

Business Insurance

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

© Entire contents copyright 1987 by
Crain Communications Inc. All rights reserved

Indian judge sets Friday deadline for settlement in Bhopal disaster

DANBURY, Conn.—Union Carbide Corp. and the Indian government have until Friday to complete discussions on compensation for victims of the 1984 Bhopal poison gas disaster.

At a hearing last Wednesday, an Indian court gave the two sides until Nov. 27 to continue settlement talks in a \$3 billion suit filed against Union Carbide by the Indian government, which represents the victims.

Union Carbide disclosed in India last
Continued on next page

Exchanges under scrutiny



Photo: Arnie Adler

Some New York Insurance Exchange observers fear the exchange floor may be empty for good.

NYIE may stop writing after vote set for today

By DOUGLAS McLEOD

NEW YORK—The future of the New York Insurance Exchange is shrouded in uncertainty, though most members say they can identify the causes of the exchange's problems clearly.

The exchange's board of governors voted Nov. 13 to recommend an underwriting suspension after 27 of the exchange's 37 solvent syndicates filed plans to withdraw. Member syndicates and brokers are scheduled to vote on the proposal today, though a group of syndicates was expected to file suit Friday to block the vote.

The speed of the exchange's deterioration in recent weeks has surprised many members and observers.

Most, however, say the board's action was far from a sudden event. Instead, these members view the possible closing of the facility as the result of a long series of problems that gradually have weakened the exchange's position in the reinsurance and insurance markets.

The problems began with the poor timing of the exchange's opening in 1980 and the large volume of business it wrote at the height of a ferociously competitive market, these sources note.

The eight syndicate insolvencies that followed ultimately led to the exchange security fund's decision in September to draw down \$25 million to cover expected unpaid losses.

Some exchange members see the security fund drawdown, which cost all syndicates their \$500,000 deposits to the fund, as precipitating the chain of events—including the rash of withdrawal petitions and the proposed underwriting suspension—that has left the exchange in its current tenuous position.

Others, though, say the drawdown was merely the "last straw," the excuse many syndicates used to leave a facility that seemed unable to deal with many other basic problems, including inadequate back-office accounting procedures, unacceptably high expenses and a growing inability to attract high-quality business.

Many of these problems were outlined in a 1986 report prepared for the exchange board by Stewart Economics Inc., a New York-based consulting firm (see story, page 35).

Some underwriting managers, noting that they operate solvent,
Continued on page 33

Regulators train sights on IIE

By MEG FLETCHER

CHICAGO—Regulators in California and Illinois are increasing their scrutiny of the Illinois Insurance Exchange in the wake of the financial problems that closed the Insurance Exchange of the Americas in Miami and threaten operations at the New York Insurance Exchange.

The California Insurance Department has labeled three of the 13 active syndicates on the Illinois exchange as "unacceptable" sources of new or renewal surplus lines insurance for California buyers, ac-

cording to a Nov. 6 letter by John J. Faber, the department's chief counsel, to the Surplus Line Assn. of California in San Francisco.

The three syndicates—the only IIE syndicates recently presented to the department for review by surplus lines brokers—are LUI Insurance Syndicate Inc., Britamco Underwriters Inc. and First Oak Brook Corp. Syndicate.

The California department maintains all three syndicates cannot meet new departmental requirements for surplus lines insurers that were established this
Continued on page 32

EEOC brief supports window plans

By DEBORAH SHALOWITZ

WASHINGTON—Employers can offer early retirement incentives to a select group of workers based on their age provided the employer has a "legitimate business reason" for structuring the plan in such a manner, asserts the Equal Employment Opportunity Commission.

Experts say the EEOC's position is a major departure from existing interpretations of federal guidelines affecting early retirement "window" plans.

However, the American Assn. of Retired Persons and congressional committee staffers are taking issue with the EEOC's stance on the issue.

The EEOC presented its position in an amicus curiae brief filed on behalf of defendants in *Cipriano vs. Board of Education of*

North Tonawanda, a case pending in U.S. District Court for the Western District of New York.

At issue is whether the Board of Education in the Western New York town violated the Age Discrimination in Employment Act by offering an early retirement incentive to employees ages 55 to 60, but not to those older than age 60.

The case is important because "it goes largely to the fundamental questions of how employers can go about reducing the size of their workforce," said Seth Tievsky, an attorney in The Wyatt Co.'s Research & Information Center in Washington, D.C.

Furthermore, there are "just a handful of legal decisions" on early retirement incentive programs, pointed out Christopher G. Mackaronis, an attorney for the American Assn. of Retired Persons, the Washington-

based retiree advocacy organization.

The early retirement incentive that North Tonawanda offered to teachers who agreed to retire within 2½ years took the form of either a \$10,000 lump-sum payment or a combination of paid-up medical insurance premiums through age 65 plus a reduced lump sum, the total of which would equal \$10,000 in value.

The two teachers who filed the lawsuit in 1984 were 61 years old at the time. They had been eligible for an early retirement incentive a few years earlier and chose not to accept it.

The plaintiffs and the AARP, which has also filed an amicus brief, say the early retirement program discriminates on the basis of age and the incentive should be offered to all employees, regardless of age.

However, the city and the EEOC contend

that ADEA protects an early retirement incentive plan even if it provides unequal benefits to older workers, provided participation in the plan is voluntary and there is a legitimate business reason for structuring the plan with specific age limitations.

Observers say that although the EEOC's position is a major new interpretation of ADEA, the EEOC has not proposed any new regulations under the law.

Under ADEA, employers may not discriminate in compensation arrangements on the basis of age against employees age 40 or older.

However, Section 4(f)(2) of the law provides an exception to this rule, saying an employer may make age-based distinctions in bona fide retirement, pension and insurance plans provided they are not doing so as "a

Continued on page 31

ISO proposes new endorsement to limit insurers' defense costs

Page 2

Continental crash in Denver won't boost insurance costs

Page 3

London transport authority covered for subway fire claims

Page 4

Bhopal talks continue

Continued from previous page

week that it had offered to pay a total of \$496.2 million, to be paid to victims or their heirs in varying amounts over a 10-year period. A Carbide spokesman said Friday that negotiations are continuing.

The chemical giant had \$200 million in excess liability insurance limits at the time of the accident, which killed 2,660 people, severely injured 20,000 others and slightly injured 186,000 (BI, Dec. 24, Dec. 31, 1984).

By year-end 1985, Carbide also had set aside most of a \$185 million charge to cover Bhopal-related liabilities, the spokesman said.

Professor gets IRIS data

WASHINGTON—A judge has ruled that an insurance professor who edits an insurance publication can receive previously confidential information that the National Assn. of Insurance Commissioners developed to spot troubled insurers.

A District of Columbia Superior Court ruled that insurance regulators in the district should release the information to Joseph Belth, a professor at the University of Indiana in Bloomington, thereby granting his request under the Freedom of Information Act.

Released were three 1987 reports developed from the NAIC's Insurance Regulatory Information Service data. One report describes five-year trends showing property/casualty and life/accident/health insurers that need immediate regulatory attention or were targeted for attention. Two other reports provide supplemental ratios on life/accident/health insurers, including one on the adequacy of loss reserves.

NAIC officials said in a recent letter that "IRIS financial ratios and the examiner team analysis are not intended to be used as a rating system for insurers or as absolute indications of imminent financial difficulty." They caution that "misclassifications do occur and misimpressions can be obtained without further review by an experienced analyst familiar with insurance company operations, financial reporting procedures as well as a knowledge of the IRIS financial ratios."

The NAIC previously stopped sending IRIS data to regulators facing access requests. However, a clerical error caused this information to be sent to the District of Columbia, said James Schacht, chief deputy director of the Illinois Insurance Department.

Jewel to offer settlements

CHICAGO—Jewel Food Stores Inc. will offer a court-approved settlement within the next two months to about 2,400 of a group of 15,000 persons who became ill after drinking salmonella-tainted milk produced by the company's dairy in 1985.

Cook County Circuit Court Judge John M. Breen Jr. last week approved a plan under which Jewel will pay \$800 to each claimant who was ill one or two days and \$1,000 each to claimants who were ill between three and four days.

Claimants, who must have medical documentation of illness, also will be indemnified for as yet undetermined medical expenses and lost wages, according to Jewel attorneys Michael Pope and Michael Howlett of Phelan, Pope & John in Chicago.

The remaining 12,600 cases, which either lack documentation or are considered more serious, will be reviewed individually. Contested cases will be heard by a judge whose decision is final, according to the agreement reached between attorneys for plaintiffs and defendants.

Jewel, and its parent American Stores Co. Inc., had an estimated \$71 million in insurance coverage to pay claims and costs (BI, April 7, 1986). However, some insurers are disputing the coverage.

Harbor loses bad-faith case

LOS ANGELES—A Los Angeles Superior Court jury has ordered Los Angeles-based Harbor Insurance Co. to pay American Motor Inns Inc. \$23.2 million in damages because the insurer exercised bad faith in settling a lawsuit against AMI subsidiaries.

The jury Tuesday ordered Harbor to pay \$10.25 million in compensatory damages and approximately \$13 million in punitive damages.

The case arose from a lawsuit brought against subsidiaries of Roanoke, Va.-based AMI by a man who was severely injured in 1977 swimming pool diving accident at the Frenchman's Reef Holiday Inn on the island of St. Thomas in the Virgin Islands. AMI was the parent company of Atlas Motor Inns Inc. and Flamboyant Investment Co. Ltd., which owned and operated the hotel.

Harbor wrote \$5 million in excess liability coverage for AMI between August 1977 and August 1978 that covered Atlas but not Flamboyant. Harbor ultimately paid the accident victim \$2.5 million to settle the case on behalf of Atlas.

However, AMI sued Harbor in 1982 contending, in part, that the insurer acted in bad faith by entering into a secret agreement with the plaintiff concerning Flamboyant. AMI attorney William Shernoff, who is with the Claremont, Calif., firm of Shernoff & Levine, said Harbor guaranteed the plaintiff another \$1 million if he could not recover that amount from Flamboyant.

However, Flamboyant subsequently agreed to settle with the accident victim for \$1.9 million.

"The message this case sends is that if this is the law, why should a parent company bother insuring its subsidiaries and

Continued on page 33

Errors & omissions

• Three reinsurance brokers—Crawley Warren Black Inc., Crump Re and Cypress Creek Intermediaries Inc.—were accidentally omitted from the directory of reinsurance intermediaries that appeared in the Nov. 16 issue. The listings for these three companies appear on page 32 of this issue.

ISO offers plan to limit insurers' defense costs

By MICHAEL BRADFORD

NEW YORK—The Insurance Services Office Inc. is proposing an endorsement to its primary commercial general liability policy forms that would cap an insurer's defense costs at an amount equal to the policy's aggregate limit.

Regulators and producers say the endorsement would cause problems for policyholders because it is unclear as to what exposures the endorsement would apply.

They also point out that under the proposal policyholders still would not be able to control their defense costs. In addition, policyholders or their excess insurers would have to take over the defense of litigation after the defense limit is exhausted, possibly disrupting the defense.

However, some observers predict that most insurers will not be willing to add the endorsement to policies because the commercial insurance marketplace is softening.

The ISO proposal is aimed at satisfying some of the objections by the National Assn. of Insurance Commissioners to ISO's attempt to include defense costs within the policy limits of its commercial general liability forms (BI, Dec. 15, 1986).

Unlike that proposal, the endorsement ISO now is seeking would not be mandatory and would establish defense cost limits outside of a CGL policy's aggregate limits.

The endorsement is structured to provide defense cost limits of 100% of either the general aggregate limit or the products and completed operations aggregate limit, whichever would apply to the litigation.

The endorsement also would transfer control of defense from the insurer to the policyholder when coverage is exhausted.

An ISO spokesman said the New York-based policy form and ratemaking organization is seeking feedback concerning the endorsement from regulators, insurers, producers and insurance buyers.

So far, buyers, regulators and producers indicate they do not like the looks of the proposal.

Although the Risk & Insurance Management Society Inc. is being "uncharacteristically mum" on the issue by refusing to comment on specifics of the ISO proposal, the organization is "not looking favorably on it," said Jon Harkavy, RIMS director of governmental affairs.

RIMS has met with ISO officials and has expressed its concerns about the proposed endorsement, "but no agreement was reached," Mr. Harkavy said. "We are reviewing our position."

He said RIMS will make its views on the proposal known in a position paper it will present at the NAIC's national meeting in Phoenix, Ariz., next month.

Nevada Insurance Commissioner David Gates, who is a member of the NAIC subcommittee that is studying the proposed endorsement, said regulators will

Continued on page 29

Lloyd's new broker rules could broaden ownership

By CAROLYN ALDRED

LONDON—Less restrictive rules proposed last week governing ownership of Lloyd's of London brokers could have a far-reaching effect on the entire London market, observers say.

The rules, among other things, would give parent companies more control over their Lloyd's brokerage subsidiaries, according to Barry Gibson, general manager of Lloyd's Broker Regulation Committee.

Over the last 10 years, Lloyd's has sought "non-interference" undertakings from companies outside the Lloyd's community, including U.S. brokers that have purchased Lloyd's brokers, he explained, but these would be modified under the proposed rules.

In addition, the rules would eliminate the "26% rule," which prohibits insurance companies from owning, either directly or indirectly, more than 26% of a Lloyd's broker.

Under the proposed regulations, in fact, Lloyd's will not be allowed to restrict any type of parent company from owning a Lloyd's broker.

In 1978 Lloyd's passed a rule that insurance interests outside Lloyd's should not own more than 20% of any Lloyd's broker. Although Lloyd's has not used the rule to prevent companies, particularly major U.S. brokers, from acquiring Lloyd's brokers, the proposed

regulations would finally abolish the 20% rule.

However, the regulations could reduce the number of brokers authorized to place business at Lloyd's by requiring them to be registered and to meet certain financial requirements, according to Lloyd's Deputy Chairman Alan Parry.

The proposed rules governing the ownership, control and operation of Lloyd's brokers were published last Thursday by the Lloyd's Broker Regulation Committee in response to a government inquiry headed by Sir Patrick Neill that in January urged the revision of Lloyd's broker regulations "without delay" (BI, Feb. 9, Jan. 26; Jan. 19).

The consultative document titled "The Regulation of Lloyd's Brokers" also includes a draft code of practice for Lloyd's brokers.

Members of the Lloyd's community have until Jan. 22 to comment on the proposed regulations, which Lloyd's hopes to finalize by March, said a Lloyd's spokesman.

The modification of the "non-interference restrictions" is an extension of a recommendation in the Neill Report concerning the ownership of underwriting agents, said Mr. Gibson.

The Neill report said that restrictions on shareholders of Lloyd's underwriting agents may "impede the

Continued on page 33

Inside

✓ The London Regional Transport Authority has coverage for an estimated \$7.4 million in losses following last week's fire at the King's Cross subway station, which killed 30 people and injured 53 others. **PAGE 4**

✓ Chicago-based broker Rollins Burdick Hunter Co. will be a minority shareholder in a new Lloyd's of London brokerage to be established by several former key executives of Stewart Wrightson Holdings P.L.C. **PAGE 6**

✓ It's not too late to save the New York Insurance Exchange if decisive action is taken to solve the its financial problems and to construct a viable plan for the market's future growth, this week's editorial says. **PAGE 8**

✓ Construction contractors will see insurance rates continue to fall as the insurance market softens, an expert predicts at the Seventh Annual Construction Insurance Conference, held in New Orleans. Coverage begins on page **PAGE 14**

✓ The reactions to the crises of confidence faced by the New York Insurance Exchange and the New York Stock Exchange is a study of contrasts, says New York State Sen. John R. Dunne in Perspectives. **PAGE 21**

✓ A government contractor sued in product liability litigation can escape liability if it can show the government created a known risk and that the contractor complied

with specifications precisely prescribed by the government, the Florida Supreme Court says. **PAGE 26**

✓ Bermuda-based Riverplate Reinsurance Co. Ltd. is resisting legal action brought by two Lloyd's of London syndicates to have the reinsurer wound up. **PAGE 29**

Departments

Around the states	26
Benefit beat	28
Classifieds	30
Datebook	31
Financial briefs	12
Info	30
Insurance services guide	34
Legal briefs	22
Letters	8
London	24
Opinions	8
Perspectives	00
Products & services	21
Ticker	35
Washington	28

Vol. 21, No. 47—Business Insurance (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1511. Copyright 1987 by Crain Communications Inc.

Denver crash won't boost airlines' rates

By STACY SHAPIRO

LONDON—Last week's crash of a Continental Airlines jetliner on takeoff in Denver, which killed 28 people and injured 54 others, will have no effect on plummeting airline hull and liability insurance rates.

Brokers and underwriters in the United States and London say the Continental disaster—which underwriters say could cost insurers around \$50 million in liability insurance—coupled with the crash of a Northwest Airlines Inc. jetliner near Detroit in August will not stop rates from falling through at least April 1988.

April 1988 insurance rates will continue to be cut by as much as 60% and liability rates will continue to drop as much as 50%, they say.

In fact, Continental's parent company, Texas Air Corp.—which had placed its Dec. 1 coverage renewal for its \$10.3 billion fleet prior to the Nov. 15 crash—received about a 45% reduction on hull and liability rates, according to underwriters in London.

The crash will have no major effect on Continental's renewal, they say.

The loss of the Continental jetliner "won't make much of a difference" for rate reductions "because 1987—touch wood—has been

a good year," said one London aviation underwriter. "Underwriters have money to pay for this, plus more."

"My guess is that rates will not be materially affected," added Jerry Frick, managing director of the aviation division of Marsh & McLennan Inc. in New York. During fall renewals "all the world airlines have had reductions on average of 50% on hulls and 40% on liabilities. Underwriters have made a terrific amount of money and there's been an increase in capacity, the reverse of what happened three years ago when capacity dried up."

The Continental DC-9 passenger jet bound for Boise, Idaho, with 77 passengers and five crew members aboard flipped over and broke apart on takeoff during a blinding snowstorm at Denver airport. As of late last week, 28 people had died and the rest were injured, some critically, though about 21 people were able to walk away from the wreckage without assistance.

The Continental jetliner is valued by insurers at \$4 million, said a Lloyd's of London spokesman. Underwriters so far have not been notified that a liability reserve has been set up. However, brokers and underwriters in

Continued on page 34

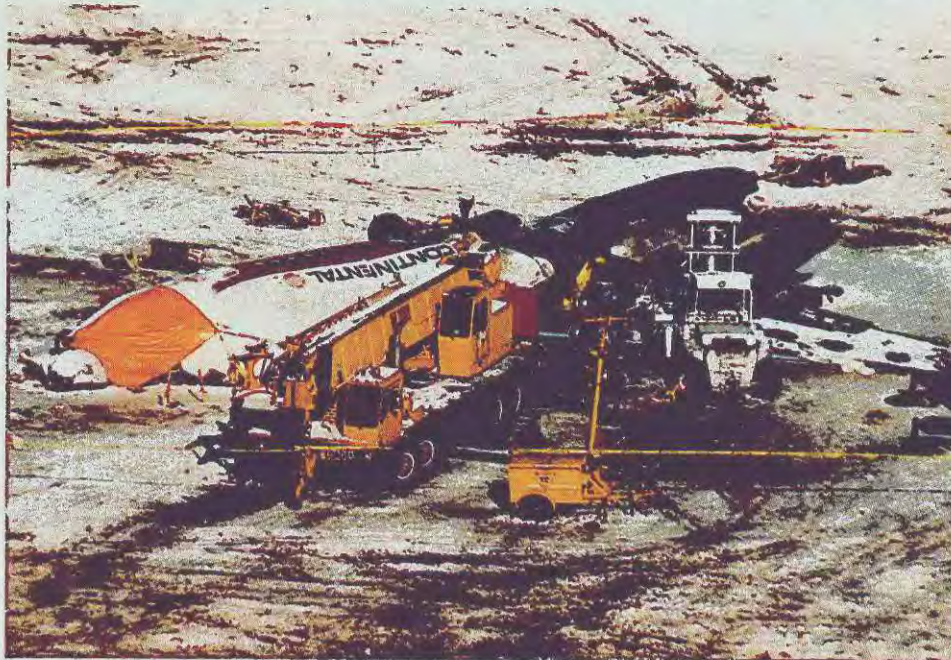


Photo: AP/Wide World

Twenty-eight people were killed when the Continental DC-9 flipped over on takeoff.

Fireman's Fund allowed to leave Massachusetts

By LAURA MAZZUCA

BOSTON—The Massachusetts Insurance Department is allowing Fireman's Fund Insurance Cos. to withdraw from the state's insurance market in return for a one-time \$45 million payment to the state's assigned risk automobile insurance pool.

In addition, Fireman's Fund will be liable for its share of losses it incurred before withdrawing from the pool, which could amount to an additional \$10 million to \$15 million, said Insurance Commissioner Roger Singer.

The agreement settles the month-old litigation between Fireman's Fund and the department in which the insurer charged that both the department's attempt to force the insurer to continue writing in the state and the system for setting automobile insurance rates for Commonwealth Auto Reinsurance, the state's auto liability assigned risk plan, are unconstitutional.

However, the settlement amount falls far short of the insurer's \$75 million offer to withdraw only from the pool but continue writing other coverages in the state. The department rejected the offer last month, saying the terms of the offer violated state statutes.

Mr. Singer said he does not expect that the department will reach any similar agreements with other insurers in the state that claim they are experiencing financial hardship because of their mandatory participation in the pool.

Under the agreement, which was finalized Nov. 13, the Novato, Calif.-based insurer, has discontinued writing all business in the state and has paid a one-time \$45 million assessment fee for 1987 and 1988 to the state's auto insurance pool, said Richard J. Underwood, an attorney with Finnegan

Continued on page 29

Alliance seeks more tort reform

By STEPHEN TARNOFF

SCHAUMBURG, Ill.—Believing that the impetus for reforming the nation's tort system is slowing in state legislatures, the Alliance of American Insurers is taking its case directly to the courts.

The Schaumburg, Ill.-based Alliance is advocating procedural and administrative adjustments in the nation's courts as a more practical way of achieving tort reform.

The Alliance's suggestions for those adjustments are advanced in a new booklet prepared by the insurance trade organization, and a copy of the booklet has been sent to every federal judge, state supreme court justice, organized judicial group and state and national bar association, said Alliance President Franklin W. Nutter in an interview last week.

He added that early response to the booklet, titled "Advancing Justice: May We Approach the Bench?" has been favorable.

"Our effort is to focus on procedural and administrative parts of the system that need attention and also affect the cost of insurance," Mr. Nutter said.

Among the issues discussed in the Alliance's 100-page booklet are:

- The need for alternative dispute resolution.
- Encouraging settlement of cases.
- Ending discovery abuses.
- Reducing legal costs for plaintiffs and defendants.
- Ending abuses in class-action suits. These suits often intimidate and coerce defendants into "unwanted" settlements, the Alliance says in the booklet.
- Halting frivolous lawsuits.
- Changing the rules regarding permissible evidence to assure fairness to all parties.
- Ways for courts to better manage litigation.
- The role that juries should play, if any, in complex civil cases and the size of recent jury awards.

Continued on page 26

Union sues New York utility

By JUDY GREENWALD

NEW YORK—A utility workers union is suing Consolidated Edison of New York Inc. and seven members of the company's management for \$139 million, claiming they deliberately exposed 139 workers to asbestos.

The suit, which was filed in U.S. District Court for the Southern District of New York in Manhattan by the 14,000-member Local 1-2 of the Utility Workers Union of America, claims the workers were exposed to friable asbestos while renovating and re-insulating two giant boilers at a Manhattan Con Ed power plant this summer.

The suit contends management knew the boilers' insulation contained dangerous levels of asbestos but assigned employees to work in the area without any protection.

"At this point, we're investigating the allegations and studying the papers that were filed," a Con Ed spokeswo-

man said. She would not comment on the utility's insurance coverage.

The utility must respond to the suit by Nov. 30.

Attorney Louis Nikolaidis, with the law firm of Clifton & Schwartz in New York, which is representing the union, said the employees were exposed to insulation with a 35%-65% asbestos content. The Occupational Safety and Health Administration forbids unprotected exposure to material with an asbestos content greater than 1%, he said.

Ordinarily, a state's workers compensation system is the exclusive remedy for workers who suffer workplace injuries. However, Mr. Nikolaidis said the New York workers compensation law allows employees to sue employers when there are allegations that employers intentionally have harmed employees.

Continued on page 10

Retiree health rules to cut profits: Study

By JERRY GEISEL

WASHINGTON—Employers will be forced to consider ways to limit their retiree health care liabilities if the accounting profession, as expected, adopts new rules for reporting these liabilities, the authors of a new study say.

The new accounting rules could add an annual \$2,000 expense per active employee against earnings, according to "Measuring and Funding Corporate Liabilities for Retiree Health Benefits," a study published this month by the Employee Benefit Research Institute, a Washington-based benefits think tank.

For the median Fortune 500 company, this could reduce net income 30% to 60%, according to the report.

Next year, the Financial Accounting Standards Board is expected to publish proposed rules requiring employers to recognize retiree health obligations on corporate balance sheets.

While the exact shape of the FASB rules is not known yet, the rules are expected to propose that the cost of retiree health care liabilities be accrued as an annual expense against corporate earnings over the working lives of covered employees.

For a typical Fortune 500 company with a generous retiree

health care plan, the annual expense against earnings could be \$2,000 per employee, according to Phyllis Doran, a consulting actuary in the Washington office of Milliman & Robertson Inc. and co-author of the study.

"It is an astounding number," said study co-author Bill Reimert, a consulting actuary in Milliman & Robertson's Philadelphia office.

By contrast, employers now only include their current annual costs for retiree health care benefits—such as the premium for a health insurance policy or claims costs if a company self-funds its retiree health care plan—as an expense item.

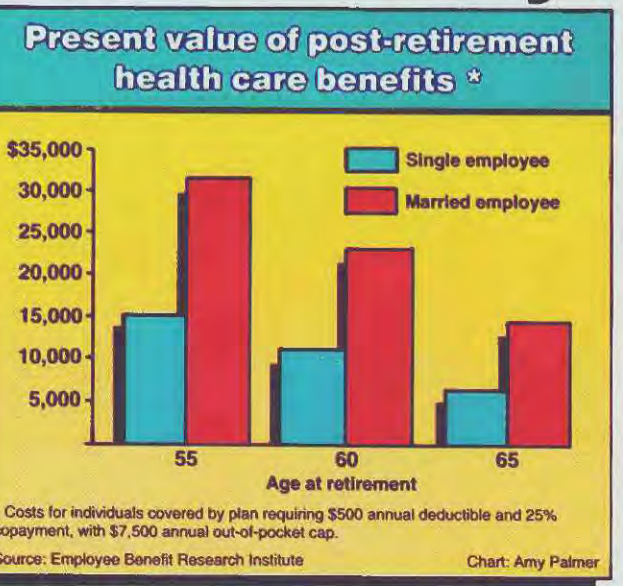
Those pay-as-you-go costs for retiree health care typically amount to between \$200 and \$400 per current employee annually, according to Mr. Reimert and Ms. Doran.

Besides cutting corporate earnings, the FASB rules could cause many other problems for companies. "It could affect corporate stock prices, their bond ratings, their ability to borrow money," Mr. Reimert said.

With those kind of implications, more employers will be taking a new look at their retiree health care plans, the authors say.

"The FASB rules will force employers to face the reality of

Continued on page 27



Transit agency covered for subway claims

By STACY SHAPIRO

LONDON—The London Regional Transport Authority has at least 17 million pounds (\$29.9 million) in liability coverage for last week's fire at the King's Cross subway station, which killed 30 people and injured 53 others.

However, liability losses may only reach 4.2 million pounds (\$7.4 million) because the injured and the survivors of those killed are expected to receive only a maximum 50,000 pounds each (\$88,000)

in compensation.

Insurance sources in London say that LRT self-insures the first 2 million pounds (\$3.5 million) of its property and liability exposures under a complicated property and casualty insurance program that will pay property, business interruption and liability losses.

The next 5 million pound (\$8.8 million) layer excess of 2 million pounds also covers property and casualty losses. The next 10 million pounds (\$17.6 million) excess of 7 million pounds (\$12.3 million) is

either in two layers of 5 million pounds or one layer of 10 million pounds and may cover only casualty losses, though some underwriters believe this insurance also may cover property and business interruption losses.

LRT's insurance program is placed with Lloyd's of London syndicates and major British insurance companies. One of LRT's brokers is Sedgwick Ltd., which will not comment on the coverage.

An LRT spokesman said that LRT was fully insured for property

damage and liability losses, but would not give details.

The fire broke out about 7 p.m. Wednesday, at the end of the evening rush hour, on an escalator leading up from one of the myriad subway lines that stop at King's Cross, London's busiest "tube" station. Trains continued to stop at the platforms below the fire, and passengers continued to try to reach street level as smoke billowed through the station's underground ticket office.

Shortly after the fire, LRT told

victims through news reports to contact the London Regional Transport Risk Management Department for immediate "special payments to those victims or the families of victims who have suffered hardship as well as distress following the fire."

An LRT spokesman said the payments would be made "without admission of liability."

Compensation for victims and survivors is not expected to reach more than 50,000 pounds per person, according to Mark Mildred, partner at the London law firm of Pannone Napier. Victims have been told to contact the Law Society—the British equivalent of the American Bar Assn.—if they feel they are eligible for compensation.

The Law Society, which had received about 20 phone calls on Friday, is coordinating all potential legal claims through the Accident Legal Advice Scheme, which was set up in May after a British-owned ferry capsized. ALAS, made up of several law firms including Pannone Napier, offers its first interview free of charge and then will set up a coordinating committee of lawyers to seek compensation for victims.

