed until after the Jan. 1 reinsurance renewal season, it should benefit Pru Re by removing uncertainty that has surrounded the company since it was put up for sale, said John H. Snyder, senior vp with A.M. Best Co. in Oldwick, N.J.

"They should be able to operate more effectively in the market now that the ownership issue has been cleared up," he said.

Analysts are waiting, though, to see how the stock market reacts to the offering, the latest of many insurance and reinsurance capital-raising efforts over the last few months.

Some analysts say new reinsurance offerings may not be snapped up as quickly as they might have been earlier this year.

"I'm seeing some things that indicate it's becoming more difficult to do them," said one analyst who asked not to be identified. Prudential "seems to be coming to the party a little bit late." BI

Merrett syndicates

Continued from page 2

Merrett's flagship syndicate 418—which is embroiled in litigation over its still-open 1985 account and which reported a 66.9 million pound ($101.4 million) loss in the just-closed 1990 account—is believed to have attracted only 75 million pounds ($111 million) in capital for 1994, about half that sought in Merrett's business plan (*BI*, July 19).

Time is running out for Merrett to attract additional capacity. Lloyd's deadline for final capacity allocations is Nov. 30. If sufficient capacity cannot be scraped together and no outside support can be found by then, members agents say Merrett's once-dominant syndicates could be forced into runoff.

Members agents that have placed names on Merrett syndicates for 1994 say they will withdraw that capacity if Merrett fails to attract additional capacity. They also say it is doubtful whether an organization with an infrastructure the size of Merrett Holdings could carry on with such decimated capacity.

It is unlikely that Lloyd's would step in to save the company because, as one broker commented, "it would set a very dangerous precedent."

A spokesman for Lloyd's said, "Our official interest starts if and when we have to look after the interests of the members and policyholders."

Ian Mengies, finance director of Merrett Holdings, refused to accept speculation that the company may be on the verge of receivership and would not comment on the 1994 capacity amassed by the group's syndicates. He also would not comment on negotiations to replace Travelers and with other managing agencies.

But, Mr. Mengies conceded that capacity is scarce, time is running out and there is a possibility that some Merrett syndicates could cease to be a "live underwriting" force in 1994 if support does not materialize.

"We are working quite hard to attract (the capacity) and time is running short, yes," he said of current negotiations with members agents.

"We still have the goodwill and assets and the syndicates' value, plus all the back years and the claims work. Live underwriting is only a part of the business. There are many different ways to cut a cake," he said.

Merrett's problems heated up early last week after Travelers withdrew from a consortium of investors—led by the U.S. insurer and including Marsh & McLennan Risk Capital Corp., J.P. Morgan & Co. and current Merrett staff—that had proposed acquiring a 51% stake in the company (*BI*, Oct. 25). Travelers, which itself is being acquired by Primerica Corp., reportedly was told by Primerica to concentrate on its current business.

It was unclear late last week whether the entire deal collapsed after Travelers' withdrawal.

Officials from Travelers, Marsh & McLennan and J.P. Morgan could not be reached for comment on Friday.

Shortly after the Travelers announcement, a possible deal emerged between Merrett Holdings and rival agency group, A.J. Archer Holdings P.L.C. But this proved to be a very brief flirtation as Archer dispelled all rumors of a marriage with a terse announcement on Thursday.

"Senior executives of the Merrett Group approached the Archer Group with a proposal that the management of the Merrett ongoing syndicates should be assumed by Archer Group companies. Subsequent to brief discussions, the chief executive of the Merrett Group was informed on Tuesday of this week that the Archer Group was not interested in taking the discussion further," the Archer statement said.

Members agents throughout the market said that Merrett executives last week were busy attempting to put together some form of new rescue plan. However, some noted that Merrett has had a long time to reorganize itself.

"We gave notice at the beginning of the year, before all this happened. . .(that) we felt very uncomfortable about the syndicates" because of the 1990 loss, said Charles Harbord-Hammond, managing director of Phillip N. Christie & Co. Ltd., explaining the members agent's decision not to support Merrett in 1994.

"We would never say never and if a plan were put together and put to the market, we would look at it as closely as possible, but not out of any interest in the board or its employees. . .we have got to make sure the names are in the best position possible," he said.

"We are talking about a rescue; what is needed is another organization to come in and take it over—just like a receivership. Someone has to go in there, raise prices, cut costs and demonstrate a strength of management to keep the investors confident they are effectively in receivership. . .and they have got about a week," said an executive with another members agency that withheld capacity from Merrett syndicates for next year.

"A lot of midnight oil will have been burned by the end of the month. The members agents represent the providers of capital and as such have an interest and responsibility to see the best possible solution is found for the names. So, as a community, we are trying to move toward a satisfactory solution, but given the time-scale it will not be an easy task," said Julian Avery, chairman of Wellington Members Agency Ltd.

"All members agents from the very outset have had the principal concern of how we can keep the Merrett agency going and how to find ways of avoiding starving the Merrett syndicates of capacity. From the outset we have been asking how can we keep this going; it's been very positive," said Roger Sedgwick Rough, director of Murray Lawrence Members Agency Ltd.

He explained his agency's reluctance to continue supporting Merrett syndicate 418. "We currently support about two thirds of last year's level on syndicate 418 because we felt that was a realistic achievable figure. . .but obviously a syndicate has to be an ongoing concern and no members agent wants to end up with a very high percentage of an ongoing syndicate because the others pulled off," he said.

According to one leading Lloyd's broker, if the Merrett group does collapse, Lloyd's members could be the real losers.

"Merrett is a lead in some classes, but frankly a lead can be replaced. If (Merrett) fails, then the good underwriters will be snapped up and capacity will quickly be absorbed by other agencies. The only ones to really suffer will be the names left in runoff and shareholders," he said. BI

Updates

Report supports Superfund

WASHINGTON—A key House subcommittee is opposed to "abandoning" Superfund's current liability system.

Business leaders advocate changing the federal program's joint and several liability provision because it can force a company with a relatively small degree of responsibility for pollution at a site to pay the entire cleanup cost. Additionally, they complain that Superfund's retroactive liability provision can force a company to clean up wastes that were dumped legally before the passage of Superfund.

But, a report issued earlier this month by the Investigations and Oversight Subcommittee of the House Committee on Public Works and Transportation states that while there "is an element of unfairness in the current liability system," it is doubtful that any other liability system would be fair to all parties involved in the Superfund process. "Abandoning the current liability system would require the taxpayers to cover the costs of cleaning up a site they did not pollute, which might produce an even more unfair Superfund system than the one we have now," the report states.

The report did recommend, however, that the Environmental Protection Agency encourage greater use of alternative dispute resolution mechanisms and consider the future use of a Superfund site when determining the necessary extent of cleanup.

Reliance recapitalizing

NEW YORK—Reliance Group Holdings Inc. plans to use $821.5 million in net proceeds from common stock and debt offerings, as well as $95 million in new bank loans, to redeem Reliance public debt and repay bank loans.

Reliance sold 25 million common shares at $8 per share, plus two offerings of notes and debentures with principal amounts totaling $650 million. Its Reliance Financial Services Corp. unit also has entered into a new $175 million bank credit facility.

Moody's Investors Service says the recapitalization will strengthen the capital structure of Reliance and its subsidiaries. Moody's upgraded the ratings of Reliance's property-casualty insurance subsidiaries to Baa3 from Ba1, based on improving core earnings and a strengthening of loss reserves. "These strengths are tempered by the parent company's continued dependence on dividends and net tax payments from its insurance subsidiaries to meet its significant debt service requirements," Moody's said.