LRT has launched an internal investigation into the cause of the fire, and the British government has set up a public inquiry to examine the cause of the fire and steps that can be taken to prevent a similar disaster.

However, reports say a study by the London Passenger Transport Research Group issued after a 1984 fire at the Oxford Circus subway station called for radical reforms at subway stations that have not yet been implemented.

Berman, Nash join BI staff in N.Y. office

NEW YORK—Kari Berman has been named a staff reporter in *Business Insurance's* New York bureau, Associate Publisher and Editor Kathryn J. McIntyre announced.

Ms. Berman, 21, who will receive a bachelor of arts degree in English literature from Columbia University in New York in the spring, had been an intern in the New York bureau last summer.

Before joining *Business Insurance*, Ms. Berman worked in the business section of Working Woman magazine and as an editor for the Spectator, Columbia University's newspaper.

Ms. Berman can be reached at 212-210-0775.

In addition, Collin Nash has joined *Business Insurance* as an editorial assistant in the New York bureau.

Mr. Nash, 31, is currently working on a bachelor's degree in journalism at New York University and plans to graduate in the spring of 1989.

He most recently worked as an editorial assistant at Economic World in New York, reporting on business issues affecting Japanese/American trade and relations.

Mr. Nash can be reached at 212-210-0140.



Ms. Berman



Mr. Nash

Crawford & Company now offers overnight updates to your claims administration database

Claims administration with value added . . . overnight information to explore options and keep track of claims progress.

The choice is yours. . . You can analyze massive traditional monthly loss runs using data which is obsolete before you receive it. Or you step into the future with PC-based interaction with Crawford's mainframe with SISDAT+™.

Each night the Crawford mainframe is fed the day's financial and data updates as submitted by Crawford's nearly 550 claims offices in the U.S., Canada, and Puerto Rico. Your reports reflect the **latest** data available on your claims.

Through your PC, you may order **standard** report modules which, for example, allow you to analyze potential retention levels or create customer loss runs with **single word** commands. Or you can **customize** that report to isolate one region's performance compared to the

rest of your organization, even on a "claims made" basis if you wish. You can also choose from other options, too numerous to mention here.

How can you use the information? **Communicate** better with top management . . . **analyze** the potential cost benefit for risk control and **have** the supporting data right at hand . . . **package** your claims experience to allow your broker and/or underwriters to better understand your real exposures.

Send today for the 64-page booklet describing the SISDAT+ RMIS, supported **exclusively** by the nationwide system of Crawford & Company claims professionals.

Crawford & Company
5620 Glenridge Dr., N.E.
Atlanta, Georgia 30342

Better yet, give Barry LaFleur a call at (404) 256-0830. As Crawford's Vice President, Market Production, he'll respond to qualified inquirers with our SISDAT+ information **overnight**.



CLAIMS SERVICES

I'd like to see exactly what you mean about Crawford's "value added" claims administration. Send me the SISDAT+ booklet showing sample reports and how they can be used.

Name _____
Title _____
Company _____
Address _____
City, State, Zip _____
Phone (____) _____

They're lucky. Six million other retired Americans are in a different boat.



For many Americans, retirement is exactly what they hoped for.

But for others, retirement can be complicated by poor health. One out of four Americans will require long-term care in a nursing home with an average annual cost of \$20,000 to \$30,000. How that care is paid for has become a complex issue.

History has shown that personal savings and programs like Medicare and Medicaid can't cover all the costs of retirement health care. Companies with retirement health benefits also face the problem of unfunded future liabilities.

Additional solutions must be found to address this retirement health care cost issue that will eventually affect every person, company and institution in our country.

At NWNL Group, we're developing an employee benefit program called LifeScope® that would provide for a person's retirement years and working years. What makes the LifeScope Program unique is its comprehensive approach to providing benefits. It is more than life insurance and a nursing home policy.

By managing the delivery of health care and planning for future needs, the LifeScope Program can find alternatives that make health care more affordable, while allowing individuals to live independently. The program's benefits would be voluntary, flexible and portable.

Many elements of the LifeScope Program have already been put into place through current NWNL Group benefit programs. Using our resources as the nation's

10th largest group insurance company, we will soon be adding more elements.

To find out more about NWNL Group and the LifeScope Program, contact Ginny Patrick, NWNL Group, Box 20, Minneapolis, MN 55440 or call (612) 372-5784. Because now is the time to begin solving the problems of providing health care in the future.

NWNL GROUP
The right benefits for today.
The right ideas for the future.™

RBH to buy share of new Lloyd's broker

By STACY SHAPIRO

LONDON—Chicago-based broker Rollins Burdick Hunter Co. will be a minority shareholder in a new Lloyd's of London brokerage to be established by several former key executives of Stewart Wrightson Holdings P.L.C. who resigned following the broker's acquisition by Willis Faber P.L.C.

RBH Chairman and Chief Executive Officer Patrick G. Ryan will not comment on how large of an interest RBH will hold in the new

'All of us are very excited about the prospects for this new enterprise and believe that both underwriters at Lloyd's and the London company market will be supportive and that insurance buyers will benefit,' says Martin Nicholson.

company.

However, reports in London say RBH, the seventh-largest U.S. broker, will own between 35% to 40%

of the new broker.

"We are pleased to have the opportunity of taking a minority position in this dynamic organiza-

tion," Mr. Ryan said in a statement. "It will provide easy access to London markets for certain of our major U.S. clients. At the same time, we shall also be continuing to use other London broking firms in appropriate circumstances."

Speculation that RBH would be an investor in a new London brokerage that would include key Stewart Wrightson executives was reported earlier (*BI*, Nov. 9).

RBH and the Stewart Wrightson executives confirm that the execu-

tives who will join the new Lloyd's brokerage will include:

- Martin Nicholson, Brian Stewart-Brown and Richard Holt, who own Lloyd's aviation reinsurance broker Nicholson Stewart-Brown Ltd., which will be absorbed by the new brokerage.

Nicholson Stewart-Brown was previously known as Nicholson Stewart Wrightson and was 49% owned by the three directors until they bought the remaining 51% that had been held by Stewart Wrightson Holdings for 3.5 million pounds (\$6 million) earlier this year. Nicholson Stewart-Brown employs about 50 people.

- Nigel Chamberlain, Tony Fell and Graham Addiscott, the three directors of Stewart Wrightson North America Development Ltd. who announced Oct. 31 they were leaving the merged Willis Faber-Stewart Wrightson. Many of the approximately 20 other employees who have left the division are expected to join the new brokerage.

- Alan Colls, the former chairman of Stewart Wrightson Ltd., who is expected to join the new brokerage Dec. 1.

- Jonathan Palmer-Brown, former chairman of Stewart Wrightson Aviation Ltd., the brokerage's powerful aviation division, and Peter Butler, former managing director of the aviation division, who will join the group at the end of January. Many of the two dozen other employees who left Stewart Wrightson's aviation division when Mr. Palmer-Brown and Mr. Butler left are also expected to join the new brokerage.

Mr. Nicholson told *BI* that the name of the new Lloyd's brokerage will likely be Nicholson, Chamberlain & Colls Ltd., although no final decision has been made.

The new brokerage is currently seeking approval by Lloyd's to become a Lloyd's broker. Nicholson Stewart-Brown already is a Lloyd's broker.

"Much of what we are doing is still in the planning stages," Mr. Nicholson said in a statement last week. "All of us, however, are very excited about the prospects for this new enterprise and believe that both underwriters at Lloyd's and the London company market will be supportive and that insurance buyers generally will benefit from new choices becoming available to them."

Mr. Ryan told *BI* that RBH and its parent, Aon Corp., have been looking to purchase a minority position in a Lloyd's broker for some time and first became interested in the new venture when the three directors of Nicholson Stewart-Brown bought the remaining 51% of the company in late summer.

RBH already produces North American business for Stewart Wrightson North America Development and is the broker for United Airlines, Stewart Wrightson's largest U.S. aviation account.

RBH joins the ranks of other Top 10 U.S. brokers who own all or a substantial interest in Lloyd's brokers.

Marsh & McLennan Cos. Inc. owns C.T. Bowring & Co. Ltd.; Alexander & Alexander Services Inc. owns Alexander Howden Group Ltd.; Johnson & Higgins owns Johnson & Higgins Ltd., formerly Carter, Brito e Cunha Ltd.; Frank B. Hall & Co. Inc. owns Leslie & Godwin P.L.C.; Corroon & Black owns 29.9% of Minet Holdings P.L.C.; and Arthur J. Gallagher & Co. owns Gallagher Plumer Inc.

In addition, Lloyd's broker Sedgwick Group P.L.C. owns New York-based Fred S. James & Co. Inc., and Jardine Emett & Chandler Inc. is an affiliate of Jardine Insurance Brokers Ltd. ■

EISEN
HANNOVER

THE WHOLE IS GREATER THAN THE SUM OF ITS PARTS.

We'll make synergy work.
The Underwriting departments of the HANNOVER Re and the EISEN UND STAHL Re will be merged by 31st December, 1987.
Our combined capacity and expertise should greatly benefit the insurance community as a whole.
We are well prepared for the challenges of the future.

HANNOVER Re · EISEN UND STAHL Re
Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · West-Germany

PROTECTION.

Need and instinct bonding parent to newborn.
A responsibility borne by both man and beast.
The human distinction? Foresight.

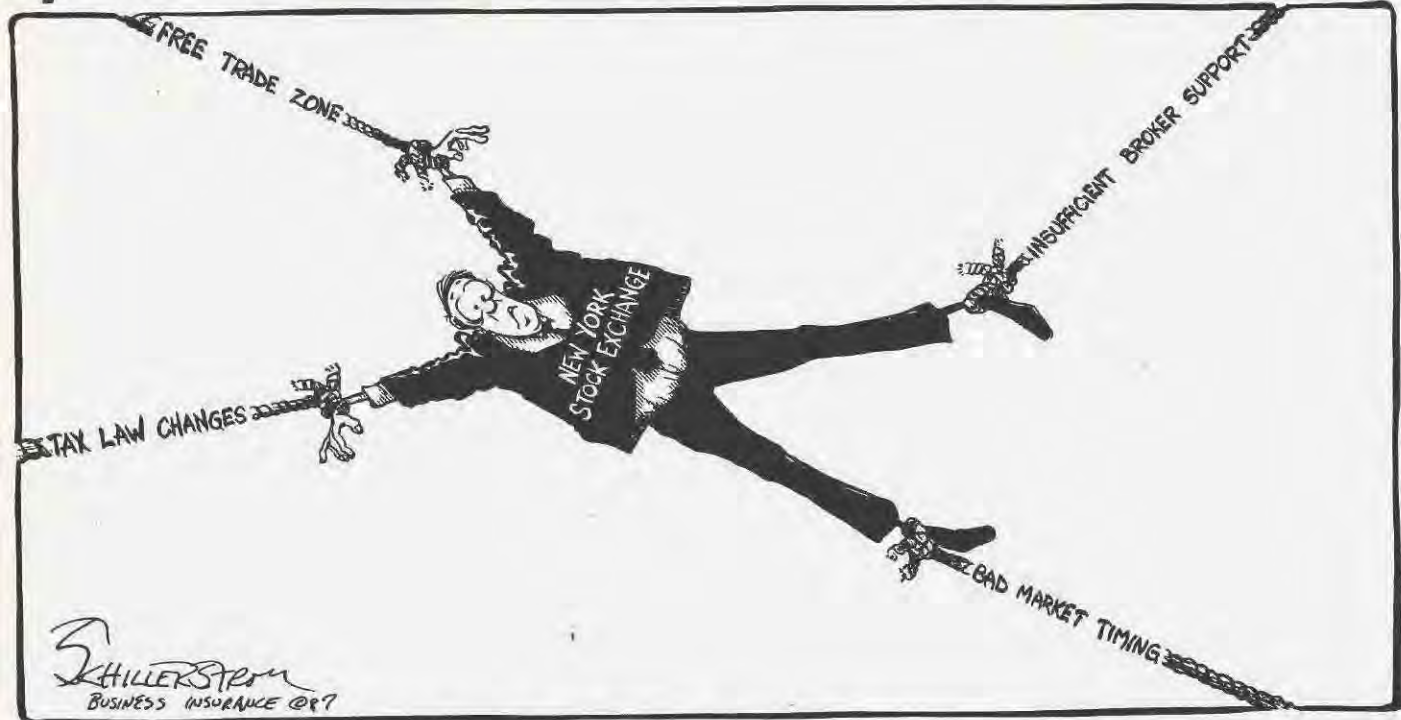
GROUP INSURANCE FROM THE GUARDIAN

The Intelligent Choice in
Employee Benefit Plans

Short and Long Term Disability
Major Medical
Dental
Cost Containment
Alternate Funding



Opinions



Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives
 Publisher: Alfred Malecki (New York)

Associate Publisher/Editor: Kathryn J. McIntyre, A. R. M. (Chicago)
 Managing Editor: James M. Burcke (Chicago)
 Assistant Managing Editor: Dave Lenckus (Chicago)
 Assistant Managing Editor/Graphics: Holly E. Seguire (Chicago)

CHICAGO: Stacy Adams (Assistant Copy Editor)
 Karen Brown (Assistant to the Editor)
 Linda J. Collins (Agent/Broker Editor)
 Meg Fletcher, A.R.M. (Associate Editor)
 Karen Hofman (Copy Editor)
 Marilou Jones (Directory Editor)
 Laura Mazzuca (Agent/Broker Topics Associate Editor)

Amy Palmer (Graphic Artist)
 Roger Schillerstrom (Editorial Cartoonist)
 Stephen Tamoff (Associate Editor)
 Paul Winston (Assistant Copy Editor)
 Joanne Wojcik (Copy Editor)
 Christine Woolsey (Editorial Assistant)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)
 Carolyn Aldred (Associate Editor)

LOS ANGELES: Donna DiBlase (Bureau Chief)
 Glenn Huntley (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)
 Kari Berman (Staff Reporter)
 Judy Greenwald (Associate Editor)
 Collin Nash (Editorial Assistant)

WASHINGTON: Jerry Geisel (Washington Editor)
 Deborah Shalowitz (Associate Editor)

Corporate: H.L. Stevenson (Corporate Editor)

Advertising Director: Donald A. Walsh (New York)
 Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)
 Margaret Hikido (District Manager/
 Classified Sales)
 Elmer Kerstowske (Production Manager)

LOS ANGELES: Michael J. Sharpe (District Manager)

NEW YORK: Charles A. Horvath (District Manager)
 Jack Forrest (District Manager)
 Martin J. Ross (District Manager)
 Courtney Bauer (District Manager)

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

Corporate Marketing Manager: Alice Sieloff (Detroit)

EDITORIAL: Chicago: 312-649-5398
 Dallas: 214-363-1066
 London: 01-404-4228
 Los Angeles: 213-651-3710
 New York: 212-210-0100
 Washington: 202-662-7200

ADVERTISING: New York: 212-210-0133
 Chicago: 312-649-5276
 Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
 Founder (1885-1973)
MRS. G.D. CRAIN
 Chairman
KEITH E. CRAIN
 Vice chairman
S.R. BERNSTEIN
 Chairman-executive committee
RANCE CRAIN
 President
MARY KAY CRAIN
 Treasurer
MERRILEE P. CRAIN
 Secretary
WILLIAM A. MORROW
 Senior Vp-operations

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.75 a copy. \$68 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$47 for air delivery. First-class mail to U. S. and Canada only, add \$48. Bermuda rates for \$105 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

Member of Business Publications Audit of Circulation

BPA **ABP**

Not too late to save NYIE

CONTRARY TO SOME VIEWS, we do not believe that the financial problems at the New York Insurance Exchange prove that self-regulation fails in the insurance marketplace.

Indeed, we think that at least one factor contributing to the problems at the New York Insurance Exchange has been over-regulation: namely the New York Free Trade Zone.

Under New York law, insurers licensed in the Free Trade Zone get first crack at writing risks before they can be offered to syndicates on the New York Insurance Exchange.

As we said seven years ago (*BI*, July 7, 1980), and several times since, the New York Free Trade Zone insurers should never have been given this market advantage over the New York Insurance Exchange. We endorse the concept of the Free Trade Zone—allowing licensed insurers to write certain large and exotic risks free from rate and form regulation—but we do not believe that the insurers licensed in the Free Trade Zone should receive preferential treatment compared with the exchange. Syndicates on the exchange should have an equal opportunity to underwrite that business.

Instead, the New York Insurance Exchange, unlike the Illinois Insurance Exchange, has been denied an opportunity to grow and thrive writing surplus lines insurance.

While we believe that the Free Trade Zone's competitive advantage has contributed to the problems of the New York Insurance Exchange, as

Free Trade Zone insurers skimmed off good business that NYIE syndicates were never given an opportunity to underwrite, clearly the exchange's current problems cannot be blamed entirely on the competitive advantage of the Free Trade Zone insurers.

There have been many other factors contributing to the problems of the exchange: its timing, entering the marketplace at the height of the competitive insurance market; the failure of insurance and reinsurance brokers to consistently support the exchange with good business; and the tax law changes that made it unattractive for individuals to invest in syndicates.

The insurance and reinsurance business tends to be unforgiving once a company—in this case an exchange—suffers financial problems. As a result, it will be difficult for the exchange to attract brokers to place business with its dwindling number of syndicates. Nonetheless, we support the suggestion of Sen. John R. Dunne, as offered in a Perspective article in this issue, for the governor of New York to appoint a high-ranking commission "charged with the duty to examine and recommend statutory and regulatory action to breathe new life into the exchange."

It's not too late to save the New York Insurance Exchange if decisive action is taken quickly to equitably solve the financial problems at the exchange and to construct a viable plan for its future growth.

Letters

Who's fault is increasing complexity of benefits?

To the editor: Over the past several years a condition has developed in employee benefits that is of serious concern to at least one benefit manager—me—and probably others. Benefit plans have become far too complicated.

Our employees in many instances can't understand their coverage and accordingly can't take advantage of those that require some type of action on their part. Benefits not fully understood are certainly not appreciated. Claims processes,

payroll department employees and others who daily administer our benefits find it increasingly more difficult to do so in a fair and equitable manner because of the complexity of the plans. The cost of administering benefits is getting out of hand, and benefit managers must rely more and more on consultants and attorneys to make decisions—an unhealthy situation reflective of the underlying problem.

Who's at fault? Certainly legislators who don't understand the work-a-day world. Employers and union negotiators who don't understand how plans are administered contribute to the problem. Consultants whose primary focus is on generating income rather than on the client and the client's employees don't help.

However, the fault lies primarily with us, the benefit managers. We don't work aggressively enough with our state and federal legislators to try to restore some semblance of reasonableness. It's easier

to complain after COBRA has been passed. We provide cost information to our company negotiators, but we don't get actively involved in the negotiation process. After negotiations we ask: "How am I going to administer that?" We accept cost-control gimmicks proposed by others, without sufficient thought as to their effect on our administration and our employees' ability to comprehend. In many ways we've abdicated our responsibilities to the consultants and allowed them to steer our corporate benefit program, sometimes with unsatisfactory results.

If we don't recognize with concern what is happening, the trend will continue. A change in direction is possible only if benefit managers, in union or aggressively, so insist.

William R. Dagneau
 Employee Benefits Supervisor
 Wisconsin Public Service Corp.
 Green Bay, Wis.

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



These days, directors and officers are safer at Home.

Home Insurance is well aware what a jungle it's become out there for people at the top. Mismanagement suits, mergers and proxy fights are turning corporate executives into an endangered species.

And we're committed to making it a safer world for them to live in.

We're especially interested in challenges beyond the reach of most underwriters. New companies or companies going public or reorganizing, such as those in leveraged buy-outs. Or industries such as high-tech manufacturing, or real estate development, or oil and gas.

Risks like these interest Home. Others call them difficult to

place—simply because they're difficult to understand. But we pride ourselves on creative underwriting: identifying a good risk and tailoring standard policies to individual needs or unusual exposures.

It's the kind of professional treatment Home Insurance is known for. After all, we've been handling risky situations for customers ever since we started business, back in 1853.

If you could use a guide through the corporate jungle, contact your insurance agent or broker. Or write Marshall Manley, The Home Insurance Company, 59 Maiden Lane, New York, N.Y. 10038.

Home Insurance

There's no place like it.

RENT-A-CAPTIVES AVAILABLE

FOR
PRODUCTS, D&O, E&O AND OTHER LIABILITY

FINANCIAL TECHNOLOGY INC.

Consultants specializing in Captives, Risk Retention Groups, Cash Flow, Self-Funded, Loss Portfolio Transfer Programs, Feasibility Studies, Formation and Management.

1888 Century Park East, Suite 910, Los Angeles, CA 90067
(213) 879-3991

Trenwick reports earnings, Bermuda units up for sale

Westport, Conn.-based Trenwick Group Inc. reported sharp earnings increases in the first nine months and third quarter of 1987.

The company also announced that it is selling its Bermuda operations: Trenwick Services Ltd., Trenwick Reinsurance Co. Ltd. and Trenwick Guaranty Insurance Co. Ltd.

The company is selling the operations in order to concentrate

solely on its domestic reinsurance operations.

As of Sept. 30, 1987, the company's Bermuda subsidiaries had a net book value of approximately \$7.5 million.

Net income for the first nine months more than tripled to

Financial briefs

\$7.7 million from \$2.5 million in the corresponding first nine months of 1986.

Operating income in the first nine months also soared, rising more than 40% to \$7.6 million from \$1.4 million in 1986.

Net premiums written in the first nine months jumped 68.8% to \$70.1 million from \$41.5 million.

For the third quarter, net income was \$2.7 million, a nearly three-fold increase from \$979,000 in the third-quarter of 1986.

Operating income in the third quarter also saw a three-fold increase, rising to \$2.7 million from \$922,000.

Third-quarter net premiums written jumped 48.5% to \$26.1 million from \$17.6 million.

Trenwick's combined ratio for the first nine months improved to 106.9% from 118.6% in the year-earlier period.

Likewise, the combined ratio for the third quarter improved to 109.5% from 123.9% in the third quarter of 1986.

Trenwick also announced that it has authorized the repurchase of up to \$10 million of its common stock.

The company is planning to make purchases from time to time in the open market in privately negotiated transactions.

CNA Financial Corp.

Chicago-based CNA Financial Corp. reported that its net income for the first nine months of 1987 dipped 17.9% to \$279.9 million from \$340.8 million in the first nine months of 1986.

The company blamed the decrease on unusually high investment gains in the first nine months of 1986, which distorted the comparison.

Operating income in the first nine months increased 52.0% to \$298.4 million from \$196.3 million in the same period a year earlier.

Nine-month revenues rose 16.3% to \$5.3 billion from \$4.5 billion.

For the third quarter, net income rose 10.6% to \$108.4 million from \$98 million in the third quarter of 1986.

The company's operating income in the third quarter jumped 53.9% to \$115.3 million from \$74.9 million.

Third-quarter revenues increased 14.4% to \$1.8 billion from \$1.6 billion in the year-earlier quarter.

"Both net operating income and net premium income for the first three quarters were the highest of any nine-month period of CNA history," said Laurence A. Tisch, chairman of the board.

"While net income was less than the similar period a year earlier, because of very large realized gains on the sale of bonds in 1986, the record growth in operating income is very satisfying," said CNA's Mr. Tisch.

Much of the improvement in the nine-month and third-quarter results was the result of improvements in CNA's property/casualty division.

Net operating income for the division in the first nine months increased 59.6% to \$250.2 million from \$156.8 in the first nine months of 1986.

Likewise, third-quarter operating income for the division rose 56% to \$99.4 million from \$63.7 million.

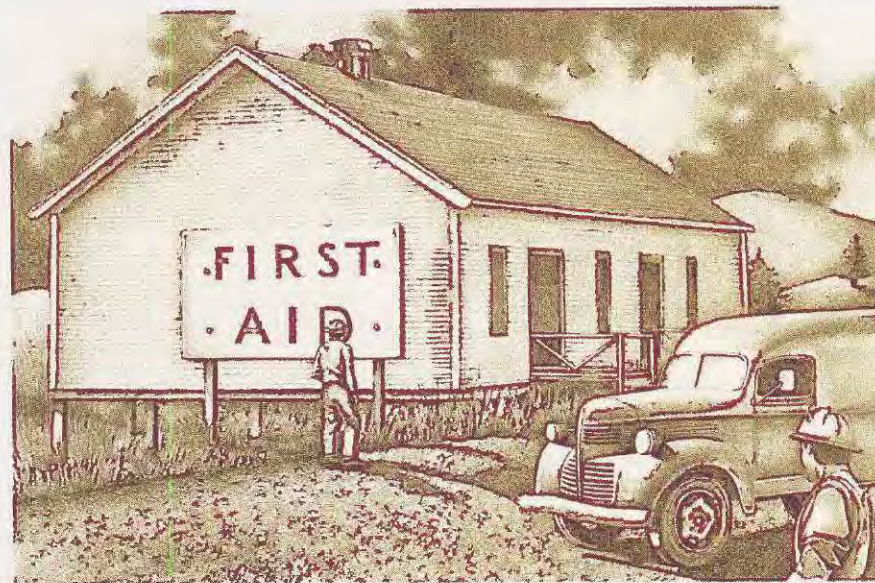
The insurance company that pioneered construction-site field hospitals, is the insurance company with the most innovative Medical Cost Containment program today.

In 1934, Industrial Indemnity responded to the need for prompt medical attention for injured workers at isolated construction sites with a pioneering concept—the on-site field hospital, staffed with resident doctors and nurses.

Today, that same kind of progressive thinking is behind Industrial's response to skyrocketing medical costs. Agents, brokers and their policyholders all benefit from an aggressive program that provides quality medical care and saves money.

A 3-step plan to control workers compensation expenses.

1. The Preferred Provider Network consists of selected hospitals, physicians and other medical care providers who offer their services at reduced rates in exchange for participation in the Network. The result—injured workers receive quality care at affordable prices.
2. Industrial's special Audit Program provides thorough screening of all bills, protecting employers from invalid charges.
3. Hospital Utilization Review evaluates non-emergency admissions and excessive lengths of stay, so needless hospitalization



is identified and prevented.

Lower expenses mean lower costs.

By helping control workers compensation claim expenses, Industrial can also help lower premiums and increase the potential for policyholder dividends.

Industrial Indemnity, working closely with a select group of independent

agents and brokers, not only helps prevent injuries, but also provides control over medical costs after they occur.

Constantly looking for new means to keep check on costs for its policyholders is one more way Industrial Indemnity keeps its commitment to be the best in commercial insurance.

Industrial Indemnity



Industrial Indemnity
a Crum and Forster organization
A XEROX Financial Services Company
Home Office: San Francisco

Continued from previous page
Washington, D.C.-based underwriting manager Victor O. Schinnerer & Co. Inc. on behalf of CNA Financial Corp., Mr. Knise pointed out.

Contractors looking for liability insurance to cover asbestos abatement programs will find price and availability make the coverages "even worse than E&O," said Mr. Knise.

While there are new markets for the coverage—including commercial insurers in the United States, London underwriters and risk retention groups—most of the coverage is written on a claims-made form with a one-year tail "that doesn't give you much comfort,"

considering the long-tail liability that exists with asbestos-related claims, he said.

And, the cost of the coverage is still high, said Mr. Knise, with underwriters charging as much as 3% to 12% of receipts related to asbestos abatement work for coverage limits of \$1 million to \$2 mil-

lion. Yet, that price is less than it was just three months ago, he added, when insurers were asking as much as 12% to 16% of receipts for the same amount of coverage, he explained.

Mr. Knise said another chapter of his fictitious book should be called, "How We've Changed," and

would discuss the new attitudes insurers have toward buyers of construction insurance.

"I think you should be aware of the fact that many, many of the leading underwriters in the country have decided that construction is a desirable class of business and have tried to modify their corporate structure to better meet your and our needs.

"They have actually established construction groups," said Mr. Knise, to deal particularly with construction-related clients. He identified Argonaut Group, American International Group Inc., The Home Insurance Co., The St. Paul Cos. Inc. as among those insurers that focusing on construction in-

surance buyers.

"As for a couple of the groups we've dealt with, the feeling is that it really has made a difference. They are starting to understand what our problems are."

It is a "good time to build relationships" with insurers that have put together these groups, Mr. Knise said. Contractors can show underwriters "you're serious about staying in the construction business and getting a market you can work with over a long term. They're very open to considering new construction risks and it's a time when you should be out talking to these people and meeting with underwriters."

On a more maudlin note, "Dying is Such Sweet Sorrow," is the chapter in Mr. Knise's book that would discuss the apparent demise of the claims-made form for many construction-related coverages.

"The ISO (Insurance Services Office) claims-made form, I think, happily is dead," explained Mr. Knise.

"We're not aware of any contractors in our book that are on claims-made at this time. We've had one or two that were forced on to it in '85 or '86. . . . The big issue now is how to get them off of it properly."

'We're not aware of any contractors in our book that are on claims-made at this time. We've had one or two that were forced on to it in '85 or '86. . . . The big issue now is how to get them off of it properly,' says Mr. Knise.



Prices to fall: Buyers

NEW ORLEANS—Most of the risk managers who attended the Seventh Annual Construction Insurance Conference think their insurance costs will be lower at their next renewal.

When conference chairman William McIntyre asked during a general session for a show of hands from those who felt they would be paying more for coverage at the next renewal, only a few arms were raised. A few more attendees thought premiums would stay the same, but the majority indicated they felt the cost of insurance would decline.

Mr. McIntyre, who is president of American Contractors Insurance Managers Inc. in Dallas, said the show of hands indicates that the consensus among construction contractors, insurance intermediaries and others at the conference was that insurance "costs will continue to go down."

Insurance costs was one topic discussed widely at the meeting, sponsored by the Dallas-based International Risk Management Institute. The conference, held Nov. 9-12 at the Marriott Hotel in New Orleans, drew about 425 participants.