Briefly noted

U.S. reinsurers' combined ratio for the first nine months of 1993 was 106.7%—down from 115.4% a year ago—reports the Reinsurance Assn. of America. Fifty eight reinsurers reported a 16% increase in premiums written during the same period. . . .President Clinton is expected to send to Congress this week a **new health care bill** similar to his previous 1,342-page proposal but with some changes, including less generous mental health care benefits. . . .**Travelers Corp.** last week sold $383 million worth of properties. That puts the total book value of real estate and non-performing mortgage loans sold by Travelers this year in excess of $1.5 billion. . . .**Talegen Holdings Inc.**, formerly Crum & Forster Inc., is moving its headquarters to Seattle from Morristown, N.J. . . .A federal judge in Texas has rejected a motion by more than 100 **Exxon Corp.** cargo insurers to move the oil giant's pollution liability coverage dispute against them to federal court. The insurers have filed their own suit in a New York federal court over the coverage for losses from the massive 1989 oil spill in Alaska's Prince William Sound (*BI*, Sept. 6). . . .**Yasuda Fire & Marine Insurance Co.** has applied to Lloyd's of London to create a 1.5 million pound ($2.2 million) corporate capital vehicle in partnership with members agent Kiln Cotesworth Members Agency Ltd. . . .**Sphere Drake Holdings Ltd.** is using $100 million of the $130 million in proceeds from its recently completed public offering to recapitalize Sphere Drake Insurance (Bermuda) Ltd. The capital of Sphere Drake Insurance P.L.C. in London is being increased to $147.6 million. . . .The Senate on Friday passed S. 1607, the **omnibus crime bill**, by a vote of 95-to-4. The bill, which includes provisions making certain types of insurance fraud federal crimes, will now go to a House/Senate conference committee to reconcile differences with a milder House measure (*BI*, Nov. 15). . . .A federal judge awarded 90% of the **gold salvaged from the SS Central America**, which sank off South Carolina in 1857, to Columbus-America Discovery Group and 10% to a consortium of insurers who claimed the gold because they paid claims on it after the sinking (*BI*, July 9, 1990). . . .The Department of Health and Human Services last week approved a five-year demonstration project by Tennessee allowing the state to **shift Medicaid beneficiaries into a managed care program** with the savings to be used to cover tens of thousands of uninsured residents not currently eligible for Medicaid (*BI*, April 19). . .A **new health reform measure** sponsored by Sen. Don Nickles, R-Okla., and Rep. Cliff Stearns, R-Fla., would abolish the current tax exclusion for employer-provided health benefits and replace it with tax credits for individuals and families. It would also create "medical savings accounts" for unreimbursed medical expenses. . . .**Mark Hardy**, former chairman of insolvent Focus Insurance Ltd., can appeal the Focus liquidators' $20 million default judgment against him now that he has fulfilled the prerequisite of apologizing to the Bermuda Supreme Court for violating a judge's order freezing his assets worldwide (*BI*, Nov. 8). . . .**Fred Reiss**, who founded Bermuda's captive insurance industry nearly 30 years ago, died Nov. 17 after a lengthy illness. Mr. Reiss started what is now International Risk Management Group Ltd., which was acquired by Swiss Reinsurance Co. in 1988 (*BI*, June 13, 1988). . . .AEGON U.S.A. Inc. will buy **Mutual Life Insurance Co. of New York's** $6.1 billion group pension business for $200 million in notes. . . .ERISA should be changed to give states more control over **multiple employer welfare arrangements**, the National Assn. of Insurance Commissioners told a House panel last week.

Asbestos coverage

Continued from page 2

became the longest, most document-laden and most expensive in U.S. history, according to the lawyers who were involved. Six separate trial court "phases" spanned four years. So big were the court hearings that they had to be held in a high school gymnasium and lasted 40 months. Another three years were consumed by the appeals process. Trial transcripts fill more than 50,000 pages.

The written opinions alone—which find for coverage for policyholders in all important areas of contention—exceed 500 pages.

Insurers began the case seeking one binding ruling that most asbestos-related claims were not covered. They have gotten just the opposite.

"Consolidation clearly was not a good idea. The proof is in the pudding. When dealing with large commercial policyholders, insurers benefit from the scrutiny of particular relationships," said Thomas Brunner, an insurer attorney with Wiley, Rein & Fielding in Washington, who was not involved in the case.

"What they got was a quasi-rulemaking proceeding with vast amounts of money and attention at stake but little attention paid to traditional insurance case law," he added.

Numerous insurance company officials and attorneys who were involved in the California case could not be reached to comment on whether further review is planned.

Asbestos company attorneys, not surprisingly, were quick to praise several aspects of the 166-page ruling issued last week:

- It lends support to the argument that standard CGL policies must respond to personal injury claims arising from a claimant's first exposure to asbestos through manifestation of disease and up until death.

When Judge Brown adopted this "triple" or "continuous" trigger in 1987, it was the broadest interpretation of coverage ever handed down (*BI*, June 8, 1987; June 1, 1987).

At the time, litigation experts believed it would prompt a rash of settlements. They were correct.

Earlier this year, Fibreboard settled coverage litigation over bodily injury claims with units of CNA Insurance Cos. and Chubb Corp. for an astonishing $3 billion (*BI*, Sept. 6). Armstrong and GAF have also settled the bulk of their bodily injury claim disputes with various insurers.

And, other bodily injury coverage disputes throughout the country have moved closer to settlement in light of the 1987 trigger ruling.

- It reinforces a wide scope of coverage for bodily injury claims, permitting a policyholder to select which of its insurers will respond. That insurer would be required to provide full limits of the policy, minus other arrangements like deductibles, with other insurers stepping in after that.

Liability is apportioned among all of a policyholder's insurers based on a formula that factors in aggregate limits and the number of years a certain insurer is on the policy.

- It places a heavy burden of proof on insurers that deny coverage based on the standard CGL exclusion of coverage for "expected or intended" pollution. Under the ruling, insurers would have to show that a policyholder was "practically certain" exposure to its product would cause injury but marketed it anyway.
- It reinforces a "multiple" trigger on property damage claims. Coverage would be triggered every time asbestos materials were installed or anytime they were disturbed or stirred. The same scope of coverage applies to both bodily injury and property damage claims.

Judge Brown in 1988 ruled that property damage occurs from the moment asbestos is installed in a building through the time it's removed or a claim is filed. A year later, he revised that ruling to cut off coverage at the time fibers are dislodged (*BI*, Dec. 25, 1989).

"Basically, this is a sweeping victory for policyholders. The court's careful analysis of key coverage issues bodes very well for policyholders involved in coverage disputes in any legal jurisdiction," said David Steuber, an attorney with Hill, Wynne, Troop & Meisinger in Los Angeles, who represented GAF Corp. of Wayne, N.J. "This case was consolidated more than 10 years ago at the insurers' request. They were hoping for an industrywide binding decision and overwhelming precedent. Well, they got that—but not in the form they wanted."

The policyholder with the most at stake in the appellate ruling was Armstrong Industries of Harrisburg, Pa., which has settled most of its bodily injury claims but won about $800 million in property damage coverage from dozens of insurers.

"We were the only policyholder pursuing coverage for property claims, and we got the trigger we were looking for. It's a very wide trigger," said Armstrong's attorney, Robert Sayler of Covington & Burling in Washington. "On the expected and intended exclusion, requiring an insurer to prove practical certainty of impending injury is a heavy burden that they have always resisted."

Because GAF has settled most of its bodily injury claim disputes and was not party to the property damage dispute, the ruling may have a limited impact on the company. GAF would not say how much coverage was at stake.

On two relatively minor issues, the appeals court ruled against GAF.

On one issue—whether the company could tap coverage from lost policies—the appellate panel upheld Judge Brown's ruling that GAF is not due coverage for policies written from 1960 to 1963 that it couldn't produce.

On the second issue—whether GAF's own coverage could apply to pre-merger claims arising against a company it later bought—the appeals panel overturned Judge Brown's ruling. Only policies held by Ruberoid Co.—not GAF—can be tapped for claims that originated before the 1967 buyout, the court ruled.

Although the ruling on "expected and intended" is pro-policyholder, the court, led by Judge Robert Dossee, modified Judge Brown's original holding. Judge Brown's holding focused on intent and required insurers to show that policyholders maliciously or intentionally caused an action for the strict purpose of causing injury.