Apart from discussing insurance costs, registrants heard presentations on the overall health of the construction insurance market and topics such as the apparent death of the claims-made general liability policy form and the availability of coverages like errors and omissions insurance for architects and engineers.

Overall, 29 experts addressed a variety of construction-related topics.

Next year's conference will be held Nov. 14-16 in Dallas. More information on the conference is available from IRMI at 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 214-960-7693.

Our interactive, on-line OSCAR system lets you specify the type of report you want—or even create your own—from a data base that's 24-hours current.

It's all backed by the same superior service that's made The Hartford a leader in the insurance industry.

Challenge us. You'll find that we respond with innovation and

expertise tempered by nearly two centuries of experience.

Test Our Response Ability.

For more information contact your broker or the nearest Hartford Specialty office. We'll be glad to do some reconnaissance.

Why wait? In the never-ending battle to manage risk, we're your best defense.

HARTFORD SPECIALTY
The Insurance People of **ITT**





GET TO THE SOURCE

Need the facts fast? Order BI's Editorial Index now!

Uncover the issues. Track the trends. Follow the changes and developments in risk management, employee benefits and the commercial insurance industry.

- all news reports and feature articles published
- indexed alphabetically, chronologically and geographically
- indexed by people, companies mentioned, and subjects
- continuous access—3 quarterly reports plus a cumulative annual edition

Whatever your needs, interests or curiosities, *Business Insurance* provides a wealth of news and information. Let BI's Editorial Index take you there in seconds.

Business Insurance Editorial Index
220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):
Annual Index (hardcover) \$150* each:
 1981 1982 1983 1984 1985
Annual Index (softcover) \$100*: 1986
Full Index Service at \$100*: 1987

*Foreign Postage Additional
PAYMENT MUST ACCOMPANY ORDER
 Visa Mastercard Check Enclosed

Account # _____
Exp. Date _____
Signature _____
Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone Number _____

EI 11/23

Architects to see E&O rates soften: Schinnerer official

By MICHAEL BRADFORD

NEW ORLEANS—The market for architects and engineers professional liability insurance now is loosening slightly after many insurers abandoned the line, says an executive with the leading provider of the coverage.

During the past three years "the market essentially evaporated," said Marshall Ames Jr., senior vp with underwriting manager Victor O. Schinnerer & Co. Inc. in Washington, D.C.

"There were very few other markets that were open for business for firms of any size. I think we were the only market that remained open for firms of all disciplines, of all sizes, that qualified based on our underwriting parameters."

Schinnerer has provided professional liability coverage for architects and engineers since 1957. Its program is written on behalf of CNA Financial Corp. and provides annual aggregate limits of up to \$15 million in primary and excess coverage.

Mr. Ames, speaking at the Seventh Annual Construction Insurance Conference in New Orleans, said: "What we're seeing now, I think, is a market in transition." There is more capacity because of "more players coming back in looking perhaps for more dollars, thinking maybe they really know how to view this business. . . and I'm sure many are well-intended."

"We'll see how long some of them last," he added.

Mr. Ames explained that several insurers have entered the architects and engineers liability insurance marketplace and at least two risk retention groups that may be formed to offer the insurance, said Mr. Ames.

The developers of one of those risk retention groups, Architects & Engineers Insurance Co., have indicated the insurer could be operating within the next few months, offering up to \$5 million in primary and excess limits on a quota-share basis with Progressive Casualty Co. of Cleveland (*BI*, Sept. 7). The group may be domiciled in Delaware.

"There's no question but that you can write this business by using a risk retention group," said Mr. Ames. "At the end of the day, though, you need more premium and investment income than you have losses and expenses."

He explained that, "You need the financial capital to withstand the ebbs and flows. With a risk retention group, the insureds are making a commitment to get into the insurance business. . . and it is not just initial capitalization that is at risk, but also potentially future assessments if loss development doesn't occur as anticipated."

"Again, you can do it that way, there's no question. It's just a question of commitment and financial backing."

Mr. Ames said he hoped buyers of architects and engineers professional liability insurance are considering more than price when shopping for the coverage.

"If you just consider price, we're not going to be a consideration," he said of the Schinnerer program, "because we're probably going to be higher than anyone else."

Financial strength of the insurer and its Best's rating are two important factors to consider when choosing an architects and engineers E&O underwriter, according to Mr. Ames.

A buyer also should understand the "extent and quality of reinsurance" behind the insurer, he said.

Mr. Ames urged insurance buyers to "dig in a little bit" and find out who writes the reinsurers behind an insurer and how the reinsurance program is structured.

Schinnerer's philosophy has always been to use "top-quality reinsurers," said Mr. Ames. "We like them to take a large piece of the pie. We bare our souls to them in terms of our loss experience. We tell them what we're going to do, how we're going to do it. . . We consider it a real partnership and we also make it clear up front that you need to be committed if you want to play this game."

A buyer would be wise to choose an insurer with experience in writing architects and engineers E&O coverage, Mr. Ames advised.

"So many companies have come and gone," he said, that a policyholder needs to be cautious in order to find an insurer that knows how to write the coverage and is committed to doing so in the future.

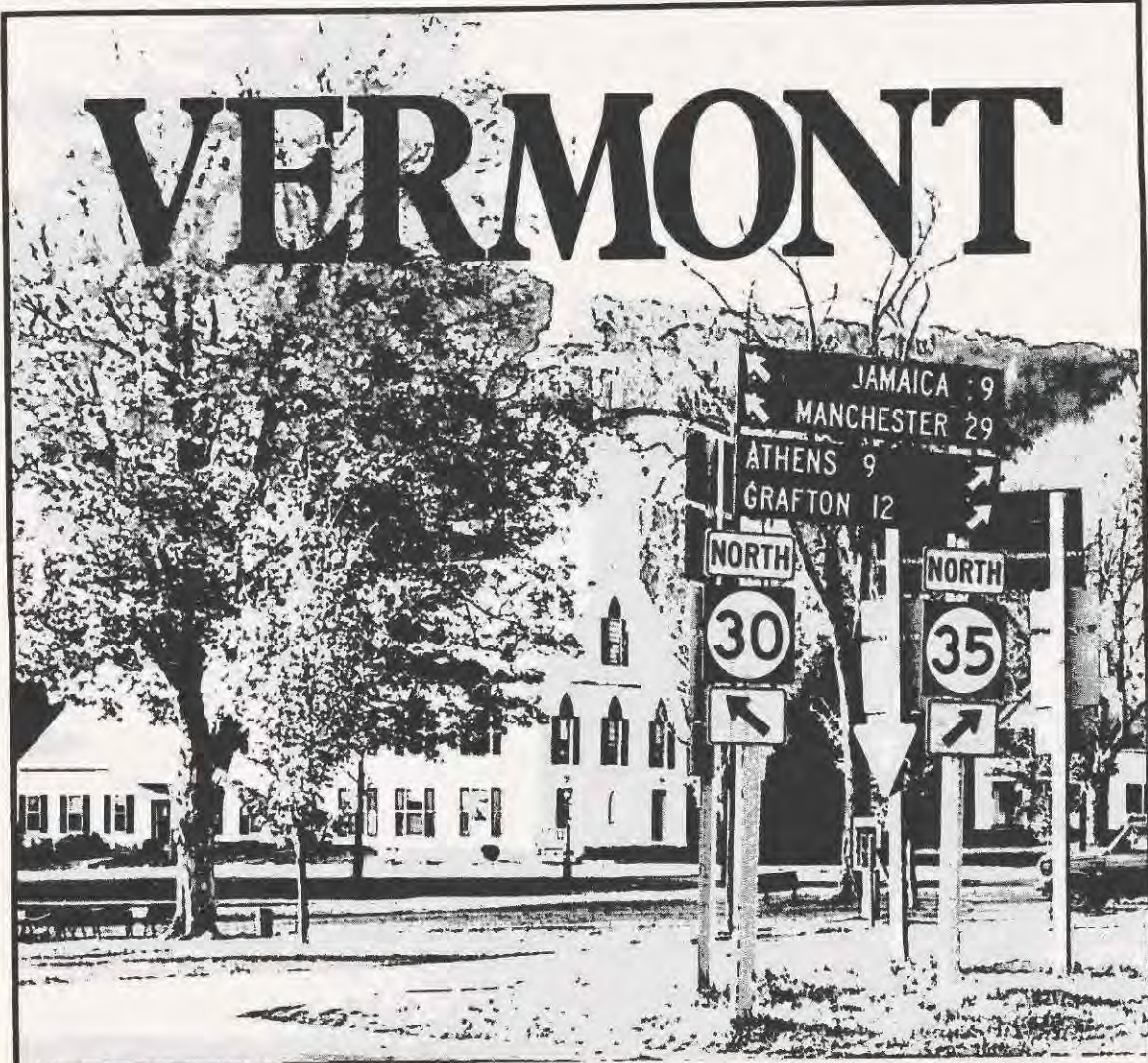
Mr. Ames emphasized that finding an insurer that is financially strong and committed to writing the coverage for a long period of time is important because of the unpredictability of the class of business.

He pointed out that three years ago, the loss experience that began to develop among large architectural and engineering firms was "totally unexpected."

"We've been in the business 30 years, we have tremendous actuarial capability. . . but we're dealing with such a volatile line that unexpected loss development can and does occur," said Mr. Ames. "And when we looked at what was happening with our large-firm book three years ago, from a purely business standpoint there was every reason to think that maybe we should get out of it. Of course, almost everybody else did."

Schinnerer decided to continue offering the program, he said, but had to take some "significant rate and coverage actions. When we took those actions, we anticipated we would lose about 40% or more of our large firm book. That didn't occur because the market started to change."

Schinnerer found itself as the only market for some large firms, Mr. Ames explained. "That's uncomfortable for them and uncomfortable for us. Not as uncomfortable as irresponsible competition, I might add, but uncomfortable not to have. . . responsible alternatives" so that policyholders have the opportunity to select the insurer they feel is offering the best program.



It's even more appealing when you know your way around.

Everyone knows Vermont is the most attractive captive domicile anywhere. It is even more so when you know your way around, guided by a bank that understands captives as well as it understands Vermont.

So once you've met with the Banking and Insurance Commissioner, your next call should be to First Vermont Bank.

We'll make sure you understand all the particulars of Vermont's captive legislation so that everything will proceed smoothly. Then when it comes time to arrange letters of credit, EFT's or any banking service you may require, we'll be on hand to put the package together.

At First Vermont Bank, we put our captive customers *first* by understanding the business better than any other bank in the state. So when it comes time to make Vermont a part of your plan, contact Frank McGaffigan at 802/463-4511 and let him show you around.



We put you first!

Administrative Office: 215 Main St., Brattleboro, VT 05301

A BANKNORTH GROUP COMPANY



More and more of our competitors are relocating

We never could match their cheap prices. But then again, they really couldn't match our underwriting quality or unsurpassed financial strength.

So here we are, the stable market in specialty risks, alive and well, writing primary and excess liability and excess property coverages that promise to indemnify our insureds for loss—losses that we'll still be here to pay.

Call the underwriting pros at General Star today...or tomorrow. It's never too late.



**GENERAL
STAR**

**Here today
Here tomorrow**

General Star Management Company, Stamford, CT • Specialty underwriting for primary and excess risks through appointed surplus lines brokers
New York (212) 770-0150 • Chicago (312) 207-5400 • Los Angeles (213) 383-7734 • Stamford (203) 328-5700

Construction insurance meeting

Rates for contractors drop; capacity builds

By MICHAEL BRADFORD

NEW ORLEANS—Construction contractors will see property/casualty insurance rates continue to fall as the insurance market softens, an expert predicts.

Contractors can expect rates for some property risks to fall another 15% to 25% and maybe even more, Dan Knise, vp-construction in broker Johnson & Higgins' Washington, D.C., office, predicted at the Seventh Annual Construction Insurance Conference, held Nov. 9-12 in New Orleans.

And contractors' primary casualty insurance rates should decrease as much as 10% for some risks during the coming months, Mr. Knise remarked.

"On the umbrella side, the numbers will be more significant," according to Mr. Knise.

"We're looking at one case right now that we're marketing that we think will be down about 25% to 30% from where we were last year," he said.

Generally, umbrella rates for contractors should decline 15% to 40%, he said. "The key change

self-insurance programs.

Policyholders, "after watching insurers lose money" in recent years, now feel that in some cases they can do a better job of insuring their risks, Mr. Knise said.

The development of risk retention groups and other alternative insurance mechanisms "is good news overall," Mr. Knise added, pointing out that there are "many very good risk retention groups under consideration."

But he warned members of the construction industry to "be careful" and make sure developers and potential members of risk retention groups are "in it for the long haul" and are "credible" before making a commitment.

Mr. Knise said his work also

would contain a chapter called "The Bastard Stepchildren," which would detail coverages that, unlike most, have not been affected by the softening marketplace.

He explained that architects and engineers' errors and omissions coverage and liability insurance for hazardous-waste exposures or asbestos abatement risks have remained costly and, in some cases, are still hard to find despite the prevailing insurance market con-

ditions.

"Despite all the good news, those three areas are still areas of concern," he said.

Architects and engineers' E&O coverage is "pricey, claims-made and watch the exclusions," he said.

Although it remains costly, the E&O coverage is seeing "minimal" decreases in pricing, Mr. Knise remarked. The largest market for the coverage is a program written by

Continued on next page



Risk M

'The key change is that capacity is available,' says Dan Knise, vp at Johnson & Higgins.

there is that capacity is available. We think we can get occurrence coverage for most contractors who aren't involved in particularly hazardous work, probably in the range of \$50 million" or, perhaps, even higher.

Another market change is a "decreasing interest" among construction risk managers for high umbrella limits, according to Mr. Knise.

Typically, he pointed out, when umbrella rates are low, risk managers rush to buy higher limits. That is still happening, said Mr. Knise, "but not nearly to the same degree it did before."

Instead, "management of construction companies has gotten very comfortable carrying \$10 (million) or \$15 million over the last couple of years," said Mr. Knise. And, in the current market, they are only increasing those limits by \$10 million, despite the availability of reasonably priced coverage.

Some of those contractors that are now carrying only about \$25 million in umbrella limits had as much as \$100 million in coverage during the late 1970s and 1980s, he said. "Now, they're increasing their limits, but not nearly to the degree they were before. They're just not willing to pay the rate although the rate is dramatically reduced at this point."

During his speech, Mr. Knise discussed several features of what he called an evolving insurance marketplace. He said his topics would fit nicely as chapters in a book titled "Evolution of the Species."

"I think the species (is) the insurance business and the people who populate it," he said. "We're going very much through an evolving time. . . rapidly our industry is changing and all of us are going to have to evolve as our industry is evolving."

Mr. Knise said he would title one chapter in his book "If You Can't Beat 'em, Join 'em," because of the current interest in alternatives to the commercial insurance market, such as risk retention groups and



It's a matter of defense.

To do battle against loss and liability, you've got to be armed with the right information. Which is why you should make Hartford Specialty your ally.

Whether your company payroll numbers 100 or 100,000, Hartford Specialty can meet your loss and claim information needs. With just the right combination of systems,

savvy and service.

Like a monthly loss report that's as easy to read as it is comprehensive. Or customized claim reports that can give you the *whole* picture.

With our Customer Allocation System you can assign medical, indemnity, *and* expense dollars to profit centers - individually, or in any combination.

Negotiating coverage can pay off: Expert

By MICHAEL BRADFORD

NEW ORLEANS—Negotiating an insurance contract is "horse trading," and patience and persistence can pay off in premium savings for policyholders, says a construction insurance expert.

There are several ways to control insurance costs without sacrificing coverage, William S. McIntyre, president of Dallas-based American Contractors Insurance Managers Inc., explained at the Seventh Annual Construction Insurance Conference in New Orleans.

"The world of insurance is not black and white," Mr. McIntyre said, explaining that insurance rates are set not only according to actuarial tables but also are the result of underwriters' judgments.

Mr. McIntyre's company provides risk management and insurance services to shareholders of American Risk Transfer Insurance Co. Ltd. in Bermuda, a construction industry captive.

He pointed out that a construction contractor that is well-prepared for the renewal process can influence underwriters' judgments.

During the current softening

the fleet belongs in the service category.

Mr. McIntyre said some vehicles may have been rated commercial because underwriters tend to be more conservative in tight market conditions. But during the current softening market, they may be more likely to rate some vehicles in the less-costly service category, he said.

In addition, contractors' vehicles are rated according to the distances they are driven, Mr. McIntyre pointed out. "The theory is the

Continued on next page



Working Without a Net?

Like the highwire performer, it's risky--with no room for error.

Catastrophic injuries occur infrequently, but when they do, your health plan can't afford to be working without a net—Cost Care's Catastrophic Case Manager Network. With hundreds of full-time Case Management experts, the Network effectively manages and contains the costs of catastrophic injuries anywhere in the country.

Cost Care's Network is there when you need it.

COST CARE™

Call:
Ray Foose, Director Marketing
1-800-762-3029 Nationwide



CATASTROPHIC CASE
MANAGEMENT

'The world of insurance is not black and white,' explains William S. McIntyre.

market, "it's going to be really important that buyers as well as their representatives work on recovering some of the lost ground," he said, referring to the insurance costs that rose during the tight market.

An important first step for the contractor renewing coverage is to become familiar with rating classifications, according to Mr. McIntyre.

He pointed out that some risks may be improperly classified and that persuading underwriters to reclassify them can sometimes result in premium savings. Construction insurance buyers should pay particular attention to commercial automobile, general liability and workers compensation risk classifications, Mr. McIntyre emphasized.

"You want to look carefully at all classifications and make sure they are being properly applied."

Mr. McIntyre told the group that there is often some leeway in assigning "use" classifications to commercial vehicles that in part determine the premium charged for insuring the car or truck.

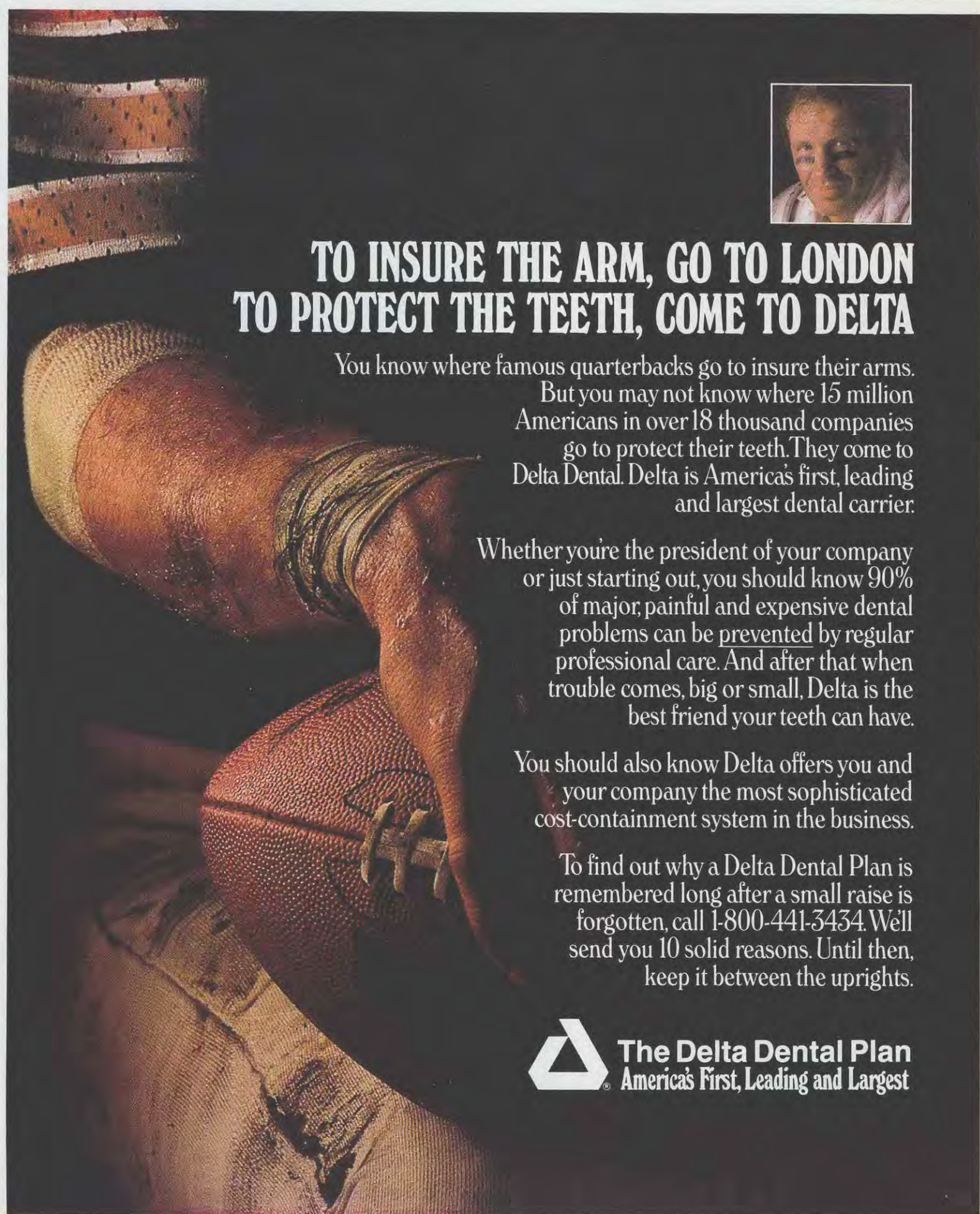
Contractors' vehicles are rated under a "service" or "commercial" class, he explained. A vehicle used to transport personnel, tools, equipment or incidental supplies to or from a job site is rated under the service class, while a vehicle that does not fall into that category is a commercial vehicle, Mr. McIntyre pointed out.

"Commercial rates are generally higher than service rates. You want to have as many vehicles as possible rated in the service classification," he said.

"One question you want to ask is, 'How many of my vehicles last year were rated commercial?'"

If none is rated commercial, "you feel pretty good, and you want to make sure that same process is carried through," Mr. McIntyre said.

However, if all or some of the vehicles were rated commercial, contractors may be able to convince underwriters that at least part of



TO INSURE THE ARM, GO TO LONDON TO PROTECT THE TEETH, COME TO DELTA

You know where famous quarterbacks go to insure their arms. But you may not know where 15 million Americans in over 18 thousand companies go to protect their teeth. They come to Delta Dental. Delta is America's first, leading and largest dental carrier.

Whether you're the president of your company or just starting out, you should know 90% of major, painful and expensive dental problems can be prevented by regular professional care. And after that when trouble comes, big or small, Delta is the best friend your teeth can have.

You should also know Delta offers you and your company the most sophisticated cost-containment system in the business.

To find out why a Delta Dental Plan is remembered long after a small raise is forgotten, call 1-800-441-3434. We'll send you 10 solid reasons. Until then, keep it between the uprights.



The Delta Dental Plan
America's First, Leading and Largest

Effects of worksite accidents can be minimized

By MICHAEL BRADFORD

NEW ORLEANS—The "lawsuit crisis" is continuing, but those in the building industry can take steps to reduce the chances of ending up in court after an accident, says a construction loss control expert.

The only way to overcome this "lawsuit crisis, in our opinion, is to build a better defense," according to Richard A. Olson, assistant vp and loss control manager at the Jones Group Inc. contracting firm in Charlotte, N.C.

Figures compiled by Jury Verdict Research Inc. of Solon, Ohio, show there were 2,564

awards of \$1 million or more for personal injury cases from 1962 through part of 1986.

"I can assure you that number is growing significantly," said Mr. Olson at the Seventh Annual Construction Insurance Conference in New Orleans Nov. 9-12, which was sponsored by the International Risk Management Institute in Dallas.

"Another source indicates that some 16 million lawsuits were filed in '86 covering products liability, small claims, contract

If an accident occurs, 'be sure and call your insurance company; if it's a fatality, call your lawyer second,' Mr. Olson advises.

disagreements and personal injury—just those four items—in both state and federal courts," he added.

When an accident occurs, management at a

construction site must act quickly and carefully to make sure injuries and liability are contained, Mr. Olson said.

"Anytime an accident occurs, the first one there gets the best information because the accident cause and witnesses' views are fresh in their minds," he said. "So you should have appointed on your construction site or in your plants somebody to be responsible for the investigation of accidents, and it should be done as quickly as possible."

If an accident occurs, "be sure and call your insurance company; if it's a fatality, call your lawyer second," Mr. Olson advised.

Continued on next page

Reducing costs

Continued from previous page
more miles that a vehicle is driven, the more chance that it has of having an accident during a year. So therefore, if vehicles drive lots of miles, there are some surcharges that underwriters sometimes will apply."

Mr. McIntyre urged contractors to determine whether the surcharges are being applied and, if so, provide underwriters with accurate distances vehicles travel so the proper insurance rates are charged.

Mr. McIntyre also pointed out that surcharges are made according to vehicle weights, but underwriters in the current market might be swayed to consider what a truck does rather than how much it weighs.

For example, when a heavy truck "gets worn out, you might use it for lighter duty," so an insurer might

Insurers realize a strong financial statement reflects a good risk, says Mr. McIntyre.

be willing to assess a lower surcharge than the truck's weight actually calls for, he said.

Construction insurance buyers also should be aware of several rating factors considered by underwriters pricing general liability risks, Mr. McIntyre said. Those are:

- Care and condition of premises. Insurers look closely at whether a job site is clean, "well organized and has a good safety program."

- Geographic location. "Unfortunately, if you're in New York, Illinois, New York City, some parts of California, you're going to have a little more problem than some of the other areas," because the litigation climate in those areas could lead underwriters to charge higher rates, he said.

- Type of equipment used in operations.

- Selection, training, supervision and experience of employees. Mr. McIntyre said he expects underwriters to become more interested in whether contractors have implemented programs to detect drug abuse among employees. "I think you're going to hear more and more about: 'What are you doing about substance abuse?'"

- Product quality control programs that will indicate "how you control the job site," Mr. McIntyre said.

- Loss experience. Mr. McIntyre told the group that insurers also realize a strong financial statement reflects a good risk.

"There is a correlation between successful contractors and good loss programs. A lot of contractors are reticent about sharing financial information with underwriters. We suggest that you be aggressive about doing that. If you have a good financial statement, be proud of it. Show it." ■



A Secure Future, From



For one hundred years, Protection Mutual has been a leader in loss prevention. Ours is a history of innovation and accomplishment, with an unsurpassed record of engineering and research contributions. The same dedication our founders showed for improving the earliest sprinklers, we show today for the hazards created by new materials and new technologies. Anticipating the future has, for a hundred years, been the mutual concern of those who have joined with us in a shared commitment to loss prevention. A century of reliability, and partnership with our policyholders, has placed Protection Mutual in a pre-eminent position, from which our insureds can see a secure future, from a century of success.

1887-1987

Contract dispute threatens Baseball strike! Not now... a hundred years ago. In 1887 the Brotherhood of Ball Players strongly objected to the \$2,000 salary limit and to their near slavery contracts. A shortstop and lawyer named John "Monte" Ward took the National League all the way to the New York Supreme Court, which declared Ward's contract "one which a court of equity will not enforce." The players formed their own league. But by 1891 both their league and their Brotherhood were finished. Monte Ward, however, made the Hall of Fame in 1964.

The 100th anniversary of the signing of the U.S. Constitution took place in 1887 with a celebration in Philadelphia. In little more than two months, volunteers led by Colonel A. Loudon Snowden marshalled Philadelphia's commercial and manufacturing interests to put together a massive, three-day civic and industrial pageant that drew 1.5 million spectators. Visitors to the celebration took with them a souvenir program containing the Constitution written on 14 pages of very small type followed by 24 pages of very large advertisements.

We the People

Continued from previous page

During the past 11 years, Mr. Olson and the Jones Group have developed a checklist for management to follow in the event of a construction site accident.

The checklist instructs management to:

- Care for the injured. "Of course, the first thing you want to do when there's an accident is see that the injured are taken care of," Mr. Olson said. "Call the medics. If there's a first-aid man, send him there."

- Secure the accident site. "If there is something there that has fallen that could fall further, make sure that that item is secure so no other injuries are sustained by

It is 'absolutely essential' to preserve the scene of an accident with pictures and diagrams, says Richard A. Olson of Jones Group Inc. 'Several photographs should be taken of the site from different angles.'

people walking by the job site," Mr. Olson said.

- Call the company official responsible for safety and loss control.

- Preserve the accident scene. This is "absolutely essential," Mr. Olson said. Several photographs should be taken of the site from

different angles, according to Mr. Olson.

- Walk through the site, making note of how the accident occurred. For example, if the mishap involves a fall, mark the spot where the worker fell and note the apparent cause of the accident, he said.

- Obtain the identity of all persons who might have information about the accident.

- Interview and obtain statements from all witnesses.

- Examine the evidence that surrounds the accident, whether it involves a "collapsed plank, a broken ladder or whatever," Mr. Olson said.

"Examine that and make sure you've got pictures of all that so you can start building your potential claim file." Photos should be identified on the back, dated and signed by the photographer. Often, undated and unsigned photographs are not admissible as evidence in court, he explained.

- Make a diagram of the acci-

dent scene. "You may not be an artist or an engineer, but get a piece of graph paper or an engineer or someone that can help you draw the particular part of the building where the accident occurred. Make measurements from point A to point B. How high was the ceiling? How tall was the ladder? How far was the ladder from the wall? All of those things are very, very important."

- Prepare an accident report. The report has to include as much detail as possible. "But under no circumstances should you draw any conclusions as to what caused the accident, because you might be pulling the noose around your own neck," Mr. Olson told his audience. "Simply state the facts as you see them."

If a contractor does end up in court, it is important to have the best defense attorney available, Mr. Olson urged. And an attorney that is not doing a good job should be released, he said.