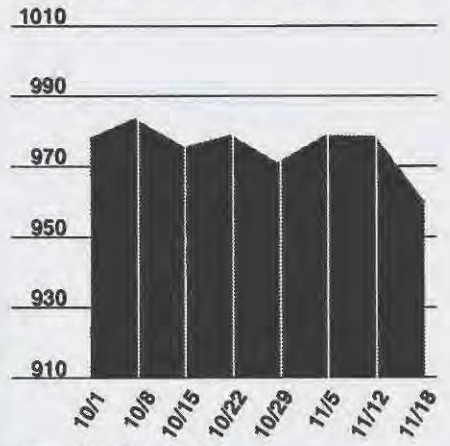
"Basically, this is just like the Shell case holding," said Tom Freeman, of Brobeck, Phleger & Harrison in San Francisco, which represented Fibreboard in the case. He was referring to the same appellate district's decision to order a retrial in Shell Oil Co.'s case against hundreds of its insurers for coverage over a polluted Colorado site. In ordering a retrial, the court said knowledge of pollution, not intent, is the cornerstone of culpability (*BI*, Jan. 25).

Concord, Calif.-based Fibreboard may be the least affected by the ruling. It recently agreed to settle all its outstanding bodily injury claim disputes with CNA and Chubb. If that settlement is carried out as planned, the recent rulings and any future appellate ruling will not affect Fibreboard's settlement with Pacific Indemnity Insurance Co., a Chubb unit, or Continental Casualty Co., a CNA unit.

But, Fibreboard still has disputes with insurers over more than $400 million on property damage coverage, and the appellate ruling could help its case in those disputes.

"Installation through release and re-entrainment (the stirring up of previously dislodged asbestos fibers) is a generous trigger. And full limits with apportionment is about all we could have asked for," said Mr. Freeman. BI

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance stocks tumbled last week, as the *Business Insurance* Index fell 18.8 points to 959.8 Nov. 19 from 978.6 on Nov. 12. Advancing issues for the week were led by: Poe & Brown, up 4.1%; AVEMCO Corp., up 3.4%; and Chandler Insurance, up 2.5%. Declining issues for the week followed: Phoenix Re Corp., down 16.7%; HCC Insurance Holdings, down 15.9%; and Allied Group Inc., down 15.2%. The most active issue was U.S. Healthcare, 4.0 million shares traded. The *BI* Index fell 1.9%; the Dow Jones 30 Industrials gained 0.3%; the NYSE Composite fell 0.8%; and the Standard & Poor's 500 fell 0.6%.

British Issues

Nov. 18 Companies	Price pence	P/E	Div. pence	Yield %	1 week High—Low pence	pence
Comml Union	605	N/M	29.8	4.9	606—594	
Genl Accident	671	N/M	33.8	5.0	691—658	
Gdn Royal Exch	205	N/M	9.0	4.4	208—205	
Royal	303	N/M	8.0	2.6	307—303	
Sun Alliance	371	N/M	17.8	4.8	371—364	
Brokers						
Bradstock	135	15.9	6.4	4.7	136—135	
CE Heath	399	19.1	20.0	5.0	401—399	
Hogg Group	157	17.4*	10.4	6.6	157—157	
JIB Group	174	17.1	9.5	5.4	174—174	
Lloyd Thmpson	280	18.9	8.4	3.0	285—280	
Lowndes Lmbrt	415	15.0	16.8	4.0	419—415	
PWS Holdings	68	10.1	5.0	7.3	68—68	
Sedgwick Grp	186	22.3	7.5	4.0	186—182	
Steel Brt Jones	149	N/M	15.0	10.1	149—148	
Willis Corroon	229	21.4	8.3	3.6	229—222	