"If in your working with attorneys you find one that you've become dissatisfied with, don't hesitate to look around for another one," he advised. "We've done that on a number of occasions where we were promised the world by a law firm that promised our case special attention" but failed to deliver, he said.

A contractor should ask several key questions of attorneys they are considering retaining, according to Mr. Olson.

"You start by asking what their hourly rate is, No. 1," he explained.

When interviewing an attorney, ask about his ranking in law school and for a list of major clients that do similar work as the contractor. "Ask him what his won-loss ratio is, ask him to cite a few cases so you can go down to the courthouse to read them" and talk to other lawyers in the city that may comment on the attorney's background and record, he said.

"It's your money," Mr. Olson reminded the group. "If you want to keep it, you've got to get out there and work."

A Century of Success!



In 1887, famed builder Gustave Eiffel signed a contract to construct a 1,000-foot tower to be completed in time for the centennial celebration of the French revolution just two years hence. He put up \$1.3 million of his own money in exchange for a 20-year permit to operate the tower's restaurants and cafes. His gamble paid off. The Eiffel Tower was a tremendous success, recouping Eiffel's investment in its first year. It outdrew such popular exhibitions as Thomas Edison's first phonograph, the first gasoline-powered automobile, and Buffalo Bill's Wild West Show. The Eiffel Tower would remain the world's tallest man-made structure for another forty years.



Thomas Stevens and his 50-inch-wheeler "Columbia" arrived in San Francisco on a mail steamer from Yokohama in January 1887, completing a nearly three-year journey around the world by bicycle. Stevens outpedaled marauders on horseback in India, flung himself into a sand hole in Turkey, and used the big wheel as a frame for shelter as he crossed America, Europe and Asia on his \$135 "Ordinary." The most ambitious cycling trip in man's history was met more with bemusement than honor, considering that Stevens' trek took him over more camel tracks than bike trails.

Protection Mutual

Protection Mutual Insurance Company
300 South Northwest Highway
Park Ridge, Illinois 60068

From The Reprint Department Of:

Business Insurance

Reporting weekly for
corporate risk, employee benefit
and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3⁰⁰ per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

SO MAYBE SOME PEOPLE DO KNOW MORE ABOUT RISK THAN WE DO.



Dixon Crossing Niagara, 1890

At Montgomery and Collins, we consider ourselves somewhat of an authority on how to handle risks.

And why shouldn't we?

In our more than 50 years in the E&S business, we've helped place insurance for nearly every risk under the sun. (As well as a few orbiting around the sun.)

From mammoth-sized to minuscule. Banal to bizarre. And since no two risks are created equal, neither are their coverages. Which is why we work with over 40 different E&S specialty companies. All

well-established. All over the world. Solving problems with common risks. As well as complex risks.

Without incurring an additional risk: Wasted time for you and your clients.

So when it comes to marketing a risk, why take a risk?

Talk to the people who are bound to know more about it.

Than almost anyone.

 **Montgomery and Collins, Inc.**

a CIGNA company

CRISIS OF CONFIDENCE

NYSE must act as decisively as stock exchange to allay fears

By John R. Dunne

CONFIDENCE. Webster defines it as "trust; reliance; the fact of being or feeling certain; assurance." When there is a lack of confidence, it can be said that there has been a breakdown of that trust, that someone or something has become unreliable, resulting in uncertainty.

The financial markets are in the throes of a crisis in confidence. In the past month, two of New York's self-regulated markets have experienced crises in confidence, and the manner in which each has responded to its own special problems may well determine its future viability and survival.

The New York Stock Exchange has suffered from a dramatic devaluation of this precious commodity since the unprecedented "Black Monday" and the wild roller-coaster ride that investors have taken since that time.

A few short blocks away in downtown New York, another exchange, the New York Insurance Exchange, is experiencing an even more serious crisis of confidence. Eight of its syndicates are insolvent. Almost a dozen are running for the door with many others limping badly, probably to the nearest exit.

While there may be similarities in the factors contributing to their troubles—internal operational weaknesses as well as uncontrollable external forces—their respective responses, however, are a study in contrast.

The NYSE moved decisively to focus its damage control activity on restoring investor confidence. The NYIE, however, has

sadly lagged behind, unable to free itself from those problems that have persistently beleaguered it. And if the so-called American answer to Lloyd's is to survive, it must act promptly and decisively with a credible rescue agenda.

The crisis at the New York Insurance Exchange has its roots not in the institutional framework but, rather, more in the way business has been conducted within the institution. After an initial shakedown period, the administration at the NYIE has yet to identify a valuable role for the exchange in the insurance industry. The resulting uncertainty has produced confusion among those who would otherwise utilize this alternative marketplace.

A second failure is attributable to the inability of the exchange, its members and its regulator, the New York Insurance Department, to come to grips with the lingering and festering problems that are the legacy of the early push for writing volume business, seemingly without any awareness of the quality of risks

assumed or the adequacy of premiums charged.

Some parties have not only been reluctant to address the issues but have also created additional conflicts by casting blame upon each other as opposed to objectively analyzing their own respective roles in the scenario. The inability to focus upon the problems at hand, the failure to establish a cooperative effort in devising a solution, the finger pointing, the knee-jerk reactions have all contributed to the plunge in the insurance exchange's reputation as a viable alternative to traditional insurance markets, both here and abroad.

Resolution of the crisis that now envelopes the exchange must be based on certain premises. Dissolution is not a responsible option. Although the picture painted in the trade and general press is admittedly bleak, none of the problems has pointed to a serious flaw in the exchange itself. Furthermore, there are no indications that the exchange concept is one whose time has passed or is plainly unworkable, as appears to be the case with the crippled Insurance Exchange of the Americas or the stymied Canadian Insurance Exchange.

Indeed, now more than ever, it is apparent that the exchange needs to be operated, as it was first intended a decade ago: as a self-regulated entity but closely monitored by the state Insurance Department, which is ultimately responsible for the fiscal responsibility of those groups participating in the exchange.

Unfortunately, the department, despite its ongoing scouting of the exchange's activities, has taken a largely "hands-off" attitude, which the exchange

management perceives as a refusal to participate jointly in fashioning a workable solution to its current problems.

And perhaps the Legislature, which refined and approved the industry's original concept of a truly self-regulated insurance marketplace, has been remiss by playing watchful spectator rather than responsible mediator. The governor and legislative leaders will have to run fast to catch up with the events that have occurred within an institution they ratified a decade ago but which now appears to have failed to fulfill its anticipated public benefit.

By contrast, consider the elements of the New York Stock Exchange's crisis, which are an objective lesson for those who will be charged with designing solutions for the NYIE. Backed by the very visible support of his top executive team, John Phelan, the NYSE's chief executive officer,

responded promptly and decisively with bold administrative action and direct communication with market leaders, regulators and, most important, with the public.

His adroit response, including the temporary halt of computerized programmed trading and the shortening of trading hours, allowed the institution to work itself out of its immediate problem and cut short the need for intervention by the Securities and Exchange Commission. The

reasoned yet swift actions, coupled with a commitment of cooperation by and between the market, its members and its regulators allowed for a stabilization of that market and set the stage for analysis of the crisis and how it could be remedied.

The condition at the insurance exchange, on the other hand, has deteriorated in a sea of uncertainty. No one party has a firm grasp on the nature or scope of the problem, nor has any one person or group come forward as a leader with either a plan of action or the resolve and skill to successfully implement it. The crisis in confidence is very much a crisis in leadership.

Taking a page from the stock exchange's book, the insurance exchange's problems must be directly addressed at once. As the stock exchange sought and applied its own, in-house remedies, President Reagan appointed a blue-ribbon commission of outsiders to analyze the factors contributing to the alarming fluctuations of stock prices and the resulting dramatic loss of confidence in the financial exchanges.

All of us interested in the success of the insurance exchange now have an opportunity as well as an obligation to step back and take stock of its first eight years and its first crucial test.

More than a year has passed since the exchange received the very thoughtful and incisive analysis by Stewart Economics of the future directions of the exchange, and no significant response has been forthcoming. That report, refined to its 20th draft, identified the weaknesses in the operation and enumerated a variety of response options that appear to have been received with no sense of urgency. That agenda is more critical today and, simply stated, must be addressed if the institution is to survive. Since the alternative would constitute a failure that could not be tolerated, for either economic or patriotic reasons, I suggest we get on with the task at hand and avoid giving our friends at Lime and Leadenhall streets an occasion to celebrate.

The agenda must be twofold: Reach

an equitable resolution of the conflicting claims arising out of the insolvent syndicates in such a way as to maintain confidence that the NYIE is a marketplace of honor and credibility and, second, honestly examine the disappointing record and weigh the viability of long-range proposals to resuscitate this ailing marketplace.

Virtually all of the interested parties are engaged in the litigation involving a determination of the already identified insolvent syndicates. Very much to his credit, New York State Supreme Court Justice Irving Kirschenbaum has consolidated all of the proceedings and has very wisely appointed a committee composed of representatives from the exchange, the exchange security fund, the state Insurance Department, an insolvent syndicate and a distinguished attorney. Their charge is to develop and propose to the court a plan to work out the financial problems facing the exchange and its eight insolvent

syndicates. If this is not achieved, the exchange, in whatever form it may survive, will have scant prospect for ever regaining the industry's—and the regulator's—trust.

As valiant as the court's efforts may be, however, its jurisdiction and authority is limited to solving the specific matters before it—namely the rights of creditors and principals of those eight syndicates. It is clearly the responsibility of the governor of New York and the state Legislature to re-examine the performance of this experiment in self-regulation, determine if the exchange concept is still relevant and prudent public policy and, if that judgment be in the affirmative, how it should modify the basic charter that is enshrined in statute.

Without delay and any need for legislation, I propose that New York Gov. Mario M. Cuomo, by executive order, create a high-ranking commission charged with the duty to examine and recommend statutory and regulatory action to breathe new life into the exchange. Since both branches of the state government played key roles in the formation of the exchange in the first instance—not only in the legal authorization of its creation but also in the appointment

Continued on next page

Speaking out

Although the picture is admittedly bleak, none of the NYIE's problems has pointed to a serious flaw in the exchange itself.

If the 'American answer to Lloyd's' is to survive, it must act promptly and decisively with a credible rescue agenda.

John R. Dunne, R-Garden City, is deputy majority leader of the New York State Senate. He also serves as Chairman of the Senate Special Task Force on the New York Insurance Exchange.



Separation doesn't void life coverage

A clause in a group life insurance policy providing benefits to a wife upon the death of an insured husband unless legally separated or divorced clearly connoted a legal status of the policyholder, a North Carolina appellate court ruled.

Pilot Life Insurance Co. issued a group insurance policy to Carol Benfield, through her employer, providing for a \$2,000 death benefit upon the death of her husband. Under the policy, Mr. Benfield was an eligible dependent unless they were "legally separated or divorced."

The Benfields encountered domestic difficulty.

In 1985, Mrs. Benfield obtained a temporary protective order ordering her husband to vacate and not return to the family residence. The Benfields did not live together from the date of the protective order until his death in April 1985. Mrs. Benfield sought benefits under the policy. Pilot rejected her claim.

She sued and won in the trial court.

On appeal, Pilot argued that the temporary protective order issued by the court was a judicial acknowledgment of the parties' legal right to live apart and constituted a "legal separation" as contemplated by the insurance policy. But, the court said that the phrase "legally separated or divorced" was a technical usage defined by law. The court pointed out that the temporary protective order was not issued as part of a proceeding to affect the marital status of the parties. Thus, the court said that Mrs. Benfield was not legally separated at the time of her husband's death and was entitled to the insurance benefits. *Benfield vs. Pilot Life Insurance Co.*, Court of Appeals of North Carolina, Aug. 5, 1986 (BI/04/May—\$10).

Embezzlement claim

An Ohio appellate court ruled that a policyholder who had purchased fidelity insurance policies for several years that contained the same terms as the policy in force when a loss occurred could not complain after the loss that the policy terms did not comply with its original requests.

The First Catholic Slovak Union of the United States & Canada was a non-profit fraternal organization whose primary function was the sale of life insurance to its 80,000 members. The bylaws of the association require its officers to "give surety bond payable to the" society in stated amounts for designated officers (e.g., secretary, \$250,000). The bond was to cover fraud, dishonesty, embezzlement and misapplication of funds or property.

In 1976, the Slovak Union began acquiring fidelity policies from Buckeye Union Insurance Co. through a sales agency. The Slovak Union's treasurer was an employee of that sales agency and designed a policy for the association. The policies provided "blanket crime" and "comprehensive crime" coverage for defalcations by every society

Legal briefs

officer and home office employee. The basic coverage limit for any home office employee's forgery thefts was \$25,000. Excess coverage increased those limits for dishonesty by Slovak Union's individual officers.

In March 1982, the association discovered that a subordinate employee had embezzled \$119,500 over a period of three years. The Slovak Union claimed that the insurance company or sales agency should have provided coverage specified by its bylaws. A suit ensued, and the trial court ruled against the Slovak Union.

The appellate court noted that for several years the Slovak Union received and held repeated policies with the same terms that applied when the theft occurred.

"It cannot complain that the policies did not comply with its requests," the court said, "when it made no complaint about those policies for that extended interval."

First Catholic Slovak Union of the United States & Canada vs. Buckeye Union Insurance Co., Court of Appeals of Ohio, April 3, 1986 (BI/02/May—\$10).

Intoxicated employee

An employee who drinks intoxicating liquor to such an extent that he can no longer engage in his employment abandons his job and, when injured in that condition, his injuries do not arise out of employment, the Supreme Court of Ohio concluded.

Bill Phelps, a shop foreman for Positive Action Tool Co., worked at the plant from 8 a.m. until 5 p.m. or Feb. 23, 1981. Between 7 and 8 p.m. that evening, Mr. Phelps went to a bar and steadily indulged in alcoholic beverages until approximately 12 a.m. At that time, he received a call prompting his return to work. Before doing so, he stopped at a second bar for a drink and then went to an oil drilling site, allegedly to talk with a prospective employee.

That person was not there, but Mr. Phelps remained there and socialized for about an hour. After leaving the site, Mr. Phelps proceeded through the township of Wooster, Ohio, toward the company plant. Before he arrived, Mr. Phelps was involved in a vehicle accident and was injured. A patrol officer had Mr. Phelps take a blood alcohol test that indicated a level of 0.21%. Mr. Phelps' claim for workers compensation benefits was denied by the workers compensation commission; however, a jury trial ruled in his favor and the award was affirmed by an appellate court.

On appeal to the state Supreme Court, the court said that, although intoxication alone does not necessarily constitute a departure from employment sufficient to preclude recovery under the Workers

Compensation Act, voluntary intoxication that renders an employee incapable of performing his work is a departure from the course of employment. The court believed here that Mr. Phelps was incapable of performing the activity incidental to the duties of his employment; that is, driving to the work site.

Thus, the court said that Mr. Phelps' voluntary intoxication was tantamount to abandonment of employment and, thus, his injuries were caused by his gross state of intoxication. The compensation award was reversed.

Phelps vs. Positive Action Tool Co., Supreme Court of Ohio, Aug. 25, 1986 (BI/05/June—\$10).

Sexual harassment

A case of first impression in New Jersey raised the issue of whether an insurer's duty to defend a suit for damages under an employer's liability policy was triggered by a complaint alleging acts of sexual harassment resulting in an employee's emotional and mental anguish. A New Jersey appellate court ruled that the insurer had a duty to defend the suit.

NPS Corp. was covered under workers compensation and employers' liability policies issued by Insurance Co. of North America. Coverage was for damages caused by bodily injury by accident or disease.

During the policy period, Sara Schaeffer, an executive secretary employed by NPS, filed a suit alleging that a co-employee, the plant manager, had committed repeated acts of sexual harassment and that she suffered serious emotional distress as a result.

The employer notified the insurer and requested defense of the suit. INA refused on the basis that the assertion of emotional distress did not fall within the risks covered by the policy. The employer then sued the insurer for breach of contract. The trial court ruled for the insurer.

The appellate court reversed, concluding that the term "bodily injury," as used in the policy, "included the emotional and psychological sequelae allegedly resulting from the unauthorized invasion of the complainant's person." The court emphasized that mental and emotional distress is just as "real" as physical pain.

The court also rejected the insurer's claim that bodily injury necessarily entailed some physical or corporeal harm caused by the application of external violence.

NPS Corp. vs. Insurance Co. of North America, Superior Court of New Jersey, Appellate Div., Nov. 13, 1986 (BI/01/Jy.—\$10).

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a \$10 check payable to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

New York exchange

Continued from previous page
of the commission to draft its original charter and the nomination of its first board of directors—the membership of this panel should be similarly designated. With seven in number, one member nominated by each of the four legislative leaders and the remaining three designated by the governor, the members should be drawn from business and insurance leaders not directly involved with the business of the exchange. They can commence their deliberations immediately, building on the insights of the Stewart Economics report, the actuarial analyses completed by Tillinghast, a division of Towers, Perrin, Forster & Crosby, and perhaps some of the proposals that may be proffered by

Judge Kirschenbaum's committee.

Such an analysis must begin by revisiting some of the proposals for improvement that have been brooded about but not acted on to date. These include:

- ✓ Raising the minimum required capitalization of syndicates to as high as \$25 million from the current \$5 million.

- ✓ Restricting the business written by the exchange to reinsurance, thereby calling into question the appropriateness of a security fund.

- ✓ If, however, direct business is to continue to be written on the exchange, eliminating the Free Trade Zone interface that was cited in the Stewart report as imposing "substantive and procedural barriers"

to the development of excess and surplus lines business.

- ✓ Encouraging investments in syndicates by non-insurance entities, including banks, which could be viewed as a limited experiment to determine the interest as well as the skill of other financial institutions to engage in the more sophisticated aspects of the insurance business.

- ✓ Having the president of the exchange serve on the board of governors, so that as the visible head of the exchange he could participate in the formation of policies as well as carry them out.

- ✓ And, finally, eliminating many duplicative and non-essential back office services that have unnecessarily driven up the exchange's operating

expenses.

The New York Insurance Exchange, like its older sister, the New York Stock Exchange, can overcome a crisis of confidence, even at its relatively young age. It may be a tall order, but it is achievable through a commitment to the system by those who would enjoy its benefits as a premier insurance market, and with a skillful and thoughtful plan of action drawn up cooperatively by its operators and regulators.

The proposed commission could provide us with the necessary insights to help us emerge from these troubled times and go forward to realize our goal of a truly American, self-regulated insurance marketplace, in which all of us can have confidence.

*An idea is salvation
by imagination.*

—Frank Lloyd Wright

INGENUITY *Inland Marine*

For an independent agent or broker, the opportunities are virtually unlimited. Unfortunately, so are the hazards.

To succeed, you need the support of aggressive, creative underwriters. You need the professionals at Fireman's Fund.

While others simply go by the book, we're writing new chapters — especially in the area of Inland Marine. Our experience and training qualifies our Inland Marine underwriters to make local, independent decisions. They delve deeper into diverse, unusual areas to create individualized coverages for you and your customers. And open up possibilities that might otherwise remain closed due to a lack of experience and imagination.

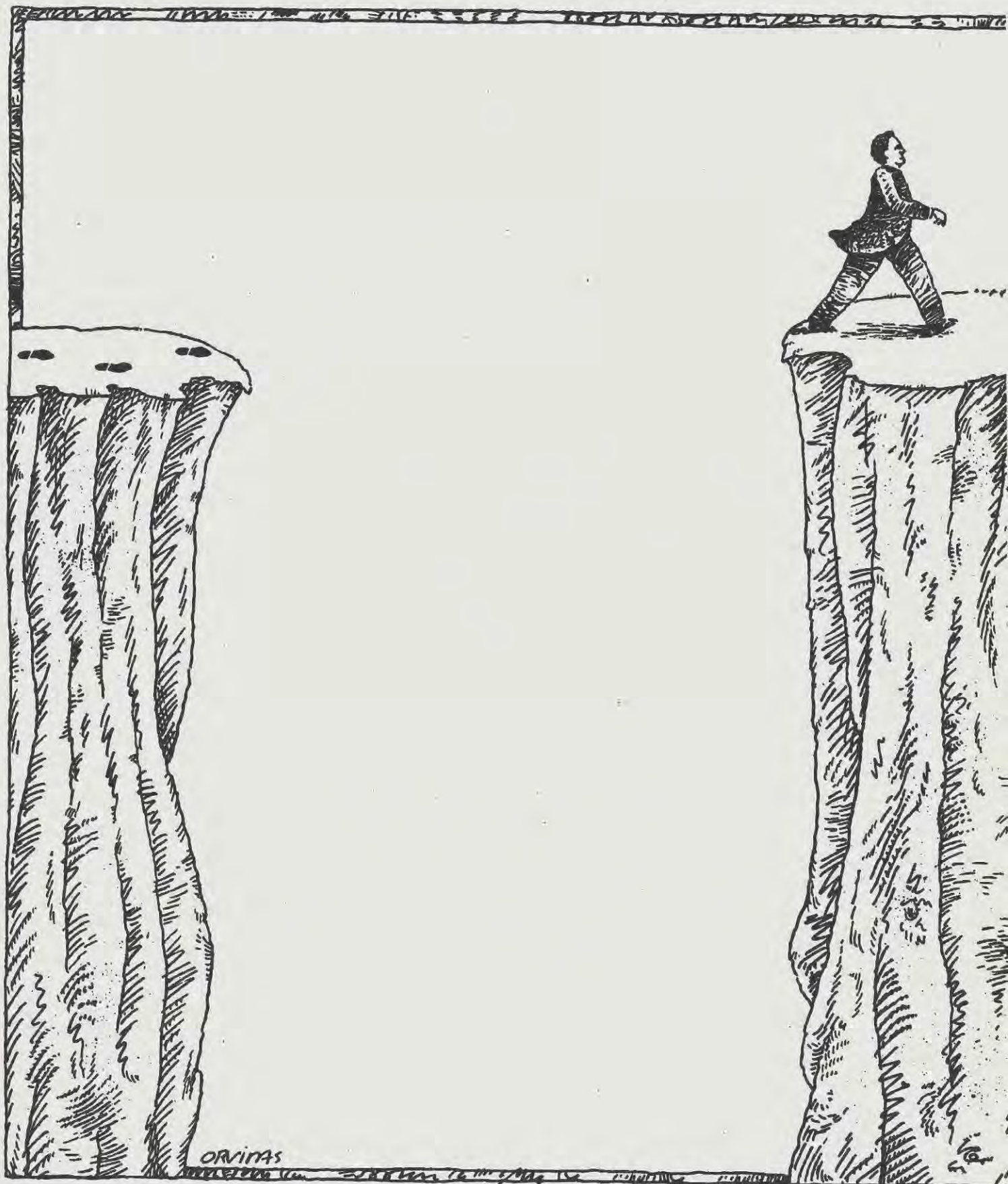
We're not afraid to break new ground. Recently, Fireman's Fund took on the unprecedented challenge of covering Stars and Stripes throughout its 12,000 mile voyage to reclaim the America's Cup. We even created coverage for the America's Cup itself. From the presentation ceremony in Australia to its various travels and exhibits throughout the U.S. Every aspect was considered. Every possibility covered.

We've been a leading provider of Inland Marine coverages since the birth of our company over a century ago. We've continued to grow and expand by turning every challenge into an opportunity.

Superlative services and ingenious underwriting. They're a proud part of our past, and a promising part of your future.



**FIREMAN'S FUND
INSURANCE COMPANIES**
124 years of tomorrows.



ORVITAS

British insurer calls storm loss figures low

By CAROLYN ALDRED

LONDON—Insured losses from the freak windstorm that devastated southeast England last month will probably exceed initial industry estimates of 500 million pounds (\$880 million), according to one of Britain's largest insurance companies.

"The hurricane will be a very major loss for the (U.K.) market and is likely to be greater than the Assn. of British Insurers' estimate

of 500 million pounds," said John Carter, general manager for Commercial Union Assurance Co. P.L.C.'s U.K. operations.

In addition, the company also is anticipating claims from policyholders in Spain, Portugal and France for losses caused by the hurricane-force winds that swept up the English Channel on Oct. 22-23, causing severe damage in several countries (*BI*, Oct. 26).

"In certain blocks of business, one-seventh of all our domestic

policyholders have asked for claim forms," said Mr. Carter.

Meanwhile, October's stock market crash has reduced the company's reserves only slightly, said Commercial Union Finance Director Tony Wyand at a press conference announcing the company's third-quarter results. Commercial Union's ratio of net reserves to net

London

premiums written decreased to 58% from 68% since Sept. 30, he said.

However, "this is an entirely comfortable level of solvency and causes us no concern," he added, noting that CU invests only 20% of its 4.8 billion pounds (\$8.4 million) of total assets in equities.

Meanwhile, the weakening of the U.S. dollar will increase insurance capacity in the London market, Mr. Wyand noted. "However, the effect of the hurricane is likely to mitigate any falls (in rates) in the U.K. market."

Mr. Wyand also dismissed suggestions of widespread rate reductions and increased competition in the United States.

"Generalization about excessive competition and rate decreases obscures the great complexity of the U.S. (market). . . (Although) in small to medium commercial risks the level of competition has increased, this has not resulted in any rate decline, only in a decline in the rate of rating increases," he said.

Commercial Union reported pretax profits of 127.7 million pounds (\$208.2 million at applicable exchange rates) for the nine-month period ended Sept. 30, up 76.8% from 72.2 million pounds (\$106.9 million) for the first nine months of 1986. Premium income for the first nine months increased 12.5% to 2.26 billion pounds (\$4 billion) from 2.09 billion pounds (\$3.5 billion) in 1986.

Another major British insurer, General Accident Fire & Life Assurance Corp. P.L.C., also stressed that the stock market crash would not affect its business plans.

"The fall in equity market values in the last few weeks, while probably overdone, has had no effect on the corporation's ability to trade expansively, nor does it have any foreseeable impact on dividend prospects given the strong earnings trade," said Buchan Marshall, the company's chief general manager.

The company's premium volume for the first nine months of 1987 totaled 1.9 billion pounds (\$3.1 billion at applicable exchange rates), up 9.8% from 1.73 billion pounds (\$2.56 billion) for the first nine months of 1986. Pretax profit jumped 75.8% to 145 million pounds (\$236.4 million) from 82.5 million pounds (\$122.1 million).

In the United States, the company's premium income increased to 615.2 million pounds (\$1 billion) in the first nine months of 1987, up 4.2% from 590.1 million pounds (\$873.3 billion) at the end of the third quarter in 1986.

Terms of trade

The "terms of trade" provisions introduced in the London market on Jan. 1 to help speed the payment of premiums to underwriters have been revised following a nine-month trial period.

Non-marine underwriters belonging to Lloyd's Underwriters' Non-Marine Assn. and non-Lloyd's non-marine underwriters belonging to the Policy Signing & Accounting Center and the Reinsurance Offices Assn. introduced the terms of trade to force brokers to pay premiums to London insurance and reinsurance underwriters more quickly (*BI*, Dec. 8, 1986).

Under the terms of trade, brokers have to pay premiums to underwriters according to a timetable based on the country from which the premiums are produced.

After monitoring reports on the first nine months of business under the terms of trade, the NMA com-

mittee in negotiation with PSAC and the Lloyd's Insurance Brokers Committee "has agreed a number of changes to the recommended periods," according to letters sent to members by PSAC and the NMA.

However, "in most cases the committee has seen no reason to change the recommended periods," the letters add.

In cases "where there has been little adherence to the guidelines by leading underwriters and brokers have not been able to perform well against the more generous terms agreed, the NMA and PSAC have responded to the LIBC's representation and extended the recommended period," the letters state.

For example, payment periods for U.K. facultative reinsurances have been increased to 150 days from 90 days and payment periods for direct business on the open market from Canada has been extended to 90 days from the end of the inception month from 90 days previously.

However, in some cases "periods have, by common agreement, been shortened. . . for example, some classes of Latin American and Asian business," the letters note.

Meanwhile, the NMA and PSAC advise underwriters to be flexible when applying the guidelines.

PSAC Managing Director David Sturt recently said PSAC received 65% of its premiums early or on time, while Lloyd's underwriters received about 70% of their premiums early or on time during the trial period.

"Terms of trade will, I am sure, be viewed historically as an important and significant event and I believe it is a unique example of how the various sectors of the market have sought to cooperate with each other to make. . . a stronger London insurance market," said Mr. Sturt.

Wrightson defections

The latest defections from the unhappy merger of Lloyd's brokers Willis Faber P.L.C. and Stewart Wrightson P.L.C. include Tim Wilson and Charles Freshwater, who have joined Hogg Robinson (Marine Reinsurance Brokers) Ltd. as directors. Both were previously with Golding Stewart Wrightson Ltd., the reinsurance subsidiary of Stewart Wrightson.

Both men reportedly were unhappy with the employment package offered to them by Willis Faber following the merger.

Comings & goings

Anthony J. Newnham has joined Charles C. Norton-Smith as managing directors of Dewey Warren & Co. Ltd., following the acquisition of Nasco U.K. Holdings Ltd. by Dewey Warren (*BI*, Sept. 7). Mr. Newnham previously was chairman of Nasco U.K.

Philip Seaman, Tony Driver and Norman A. Taylor have been appointed directors of NHM Financial Institutions Ltd.

Ron Genever has been promoted to director of research and development of Alexander Stenhouse U.K. Ltd.

Derek Ford has been appointed deputy chairman of Sedgwick International Ltd.

John Reeder has been appointed director-in-charge of St. Katherine Insurance Co. P.L.C.'s engineering department. Mr. Reeder previously was senior underwriter at Swiss Reinsurance Co. in London.

Ian Roake and Peter Tyler have been promoted to director and assistant director, respectively, of Heath Fielding Reinsurance Broking International Ltd. ■

IS IT REALLY A DRUG PROBLEM?

Mental Health and Substance Abuse problems are delicate and require a special kind of case management.

But the first step is knowing *exactly* what to treat. Only Cost Care utilizes:

- ✓ Over 270 clinical indicators to unmask hidden personal problems.
- ✓ Staff physicians and psychiatrists reviewing *every* case.
- ✓ Review of both physical and mental health related admissions.

We treat your employees the way their doctors do—case by case.

COST CARE™

Call:
Ray Foose, Director Marketing
1-800-762-3029 Nationwide



MENTAL HEALTH/SUBSTANCE ABUSE
CASE MANAGEMENT

Houston Casualty Company is a property and casualty insurance company, domiciled in Texas, and approved in 36 other states.

Houston Casualty Company specializes in marine, energy and aviation insurance worldwide, and property insurance in the western United States.

Houston Casualty Company is rated B+ (Very Good), financial category V, by A.M. Best and Company.



HOUSTON CASUALTY COMPANY

13403 Northwest Freeway, Houston, Texas 77040-6095
(713) 462-1000

3250 Wilshire Boulevard, Los Angeles, California 90010-1634
(213) 380-1884



For 20 years the choice has been crystal clear...

Business Insurance

Published by Crain Communications Inc

New York: (212) 210-0133

Chicago: (312) 649-5275

Los Angeles: (213) 651-3710

Court accepts military contractor defense

TALLAHASSEE, Fla.—A government contractor sued in product liability litigation can escape liability if it can show the government created a known risk and that the contractor complied with specifications precisely prescribed by the government, the Florida Supreme Court says.

In a unanimous decision, the Supreme Court ruled that the defense, known as the military contractor's or government specifications defense, was valid under Florida law.

But the defense may not be available to defendants in asbestos litigation, according to the plaintiff's attorney.

The state high court said that to avoid liability, the contractor must show:

- It did not participate, or participated only minimally, in the design of those products or parts of products shown to be defective.

- Or, the contractor promptly warned the military of the risks of the design and notified it of alternative designs reasonably known by the contractor and that, despite the warning, the military clearly authorized the contractor to proceed with the dangerous design anyway.

"To be able to assert this defense, then, an independent contractor affirmatively must show that the decision to confront or create a known material risk essentially was made by the military," the court said.

"As a corollary, the contractor must show compliance with the specifications material to the dispute at bar that were precisely prescribed and required by a contract between it and the government."

"If the specifications are not precise and leave the contractor with substantial discretion, then the contractor must shoulder strict liability to the extent its exercise of that discretion has caused injury," according to the court.

However, the court said the defense is inappropriate where the contract is to supply services or goods of a commercial, or non-military nature.

The court based its decision on the federal war-making and defense power, which the U.S. Constitution has entrusted exclusively to the president and Congress.

The decision involved a 1982 lawsuit brought in U.S. District Court in Miami against 10 manufacturers or distributors of asbestos-containing products by various plaintiffs including Alfred Dorse. Mr. Dorse was exposed to asbestos while working as a coppersmith constructing naval vessels in New York during and immediately after World War II.

One of the defendants in the case, Eagle-Picher Industries Inc. in Cincinnati, Ohio, asserted the "military contractor's defense."

Eagle-Picher contended that it should not be held liable because it manufactured and sold asbestos-containing materials to the U.S. Navy pursuant to federal government contracts that required strict compliance with certain contract specifications.

Eagle-Picher also asserted that the gov-

ernment's knowledge of the hazards posed by asbestos was equal to or greater than that of Eagle-Picher.

The U.S. district judge in Miami, however, granted the plaintiff's motion to strike the military contractor's defense. On appeal, the 11th U.S. Circuit Court of Appeals sent the question to the Florida Supreme Court to determine whether the defense was valid under Florida law.

The question the state Supreme Court was asked to address was whether Eagle-Picher could avoid liability by showing:

- Eagle-Picher manufactured and supplied its product in accordance with mandatory specifications set forth in government contracts.

- Eagle-Picher told the government of any hazards associated with the product that it knew of and of which the government was unaware.

"We are persuaded by the weight of authority, and conclude that a defense similar to that asserted by Eagle-Picher—a 'military contractor's defense'—should be recognized under the law of this state," the state high court said.

According to Eagle-Picher's attorney, Susan J. Cole, the military contractor's defense was the company's main defense in the Dorse litigation.

After it was stricken by the federal district court, a \$250,000 judgment was entered against Eagle-Picher, which was subject to reversal pending the outcome of the appeal on the military contractor defense issue, she said.

"It's the first case that I'm aware of where a court has held the military contractor's defense applies in an asbestos case," said Ms. Cole, who is with the Coral Gables, Fla., firm of Blaire & Cole.

"I'm very pleased with the result," she added.

"We're very pleased with the decision, it is very favorable to us," said Louis S. Robles, who represents Mr. Dorse's widow in the case.

While the decision permits use of the military contractor defense in Florida, the defense is inappropriate where the military is only one outlet of a larger market such as occurred with Eagle-Picher, he asserted.

"The defense does not apply to asbestos manufacturers," he said. "They won the battle, but lost the war."

Mr. Robles also asserted that he will seek to enforce the \$250,000 judgment against Eagle-Picher, and that it could only have been reversed if the military contractor defense had been available to asbestos manufacturers.

—By Stephen Tarnoff

Cortapasso investigated

NEW YORK—The state attorney general's

office is considering bringing either criminal or civil charges or both against the former administration director of the New York State Insurance Department's liquidation bureau.

Joseph Cortapasso Sr. resigned effective Sept. 21 after an anonymous letter alleged that his division had used two temporary employment agencies owned by his son, Joseph Cortapasso Jr.

The state inspector general has turned over the results of a preliminary investigation to the attorney general's office. A spokesman for the attorney general said it is "too early and inappropriate" to comment on the case.

An Insurance Department spokesman said that about \$350,000 was paid out to the agencies between January 1985 and June 1987, but about three-fourths of that was accounted for by salaries paid to the agencies' employees.

He said although it was decided to expand the investigation's scope to include all the activities of the division, the inspector general found no evidence to indicate the temporary agencies had charged an excessive amount for their services or that bureau employees were fired to make room for the temporary workers, which were among the charges in the letter.

The spokesman said the administrative division, which provides support services to the liquidation bureau, employs about 50 people, and arranges for outside contracting of work as well.

Neither Mr. Cortapasso nor his son would comment on the case.

—By Judy Greenwald

Michigan work comp

LANSING, Mich.—A Michigan Court of Appeals judge has issued a stay of enforcement of a state Circuit Court ruling that would have made the Accident Fund of Michigan, the state's largest workers compensation insurer, a state agency.

The stay comes in the wake of an appeal filed by the Accident Fund after the Oct. 5 ruling of Ingham Circuit Court Judge Carolyn Stell, who determined the fund is a state agency.

The stay permits the fund to operate as a private agency until the formal Michigan Court of Appeals hearing process, which probably will conclude in two to three years, said Frank Nerat, assistant manager and general counsel for the fund.

The action is the latest wrinkle in an 11-year-old controversy between the Michigan attorney general's office and the Lansing-based accident fund, which has more than 30,000 policyholders.

The state took the position in 1976 that the fund was by right a state agency and that its employees are state employees, in spite of opposing opinions by former attorneys gen-

eral and the recommendations of an independent study commissioned by the Heartland Institute and the Michigan Research Institute.

According to a statement issued by Michigan Attorney General Frank J. Kelley, the state has held the fund's assets since its establishment in 1912, which indicates that it is being operated as a state agency. In addition, he says that the fund would be more price-competitive if it were forced to do business as a state agency.

As a possible alternative to a final court judgment, the State Chamber of Commerce has approved the initiation of a voter petition drive to place the issue of the fund's status on the ballot in the November 1988 election, said Mr. Nerat.

—By Laura Mazzuca

Alaska tort reform

ANCHORAGE, Alaska—Liability for damages awarded in Alaska court cases would be limited to the amount directly attributable to each defendant if an initiative petition now circulating in the 49th state is approved.

The Citizens Coalition for Tort Reform hopes to gather enough support to place the pure several liability proposal on the November 1988 ballot, said Mark Dinneen, the coalition's executive director.

The measure would restrict liability for damage payments to a percentage of fault assigned to a defendant, Mr. Dinneen said. It would eliminate Alaska's current system of joint and several liability.

Mr. Dinneen said pure several liability was part of a tort reform package considered by the Alaska Legislature last year, but a compromise version without the measure was passed to secure approval of the other provisions, he said.

The coalition must collect signatures from at least 18,256 registered voters by Jan. 10 to place the binding measure on the ballot next fall, Mr. Dinneen said.

The group hopes to gather the required signatures by the third week in December, a petition drive that would be unprecedented in state history, he said.

If the drive is successful, the Legislature may respond by passing a several liability law superseding the initiative, Mr. Dinneen added.

Meanwhile, the group is contesting Alaska Lt. Gov. Stephen McAlpine's rejection of an initiative petition drive item that would establish a schedule for attorneys' contingency fees. Lt. Gov. McAlpine decided the fees were a rule of the court and not subject to modification by the initiative process.

The coalition sought a temporary restraining order from a state Superior Court in Anchorage last week to allow the fee schedule to appear on the petition. However, the request was denied and the issue has been appealed to the Alaska Supreme Court, Mr. Dinneen said.

—By Glenn Huntley

Tort reform

Continued from page 3

"Much of the debate to date has taken place in the nation's legislatures and has focused on substantive aspects of the law," Mr. Nutter says in the booklet. "But many of these concerns have more to do with problems in court rules and procedures than in the body of the law itself."

"Given this fact, the Alliance believes a critical part of the solution to these problems lies not in the legislatures, but with those closest to the litigation process," he noted in the booklet.

"We've come to somewhat of a crossroads and are proceeding down different paths," Mr. Nutter said during the interview.

Mr. Nutter said that among the reasons for the change in approach is that state legislatures that have addressed the tort liability system "are inclined to take time and evaluate their efforts."

Mr. Nutter said that while tort reform groups have had mixed results, overall, tort reform efforts by state legislatures, the media attention those reforms have received and the public's greater awareness of the problems in the tort liability system have begun to curb the expansion of defendants' and insurers' liability.

But much of the recently enacted tort reform has been too weak to cause dramatic changes in insurance costs and prices, he said.

And, the broad comprehensive tort reform addressed by certain legislatures over the past few years has peaked and is waning, he said.

For at least the immediate future, Mr. Nutter expects that state legislatures will take a "rifle-shot approach" to such issues as product liability, rather than enacting comprehensive legislative packages of changes.

The booklet aimed for objectivity in presenting the points of view on the issues. "It was not our intention to advocate a hard line with an insurance perspective," Mr. Nutter said.

Individual copies of the booklet are free. To obtain a copy, write the Distribution Department, Alliance of American Insurers, 1501 Woodfield, Suite 400 West, Schaumburg, Ill. 60173-4980; or call 312-490-8532. ■

Leadership

IS OUR STRENGTH

Richard Whiley, Inc.—a pioneer capable of structuring the most complex reinsurance programs.

- Creative solutions to the reinsurance requirements of insurers and reinsurers.
- Access to markets world-wide.
- Broad diversity of clients.
- Dedicated to service excellence.
- Sensitive to changing market conditions.
- Resources to handle all classes of Treaty and Facultative business.
- A Xerox Financial Services Company.

Richard Whiley, Inc.

Reinsurance Intermediaries

Headquarters:

110 William Street, New York, New York 10038
(212) 732-1360

Branch Office:

12 Piedmont Center, Atlanta, Georgia 30305
(404) 264-0222

EBRI study

Continued from page 3
whether they can afford the benefits they have promised," said Mr. Reimert.

Both Mr. Reimert and Ms. Doran said the likelihood that FASB will adopt rules on retiree health care liabilities will compel employers to consider new approaches to retiree health care plan design to limit costs. For example, employers with retiree health care plans often provide the same benefits to retirees regardless of how many years the retiree worked.

"Either you are eligible for the benefit and then you get all of it, or you are not eligible and then you get nothing," said Mr. Reimert.

According to the study, retiree health plans often require a minimum length of service—such as 10 years—for a retiree to be eligible for post-employment health care benefits. This length of service requirement for retiree health care benefits often is identical to pension vesting requirements.

"One approach to reducing future benefit costs is to lengthen the service requirements for full benefits; employees not meeting this longer requirement would then be eligible to receive a benefit for which the employer would pay only a portion of the cost and the retiree would be required to pay the balance as an annual contribution," according to the study.

Another approach to limit liabilities that employers may consider is to redesign their retiree health care plans so that the company only promises to contribute a fixed dollar amount to cover benefits.

"This dollar amount would be contributed each year toward the cost of coverage and would increase only if the company chose to liberalize the payment," Mr. Reimert said.

Paying a fixed-dollar amount toward retiree health care coverage would make future employer costs more predictable and less vulnerable to medical care inflation.

However, under this approach, the exposure of paying for higher than expected health care costs is shifted from employers to retirees, Mr. Reimert noted.

Employers also may consider when they can afford to extend health care benefits before normal retirement age. Companies now may extend retiree health care benefits as part of a window plan to encourage certain employees to retire before 65.

But the cost of providing health care benefits prior to a normal retirement age of 65 is enormous, according to the study.

For example, the present value of future medical benefits is \$15,000 for a single employee retiring at age 55, and \$31,000 for a married male retiring at age 55 (see chart, page 3). However, the present value of future medical benefits is \$6,000 for a single male retiring at age 65 and \$14,000 for a married employee retiring at 65.

(The present value of future benefits is the dollar amount needed today, coupled with investment earnings, that would be required to pay all future benefits as they become due.)

"Retiree health care benefits for an employee retiring at 55 with little service may be worth more than the pension benefit," Ms. Doran said.

Not surprisingly, the study found that cutting benefits can significantly decrease an employer's costs for retiree health care coverage.

For example, a plan with a \$100 deductible, 80% coinsurance provision and a \$500 limit on out-of-pocket expenses that provides benefits at age 60—before a retiree is eligible for Medicare—would have a per-capital annual cost of between \$1,500 and \$2,000.

If the deductible were increased to \$250 and the out-of-pocket ex-

One way to reduce future benefit costs is to lengthen the service requirements, the survey says.

pense cap raised to \$2,500, the annual per-capital cost would be between \$1,250 and \$1,750.

And, in the case of a plan with a \$500 deductible, a 75% coinsurance provision and a \$7,500 out-of-pocket limit, the per capital cost would be about between \$750 and \$1,250, or about half of the cost of the most generous plan.

Copies of "Measuring and Funding Corporate Liabilities for Retiree Health Benefits," are available at \$18 each from EBRI-ERF Publications, P.O. Box 753, Waldorf, Md. 20601. Specify publication 054-7.

The \$100,000 Baby.

Don't let low frequency fool you...high risk pregnancies are costing you over \$100,000 per infant—and that adds up fast. Not to mention the "hidden" costs stemming from the lost productivity and mental anguish involved in complicated deliveries.

The problem is identifying risk factors early enough to make a difference. The answer is **MaterniCall—Cost Care's High Risk Pregnancy Identification and Management Program.** Improve maternity care and reduce costs...
MaterniCall.

Find out about it.

COST CARE™

Call:
Ray Foose, Director Marketing
1-800-762-3029 Nationwide



HIGH RISK PREGNANCY IDENTIFICATION AND MANAGEMENT

HOT

OFF THE PRESS

The 1987/88 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

It's hot off the press! It gives you instant access to the major buyers in the commercial insurance market. And it saves you time and money because the BI Directory 1987-88 contains more pertinent information than ever before.

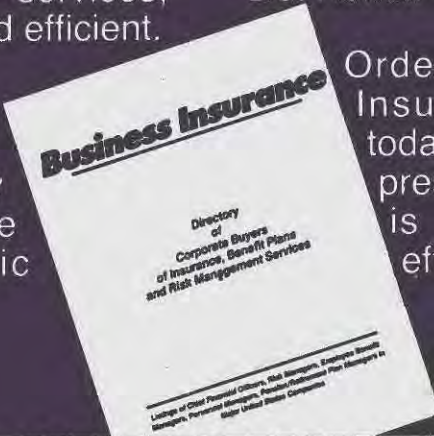
Whether you want to identify your corporate counterparts or reach corporate buyers of insurance, benefit plans and risk management services, the BI Directory is effective and efficient.

Vital information on over 2,200 U.S. corporations — they are listed alphabetically and indexed by employee population and geographic

location. There are approximately 9,000 individual corporate buyers listed by name, title and area of responsibility. The Directory also gives you company size - by employees and assets or sales.

Bonus: This year, for the first time ever, The Business Insurance Directory is available on computer tape. For further information contact Sharon Huffman, List Rental Manager, at 313-446-0476.

Order your 1987/88 Business Insurance Directory 1987-88 today. Remember, its hot off the press so the information you get is up-to-date and more cost effective than ever before!



Business Insurance **1987/88 DIRECTORY** of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

I want _____ copies.
\$75 each. All orders must be prepaid.
Make check payable to: Business Insurance Directory.
Total Enclosed: \$ _____ or charge my Visa Mastercard
Account # _____
Exp. Date _____
Signature _____

name _____
title _____
company _____
address _____
city _____ state _____ zip _____
phone _____

For further information, or to charge your order by phone, please call: **Fanny Franklin (313) 446-0477**
 Please send me Business Insurance subscription information
Mail this card and your check/money order to:
Business Insurance Directory: Single Copy Sales
965 East Jefferson Avenue, Detroit, MI 48207

FICA tax rate increases to 7.15% in 1988

By JERRY GEISEL

Washington

WASHINGTON—Employers and employees will be hit with higher Social Security taxes next year, the Social Security Administration says.

On Jan. 1, both the FICA tax rate and the taxable wage base will increase.

The tax rate for both employers and employees will rise to 7.51% from 7.15%. And, the first \$45,000 of an employee's salary will be subject to the FICA tax, up from \$43,800.

The increase in the tax rate and the taxable wage base will raise the maximum tax paid by employers to \$3,379.50 per worker in 1988 from \$3,131.70 in 1987. Other Social Security changes next year include:

- A rise in the tax rate for self-employed workers to 13.02% from 12.3%.

- With the increase in the taxable wage base, the maximum tax for the self-employed will rise to \$5,859 from \$5,387.40.

- The maximum job-related income a retired worker under 65 can earn without a reduction in Social Security benefits will be \$6,120 in 1988, up from \$6,000 this year.

- Workers between the ages of 65 and 69 can receive \$8,400 in job-related pay in 1988 before Social Security benefits are reduced, up from \$8,160 this year. There is no limit on earnings for retirees over age 69.

While the amount of FICA tax that employers and employees pay will climb next year, Social Security beneficiaries will receive a 4.2% cost-of-living increase beginning in the checks they receive in January.

The average monthly Social Security benefit paid to retired workers will increase to \$513 from \$492. Some 38 million people now receive Social Security benefits.

OSHA fines Ford

Ford Motor Co. has agreed to pay \$325,000

in fines to settle charges by the Occupational Safety and Health Administration that the automaker violated the agency's recordkeeping rules at manufacturing sites in Hapeville, Ga., and St. Louis.

Under the terms of the agreement, Ford has agreed to review its occupational injury and illness records at all 72 of its U.S. plants, as well as its wholly owned subsidiaries, to assure that they comply with OSHA and Bureau of Labor Statistics requirements.

"Valid records are critical. They enable employers to identify and correct specific workplace hazards. They also provide the baseline for OSHA's safety inspection targeting program," said Department of Labor Solicitor George Salem.

Under the settlement, Detroit-based Ford does not admit to violating OSHA standards.

Railroad tax increase

The expected increase in payroll taxes for railroads that contribute to the Railroad Retirement System could be higher than scheduled.

Starting in January, the payroll tax for Tier I—that portion of the Railroad Retirement System with benefits corresponding to Social Security—will increase to 7.51% of the first \$45,000 of an employee's wages. The current Tier I tax, paid by both employers and employees, is 7.15% of the first \$43,800 of an employee's wages.

Under the Tier II portion of the program, which corresponds to the private pension plan benefits that many employers offer their employees, the tax rate for railroads in 1988 will remain at 14.75%. However, the taxable wage base for Tier II will climb to an

employee's first \$33,600 of wages, up from \$32,700.

As a result, this increase in the taxable wage base will boost the maximum Tier II tax for railroads next year to \$4,956 per worker, up from \$4,741.50 in 1987.

The Tier II tax paid by employees will remain at 4.25% of wages, while the taxable wage base will rise to \$33,600 from \$32,700.

Thus the maximum Tier II tax paid by an employee in 1988 will increase to \$1,428 from \$1,389.75.

However, a provision in House-passed budget reconciliation legislation would boost the Tier II tax rate to 16.1% for railroads and to 4.9% for workers.

The increase is being proposed to assure the long-term solvency of the program, which now pays benefits to about 1 million people.

The legislation also calls for the establishment of a national commission that would explore alternatives to the current financing system.

The commission's report to Congress would be due on Oct. 1, 1989.

About 1,000 railroads now contribute to the Railroad Retirement System, which covers about 340,000 active employees.

COBRA penalties

New, proposed penalties for employers who violate COBRA's health care continuation rules are better than current law, but still need to be improved, according to the Risk & Insurance Management Society Inc.

Under those new penalties, contained in House-passed budget reconciliation legisla-

tion, an employer would be liable to pay an excise tax of \$100 for each day it failed to extend coverage to a beneficiary (BI, Nov. 2).

If the COBRA violation were inadvertent and corrected within 30 days, the employer generally would be exempt from the excise tax.

However, if the Internal Revenue Service found a COBRA violation during a plan audit, the employer could be slapped with a per person excise tax of \$18,000 for failures to extend coverage.

But RIMS, in testimony submitted this month to the Internal Revenue Service, says this \$18,000 minimum penalty makes little sense.

"Where a plan is inadvertently out of compliance for 31 days and such non-compliance is first brought to the employer's attention by the notice (from the IRS that the plan will be audited), an \$18,000 penalty seems arbitrary and overly strict," said Kathy Dupree, risk manager at MetroVision Inc. in Atlanta, who submitted the testimony on behalf of RIMS.

"The \$100-a-day tax is more than steep enough to encourage employers to comply without IRS intervention. Any penalty over and above it is unnecessary and draws an arbitrary distinction between employer-discovered mistakes and IRS-discovered mistakes," Ms. Dupree said.

Under the current IRS regulations implementing the Consolidated Omnibus Budget Reconciliation Act of 1985, an employer would lose its annual tax deduction for health care expenses if the employer violated COBRA's health care continuation provisions for only one day.

In addition, all of a company's highly compensated employees would be taxed on the cost of employer-provided coverage if the company violates COBRA. ■

City trims costs with triple-option plan

The City of Jacksonville, Fla., is expanding its employee benefits program and is saving money in the process.

The city has switched from offering its employees group health coverage under a traditional indemnity plan to a triple-option benefit plan and has reduced its costs by 26.5% from \$17 million to \$12.5 million by adopting the program and paying for the program upfront instead of in monthly installments, according to Bob Siver, vp of Siver Insurance Management Consultants in St. Petersburg, Fla., who helped design the new plan.

The city began investigating new approaches to providing benefits to its 8,200 employees after it projected that the tab for providing those benefits would reach \$17 million in 1987.

Raymond M. Clardy, then director of finance for the city and cur-

Benefit beat

rently internal audit manager/electronic data processing, said one way to reduce costs was to switch to a triple-option plan.

Under a triple-option plan, employees can choose either traditional indemnity coverage, a health maintenance organization or a preferred provider organization, all of which are administered by one insurer.

Messrs. Clardy and Siver realized the city could save even more money if it paid for the plan upfront rather than in monthly installments.

The next step was to find an insurer that would provide a triple-option package for a discount if the program's annual cost could be paid for upfront instead of in

monthly installments.

After sending out requests for proposals, the city chose Blue Cross/Blue Shield of Florida, which was willing to provide a triple-option package for \$12.5 million.

BC/BS provides both the indemnity coverage and the PPO, Preferred Patient Care. And a BC/BS subsidiary, Health Option Inc., provides the HMO, Mr. Siver explained.

The next hurdle was how to obtain \$12.5 million to pay for the plan in one lump sum. The city decided to issue revenue anticipation notes, which are available to public entities. Merrill Lynch Capital Markets in New York offered a 3.321% interest rate on the notes

for one year.

"This innovative financing technique is one that many other cities should consider," said Stephen J. Marmon, vp of Merrill Lynch Capital Markets.

"With the low-cost funds available from the tax-exempt market, this technique would allow many other cities and states to improve their health care services for their employees," he said.

The triple-option plan, which went into effect Jan. 1, 1987, produced a savings of \$549 per employee compared with the previous health plan, according to Mr. Siver.

The previous plan would have cost \$17 million, or \$2,073 per employee; the new plan costs \$12.5 million or \$1,524 per employee.

In addition, the premiums that employees pay for their health care insurance each month were put into a fund that earns interest. "The savings will go to reduce further the cost of medical insurance for the city," according to Mr. Clardy.

Any savings from the new benefit plan are returned to employees in the form of reduced premiums, Mr. Siver explained.

The city currently is arranging for its second issue of revenue anticipation notes and has renewed the program with BC/BS. According to Mr. Siver, because the city negotiated a cap on its first renewal, premiums only rose 13.4% for 1988.

He said that without the cap, premiums would have risen 43%, based on experience.

Mr. Siver said the experience-rated premium increase has made him concerned about the cost-containment capability of the triple-option plan.

"Managed care has not provided the cost containment we thought it would," Mr. Siver said.

He said over-utilization of outpatient medical care by employees

is the prime culprit. He added that pre-certification review of outpatient procedures might be considered to curb over-utilization.

For more information about the City of Jacksonville plan, contact Mr. Siver at Siver Insurance Management Consultants, 9400 Fourth St., St. Petersburg, Fla. 33702; 813-577-2780.

Stanford University

Stanford University in Palo Alto, Calif., is considering redesigning its voluntary pension plan to attract younger salaried employees to the plan.

Fewer than half of the university's salaried employees age 25 to 35 currently participate in the plan, according to John Working, benefits manager at Stanford.

Currently under the plan, offered to salaried employees and faculty, the university matches employee contributions two for one. Employees must set aside at least 5% of their salary to be eligible for the company match.

While Mr. Working said the university has not decided how or whether the pension plan for salaried employees will be redesigned, some options being considered include switching to a defined benefit pension plan, mandating employee participation in the current defined contribution plan or increasing employee awareness of the importance of pension savings through an education campaign.

Hourly employees at Stanford are covered by a separate, defined benefit pension plan. ■

Benefit beat keeps insurance and employee benefit managers informed about current developments in the employee benefit field. Have you made any benefit changes? Write Stacy Adler, assistant copy editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5262.

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,

why not have your own personal subscription?

Use the card in this issue or the coupon to **SUBSCRIBE TODAY.**

Business Insurance

Circulation Dept. 965 E. Jefferson Detroit, MI 48207

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)

USA	<input type="checkbox"/> \$68	By Air	<input type="checkbox"/> \$116
Canada	<input type="checkbox"/> \$84		<input type="checkbox"/> \$116
Bermuda (air only)			<input type="checkbox"/> \$115
British Isles			<input type="checkbox"/> \$115 or £92
Europe/Middle East			<input type="checkbox"/> \$115
All other foreign		Rates on request	

new subscription. renewal. payment enclosed.

bill me. bill company.

Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

IBC87



name (please print) _____

title _____ telephone _____

company _____

nature of business _____

business or home address

city _____ state/country _____ zip/postal code _____

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

ISO proposes endorsement

Continued from page 2

continue to look at the ISO plan. However, Mr. Gates said he feels ISO "only did half the job" in addressing NAIC concerns with the first proposal to place defense costs within policy limits.

Proposing that limits for any defense cost coverage be apart from policy limits "is a good step forward," he said. But regulators continue to be concerned that while policyholders' coverage for defense costs would be reduced under the ISO proposal, policyholders would still be unable to control defense costs—concerns that ISO has not addressed, he said.

"We recognize the need to control costs, but there is a responsibility for insurers to engage in good management of defense," he said, adding that insurers have to monitor defense attorneys' activities and make sure that their charges are reasonable.

Kevin Conboy, chairman of the National Assn. of Insurance Brokers' technical committee and president of CPI Insurance Group in Morristown, N.J., said ISO's current proposal is an improvement from its efforts to place defense costs within policy limits but that the new plan is not flawless.

One problem, according to Mr. Conboy, involves the types of risks to which underwriters would apply the endorsement.

"ISO has indicated that it's a non-mandatory proposal and that an underwriter can use it at his discretion based on problem lines," Mr. Conboy said. But he pointed out that ISO has not defined "problem lines" and said the endorsement "quite candidly, allows the underwriter to use it wherever he sees fit."

In addition, the endorsement merely would "take part of the problem that the primary insurer used to have and force it up into the excess," said Thomas Bloom, an officer of the National Assn. of Professional Surplus Lines Offices and president of wholesale broker McAlear Associates Inc. in Grand Rapids, Mich.

"It makes the primary insurer's exposure a little more predictable and, presumably, a little less," while increasing the exposure of the excess insurer, which would be responsible for picking up defense costs not covered in the primary policy, he said.

"So all it does is make the pricing and underwriting of umbrellas and excess contracts a little more difficult," Mr. Bloom said. "But as far as the industry is concerned, you haven't eliminated the problem—you've just changed which policy has to respond."

Mr. Conboy agreed that applying the endorsement to a primary policy "merely shifts the defense cost to the umbrella carrier, and consideration should be given to matching the defense coverage in both the umbrella and primary policies."

However, ISO has not developed an umbrella policy that would address the issue of coverage for defense costs, Mr. Bloom pointed out. "ISO is not in the excess business," he said. "There's no such thing as an ISO umbrella."