Source: Philip Olsen, London * Estimated

BI Industry Stock Report

NOV. 15, 1993 THROUGH NOV. 19, 1993

		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	21.38	-7.57	-0.58	27.63	18.38	132	0.44	2.06	12	9.57	2.23
Alexander & Alexander	NYS	18.38	-6.96	-30.66	28.88	18.38	193	1.00	5.44	33	5.02	3.66
E.W. Blanch Holdings Inc.	NYS	21.50	1.18	N.A.	23.50	16.50	2	0.32	1.49	21	3.60	5.97
Gallagher Arthur J. & Co.	NYS	35.50	-3.07	25.66	37.38	25.50	65	0.72	2.03	18	6.26	5.67
Hilb, Rogal & Hamilton	NYS	12.63	1.00	-19.20	16.88	11.38	128	0.48	3.80	19	2.73	4.62
Marsh & McLennan	NYS	80.00	-2.14	-12.45	97.63	79.00	425	2.68	3.35	18	15.03	5.32
Poe & Brown	OTC	19.00	4.11	13.43	21.25	14.25	5	0.40	2.11	33	2.60	7.31
BROKERS	AVERAGE		-1.9	-4.0					2.9	22		
INSURERS/REINSURERS												
ACE Ltd.	NYS	30.00	-5.14	N.A.	36.00	25.50	932	0.40	1.33	7	25.37	1.18
Acceptance Insurance Cos.	NYS	12.50	-3.85	29.87	15.63	8.25	256	0.00	0.00	14	9.11	1.37
AEGON N.V.	NYS	50.00	-0.74	20.12	51.75	40.38	135	1.22	2.44	9	32.78	1.53
Aetna Life & Casualty	NYS	59.13	-1.05	27.15	66.25	42.63	796	2.76	4.67	20	65.43	0.90
Allied Group Inc.	OTC	23.75	-15.18	12.20	32.75	19.66	303	0.52	2.19	7	10.45	2.27
Allmerica Prop. & Casualty	NYS	56.88	-3.19	12.62	62.50	47.75	32	0.44	0.77	5	46.94	1.21
Allstate Corp.	NYS	28.63	-3.38	N.A.	34.25	27.13	2488	0.72	2.52	14	12.26	2.33
American General	NYS	27.63	-3.91	-3.07	36.50	25.88	1538	1.08	3.91	11	21.31	1.30
American Heritage Life Ins.	NYS	17.63	-7.24	-12.60	25.34	17.25	100	0.60	3.40	11	12.44	1.42
American Indemnity/Fin'l	OTC	13.00	0.00	116.67	16.25	5.75	6	0.12	0.92	5	16.18	0.80
American International	NYS	88.38	-0.42	14.28	100.25	73.41	3186	0.40	0.45	15	40.25	2.20
American RE Corp.	NYS	26.75	-7.76	-27.70	41.75	26.00	328	0.00	0.00	22	6.67	4.01
Aon Corp.	NYS	50.88	-1.45	-5.79	58.50	49.63	520	1.80	3.54	16	31.79	1.60
Argonaut Group	OTC	30.75	-4.65	0.82	35.50	27.75	136	1.00	3.25	10	25.52	1.20
AVEMCO Corp.	NYS	18.88	3.42	-19.25	25.50	16.75	30	0.44	2.33	16	7.75	2.44
Baldwin & Lyons Inc.	OTC	42.50	-5.56	16.44	45.00	33.50	0	0.60	1.41	11	34.75	1.22
Berkley W.R. Corp.	OTC	32.75	-9.03	-23.84	50.50	32.75	895	0.40	1.22	12	26.31	1.24
Berkshire Hathaway Inc.	NYS	17300.00	-1.56	47.23	17800.00	9825.00	1	0.00	0.00	-	7742.67	2.23
Chandler Insurance	OTC	5.13	2.50	7.89	5.25	3.50	60	0.00	0.00	20	8.87	0.58
Chubb Corp.	NYS	78.50	0.00	-11.67	96.38	76.50	1871	1.72	2.19	18	45.65	1.72
CIGNA Corp.	NYS	64.00	-1.54	9.17	68.38	54.13	930	3.04	4.75	11	79.82	0.80
CNA Financial Corp.	NYS	78.50	-1.57	-19.90	102.88	78.50	86	0.00	0.00	-15	75.07	1.05