He added that "because it's not their problem and ISO does not support any kind of excess forms or pricing, they just ignore it. The attitude is, 'Well, we solved the problem for our subscribers, and whatever happens is not our problem.' But as far as the industry goes, all we're doing is just shifting the problem around. Nobody has improved the overall picture."

Another problem lies in ISO's proposal to shift control of the defense of litigation entirely to the policyholder once policy limits are exhausted, according to Mr. Bloom.

Many policyholders are not sophisticated enough to handle that responsibility, he said. "It seems to me it creates a whole new set of problems in an effort to solve an original one."

"It would absolutely terrify an excess underwriter that decisions are being made about costs underneath him by an insured rather than by a qualified adjuster or attorney or claims administrator," Mr. Bloom said.

The NAIB's Mr. Conboy said the proposal to shift control of the defense could pit policyholders against insurers in deter-

mining what constitutes defense costs.

It also would create a new responsibility for insurers and brokers and could disrupt a policyholder's defense, according to Mr. Conboy. Insurers would be forced to determine when "defense costs associated with that contract are reaching its policy's limits."

At that point, either "the insured must jump in and become its own attorney" or the excess insurer must take responsibility for the policyholder's defense.

However, Mr. Bloom of NAPSLO said the question of defense cost coverage likely will become moot because insurers would not use the endorsement in the current soft market.

"My reaction is that in this market, it's just not going to fly. In my opinion, it is a last-shot attempt by ISO to institute some kind of limitation on defense costs. But it certainly is not going to be received with any enthusiasm whatsoever among buyers and brokers," he said.

Mr. Bloom also doubted that the endorsement would gain much approval from state regulators.

"It's simply a matter of competitive pressure," he said. "It's parallel to the same thing we had with the claims-made issue, which kind of became a non-issue as soon as the market softened."

As long as the insurance market remains soft, "there's going to be enough people that are going to say, 'Hey, we aren't going to use that endorsement.' Even though it might be filed and approved in some states, it is simply not going to be sold because the market situation is such that it's not salable."

The issue of capping defense costs "came up in passing" during a recent NAPSLO board meeting, and the attitude of members is that "it's not even an issue as far as they're concerned because nobody perceived that it would be accepted or that it would catch on," Mr. Bloom said.

"I think ISO has missed their time. It's the kind of thing that if they were going to do it, they might have been able to get it through in the tight market as an excuse for helping to solve the availability/affordability problem."

Bermuda reinsurer fights to stay in business

By ROGER SCOTTON

HAMILTON, Bermuda—Bermuda-based Riverplate Reinsurance Co. Ltd. is resisting legal action brought by two Lloyd's of London syndicates to have the reinsurer wound up.

The 15-year-old company is the target of a winding up petition filed in Bermuda's Supreme Court this month by John Francis LeMay and Collin William Speckley, acting on behalf of Lloyd's syndicates 122 and 546, respectively.

The petition was lodged on the heels of the syndicates' earlier writ against Riverplate that seeks about \$80,000 and has led to the court-approved appointment of two provisional liquidators: David Lines, a partner with the accounting firm of Coopers & Lybrand Bermuda, and Michael Jordan, a partner with Cork Gully, a subsidiary of Coopers & Lybrand in London.

But Riverplate has come out fighting. It has retained Bermuda law firm Appleby Spurling &

Kempe to block the petition, which is due to be heard in court Dec. 11.

"We have been instructed to issue proceedings to set aside the appointment of provisional liquidators and are optimistic that these will be heard in due course," said David Doyle, a director of Riverplate and a partner in the law firm. He declined further comment.

Mr. Lines said he was unable to release information on the company's solvency. But he added, "We have been appointed by Bermuda's chief justice under the Companies Act to safeguard the assets of the company and we are now busily engaged in that process."

The company's principal representative in Bermuda, Arthur Leighton, who heads Sterling Management, declined to discuss Riverplate's operations beyond saying that it was a commercial market reinsurer managed by its owners.

Legal records in Bermuda reveal that Riverplate, established in July 1972, is owned by

shareholders in Argentina. Buenos Aires-based merchant Carlos A. Goberman is its biggest single stockholder. Others include Miguel Casavilla and Argentine lawyer Juan Carlos Taboada.

Riverplate also is facing legal actions in Bermuda started by Orion Insurance P.L.C., which is seeking \$89,000, and Berisford Mocatta & Co., which is seeking \$40,000.

Bermuda-based underwriting managers Bott & Associates, which in March this year predicted it would be writing \$2 million to \$3 million in general property and casualty business for Riverplate (BI, March 30), has said that it ceased underwriting for the company more than six months ago and has been running off Riverplate business.

"None of the legal actions against Riverplate in Bermuda concern business written by Bott & Associates," said Bott & Associates President Michael Bott. He has also said that Bott & Associates has no dispute with Riverplate.

Fireman's Fund

Continued from page 3

& Underwood in Boston, which represents Fireman's Fund.

The \$45 million assessment represents Fireman's Fund's 5% share of the pool's liabilities and "fills the hole" left by its withdrawal, Mr. Singer said.

The settlement also stipulates that Fireman's Fund still must follow the state's unfair or deceptive practices statute when settling claims that may arise under existing policies.

Policies currently in force will be serviced by Fireman's Fund until 1988 or until policy expiration. All Fireman's Fund claims and management personnel will remain on site throughout this period, and the insurer will offer underwriters and sales personnel a choice of severance pay or relocation, a Fireman's Fund spokesman said.

The insurer already has begun to reimburse its agents for the cost of replacing their business, Mr. Underwood added.

The Fireman's Fund spokesman said that the insurer is satisfied with the agreement in light of the high assessments the insurer has had to pay to the pool.

In 1986 alone, Fireman's Fund reported a net underwriting loss of \$18 million in Massachusetts for auto liability insurance and paid a \$29.3 million assessment to the risk pool.

Mr. Singer agreed that the settlement was fair for both parties and stressed the importance of Fireman's Fund assuming financial re-

sponsibility for its former role in the pool.

The battle between Fireman's Fund and the Massachusetts Insurance Department began in July, when the insurer allowed its licenses to elapse and announced its intention to stop writing business in the state (BI, July 6).

The department charged that Fireman's Fund had not given sufficient notice and won a temporary restraining order that forced the insurer to continue writing business in the state.

Fireman's Fund challenged the order in October, filing a lawsuit against the department in which the insurer claimed that the department's attempt to force the insurer to do business in the state and the rate-setting procedure for the auto pool are unconstitutional (BI, Oct. 19).

Before this suit was filed, Fireman's Fund had offered to continue writing all lines of coverage in the state except auto liability and to pay the auto pool \$75 million, an amount the insurer estimated it would be assessed over the next two to three years if the insurer continued to write auto risks in the state, Mr. Underwood said.

But the department continued to argue that the insurer had given insufficient notice of withdrawal from the pool and faced no threat of insolvency by remaining in the pool—two criteria necessary to withdraw from the pool—and negotiations broke down.

Also at the time of the offer, Fireman's Fund had not completed reassigning its agents to other insurers, another stipulation an insurer must meet before it can withdraw from the pool, according to Mr. Singer.

The commissioner said he does not anticipate any similar settlements with other insurers that find participation in CAR a financial hardship, even though Travelers Corp. and Hartford Insurance

Group Inc. both have similar constitutional challenge lawsuits pending against CAR.

The commissioner pointed out that these cases differ from the Fireman's Fund case because the insurers have not pulled out of the pool or the state.

"I would hope there aren't too many others in that situation" who might see such a settlement as an attractive alternative to participating in CAR, he added.



136,500

executives turn to this spot every week.

insurance services guide

Every week your prospects turn to Business Insurance for the latest news in the industry. They also turn to BI's Insurance Services Guide to learn about companies that supply the products and services they need.

Insurance Services Guide is especially designed to provide small space advertisers with a clutter free, highly visible environment each and every week. When it comes to small space advertising no one delivers the impact and visibility that BI does.

Call Margaret Hikido today for ad rates and space reservations: (312)649-5340.

car & truck Rental Insurance

- ★ A+ Admitted Major Carrier
- ★ Coast to Coast
- ★ 25 years continuous stable Rental Market
- ★ Fast Quotes
- ★ High Limits
- ★ VERY COMPETITIVE RATES

(818)

713-8600

BEDFORD

INSURANCE SERVICES, INC.

23251 Mulholland Drive

PO Box 4300

Woodland Hills, CA 91365-4300

"We wrote the book"

© 1987 Unico American Corp.
A Crusader Insurance Product

Info

• A new curriculum for the **Associate in Claims program** has been introduced by the Insurance Institute of America. There is one new course, "The Claims Person and the Public," among the four now required for the professional designation. The other courses are a restructured "Principles of Property and Liability Claims Adjusting"; "Advanced Property Adjusting"; and "Advanced Liability Adjusting." Details about the restructured program are available by writing the Institute's Field Services Department, 720 Providence Road, Malvern, Pa. 19355-0770; 215-644-2100.

• **Computer Applications for Employee Benefit Plans**, published by the International Foundation of Employee Benefit Plans, includes discussions of benefit plan administration, keeping pace with automation and claims processing and the future of automation. Copies are available for \$10 for foundation members and \$18 for non-members by sending payment to the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• "Better Safe than Sorry: Your Guide to Protecting Yourself from Accidents" is available to employers to help them **reduce worksite accidents** and keep employees on the job. The motivational brochure is one of Fax Communications' Health is Wealth series that includes illustrated, easy-to-understand safety tips. It includes tips on recognizing hazards, following safety rules, preventing slips, trips and falls, safe lifting techniques and fire safety. For a sample

copy, write to Fax Communications, Inc., Department BI, 3279 20th St., San Francisco, Calif. 94110; 415-641-7422.

• A review of **how to evaluate captives and risk retention groups** has been published in the latest issue of Betterley Risk Management Commentary by Betterley Risk Management Consultants Inc. of Worcester, Mass. Discussions include economics, coverage, fronting, underwriting, domicile, regulatory and tax issues, as well as the necessary management issues comprising the evaluation criteria. Copies are available for \$25 each by writing Betterley Risk Consultants Inc., Department EC, 446 Main St./Worcester Plaza; Worcester, Mass. 01608; 617-754-1704.

• A **General Guide to Tort Reform** is available from American Re-Insurance Co. to give claims technicians, underwriters and others an overview of recent and pending tort reforms across the nation. The free brochure is available by writing George Cavell, Corporate Communications & Advertising Department, American Re-Insurance Co., 1 Liberty Plaza, New York, N.Y. 10006; 212-513-4942.

• A research report titled "**Parental Leave: Judicial and Legislative Trends; Current Practices in the Workplace**" is available from the International Foundation of Employee Benefit Plans. Written by Mary F. Radford, an assistant professor of law at the Georgia State University College of Law, the report describes current state law on parental leave issues and relevant court decisions. The research was sponsored by the foundation's grant program and is available to foundation members for \$5 and to non-members for \$9. Copies of the report (ISBN 0-89154-340-6) are available from the Publications Department, IFEBP, P.O. Box 69,

Brookfield, Wis. 53008-0069; 414-786-6700.

• A manual for **loss prevention and control** designed for evaluation by corporate management and implementation by plant management is available from Industrial Risk Insurers. The program was developed based on a three-year analysis of 1,169 losses totaling \$172 million, which showed that 97.9% of these losses were related in some degree to human failure. Included are topics such as smoking regulations, maintenance, employee training, new construction, hazardous materials evaluation and fire protection and security surveillance. Copies of the OVERVIEW manual are available for \$10 from P.A. Sasso, Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102; 203-520-7412.

• More than 200 **cassettes and videotapes on employee benefits topics** are available from the International Foundation of Employee Benefit Plans. Topics include corporate benefits management, association benefits, public employee plans, drug and alcohol rehabilitation and health care cost management. For a free copy of the cassette and videotape catalog, contact Audiovisual Services, International Foundation, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

Have a new report, booklet or educational brochure you'd like to send to buyers of insurance? *Business Insurance* will describe material costing less than \$25 as an editorial service in the Info column. Simply send us a copy of the item to be offered and a short description of it, along with the cost of the item and a mailing address. Address contributions to Info, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590.

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$92.75 per column inch, minimum of one inch. Straight classified is \$7.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$15.00 charge for all kind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340.

INSURANCE OPPORTUNITIES

NORTHEAST BROKER seeks individual to head commercial unit comprised of medium-to-large **CONSTRUCTION P&C** accounts. Requires some supervisory experience plus the ability to handle daily activities of this special unit whose responsibilities include production, marketing and servicing functions. Starting compensation in the \$50,000 bracket.
TEXAS based corporation seeks person with a minimum of five years diversified pension plan experience at corporate level. Requires solid background in plan design and interpretation. Salary to \$50K DOE.
LOS ANGELES BROKERAGE seeks individual with minimum of 5 years experience in the marketing (placement) of medium to large P&C commercial accounts. Will be responsible for commercial unit of 5-7 personnel. Start at \$45/\$60,000 DOE.

GILBERT — HAFNER & CO.
 Insurance Staffing Consultants
 6060 N. Central #470, Dallas, TX 75206, (214) 361-9341

RETAIL TRUCK PRODUCERS WANTED

Due to program expansion, we are currently seeking experienced, licensed, retail truck producers to represent financially strong insurance carriers for **primary liability, physical damage and cargo** in most U.S. States.

Please reply to:
Box 2356
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

BOOCKFORD AND COMPANY

is seeking a producer of large regional and national property and casualty accounts. We offer a top commission arrangement and the autonomy to produce. Partnership opportunity. Excellent benefits program. Write or call:

Boockford and Company
 One Oakbrook Terrace
 Oakbrook Terrace, IL 60181
 (312) 932-4000

HELP WANTED

RETIRED... BUT NOT YET TIRED?
 New York based structured settlement firm seeking individual(s) to market settlement annuities. Because of our tremendous growth and national accounts, we want to expand to other major cities. Applicant must have experience as settlement specialist or have background in property and casualty claims and either be active or retired. We offer a highly desirable compensation program where a six-figure income can be achieved. **Box 2353, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

GROUP INSURANCE SALES REPRESENTATIVE
 We are seeking a group sales representative with 3-5 years of strong background in group insurance sales. This rewarding position requires an ambitious and personable individual who will sell and service Group Life, Disability and Health Programs in the Cleveland area. Excellent compensation and benefits package. Send resume and salary history in complete confidence to: **Barbara J. Welch, Manager, John Hancock Mutual Life Ins. Co., 20600 Chagrin Blvd. Tower East, Room 500, Cleveland, Ohio 44122.** Equal Opportunity Employer.

BUSINESS OPPORTUNITIES

PROGRAM BUSINESS
 Brokers and Agents looking for an insurance company to support their program or association should contact **Box 2134, Business Insurance, 740 Rush St., Chicago, IL 60611.** We are a firm specializing in program placement, development and control.

The Professional Marketplace TARGETS your BEST JOB Candidates

Supervisor Retirement Plans Administration

Ball Corporation, a Fortune 500 company, has an immediate opportunity in our Corporate Employee Benefits Department.

We are seeking an individual to be responsible for the overall administration, implementation and maintenance of retirement programs, including developing and preparing accurate summary plan descriptions and all required federal reports. This individual will also participate in the review, formulation, design and costing of retirement programs with management and consulting actuaries.

Requirements:

- B.S. or B.A. degree
- two or more years' experience with retirement plans
- knowledge of ERISA
- strong math background

We offer a competitive salary and benefits plan, relocation assistance and high visibility within a challenging and highly demanding environment. For confidential consideration, send your resume and salary history to:



E.H. Stoner
Ball Corporation
 P.O. Box 2407
 Muncie, IN 47307-0407

Equal Opportunity Employer M/F

CAPITAL NEEDED

Insurance Agency and Broker interested in forming a Consortium/Partners, of other agencies to pool resources together for financing acquisition of a small Lloyd's Broker. Perfect opportunity for Agency to expand their business, as well as new areas, in addition to a very attractive investment opportunity. Principals only reply to:

Box 2351, Business Insurance
740 Rush St.
Chicago, IL 60611-2590

SURPLUS LINES AGENTS PRIVATE PASSENGER PHYSICAL DAMAGE PROGRAM

- All ages of vehicles
- Values to \$160,000
- Bind the same day
- Low deductible available
- Physical damage also available for Trucks, Buses, Limo's, Rentals, Contractors Equipment
- Property and General Liability available in most States.

NATIONAL UNDERWRITERS
 7777 Glades Road, Suite 213
 Boca Raton, Florida 33434
 1-800-635-6366
 wait for dial tone
 and then dial 845
 Telex 159271 HS UND
 FAX 305-488-3809

COMMERCIAL LINES PRODUCERS

Major insurance broker seeking experienced producers who own commercial lines book of business. Prefer accounts with commission levels over \$10,000. We will acquire your book of business as you become a full-time employee of our production staff. Incentive plan, employee benefits and worldwide resources available to assist you in future growth. Reply to:

Box 2354, Business Insurance
740 Rush St.
Chicago, IL 60611-2590

INSURANCE PRODUCER

Long established L.A. Agency seeks Producer with or without book of business. Excellent markets, excellent rapport with companies, growth oriented. Superior proposition for producer with good track record, excellent benefits. Contact:

Commercial Lines Manager
 (213) 937-2150
 8:30 AM - 5:00 PM

CASUALTY ACTUARY

Rapidly growing Los Angeles based corporation with additional offices in Vermont and Bermuda seeks motivated individual for Casualty Actuarial position. Company specializes in risk management services for Fortune 1000 Companies and captive insurance company management.

Job Duties:
 Provide statistical studies of claims for managed insurance companies and self-insurance funds for clients. Analyze amount of risk to be retained by companies through simulation and other appropriate methods. Maintain and update computer models for financial modeling. Review on a regular basis new developments in loss forecasting and analysis and incorporate them into our work. Salary is commensurate with experience, plus benefits. FCAS designation completed or 8 exams completed and passed. Please reply by Dec. 10, 1987 to:

Box 2355, Business Insurance
740 Rush St.
Chicago, IL 60611-2590

Business Insurance Circulation Breakdown*

Administrative:	
CEO's Presidents and Owners	2,570
Vice-Presidents, General Managers and Other Administrative Personnel	3,210
Financial:	
Chief Financial Officers and Vice-presidents of Finance	2,787
Secretaries, Treasurers, controllers and other Financial Personnel	5,600
Risk/Employee Benefits:	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	9,701
Sub-total	23,868
Associations	500
Government, Unions and Educational Institutions	914
Commercial Consumers	
Sub-total	25,282
Insurance Agents and Brokers	10,858
Insurance Companies	7,140
Financial Institutions	989
Actuaries, Attorneys, Adjusters, Appraisers and Consultants	4,617
Others Allied to the Field	1,792
TOTAL	49,689

* Source Business/Occupational breakdown of qualified circulation, May 25, 1987 issue, as submitted to BPA for June 1987 BPA Publisher's Statement.

Retirement incentives

Continued from page 1

subterfuge to evade the purposes of the act."

Under regulations issued by the Labor Department in 1979, the only way an employer could demonstrate that a compensation plan with age-based distinctions was not subterfuge was to prove that the plan incurred equal costs for benefits for employees of all ages.

The EEOC brief, however, says, "This burden to demonstrate the absence of 'subterfuge' will be most effectively met where the specific age limitations are based on and reasonably supported by some objectively measured assessment of increasing cost and/or declining benefit to the employer in providing the retirement incentives."

For example, this kind of analysis might consider "the anticipated working life of employees relative to 'normal' or expected retirement age, and cost of the retirement inducement vs. payroll savings to be potentially realized by the employer," said the EEOC.

However, the AARP said this interpretation "blatantly disregards the well-established rule that general economic savings to an employer may never justify overt age discrimination."

"The EEOC's assertion that payroll savings may satisfy the cost justification burden of the subterfuge test turns the subterfuge defense on its head," the AARP said in its brief. "The only legitimate proof of cost justification is that the cost of the benefit offered to employees increases with age."

Mr. Mackaronis, the AARP's attorney, commented that the EEOC brief "wades out into a Twilight Zone" beyond standard in-

terpretation of the regulations by saying that employers can discriminate on the basis of age simply to save money.

Furthermore, "we view their theory not only as a novel legal theory, but as a dangerous precedent" for all discrimination cases, said Mr. Mackaronis. "The plaintiffs over age 60 were denied the incentive based on their age only."

"I would liken this to a Christmas bonus," he continued. "The same way you can't deny a Christmas bonus to blacks or women," it can't be denied to people based on age.

The EEOC countered in its brief that the Board of Education's age cutoff "does not appear to be arbitrary discrimination." Rather, "it is a natural consequence of the human aging process, which eventually carries all teachers through the wide window of eligibility for early retirement incentives."

Congress, however, is questioning the EEOC's position.

The House Select Committee on Aging has scheduled a hearing on Jan. 21 that will focus on the Cipriano case and the EEOC's oversight of ADEA.

"We're concerned (with the EEOC's position) that economic factors are a viable factor in early retirement programs," said Roger Thomas, the committee's counsel. "That would not appear to be one of the viable factors that would be allowed under" ADEA.

Mr. Thomas also said the committee last year sent a letter to the EEOC asking it to explain its guidelines concerning early retirement plans. The committee received a response from the commission "saying that there was no policy guideline or view as to how or in what manner early retirement programs may operate," Mr. Thomas contin-

ued. He said the committee is interested in learning how the EEOC went from having no guidelines on early retirement programs to filing an amicus brief in the Cipriano case.

A staff member of the Senate Special Committee on Aging said that panel is working on a report on the Cipriano case that should be released the end of January.

"Chances are (the report) will say" the committee disagrees with the EEOC in the Cipriano case, the staff member said.

"We think there are problems" with the commission's reasoning, he concluded.

Both committee staffers and others noted the importance of this case and the EEOC's position in light of the increasing popularity of early retirement programs.

Early retirement incentive plans have become popular since 1978, when an amendment to ADEA prohibited employers from forcing employees younger than 65 to retire.

Congress in 1979 increased the age at which an employer could force an employee to retire to 70, and the upper age limit was removed entirely on Jan. 1, 1987, making it generally impossible for an employer to force an employee to retire because of his or her age.

"Since mandatory retirement simply is not available, then it becomes a question of how does one go about inducing employees to retire," commented Wyatt's Mr. Tievsky.

According to a 1986 survey of 50 large U.S. industrial companies conducted by Wyatt, 16 companies offered an early retirement incentive to salaried employees. During 1985, only six of the companies offered an early retirement incentive, the survey said.

And between 1979—when the first early retirement incentive plan was reported—and

1985, eight of the 50 companies offered early retirement incentives, according to the survey.

Most of the early retirement incentives were offered for a window of one to three months, noted the survey. The longest window period reported was three years, and the shortest was one day.

Nine companies reported that the window was limited to employees in specified divisions or designated areas. In most cases, eligibility for the window depended on satisfying an age and/or service requirement.

The two most common early retirement incentives used over the past several years involve: reducing or eliminating actuarial adjustments to pension benefits that would otherwise be imposed on early retirement; and crediting employees with additional years of age or benefit service.

The EEOC's interpretation is the latest piece of good news for employers offering early retirement incentives.

Earlier this year, two federal appellate courts issued rulings that protect employers from allegations that early retirement incentives discriminate against older workers (BI, June 29).

The 7th U.S. Circuit Court of Appeals upheld the validity of such plans, saying they are a benefit to employees and not presumptively discriminatory. And, the 2nd U.S. Circuit Court of Appeals withdrew portions of an earlier decision that presumed such plans were discriminatory and that made employers responsible for proving that the plans are voluntary (BI, May 18).

However, neither of these rulings dealt with the issue of whether incentives can be offered to a select group of employees based on their age. ■

Datebook

NOV. 30-DEC. 1. Behavioral Science as an Approach to Accident Prevention course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$375. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

DEC. 1. Directors and Officers Liability Workshop in Seattle, sponsored by the Society of Chartered Property & Casualty Underwriters; \$130 for Society of CPCU members; \$160 for non-members. Also Dec. 3 in Philadelphia. Mari Jennings, Professional Services Coordinator, Society of CPCU, Kahler Hall, 720 Providence Road CB#9, Malvern, Pa. 19355; 215-251-2741.

DEC. 1-2. Garage Risks Seminar in Chicago, sponsored by the American Assn. of Managing General Agents; \$195. American Assn. of Managing General Agents, 1001 Connecticut Ave. N.W., Suite 800, Washington, D.C. 20036.

DEC. 1-2. Third Annual Technical Briefing on Captives and Corporate Insurance Buying conference in London, sponsored by the Risk & Insurance Research Group Ltd.; 320 pounds plus 15% VAT (\$633 total). Risk & Insurance Research Group Ltd., 4 Henrietta St., Covent Garden, London WC2E 8PS; 01-836-0814.

DEC. 2. Pension Planning Workshop in Dover, Del., co-sponsored by the Insurance Society of Philadelphia and Delaware Tech; \$80 for society members; \$90 for non-members. Delaware Tech, Office of Continuing Education, 1832 DuPont Highway, Dover, Del. 19901.

DEC. 2-3. Legal Aspects of Occupational Safety & Health course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$385. University of California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

DEC. 2-3. Preparing and Analyzing Property and Casualty Statutory Financial Statements seminar in Los Angeles, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

DEC. 2-4. Fundamentals of Insurance course in Atlanta, sponsored by the Risk & Insurance Management Society Inc.; \$540 for RIMS members; \$640 for non-members. Fran Jordan, Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

DEC. 2-4. Designing a Flexible Benefits Program workshop in Chicago, sponsored by the American Management Assn. Human Resources Division; \$745 for AMA members; \$850 for non-members; \$90 discount if three or more registrants from same organization. Also March 7-9 in San Francisco, April 20-22 in Washington, D.C. American Management Assn., P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

DEC. 3. Inland Marine course in New York City, sponsored by The College of Insurance; \$195 for college sponsors; \$215 for non-sponsors. Professional Development Programs, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-

4111.

DEC. 3-4. Antitrust, Securities, Class Actions and RICO Litigation-A Symposium on Business Litigation in New York City, sponsored by Defense Research Institute Inc.; \$370 for DRI members; \$390 for non-members; discounts for multiple registrants from the same organization. Defense Research Institute, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

DEC. 3-4. Premises Liability for Assaults and Other Criminal Acts seminar in New York City, sponsored by the Practising Law Institute; \$390; \$45 for course handbook only. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

DEC. 3-4. Seventh Annual Occupational Health Nursing Principles and Certification Review Course in Orlando, Fla., sponsored by the Occupational Health Consulting division of Fireman's Fund Risk Management Services Inc.; \$275. Also Jan. 7-8 in New Orleans; Feb. 4-5 in Torrance, Calif.; Feb. 18-19 in Schaumburg, Ill.; March 3-4 in Arlington, Va.; and March 17-18 in Cambridge, Mass. Annette B. Haag, Director, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., 4040 Civic Center Drive, Rafael, Calif. 94912; 415-492-4708.

DEC. 4. Disability Management and Chronic Disability in the Workplace workshop in Los Angeles, sponsored by the International Center for Industry, Labor & Rehabilitation; \$125. Also Dec. 7 in San Francisco. International Center for Industry, Labor & Rehabilitation, P.O. Box 714, Dublin, Ohio 43017; 614-459-3030.

DEC. 4-9. 33rd Annual Employee Benefits Conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; \$525 IFEBP members only. Registration Department, International Foundation of Employee Benefit Plans, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

DEC. 7. Section 89: New Legislation, New Requirements seminar in New York City, sponsored by Charles D. Spencer & Associates Inc.; \$200. Also Dec. 10 in Chicago. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

DEC. 7-9. Hazard Communication: Worker Training Right to Know course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$400. University of California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

DEC. 8. Massachusetts Health Data Consortium Inc. 10th Annual Meeting in Boston, \$30. Massachusetts Health Data Consortium Inc., 400-1 Totten Pond Road, Waltham, Mass. 02154.

DEC. 8-9. Evaluation of Benefits course in New York City, sponsored by The College of Insurance; \$395 for college sponsors; \$445 for non-sponsors. Professional Development Programs, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

DEC. 9. Illinois' New Unemployment Insurance Law seminar in Springfield, Ill., sponsored

by the Illinois State Chamber of Commerce; \$90 for ISCC members; \$135 for non-members. Also Dec. 15 in Chicago. Linda Rice, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

DEC. 9-11. Effective Management and Direction of Malpractice Insurers and Trusts seminar in Atlanta, sponsored by Tillinghast, a division of Towers, Perrin, Forster & Crosby; \$725. Pat Kelley, Tillinghast, 404-365-1696.

DEC. 9-11. Managed Care Change and Diversification: HMOs, PPOs and Beyond conference in Chicago, sponsored by the National Health Lawyers Assn.; \$400 for NHLA members; \$450 for non-members. Program Division, the National Health Lawyers Assn., 522 21st St. N.W., Suite 120, Washington, D.C. 20006; 202-833-1100.

DEC. 9-11. Techniques of Risk Management course in Chicago, sponsored by the Risk & Insurance Management Society Inc.; \$540 for RIMS members; \$640 for non-members. Fran Jordan, Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

DEC. 10. Reinsurance Workshop in Philadelphia, sponsored by the Insurance Society of Philadelphia; \$100 for society members; \$125 for non-members. The Insurance Society, 737 Public Ledger Building, Philadelphia, Pa. 19106.

DEC. 10. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.) workshop in Chicago, sponsored by the Health Research Institute; \$250. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

DEC. 10. Cost Containment Through Communications and Education workshop in Chicago, sponsored by the Health Research Institute; \$250. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

DEC. 10. Employee Benefit Plans in Mergers and Acquisitions satellite seminar sponsored by the American Bar Assn., to be broadcast in: Alabama, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Virginia, Washington and Wisconsin; \$135; \$85 for government employees; \$65 for law students. American Bar Assn. Division for Professional Education, Department 21 ALN, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6200.

DEC. 10. Building Defenses Against Errors and Omissions Claims for the Professional Insurance Producer, Professional Risk Consultant and Staff workshop in Baltimore, sponsored by the Society of Chartered Property & Casualty Underwriters; \$125 for Society of CPCU members; \$155 for non-members. Also Dec. 15 in Cincinnati. Bonnie Kinsley, Society of Chartered Property & Casualty Underwriters, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2735.

DEC. 10-11. Recovering Uncollectible Reinsurance conference in Los Angeles, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

DEC. 14. Pollution Update: Insurance Liability and Regulations workshop in Boston, sponsored by the Society of Chartered Property & Casualty Underwriters; \$130 for Society of CPCU members; \$160 for non-members. Also Feb. 18 in New York City. Mari Jennings, Society of Chartered Property & Casualty Underwriters, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2735.

JAN. 13. Customer Service for Insurance course in New York City, sponsored by The College of Insurance; \$195 for college sponsors; \$245 for non-sponsors. Professional Development Programs, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

JAN. 20. Managing and Controlling Asbestos Contamination/Exposure course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$160. University of California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

JAN. 21-22. Transportation of Hazardous Materials/Waste course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$265. University of California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

JAN. 25-29. Hazardous Materials: Handling and Disposal course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$735. University of California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

JAN. 25-26. Hawaii-The U.S. Offshore Alternative conference, sponsored by the state of Hawaii, organized by Tillinghast, a division of Towers, Perrin, Forster & Crosby; \$50 for Jan. 25 captives briefing; \$300 for conference. Conference Director, Tillinghast, 722 Post Road, Darien, Conn. 06820; 714-553-1277.

JAN. 27-28. Persuasive Selling Skills for New Agents and Brokers course in New York City, sponsored by the College of Insurance; \$395 for college sponsors; \$445 for non-sponsors. Professional Development Programs, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

JAN. 28-29. 'Preventive Defense' and the Product Liability Case seminar in Phoenix, Ariz., sponsored by the Defense Research Institute Inc.; \$395 for DRI members; \$415 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0375.

FEB. 1. Human Factors in Loss Control course in New York City, sponsored by The College of Insurance; \$195 for college sponsors; \$245 for non-sponsors. Professional Development Programs, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

FEB. 1-2. Hazardous Waste Management of Small Generators course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$160. Institute of Safety and Systems Management, University of Southern California, 3500 S.

Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

FEB. 1-3. 16th Annual Professional Development Course in College Station, Texas, co-sponsored by Region III of the American Society of Safety Engineers and the Texas sections of the American Industrial Hygiene Assn.; \$100. Ken Coughran, 512-853-0171.

FEB. 4. Brief Reinsurance course in New York City, sponsored by The College of Insurance; \$195 for college sponsors; \$245 for non-sponsors. Professional Development Programs, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

FEB. 11-12. Back Injury Prevention course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$280. Institute of Safety and Systems Management, University of Southern California, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

FEB. 18-19. Video Display Terminal Safety course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$265. Institute of Safety and Systems Management, University of Southern California, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

FEB. 24-26. Occupational Health Nursing: Basic Theory and Update course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$405. Institute of Safety and Systems Management, University of Southern California, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

MARCH 7-9. International Benefits Conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; before Jan. 22: \$560 for IFEBP members, \$635 for non-members; after Jan. 22: \$605 for IFEBP members, \$680 for non-members. Registration Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

MARCH 21-25. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500. Also May 2-6, Sept. 26-30, Nov. 14-18. National Loss Control Service Corp., K-3, Long Grove, Ill. 60049-0075.

APRIL 12-13. Ergonomics and Job Modifications course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$350. Also May 24-25, Sept. 20-21. National Loss Control Service Corp., K-3, Long Grove, Ill. 60049-0075.

APRIL 17-22. 26th Annual Risk Management and Employee Benefits conference in Washington, sponsored by the Risk & Insurance Management Society; full week: \$595 for members; \$695 for non-members; partial week: \$475 for members; \$575 for non-members. Add \$100 for registration after Feb. 19. RIMS Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will

Equal Opportunities

Each weekly issue of **Business Insurance** gives you an equal opportunity to reach and motivate BI's more than 140,333 purchasing influentials . . . top administrative and financial executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach **your** prime audience, the **Business Insurance** audience is unequalled!

Publishing Dates	Closing Dates
Nov 2	Oct 20
Nov 9	Oct 28
Nov 16	Nov 3
Nov 23	Nov 11
Nov 30	Nov 18
Dec 7	Nov 25
Dec 14	Dec 2
Dec 21	Dec 8
Dec 28	Dec 16
1988	
Jan 4	Dec 23
Jan 11	Dec 29
Jan 18	Jan 6
Jan 25	Jan 12
Feb 1	Jan 20
Feb 8	Jan 27
Feb 15	Feb 2
Feb 22	Feb 9
Feb 29	Feb 17
Mar 7	Feb 23
Mar 14	Mar 2
Mar 21	Mar 9
Mar 28	Mar 16
Apr 4	Mar 23
Apr 11	Mar 29
Apr 18	Apr 5
Apr 25	Apr 12
May 2	Apr 19
May 9	Apr 27
May 16	May 4
May 23	May 11

Illinois exchange

Continued from page 1
fall, according to Al Gershaneck, chief of the California department's Reinsurance Bureau.

The three syndicates cannot meet a requirement that they have a minimum of three years of operating experience. LUI and Britamco began doing business on the Illinois exchange in July 1985, while First Oak Brook began operations in June 1986.

In addition, brokers who want to place business with the three IIE syndicates cannot meet a new California department requirement that they submit an Illinois Insurance Department examination report for each individual syndicate to the California department.

"None of the Illinois syndicates are acceptable for California surplus lines exportations in the absence of a home state Insurance Department examination," Mr. Faber wrote.

The Illinois department is now engaged in a first round of routine examinations of Illinois exchange syndicates and currently is reviewing Britamco, Classic Syndicate Inc. and Comprehensive Ensurers Market Syndicate, said Gary D. Hackley, the IIE's executive vp.

Although IIE pays an annual assessment to cover the costs of the examinations, the department decides the timing of the exams, Mr. Hackley said.

Myron Burdge, Britamco's executive vp, said: "We are anxious for" the results of the examination. "We feel that it will be very positive."

Britamco has the highest capital and surplus of any IIE syndicate—slightly less than \$13 million, he added.

It is "possible" that other syndicates could be subject to a similar review by the California department, Mr. Gershaneck said.

The IIE's Mr. Hackley responds: "We haven't done anything that should cause alarm on the part of the surplus lines office, the California department or any policyholder in California. We will do everything in our power as an exchange to continue doing business in California."

Exchange and syndicate executives say they expect to discuss the matter with California department officials.

California risks generated more direct premium to the IIE than any other state in 1986: \$36.4 million of the \$223 million in total direct premiums written by the IIE or 16.3% of direct volume, according to the exchange's 1986 annual statement.

Mr. Hackley said that in the first nine months of this year, Britamco wrote \$807,231 in direct written premiums for California risks out of a total volume of \$26.8 million; LUI wrote \$512,440 for California risks out of a total volume of \$10.3 million; and First Oak Brook wrote \$126,154 for California risks out of a total volume of \$8.5 million.

The California department's Mr. Faber also raised additional complaints about two of the three "unacceptable" syndicates.

He cited an "adverse comment" in LUI's 1986 audit report by Peat Marwick Main & Co., which said: ". . . limited historical experience exists on which to estimate the liabilities for losses and loss expenses. Accordingly, we are unable to evaluate the reasonableness of the estimated liabilities for losses and loss expenses at Dec. 31, 1986, and 1985, and the estimated amount of losses and loss expenses incurred in 1986 and 1985."

"This commentary of the auditor certainly places in question the reported surplus of this syndicate and is further evidence of its basic unacceptability for California surplus lines exportations at this time," Mr. Faber wrote to the surplus lines brokers.

In addition to labeling LUI as unacceptable, Mr. Faber wrote: "If the broker has already made exportations into this syndicate, he is

well-advised to exercise prudent judgment in replacing the same as soon as practicably possible."

However, LUI Executive Vp Barbara Marrs said: "This was a qualification that was taken out of context and incorrectly described as an adverse comment."

In addition, she pointed out, Peat Marwick reported in a separate actuarial study of LUI's operation during 1986, which used industry standards and historical data, that reserves carried on balance sheets "are fairly stated, in accordance with accepted loss reserving practices consistently applied and are established to make reasonable provisions for all unpaid loss and loss expense obligations."

LUI's 1986 combined ratio of 105.6%, one of the highest of any syndicate on the exchange, was due to LUI's conservative reserving practices, said Richard Foss, president and chief executive officer of LUI Management Inc., which manages the LUI syndicate and Calfed Insurance Syndicate Inc.

The auditor's comment stems from the fact that LUI has not formally received notice of a loss on any liability policy it has written and, thus, has only established reserves for incurred-but-not-reported losses, Mr. Foss explained.

"Who can tell whether IBNR is sufficient on a claims-made basis?" he asked rhetorically.

Mr. Gershaneck said that some historical comparison must be made to determine if loss reserves are adequate. He considers the auditor's comment to be "a material finding."

About 90% of LUI's business is composed of excess liability and product liability insurance written on claims-made forms. The remainder of its business is property coverages.

In 1986, LUI was the fifth-largest syndicate on the Illinois exchange with \$24.9 million in gross premium. It had reported a year-end policyholder surplus of \$10.4 million.

The California department also complained that First Oak Brook had only \$2.3 million in surplus at the end of 1986, \$500,000 short of the \$2.8 million required by the California department for approved surplus lines insurers, according to a department spokeswoman.

First Oak Brook had about \$2.83 million in capital and surplus as of Sept. 30, said syndicate President Joseph Nicosia. "We would have no problem putting additional surplus in the company."

"The California Insurance Department is looking at individual syndicates and not at the exchange as a whole," Mr. Nicosia also pointed out.

Forty states plus the U.S. Virgin Islands have certified the IIE as a whole an eligible or approved surplus lines insurer, in keeping with a model law recommended by the National Assn. of Insurance Commissioners, Illinois exchange observers say.

To date only Florida has given its approval to the Illinois exchange on a syndicate-by-syndicate basis.

Mr. Nicosia said he doesn't like the syndicate-by-syndicate approach California appears to be adopting because it doesn't acknowledge the fact that IIE syndicates are linked together through the exchange's guaranty fund, which he says is the only such fund covering surplus lines risks in California.

The guaranty fund totaled \$24.3 million as of Sept. 30, according to Steven Szubert, the IIE's manager of regulatory compliance.

The IIE's guaranty fund has never been tapped, emphasizes James Skelton, the exchange's president and chief executive officer.

This spring, the California Insurance Department briefly disapproved two other IIE syndicates—Classic Syndicate Inc. and Transco Syndicate No. 1 Ltd.—which are the largest writers of California-based risks, Mr. Hartley said. However, they were reinstated as an acceptable surplus lines insurers after re-filing their finan-

cial information in a format acceptable to the California department, Mr. Gershaneck said.

This fall, the California department tightened its requirements for exchange syndicates writing surplus lines risks in the state and intensified its scrutiny of the IIE's operations because of the shutdown at the Insurance Exchange of the Americas and the financial problems suffered by some New York Insurance Exchange syndicates, Mr. Gershaneck said.

California regulators were "disturbed quite a bit" when some New York syndicates tried to join the NYIE's efforts to draw down the exchange's security fund (see story, page 1). "It certainly was a major factor," Mr. Gershaneck said.

The NYIE's board of governors now is recommending the exchange stop writing all new and renewal business after Monday.

"The problems in New York and Miami reflect on exchanges, and we are being painted with the same brush," IIE's Mr. Skelton said.

However, Frank Prestipino, assistant vp of AVRECO Inc. in Chicago, a broker on the Illinois exchange, said: "No one is any more hesitant to use the IIE as a result of the problems that New York and Florida have."

The Illinois Insurance Department is expected soon to release a report of the IIE's internal operations after the IIE reviews it.

The department found that the IIE did not have some necessary internal controls for matters like off-site policy issuance, but the IIE has remedied that, Mr. Skelton said.

The improvements are noted in an outside consultant's more up-to-date systems study, which the IIE wants the department to take into consideration, Mr. Hackley said.

"The systems have improved immeasurably," Mr. Foss said.

IIE supporters emphasize that the IIE has not suffered the crippling financial problems that the other two U.S. exchanges have because it grew slowly since its 1981 opening and avoided cash-flow underwriting during the soft market of the early 1980s.

In addition, they point out that 85% of the IIE's book of business is surplus lines risks, and only 15% is reinsurance, compared with the other two exchanges that wrote primarily reinsurance business.

And, observers point out many of the syndicate managers also are investors, which makes them prudent underwriters. This also has led to the establishment of safeguards, they say, including requirements that syndicates:

- Submit a business plan at the start of each year and an actuarial certification of loss reserves at the end of the year.
- Keep minimum loss reserves of 60% of earned premium on casualty risks and 10% on property risks.
- Follow minimum and maximum retention limits designed to prevent fronting and control syndicates' from retaining too much business.
- Submit all security, including reinsurance arrangements, for exchange review.
- Phase in increased capitalization requirements until each syndicate has at least \$5 million in capital by 1995. However, syndicates operating before July 1987 may be allowed to operate with \$3.5 million in capital, subject to an acceptable review by the exchange.

Until the recent California action, the IIE's main concern was coping with the softening marketplace, which is expected to cost it some business like property and construction risks.

As a result of soft market pressures, the IIE has scaled back its 1987 gross premium projection to about \$250 million from \$300 million, Mr. Skelton said.

"Market conditions in the excess/surplus marketplace have been softening in the past nine to 12 months and appear to be affecting the exchange because the standard market is taking the business," said Mr. Prestipino. ■

Reinsurance brokers missing from directory

Due to a production error, the following companies were omitted from the reinsurance brokers' directory in the Nov. 16 issue of *Business Insurance*:

Crawley Warren Black Inc.
116 John St., New York, N.Y.
10038; 212-267-3737

	1986	1985
Premium volume...	NA	NA
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees...	5	5
Yearly.....	5	5

Year founded: 1985.
Parent company: Crawley, Warren U.S.A.

Principal officers: Peter M. Black, president; Donald A. Enslan, vp/treasurer; Philip C. Cawley and Donald W. Brustmar, vps.
Specialties: Property, casualty.
Licensed in: New York.

Crump Re
10 Columbus Blvd., Hartford Square N., Hartford, Conn. 06106;
203-727-9727

	1986	1985
Premium volume...	\$75,000,000	\$56,734,000
% Treaty.....	0%	12%
% Facultative...	100%	88%
Gross revenues...	\$7,500,000	\$5,299,000
Total employees...	47	47
Treaty.....	0	5
Facultative...	47	42

Year founded: 1978.
Parent company: Fred S. James & Co. Inc./Sedgwick Group P.L.C.
Branch offices: New York, Atlanta, Dallas, Minneapolis.
Principal officers: Salvatore D. Zaffino, president/chief executive officer; L. Douglas Williams, senior vp; Robert Byrne, John Brozoloski, Gerald Browning and Rudy Maggi, division managers.
Licensed in: New York.

Cypress Creek Intermediaries Inc.
110 Brookside Drive, Daytona Beach, Fla. 32014; P.O. Box 291640, Port Orange, Fla. 32029;

904-756-2309

	1986	1985
Premium volume...	\$27,500,000	\$25,000,000
% Treaty.....	100%	99%
% Facultative...	0%	1%
Gross revenues...	\$225,000	\$187,000

Year founded: 1984.
Affiliate: Westminster Reinsurance Intermediaries Inc., Nassau, Bahamas.
Principal officers: Michael T. Pyle, president; Peggy B. Pyle, vp/secretary; Laurie A. Langston, assistant vp; Christine A. Sullivan, assistant secretary.
Specialties: Agribusiness, property/casualty, medical/accident and risk retention programs.
Licensed in: New York, Florida. ■

Business Insurance
New York: (212)210-0133
Chicago: (312)649-5275
Los Angeles: (213)651-3710

New York exchange

Continued from page 1

the exchange and hope to keep the facility open or see it reopen after a temporary shut-down.

"The future may be bleak at this point, but it may be that things will strengthen next year and it will come back," said John H. Bretherick Jr., president of Continental Corp. and an exchange governor.

"One point is obvious, and that is that in a security-conscious market, we at the exchange are going to have to convince people that we are a secure market," he said.

New York State Sen. John Dunne, R-Garden City, is seeking formation of a gubernatorial commission to review possible legislation to implement some of the operating changes recommended in the Stewart Economics report (see Perspective, page 21).

In an interview last week, Sen. Dunne said he planned to meet with Gov. Mario M. Cuomo Tuesday to discuss the exchange and the proposed commission.

"I will say to the governor, 'If this thing goes down, I think it is not to the credit of New York state as one of the insurance centers of the world,'" Sen. Dunne said.

However, many exchange members contacted by *Business Insurance* expect to see the underwriting suspension approved and expressed little confidence in the exchange's ability to muster investor and broker support to reopen.

"You know the old expression, 'It ain't over until the fat lady sings'? She's standing up and clearing her throat," said one ex-

change member who spoke anonymously.

"When the smoke clears, the exchange will probably go away quietly and the insolvencies will be taken care of in as orderly a way as possible," said Ward B. Gordon, chairman of Intere Intermediaries Inc. and a former exchange governor. "We all got into this thing and gave it what we could, and we came up short."

Mr. Gordon and other exchange members say one of their primary concerns is how the runoff of the exchange's current book of business will be managed. Among other things, members say they are worried the exchange may not be able to maintain the staff needed to handle the runoff.

Exchange President Joseph Fahys confirmed that the exchange plans to lay off 25% to 30% of its current workforce.

Maintaining the necessary back-office staff is "absolutely essential," said Willis T. King Jr., chairman and chief executive of Willcox Inc. Reinsurance Intermediaries.

"If they start losing their people, it's going to be a disaster," Mr. King said. "If that happens, the magnitude of the administrative trouble will be unbelievable."

Some underwriting managers—including Johnson & Higgins Willis Faber (USA) Inc. and Raven Re-Management Inc.—are already exploring the possibility of providing runoff services to other syndicate managers.

Brokers and reinsurers agree that a loss of the exchange's capacity will not be a serious blow to the reinsurance market, which recently has seen a resurgence of capacity.

At its peak in 1984, the exchange wrote gross premiums of \$345.6 million and net

premiums of \$218 million. By 1986, gross volume had declined to \$267.7 million and net volume to \$201.2 million.

For the first nine months of 1987, exchange syndicates wrote net premiums of \$115.2 million, down 23.3% from \$150.3 million during the same period in 1986, according to figures released by the Reinsurance Assn. of America.

Meanwhile, events on the exchange continued to unfold quickly last week.

Among other developments, questions were raised about whether exchange members would actually vote on the proposed underwriting suspension as scheduled today.

A group of syndicates manager, including Azimuth Underwriting Managers Inc., Pan Atlantic Management Corp. and Lancer Management Co. Inc., was expected to file suit in New York State Supreme Court on Friday to block today's vote on the proposed underwriting suspension.

Azimuth sent a letter to Mr. Fahys last week asking him to poll board members on a possible postponement of the vote, according to Azimuth Chairman William R. Spence.

However, A. William Urquhart, the exchange's vp and general counsel, said Friday that a majority of the board had voted to go ahead with today's scheduled meeting.

Syndicates objecting to the proposed underwriting suspension may raise their questions and objections at the meeting, Mr. Urquhart noted.

Assuming that a quorum of more than half of the exchange's eligible syndicate and broker members is represented at the meeting, members conceivably could vote to allow

more time to consider the moratorium, Mr. Urquhart and others observed.

Some underwriting managers expressed frustration that the board allowed only a week to prepare for the crucial vote. The timetable was made worse by the fact that many exchange members were in Hawaii last week attending the National Assn. of Independent Insurers meeting, members said.

Some also complained that the exchange board has not explained what its operating plan for the exchange will be, either in the event members vote to keep the facility open or shut it down.

"There's no plan," said Peter Bickford, a lawyer with the New York firm of Calinoff & Katz and former exchange general counsel. "The members are being presented with issues with no details about the consequences of the vote either way."

In proxy material sent to exchange members last week, the board explained some of the factors it considered before voting to recommend the underwriting suspension.

Factors supporting the moratorium included these:

- Only six of the exchange's syndicates have expressed any interest in writing premiums sufficient to justify exchange support services.

- The exchange needs "breathing time" to review the adequacy of the reserves of a number of other syndicates and to regain the confidence of the market.

- The exchange needs to demonstrate its willingness to take decisive action, particularly to state regulators.

Continued on next page

Lloyd's broker rules

Continued from page 2

proper supervision" by holding companies of their subsidiaries. To prevent this, the report suggested that "ground rules should be drawn up defining those areas where intervention by controlling companies would be permissible."

In the last 10 years, Lloyd's has sought undertakings from companies that they will not interfere in Lloyd's brokers' management, said Mr. Gibson. "Many of these companies believed (the restrictions) to be too wide."

According to the document, "whilst Lloyd's had legitimate concern that it should be able to limit the influence of companies outside its jurisdiction and which might not respect the traditions of the market, the Neill inquiry judged it to be more important for Lloyd's to be satisfied that such controlling companies were fit and proper."

As a result, Lloyd's has proposed a modified form of non-interference whereby "each controller should be required to give to Lloyd's an undertaking that it will not interfere in the management of the broker's business to the detriment of Lloyd's or policyholders."

Some 15% of Lloyd's brokers are currently owned by foreign companies, the majority of which are U.S.-based, said Mr. Parry.

Also regarding ownership of Lloyd's brokers, Lloyd's is proposing to abandon its so-called "26% rule," which prevents an insurance company from controlling a Lloyd's broker.

"There should be no restriction on the type of business that may be connected through shareholding to a Lloyd's broker; reputation and suitability should be the sole criteria," the document says.

However, to avoid conflicts of interest that might arise where an insurance broker is connected with an insurer and to protect the interests of the brokers' clients, names at Lloyd's and Lloyd's as a whole, the broker will be required to:

- Abide by a code of practice outlining a broker's duty to his client, including disclosure to prospective policyholders of commercial relationships likely to affect the broker's advice.

- Provide Lloyd's with information to "monitor brokers' placings outside Lloyd's together with the disclosure of any preferential commercial links."

- Comply with Lloyd's requirements without interference by a parent or other member of the same company group.

Lloyd's also proposes that "no one should be an executive director of both a Lloyd's broker and an insurance company or non-Lloyd's underwriting agency."

The document recommends that the Council of Lloyd's "should have the discretionary power to require financial guarantees from controllers of Lloyd's brokers." However, the document does not specify the types of guarantees necessary.

Firms wishing to act as Lloyd's brokers "should demonstrate compliance with the new rules through a process of registration," the document says. The registration process will last at least three years.

However, Lloyd's points out that "it is likely that a number of brokers will not be able to meet the criteria governing admission, which have become more stringent in recent years."

Mr. Parry does not know how many brokers would likely be forced to cease trading as Lloyd's brokers because of the new rules.

"We don't want to reduce the number of routes into the Lloyd's market," but brokers must abide by the

new regulations, he said, adding that the Lloyd's broker department will offer help and advice to "any broker who feels it cannot meet the criteria."

The "far more stringent financial requirements" proposed for Lloyd's brokers Mr. Parry said, might encourage mergers between some smaller Lloyd's brokers to meet criteria such as minimum capital.

However, major Lloyd's brokers are unlikely to have difficulty meeting the more stringent financial requirements.

Other proposals in the document include:

- Requirements as to the character and suitability of the directors or partners of Lloyd's brokers.

- The appointment by each Lloyd's broker of a director to be responsible for the broker's compliance with all Lloyd's regulations.

- The assessment of a broker's competence. For example, "it is extremely important in terms of the service seen to be given by Lloyd's that Lloyd's brokers transmit documents and monies . . . promptly and accurately," the document says.

- The requirement that "no broker should be accorded the status of Lloyd's broker unless Lloyd's is satisfied as to the adequacy of its capital. Capital of less than 250,000 pounds (\$440,000 at current exchange rates) is unlikely to be considered adequate."

- The assets of each Lloyd's broker's insurance brokerage account should exceed its liabilities by a stipulated percentage of net retained brokerage revenue, with a minimum margin of 25,000 pounds (\$44,000) and a maximum margin of 500,000 pounds (\$880,000).

- The establishment of "a resource that would be available to facilitate the runoff of the insurance business" in the event of a Lloyd's broker's failure. This program, to which all Lloyd's brokers contribute, will be devised during 1988.

- The development of an accounting standard for Lloyd's brokers.

- A review of brokers errors and omissions coverage. Lloyd's proposes to maintain the current stipulation that the each broker have minimum E&O coverage of six times the broker's annual net retained brokerage. However, because insurance covering fraud and dishonesty of principals is "no longer available in the market," a working party is being set up to consider whether this form of cover should still be considered necessary, said Mr. Gibson.

Registration of all Lloyd's brokers under the new rules is expected to take at least three years. Each month several brokers will be invited to submit an application within three months, according to the document.

The cost of broker regulation for 1988 is not expected to exceed 1 million pounds (\$1.76 million), and each Lloyd's broker will pay a flat sum of 2,500 pounds plus 0.03% of its net annual retained brokerage, the document says.

The proposed code of practice included in the document deals with:

- A Lloyd's broker's relationship with its clients.

- Disclosure of the broker's remuneration.

- Documents and accounting.

- The use of binding authorities.

- The Lloyd's broker's role in claims negotiations.

"The code is aimed at raising and maintaining the standards of Lloyd's broking. . . . It is intended to foster good practice where mandatory rules and requirements embodied in bylaws may be too rigid," the document says. ■

Update

Harbor loses bad-faith case

Continued from page 2

paying premiums? It will create havoc in the insurance industry," said Harbor attorney Henry G. Bodkin Jr., with the Los Angeles firm of Bodkin, McCarthy, Sargent & Smith.

Harbor will file a motion for a new trial, said Mr. Bodkin.

Panel OKs parental leave bill

WASHINGTON—The House Education and Labor Committee last week approved a bill requiring employers to grant unpaid leave to workers caring for newborn or adopted children, an ill parent or child or their own illness.

The committee spurned Republican attempts to dilute H.R. 925, instead voting 21-11 that companies must give workers 10 weeks of unpaid leave over a two-year period after the birth or adoption of a child or to care for an ill parent or child. Seriously ill employees would be entitled to 15 weeks of unpaid leave in a year.

The measure would apply to companies with at least 50 employees the first three years it is in effect and apply to firms with 35 or more workers thereafter.

Employees would retain all health benefits during leaves and would be guaranteed their same or an equivalent position. However, employees must be with the firm for at least a year to qualify, and companies may deny unpaid leave to the 10% of workers with the highest salaries or the five workers with the highest salaries, whichever is greater, if the firm can show it is a business necessity.

The Reagan administration and business groups such as the National Assn. of Manufacturers say the bill is too costly and establishes a precedent for government involvement in employee benefit decisions.

The measure is expected to go before the full House in February.

A Senate version of a bill, S.249, is under consideration by a subcommittee of the Committee on Labor and Human Resources.

Briefly noted

A subcommittee of the House Energy and Commerce Committee was marking up federal product liability legislation last Friday. Committee staffers expected that at least 20 amendments to the bill, H.R. 1115, would be offered (*BI*, March 2). . . . Last week's Council of Lloyd's of London election produced no surprises. The three working members elected were David Coleridge, chairman of underwriting agency R.W. Sturge & Co.; Murray Lawrence, senior partner of underwriting agency Murray Lawrence & Partners; and Michael Wade, director of Lloyd's broker Holman Wade Ltd. The three external members elected are lawyer Arthur Farrer; conservative member of Parliament Sir Nicholas Bonsor; and former Cabinet Minister Lord Rees. . . . A U.S. district judge in Nevada reduced the \$22.8 million judgment awarded to singer Wayne Newton last year in his libel suit against the National Broadcasting Co. to \$5.3 million in punitive damages, said Morton Galane, Mr. Newton's attorney. The court ruled there was insufficient evidence that NBC news stories that linked Mr. Newton to organized crime hurt his reputation or earnings. NBC, which has libel insurance underwritten by Fireman's Fund Insurance Co., will continue to appeal, a spokesman said (*BI*, Dec. 22, 1986). . . . **Monsanto Co.** and one of its excess insurers, American Centennial Insurance Co., are fighting over whether the insurer must pay legal fees stemming from Monsanto's long-standing litigation with residents of Sturgeon, Mo., over their exposure to the chemical dioxin. Last month, a St. Clair County, Ill., jury ordered St. Louis-based Monsanto to pay \$16.25 million in punitive damages and slightly more than \$29,000 in compensatory damages to 65 Sturgeon residents (*BI*, Oct. 26).

New York exchange

Continued from previous page

This, the proxy says, "may slow the cascade of regulatory decertifications of the exchange in other jurisdictions."

A Nov. 5 memo to members from Mr. Urquhart reported that California, Colorado, North Carolina and Washington had rescinded their approvals of the exchange as a reinsurer or eligible surplus lines insurer. Nevada also notified the exchange that it will drop the exchange from its list of eligible surplus lines insurers on Dec. 31 but that it will consider including individual syndicates, the letter says.

- The exchange could reduce expenses by eliminating unnecessary units like the contracts department.
- A moratorium would reduce the chances that syndicates will be required to post a second \$500,000 deposit with the security fund, since the fund would not have to be rebuilt to protect future policyholders.
- A moratorium is not irrevocable and could be reconsidered at any time.