Continental Corp.	NYS	29.50	-2.48	9.77	34.63	24.38	539	1.00	3.39	12	34.73	0.85
EXEL Ltd.	NYS	44.38	-1.66	-6.08	52.25	42.00	587	1.20	2.70	7	29.54	1.50
Fremont General Corp.	NYS	24.50	-2.49	-28.99	28.75	16.84	656	0.72	2.94	8	19.81	1.24
Frontier Insurance Group	NYS	44.88	0.84	3.16	50.00	31.81	37	0.60	1.34	15	14.78	3.04
Gainsco Inc.	ASE	8.50	-15.00	-39.82	17.69	8.50	282	0.04	0.47	11	3.27	2.60
General RE Corp.	NYS	110.38	-1.34	-4.64	133.38	107.00	880	1.88	1.70	14	49.90	2.21
Guaranty National Corp.	NYS	20.00	-1.23	1.27	24.75	17.25	123	0.48	2.40	11	10.44	1.92
Harleysville Group	OTC	25.75	-4.63	-8.85	32.75	22.63	73	0.64	2.49	13	18.35	1.40
Hartford Steam Boiler	NYS	46.88	-0.27	-18.83	59.88	43.75	225	2.12	4.52	55	18.03	2.60
HCC Insurance Holdings	OTC	29.00	-15.94	43.21	35.75	15.25	197	0.00	0.00	20	10.12	2.87
ITT (Hartford Group)	NYS	93.13	1.50	29.34	94.75	69.00	995	1.96	2.10	-	55.03	1.69
Kemper Corp.	NYS	36.25	-4.61	22.36	43.00	25.63	507	0.92	2.54	-8	33.69	1.08
Lawrence Insurance Group	ASE	5.13	-2.38	-40.58	9.00	4.00	8	0.16	3.12	-	4.17	1.23
Liberty Corp.	NYS	24.13	-3.50	-14.60	34.75	24.13	69	0.56	2.32	10	20.00	1.21
Lincoln National	NYS	42.63	-0.87	-41.71	48.25	34.69	507	1.64	3.85	9	31.41	1.36
Markel Corp.	OTC	39.38	0.64	26.00	40.50	27.75	22	0.00	0.00	11	20.21	1.95
Mid Ocean Ltd.	OTC	26.50	-6.19	N.A.	34.75	25.00	839	0.00	0.00	22	20.24	1.31
Mutual Risk Mgmt. Ltd.	NYS	30.00	-5.88	11.11	32.75	21.16	55	0.28	0.93	21	11.39	2.63
NAC Re Corp.	OTC	28.00	-2.61	-30.86	44.75	28.00	417	0.16	0.57	15	17.23	1.63
National Re Corp.	NYS	32.13	-1.15	8.44	39.63	27.00	91	0.12	0.37	10	14.18	2.27
Navigators Group	OTC	38.00	-2.56	16.92	39.00	28.50	25	0.00	0.00	21	16.99	2.24
Nobel Insurance LTD.	OTC	7.00	0.00	19.15	8.25	5.13	86	0.00	0.00	3	6.84	1.02
NWNL Companies	NYS	30.13	-7.66	18.43	38.75	21.63	428	0.80	2.66	14	21.65	1.39
Ohio Casualty Corp.	OTC	59.00	-6.16	-6.53	72.00	59.00	291	2.84	4.81	10	45.85	1.29
Old Republic Int'l	NYS	22.38	-2.72	-10.05	27.63	21.50	302	0.44	1.97	9	21.06	1.06
Orion Capital Corp.	NYS	28.88	-5.64	2.03	37.50	23.84	410	0.72	2.49	8	24.32	1.19
Phoenix RE Corp.	OTC	26.25	-16.67	66.67	38.25	13.00	496	0.28	1.07	-	11.88	2.21
Provident Life	NYS	29.88	-5.53	4.82	31.75	25.00	127	1.04	3.48	12	30.72	0.97
Re Capital Corp.	OTC	14.25	-4.20	-13.64	16.63	13.25	14	0.28	1.96	15	14.76	0.97
Reliance Group Holdings	NYS	7.75	-3.13	26.53	10.38	5.25	1399	0.32	4.13	3	2.99	2.59
RLI Corp.	NYS	25.50	0.00	3.03	28.63	23.25	21	0.56	2.20	12	18.62	1.37
St. Paul Companies	NYS	86.50	-2.95	12.34	98.00	72.00	394	2.80	3.24	-39	52.24	1.66
SAFECO Corp.	OTC	56.75	-3.81	0.00	66.75	54.75	1351	1.80	3.17	11	38.95	1.46