The proxy material also cited several arguments against the underwriting suspension:

- The insolvency of a group of syndicates need not lead to a shutdown of the entire exchange, since several syndicates are solvent and able to continue underwriting.
- A suspension of underwriting "might prove to be an irrevocable decision as a practical matter, since it would be extremely difficult for the exchange someday to resume the writing of business after making such a decision."
- Less extreme solutions could be found.
- Other answers to the problem of controlling expenses could be found, such as requiring withdrawing members to bear the costs of running off their business.

While exchange members and management debate the question of the underwriting suspension, most are agreed on the principal causes of the exchange's dilemma.

Members point first to the fact that the exchange's annual premium volume grew from zero to more than \$300 million between 1980 and 1984, during the height of the soft market.

"The timing was atrocious," observed Don Cole, president of Constitution State Management Co. "It may have all been a matter of timing, and I don't know what anybody could have done differently."

The exchange's aggregate combined ratio hit a high of 152.3% in 1985—with some syndicates reporting even worse experience—and eight syndicates were eventually declared insolvent by the exchange's board.

The exchange had ordered several of the syndicates eventually declared insolvent to stop underwriting at the end of 1984, and the others were told to stop during 1985. By then, however, it was too late.

"The cards we are playing now were dealt back in 1982, 1983 and 1984," when these syndicates were actively underwriting, said one source familiar with exchange operations.

The NYIE Security Fund Inc. announced Sept. 3 that it had decided to draw down \$25 million in member deposits after reviewing a preliminary actuarial analysis of six of the eight insolvent syndicates by Tillinghast, a division of Towers, Perrin, Forster & Crosby. Court testimony later revealed that the preliminary report estimated the six syndicates to be insolvent by \$170 million.

Several syndicates were reportedly unhappy about the timing of the announcement, since it came two days after the Sept. 1 deadline for syndicates to file notices of their intent to withdraw from the exchange. The exchange board later voted to extend the deadline until Nov. 10, and by that date 27 syndicates, 33 brokers and 13 associate brokers had announced plans to leave.

Many exchange members say the timing of the drawdown triggered the events that followed, including the deluge of withdrawals and the proposed underwriting suspension.

If the drawdown had been made at the beginning of this year or the beginning of 1988, the exchange would have had time to "position itself" to deal with resulting problems, says Richard E. Kane, vp with J&H Willis Faber (USA).

Coming at the end of the year, however, the announcement threw syndicates' renewal plans into chaos and pushed some states to rescind their approvals of the exchange, he noted.

Others, though, say they are puzzled that the drawdown would provoke such a furor.

"The financial difficulties of the syndicates on the exchange have been known for well over a year," said one exchange member who asked not to be identified. "Everyone knew there was a hole. Everyone knew the hole was big. So everyone had to assume at some point the security fund was going to be tapped."

This member and others instead cite an accumulation of failures that had exchange members reconsidering their participation even before the drawdown occurred.

The exchange had three basic purposes, one member said to serve as a market for reinsurance and insurance, to operate cheaply and efficiently and to be self-regulating.

"The exchange never became a central market to place insurance and reinsurance because the companies that were operating there basically refused to staff their underwriting boxes," the member said. "It has never been cheap and it has never been efficient."

The exchange also has never been entirely self-regulating, he noted, pointing to the fact that the New York Insurance Department monitors syndicate operations.

"It failed at all three major objectives," the member says.

Although exchange officials reported some progress in dealing with back-office premium and claims processing problems, accounting difficulties continued to be a major complaint of syndicate managers and brokers.

"Any computer report ever given us by the exchange has never borne any relation to reality," one member said.

Although some syndicate managers—notably J&H Willis Faber (USA)—say they continued to see a flow of acceptable business this year, other managers report they were seeing fewer risks they wanted to accept.

Between January and March, North Atlantic Treaty Managers Inc. saw a "real deterioration" in the business submitted to its syndicates, said President Betsy Brougner-Ayers.

"We were not satisfied with either the quantity or quality of the business we were seeing at the exchange," she said, adding that the syndicates' expenses of operating on the exchange doubled when the exchange switched from premium-based fees to transaction-based fees at the end of last year.

Much of the expense load that members have found burdensome relates to the exchange's purchase of a new building in 1984, along with the cost of back-office systems.

Several observers also say an inherent problem in the exchange's development was its reliance—especially in its early years—on U.S. insurers as sources of capital.

Some insurance company investors ultimately decided that their capital could be better employed off the exchange.

"Insurance company money does not need to be here. This is just another pocket" to put it in, Mr. Kane observed. ■

Insurance services guide

**TOXIC CHEMICALS
HAZARD IDENTIFICATION
ENVIRONMENTAL IMPACT
INVESTIGATION AND EXPERT TESTIMONY**
HAROLD I. ZELIGER, Ph.D.
CHEMICAL & ENVIRONMENTAL SERVICES
18 Spring Hill Terrace
Spring Valley, NY 10977
(914) 356-9448

R.M. CASS ASSOCIATES
consulting services emphasizing
REINSURANCE
and related matters
P.O. Box 1362
Barrington, IL 60011
312/304-1060

RISKMASTER SOFTWARE

**GENERAL CLAIMS
WORKER'S COMP
VEHICLE ACCIDENTS
CHECK WRITING
FOR: PC/MINI/MAINF
(313) 261-4440**



**ONSITE TRAINING
ONGOING SUPPORT**

Tillinghast

**INSTALLED IN OVER
32 STATES & CANADA**

WORKERS' COMPENSATION RISK MANAGEMENT SYSTEM

FOR IBM PC AT
IDEAL FOR SELF INSUREDS, INSURANCE
CO'S, AND TPA'S. SINGLE AND MULTI-USER
VERSIONS AVAILABLE. HANDLES UP TO
100,000 ON LINE CLAIMS

**VALUE LEADERS IN
RISK MANAGEMENT SOFTWARE
INSURANCE SOFTWARE
PACKAGES, INC.**
5118 NORTH 56TH STREET
TAMPA, FLORIDA 33610
(813) 621-6069 (FL)
(212) 619-2470 (NY)
(800) 237-8133 (U.S.)

8025 North Point Blvd., Winston-Salem, NC 27106
919/773-1313

AS GROUP
Employee Benefit & Actuarial Consultants
BENEFITS-RELATED PRODUCTS AND SERVICES

• TEXTBOOKS by Carlton Harker, F.S.A., C.L.U., E.A.
"Cost Containment of Health Care Benefits" \$30
"Self-Funding of Welfare Benefits" \$15
"Partial Termination of Pension Plans" \$15
• SELF FUNDED PLAN DOCUMENT \$100

All benefit elections in benefit schedule;
provides for contributions varying by age and area;
permits self-funded substandard surcharges;
IBC sec. 125 Plan included as a built-in benefit.
Anticipates discriminatory benefits to extent permitted by 1986 Tax Reform Act.
Approved or accepted by most excess loss carriers and underwriters.

Charges do not include \$1.50 for postage/handling.

For advertising information in the **INSURANCE SERVICES GUIDE**
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611
Telephone (312) 649-5340

Continental crash

Continued from page 3

London and the United States believe the liability loss will range between \$25 million and \$50 million.

Continental is owned by Texas Air, which owns Eastern Airlines Inc. and Continental, into which People Express Airlines Inc. has been merged.

Last Dec. 1, Texas Air insured the entire \$8.8 billion fleet operated by Eastern, Continental and People Express under one hull and liability insurance package, placed by Frank B. Hall & Co. Inc. in the United States and in London by Hall affiliate Leslie & Godwin P.L.C. (BI, Nov. 3, 1986). This insurance, which contained a profit commission, will cover the claims arising from the Denver crash earlier this month.

Under this coverage, Texas Air has up to \$60 million in insurance per hull and up to \$600 million of liability insurance.

About 20% of the hull and liability coverage was placed in the London market, led by Lloyd's of London's Ariel syndicate. Reports say that about 25% of the coverage was placed with U.S. Aircraft Insurance Group in New York; 15% with Associated Aviation Underwriters in Short Hills, N.J.; and 5% with Aviation Office of America in Dallas. Underwriters also say that French insurers participate in the coverage, including La Reunion Aerieenne and CAMAT.

Because of the soft airline insurance market, Texas Air already had placed next year's hull and liability coverage, which goes into effect Dec. 1, with no review clause if there was an accident, sources in London agree.

They say that Texas Air, which has increased its fleet value to more than \$10.3 billion, received about a 45% rate reduction on its hull and liability coverage, even though it increased its liability limits to \$750 million. There is no profit commission included.

The London market, whose portion of the coverage is still led by the Ariel syndicate, has increased its participation to 27.5% from 20%. Other insurers on the coverage include USAIG, Aviation Office of America and Insurance Co. of North America in the United States and La Reunion Aerieenne and CAMAT in France.

As of last week, Associated Aviation Underwriters had not participated in the renewal, sources say.

Officials at Continental were unavailable for comment. Leslie & Godwin refused to comment. Tim Salmon, the new underwriter for the Ariel syndicate succeeding Eddie Simms, did not return phone calls.

A Hall official would only confirm that Hall is Texas Air's broker.

The Texas Air renewal is just a continuation of the softening in airline hull and liability insurance rates that began with the April 1 renewals this year, when airlines began to receive 20% to 30% reductions in their hull and liability insurance rates (BI, April 20).

The plummeting rates continued through July, when Northwest renewed its coverage with a 30% reduction in hull rates and an 18% cut in liability rates.

On Oct. 1, the KSSAF Group—the world's second-largest insurance-buying group of airlines—received a 56% rate cut for hull insurance and a 20% decrease in liability insurance rates. The KSSAF group is led by KLM Royal Dutch Airlines, Scandinavian Airline Sys-

tem and Swiss Air Transport Co. Ltd. and includes Austrian Airlines and Finnair (BI, Nov. 2).

In addition, most U.S. airlines have received rate reductions, including United Airlines, which had a 30% reduction on hull insurance rates and a 39% reduction in liability insurance rates on Oct. 1 (BI, Nov. 9).

Brokers and underwriters say that airline rates have been cut because of the glut of capacity in the London, U.S. and European aviation insurance markets. They say that capacity is almost double what it was last year for major Western airlines with good loss records.

"We are still seeing quite dramatic (rate) reductions," said Russell Pickup, executive director of Lloyd's broker Bowring Aviation Ltd. "For sophisticated airlines, hull rates can be cut in half."

Even with the recent Continental crash and the Northwest crash earlier this year, which killed 156 people and is expected to cost about \$200 million in liability losses, aviation underwriters have made a profit this year, said Mr. Pickup.

Only two or three serious jumbo jet accidents could stop rates from tumbling further, he said.

"As we haven't had as many losses as we could predict—which is fortunate for passengers—it appears that underwriters are making money and creating increased capacity," added Lloyd's aviation underwriter Barry Coleman. "The increased capacity has caused rate reductions."

The Continental and Northwest disasters "have had no effect on the market," said Mr. Coleman.

However, observers are predicting the massive rate reductions will only last until next April 1 or May 1, which are the anniversary dates for the latest round of rate reductions. By that time, all airlines will have received a rate cut.

After April 1 or May 1, rates will then stabilize, aviation insurance market observers say. "Rates have hit rock bottom and underwriters have accepted that they are writing below burning costs," said one Lloyd's broker. "So, the market may increase rates again after April 1."

"Reductions will likely continue through the year round into April or May next year," added Wally Corbett, senior aviation underwriter for Minster Insurance Co. Ltd. "After that, I would hope and expect rates to sober up or stabilize."

To avoid missing the massive rate reductions, some airlines whose hull and liability coverage renews April 1 currently are seeking quotes from underwriters. Sources say the airlines expect to place the April 1, 1988, renewals at the rates, terms and conditions that now are being quoted.

Mr. Coleman confirmed that underwriters are willing to quote rates earlier rather than be forced to cancel a program and rewrite it during the policy period.

During the last major soft aviation insurance market in the late 1970s, many airlines canceled and renegotiated coverage, a practice that underwriters want to avoid now, aviation insurers say. So, issuing quotes early "is preventive medicine," said Mr. Coleman.

However, he warned that "everyone is looking for premium income at the moment and, my God, they are going to get burnt." ■

Year-old NYIE report gets attention

By DOUGLAS McLEOD

NEW YORK—More than a year after its completion, a consultant's report on the future of the New York Insurance Exchange is expected to be discussed for the first time by the exchange's membership at a meeting scheduled for today.

The report, prepared by New York-based Stewart Economics Inc., outlines the exchange's major failures and recommends steps to correct them.

Some of these steps already were being pursued by exchange management before the board proposed an underwriting suspension earlier this month, President Joseph Fahys says. "The report was simply not put in the bottom drawer," he said.

Despite what an exchange official describes as diligent work by the board, the exchange was apparently unable to accomplish one of the report's major recommendations: Putting behind it the cloud of uncertainty created by the exchange's eight insolvent syndicates.

Exchange officials and members now are uncertain about how the report's recommendations may be pursued in the future if the underwriting suspension is approved.

While Barbara D. Stewart, president of Stewart Economics, said the underwriting suspension may be a necessary "clearing of the decks" before a possible resumption of exchange operations, some exchange members are not confident that the facility has the support it needs to pick itself up again.

Mr. Fahys declined to say whether the recommendations might form the basis of attempts to rebuild the exchange if it is closed temporarily. "It's too early for me to make that assumption," he said.

A copy of the Stewart report—which the exchange kept under wraps for several months and which several exchange members said last week they still hadn't seen—was made available to *Business Insurance* with the exchange board's approval.

The exchange announced in February 1986 that it had retained Stewart Economics to prepare a report on its operations. After numerous drafts, the report was presented to the board of governors on Oct. 23, 1986.

The report cites three major failures:

- Significant back-office premium and claims processing problems. These problems were not only deterring potential syndicate investment, but also made brokers wary about placing new business on the exchange.

- Inability to attract large amounts of capital and underwriting talent and to develop a lead-follow underwriting system. The lack of capital made the exchange either a small following market or a lead market of last resort.

Low capitalization also meant that ex-

change syndicates could not support top underwriting talent, and that exchange boxes were either staffed by junior underwriters with little autonomy or by senior underwriters who actually spent little time on the exchange.

- Poor underwriting results combined with thin capitalization, which raised doubts about the exchange's financial security. The exchange opened its doors in 1980, in the midst of the most fiercely competitive property/casualty insurance market in the industry's history, and the poor results of many syndicates reflected this, the report notes.

Noting that the exchange could not succeed without a clearly defined role in the marketplace, the Stewart report recommends that the facility focus on areas that require heavy capital and skill: treaty and large facultative reinsurance contracts and hard-to-place surplus lines coverages.

The exchange presents no special advantage for the placement of standard coverages, the report notes.

If the exchange can dispel the doubts about its viability, it can attract capital, underwriting talent and good business and can succeed, the report says. "If it cannot, nothing else matters. The self-reinforcing effect of success, drift or failure will take care of the outcome."

With this in mind, Stewart Economics made four recommendations:

- The board should try to eliminate members' and potential investors' uncertainties about the impact of financially shaky syndicates by immediately declaring them insolvent and petitioning for their liquidation.

The report recommended the board do this by Nov. 20, 1986. By that date, exchange governors had declared three syndicates insolvent; five more syndicates were later declared insolvent. Only one of the eight has actually been ordered liquidated so far.

The report also recommends elimination of the exchange's security fund, either if its response to the insolvencies fails to allay members' fears or simply as a step in stripping the exchange of non-essential features.

Eliminating the security fund would reduce charges against syndicate premiums, remove a contingent call on syndicates' capital and eliminate an information-gathering burden on syndicates, the report notes.

Since reinsurance and surplus lines policies are not covered by New York's property/casualty guaranty fund, elimination of the exchange's security fund would not leave policyholders any less protected than they would be off the exchange, the report says.

- The exchange should increase minimum syndicate capitalization to at least \$10 million and to as much as \$25 million for some syndicates. If this were done without exempting existing syndicates, the effect

would be to force smaller syndicates to merge or leave, the report suggests.

Larger syndicates would have several positive effects, including attracting better underwriting talent, encouraging a lead-follow system and attracting more investment, the report says.

A highly capitalized group of syndicates could be further supported if the exchange invited insurers to establish underwriting offices on or near the exchange's premises, mirroring the peripheral market at Lloyd's of London, the report suggests.

- The exchange should loosen underwriting constraints and cut operating costs for its syndicates.

For example, the report questioned the appropriateness of the exchange's net premium-to-surplus underwriting limits and a rule limiting retrocessions to 50% of gross premiums.

Back-office services to syndicates and brokers also should be cut back to a minimum, with additional services available as options at an additional charge that would cover the exchange's costs. Eventually, these options also should be eliminated, the report suggests.

The exchange also should push to eliminate a requirement that New York direct risks first be rejected by the Free Trade Zone.

- The exchange should focus on what is within its power to control and away from what is not, including securing income tax advantages for syndicate investors and maintaining insurance company support.

Tax benefits for individual investors are "mostly a dream," the report said. In addition, while insurance company support was vital in starting the exchange, continuing support should not necessarily be a factor in exchange planning.

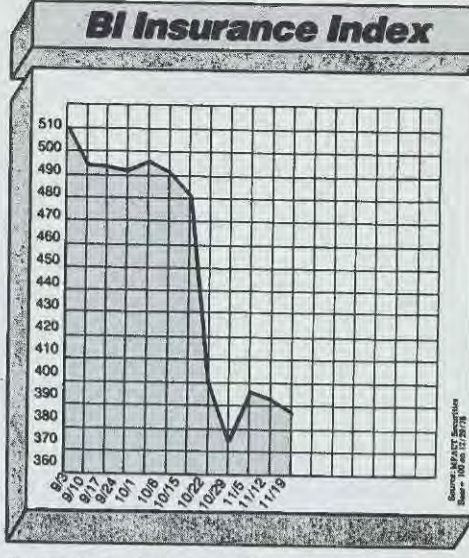
Logical sources of new capital include foreign insurance and non-insurance companies wanting to get into the U.S. market, U.S. non-insurance companies looking to set up a captive facility or U.S. insurers with a special reason for being on the exchange.

Unlikely sources of syndicate capital, the report says, include insurance companies with no special purpose for their syndicates and investment banking firms.

The exchange should not lament the loss of investors who are not well-suited to the facility, the report suggests.

"Losing syndicates does worsen the expense load for those remaining, but the effort should be on getting the logical people on, rather than agonizing when the illogical ones leave," the report reads.

Stewart Economics also suggested that syndicate managers have seats on the exchange's board to give large investors a voice in the facility's governance.



Insurance industry stocks followed the rest of the market and fell last week, as the *Business Insurance* index dropped 4.7 points to 388.7 on Nov. 19, from 393.4 on Nov. 12. Advancing issues were led by: Northwestern National Life Insurance Co., up 13.1%; SCOR US Corp., up 12.5%; Aon Corp., up 10.3%; Liberty Corp. S.C., up 8.9%; and United Fire & Casualty Co., up 6.7%. Declining issues were led by: Aneco Reinsurance Ltd., down 14.3%; Statesman Group Inc., down 13.6%; Nobel Insurance Ltd., down 8.6%; UNUM Corp., down 8.3%; and American Indemnity Financial Corp., down 8.3%. Issues showing the most activity during the period were: Sears Roebuck & Co. (Allstate), 28.2 million shares traded; ITT Corp. (Hartford Group), 19.9 million shares traded; Aetna Life & Casualty Co., 19.2 million shares traded; and American International Group Inc., 13.9 million shares traded. The *Business Insurance* index dropped 1.2% for the week, a better performance than the leading market indicators: The Standard & Poor's 500 lost 8.5 points, a 3.4% decline; the Dow Jones 30 Industrials lost 64.82 points, a 3.3% decline; and the New York Stock Exchange composite dropped 4.2 points, a 3.0% decline.

Nov. 19 Companies	Price	P/E	Div.	Yield	High—Low
Comml Union	295	11.3	17.8	6.0	308—295
Genl Accident	787	9.3	38.3	4.9	805—787
Gdn Royal Exch	805	10.9	46.5	5.8	808—805
Royal	361	7.2	21.2	5.9	368—350
Sun Alliance	828	13.4	32.2	3.6	828—805

Brokers	Price	P/E	Div.	Yield	High—Low
CE Heath	362	12.1	34.5	9.5	374—362
Hogg Robinson	125	7.6	9.6	7.7	140—125
JH Minet	280	10.2	12.9	4.6	288—280
Sedg Grp	185	11.6	16.4	8.9	196—185
Wills Faber	213	9.3	14.8	6.9	218—213

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

NOV. 19, 1987 11/13/87 THRU 11/19/87

		Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value		
					High	Low										High	Low								
BROKERS																									
Alexander & Alexander Svcs	NYSE	19.38	-1.9	-26.9	32.00	17.13	385	1.00	5.2	13.6	2.98	6.50	Continental Corp.	NYSE	41.25	-0.3	-7.8	54.88	30.50	617	2.60	6.3	7.8	41.62	0.99
Baldwin & Lyons Inc.	OTC	13.00	0.0	-40.9	27.00	12.75	2	0.20	1.5	5.0	16.40	0.79	Durham Corp.	OTC	22.75	1.1	-17.8	34.00	20.00	7	0.92	4.0	18.3	26.15	0.87
Corroon & Black Corp.	NYSE	26.88	-0.4	-17.6	37.50	22.00	112	0.84	3.1	12.6	6.31	4.26	Farmers Group Inc.	OTC	41.75	-2.1	7.7	51.25	37.75	616	1.20	2.9	12.2	19.95	2.09
Gallagher Arthur J. & Co.	OTC	15.75	-7.4	-40.0	31.00	16.50	89	0.40	2.5	10.4	4.81	3.27	Fireman's Fund Corp.	NYSE	28.00	-3.4	-20.3	42.75	26.50	1163	0.40	1.4	51.9	23.55	1.19
Hall Frank B. & Co.	NYSE	3.88	0.0	-73.2	19.00	3.50	214	0.00	0.0	10.4	0.00	N/A	Fremont Gen Corp.	OTC	11.63	1.1	-27.9	20.50	7.88	165	0.60	5.2	51.9	16.75	0.69
Marsh & McLennan Cos. Inc.	NYSE	51.63	-4.8	-15.0	72.00	46.00	709	2.40	4.6	12.8	5.14	10.04	Home Group Inc.	NYSE	12.63	-4.7	-39.9	24.88	10.50	506	0.20	1.6	2.1	16.30	0.77
Poe & Assoc. Inc.	OTC	8.00	0.0	-33.3	13.25	7.75	0	0.40	5.0	7.8	0.57	14.04	Hanover Ins Co.	OTC	27.00	0.9	-15.0	37.25	23.75	61	0.36	1.3	5.8	21.16	1.28
BROKERS AVERAGE																									
CONGLOMERATES & HOLDING COMPANIES																									
Berkley W.R. Corp.	OTC	21.75	0.0	-17.1	37.00	18.75	181	0.28	1.3	5.5	13.72	1.59	Hartford Steam Boiler	OTC	24.50	1.0	3.9	36.63	20.25	433	1.00	4.1	9.7	10.17	2.41
Berkshire Hathaway Inc.	OTC	2900.00	-4.1	2.8	3792.00	2510.00	161	0.00	0.0	18.2	62.53	3.01	Kansas City Life	OTC	26.00	-4.6	1.0	31.50	21.50	0	0.00	0.0	9.7	0.00	N/A
CIGNA Corp.	NYSE	50.25	-3.6	-8.6	69.50	48.00	883	2.80	5.6	6.2	42.01	1.20	Keper Corp.	OTC	22.50	-2.2	-10.0	38.75	20.00	859	0.60	2.7	6.8	23.48	0.96
CNA Fin'l Corp.	NYSE	54.88	-5.8	2.1	66.50	47.00	242	0.00	0.0	9.9	42.71	1.28	Liberty Corp. S.C.	NYSE	38.00	8.9	3.4	53.00	32.50	17	0.80	2.1	17.0	19.96	1.90
General Re Corp.	NYSE	55.00	-2.0	-0.9	68.88	46.00	1359	1.00	1.8	12.4	23.47	2.34	Lincoln Nat'l Corp.	NYSE	42.50	0.3	-8.4	60.50	35.75	270	2.36	5.6	8.5	44.85	0.95
ITT (Hartford Group)	NYSE	48.13	-2.8	-9.8	56.38	45.00	1994	1.25	2.6	9.6	44.08	1.09	NAC Re Corp.	OTC	22.38	1.7	-14.7	32.25	19.50	19	0.00	0.0	20.7	18.12	1.24
Sears Roebuck & Co. (Allstate)	NYSE	35.63	-3.0	-10.4	59.50	30.75	2822	2.00	5.6	8.3	32.94	1.08	Nobel Ins Ltd.	OTC	8.00	-8.6	-50.8	18.50	8.00	112	0.00	0.0	20.7	9.04	0.88
Transamerica Corp.	NYSE	32.88	-1.9	0.8	51.38	22.63	524	1.84	5.6	6.2	26.94	1.22	Northwestern Nat'l Life	OTC	24.75	13.1	-20.2	32.38	20.75	431	0.96	3.9	6.6	33.26	0.74
CONGLOMERATES AVERAGE																									
INSURERS																									
Aetna Life & Cas Co.	NYSE	48.75	-2.5	-13.9	68.13	46.00	1923	2.76	5.7	6.6	44.75	1.09	Ohio Gas Corp.	OTC	38.38	5.9	-0.6	49.25	34.75	372	1.68	4.4	9.1	26.80	1.43
American General Corp.	NYSE	29.63	-7.1	-19.7	44.75	28.38	996	1.25	4.2	7.9	27.13	1.09	Old Rep Int'l Corp.	OTC	22.75	0.5	-16.9	33.63	18.88	194	0.74	3.3	7.2	19.80	1.15
Amer Heritage Life Inv't	NYSE	24.00	-7.7	-6.5	34.00	23.25	9	0.96	4.0	11.5	20.37	1.18	Orion Cap Corp.	NYSE	14.25	0.8	-47.5	31.00	13.63	48	0.76	5.3	7.2	9.39	1.52
Amer Ind'y Fin'l Corp.	OTC	9.75	-8.3	-45.8	19.00	7.75	7	0.56	5.7	11.5	20.40	0.48	Phoenix Re Corp.	OTC	7.50	3.4	-42.3	14.63	5.00	102	0.00	0.0	5.2	9.43	0.80
American Int'l Group Inc.	NYSE	63.63	-0.8	4.1	83.75	60.00	1389	0.30	0.5	11.8	29.02	2.19	Protective Corp.	OTC	12.50	0.0	-30.6	21.25	11.38	197	0.70	5.6	11.8	16.51	0.76
Aneco Reins Ltd.	OTC	3.00	-14.3	40.8	4.38	2.13	141	0.00	0.0	11.8	1.93	1.55	Provident Life & Acc Ins Co.	OTC	16.38	4.0	-33.5	28.75	14.25	328	0.84	5.1	41.0	27.00	0.61
Aon Corp.	NYSE	24.00	10.3	-9.0	29.88	20.50	481	1.20	5.0	8.5	15.23	1.58	St. Paul Cos. Inc.	OTC	47.50	-5.5	18.0	60.00	40.25	881	1.76	3.7	7.5	29.89	1.59
Argonaut Group	OTC	29.75	-4.0	41.7	52.13	21.00	309	0.00	0.0	6.1	14.60	2.04	SAFECO Corp.	OTC	28.25	-2.2	5.6	38.00	24.38	670	0.96	3.4	9.2	19.68	1.44
AVEMCO Corp.	NYSE	17.75	2.9	-32.4	25.25	13.25	111	0.28	1.6	10.6	6.94	2.56	SCOR US Corp.	OTC	9.00	12.5	-21.7	16.25	5.00	327	0.00	0.0	6.9	8.08	1.11
Belvedere Corp.	AMEX	4.13	-5.7	-52.1	9.13	4.00	30	0.04	1.0	51.6	6.71	0.62	Seibels Bruce Group Inc.	OTC	11.75	-6.0	-20.3	19.00	9.75	107	0.80	6.8	6.9	11.88	0.99
Business Mens Assum Co.	OTC	33.50	-6.3	29.4	48.25	25.25	71	1.10	3.3	47.2	22.15	1.51	Selective Ins Group Inc.	OTC	19.50	-4.3	-10.3	27.50	17.25	56	1.08	5.5	17.3	16.02	1.22
Chubb Corp.	NYSE	60.00	-3.8	1.3	73.50	52.00	516	1.88	3.1	7.9	39.52	1.52	Statesman Group Inc.	OTC	3.94	-13.6	-17.1	7.06	3.38	67	0.05	1.3	17.3	5.19	0.76
INSURERS AVERAGE																									
ALL COMPANIES AVERAGE																									



THE ROAD TO CAREFREE TRAVEL IS PAVED WITH AMERICA'S LARGEST NETWORK OF HMOs.

HMOs, as you know, do a good job of providing health care benefits to members while they are in their home area. It's those occasions when they're away from home that often cause you concern.

That's why Blue Cross and Blue Shield Plan HMOs have instituted an "Away From Home Care" program. Now, members of our HMOs traveling anywhere throughout the HMO-USA network of over 200 cities can receive help when an unexpected illness or injury occurs. The member simply calls a toll-free number and is directed to the nearest participating HMO-USA facility. There won't be any claim forms to fill out, or any hassles at all.

We have even more ways to help you organize your HMOs. All you have to do is follow these simple directions: Call 1-800-4-HMO-USA.

HMO-USA is just one of the many innovative products from the nation's Blue Cross and Blue Shield Plans designed to help you effectively manage your health benefits program.

HMO USASM
The "Away From Home Care" HMO network.

Carry the
Caring Card.[®]

The card that cares for the U.S. Olympic Team.SM