SCOR U.S. Corp.	NYS	13.88	-2.63	-20.71	20.75	13.50	246	0.32	2.31	21	14.69	0.94
Seibels Bruce Group	OTC	0.94	-11.76	-49.97	2.38	0.31	190	0.00	0.00	0	1.90	0.49
Selective Ins. Group	OTC	30.00	0.84	36.36	31.00	20.50	291	1.12	3.73	20	22.92	1.31
Sphere Drake Holdings	NYS	16.75	-3.60	N.A.	21.63	16.75	207	0.00	0.00	17	N.A.	N.A.
Statesman Group Inc.	OTC	12.25	-10.09	2.08	15.72	9.06	433	0.16	1.31	6	8.65	1.42
TIG Holdings	NYS	23.13	-3.65	N.A.	28.00	22.88	645	0.20	0.86	-9	17.14	1.35
Tokio Marine & Fire	OTC	58.50	-6.02	21.88	67.00	45.50	29	0.37	0.63	-	57.72	1.01
Torchmark Corp.	NYS	42.88	1.48	-24.45	64.75	41.13	542	1.12	2.61	12	15.15	2.83
Transatlantic Holdings	NYS	51.00	-0.97	-9.13	61.50	49.00	34	0.28	0.55	13	24.57	2.08
Travelers Corp.	NYS	31.75	-3.05	16.51	38.88	22.88	1265	1.60	5.04	-8	31.77	1.00
Trenwick Group Inc	OTC	38.50	-3.45	-5.52	49.75	37.25	63	0.88	2.29	12	26.00	1.48
United Fire & Casualty	OTC	36.00	-0.35	-13.25	43.00	34.75	1	1.08	3.00	-	28.96	1.24
Unitrin	OTC	41.75	-1.76	-2.34	46.75	36.50	160	1.40	3.35	14	37.69	1.11
UNUM Corp.	NYS	49.63	-1.49	-6.37	60.13	47.75	902	0.80	1.61	13	21.25	2.34
US Facilities Corp.	OTC	10.50	-4.55	5.00	14.00	6.50	390	0.00	0.00	10	10.48	1.00
USF&G Corp.	NYS	13.00	-3.70	5.05	19.63	11.13	1258	0.20	1.54	-	9.63	1.35
USLICO Corp.	NYS	17.25	0.00	-4.17	20.00	15.00	32	0.24	1.39	-6	23.61	0.73
USLIFE Corp.	NYS	39.00	-2.19	7.59	45.75	32.66	157	1.24	3.18	11	39.48	0.99
Washington National	NYS	24.25	1.04	5.43	28.00	21.75	58	1.08	4.45	10	28.84	0.84
Zenith National Ins.	NYS	22.25	-4.30	12.66	29.25	16.50	67	1.00	4.49	11	15.82	1.41
Zurich Reinsurance Centr.	NYS	30.38	0.00	N.A.	36.38	29.13	263	0.00	0.00	-	23.99	1.27
INSURERS/REINSURERS	AVERAGE		-3.4	3.2					2.0	9.4		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	25.00	2.04	25.00	30.00	17.38	789	0.00	0.00	17	9.50	2.63
Pacificare Health Sys.	OTC	39.75	-0.63	-22.06	57.50	25.50	261	0.00	0.00	18	3.90	10.19
Safeguard Health Enter.	OTC	11.25	0.00	15.38	12.25	7.75	22	0.00	0.00	14	5.04	2.23
Sierra Health Services	ASE	15.88	-3.05	-26.59	22.00	11.50	91	0.00	0.00	12	1.73	9.18
TakeCare Inc.	OTC	44.75	-4.28	0.56	50.25	25.75	83	0.00	0.00	15	13.84	3.23
United Healthcare Corp.	NYS	73.88	-0.17	29.89	76.38	40.00	1034	0.03	0.04	33	9.46	7.81
U.S. Healthcare	OTC	53.75	-1.38	20.45	59.75	36.75	4043	0.64	1.19	22	5.21	10.32
Wellpoint Health Networks	NYS	28.25	0.00	N.A.	39.75	23.00	248	0.00	0.00	17		
HMOs	AVERAGE		-0.9	3.7					0.1	16		
ALL COMPANIES	AVERAGE		-2.1	1.0					2.2	13		

System design: Nordby International Inc.

It's a risky world...

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