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Update

Missouri judge stops short of ordering Bel-Aire liquidated

JEFFERSON CITY, Mo.—Bel-Aire Insurance Co. remains under the control of the Missouri Department of Insurance after a state court judge stopped short of a liquidation order, but ruled that letting the insurer operate would be hazardous to policyholders.

After Judge James McHenry's Nov. 23 ruling, Insurance Commissioner Lewis Melahn filed a motion seeking to liquidate or rehabilitate St. Louis-based Bel-Aire and five related companies that have been

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Louisiana's Bernard faces fraud, extortion charges

By DOUGLAS McLEOD

NEW ORLEANS—Former Louisiana Insurance Commissioner Sherman Bernard is facing federal charges that he extorted $80,000 from five insurance companies seeking licenses in the state.

In a nine-count indictment for extortion, conspiracy and money laundering, a New Orleans grand jury on Nov. 20 charged Mr. Bernard with shaking down officials of Alliance Casualty & Reinsurance Co., American Surety & Fidelity Insurance Co., Anglo-American Insurance Co., Dixie Lloyd's and Sovereign Fire & Casualty Insurance Co.

The five insurers were granted licenses by Mr. Bernard and later collapsed, leaving tens of millions of dollars in unpaid claims and creating huge liabilities for the Louisiana Insurance Guaranty Assn., prosecutors say.

Officials of each of the five insurers have separately been convicted on federal fraud charges, according to the U.S. Attorney's office in New Orleans.

Among these is Carlos I. Miro, who pleaded guilty earlier this month to 16 wire fraud charges stemming from his operation of Anglo-American. He faces 80 years in prison and $4 million in fines when he is sentenced early next year.

Mr. Bernard was scheduled to make an initial court appearance last Wednesday. If convicted on all nine charges, he faces 180 years in jail and $3 million in fines.

Neither Mr. Bernard nor his lawyer could be reached for comment.

The indictment follows the guilty plea last month by John T. Browne, Mr. Bernard's former deputy, to one count of conspiracy to commit extortion. Mr. Browne allegedly conspired with Mr. Bernard to funnel payments from insurers into Mr. Bernard's re-election campaign accounts in 1987 and 1988 (*BI*, Oct. 26).

Mr. Bernard served as Louisiana's insurance commissioner from 1972 until 1988, when he was defeated in his re-election bid by Douglas D. Green.

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Hurricane blasts results

Despite terrible nine-month figures, many still unsure of market's course

By JUDY GREENWALD

Although the commercial property/casualty insurance industry is still reeling from the pummeling it took from Hurricane Andrew, the catastrophe's real effect on the market remains unclear three months later.

Some believe the hurricane losses—coming on top of low investment returns, already-severe underwriting losses and a seemingly endless soft market—will cause rates to rise by mid-1993.

The hurricane is "putting more weight on the camel's back, and pretty soon it's going to break," said James S. Kemper III, executive vp-commercial lines group for Kemper National Insurance Cos. in Long Grove, Ill.

Others, though, think a hard market still is a long way off.

"It may never happen," said Bernard C. Hlavac, vp and treasurer at Sentry Insurance Cos. in Stevens Point, Wis. "I don't know if enough bad things have happened to make a turn. We have seen nothing to indicate companies are raising prices."

Although many insurers reported poor nine-month results caused in large part by Hurricane Andrew, others managed to escape relatively unscathed (see story, page 21).

Hit by Hurricane Andrew losses that exceed $11.5 billion to date (*BI*, Oct. 26), the 24 insurers surveyed by *Business Insurance* that release earnings reported a 23.4% decline in net income during the first nine months of 1992 to $3.8 billion from $4.95 billion in the same period last year.

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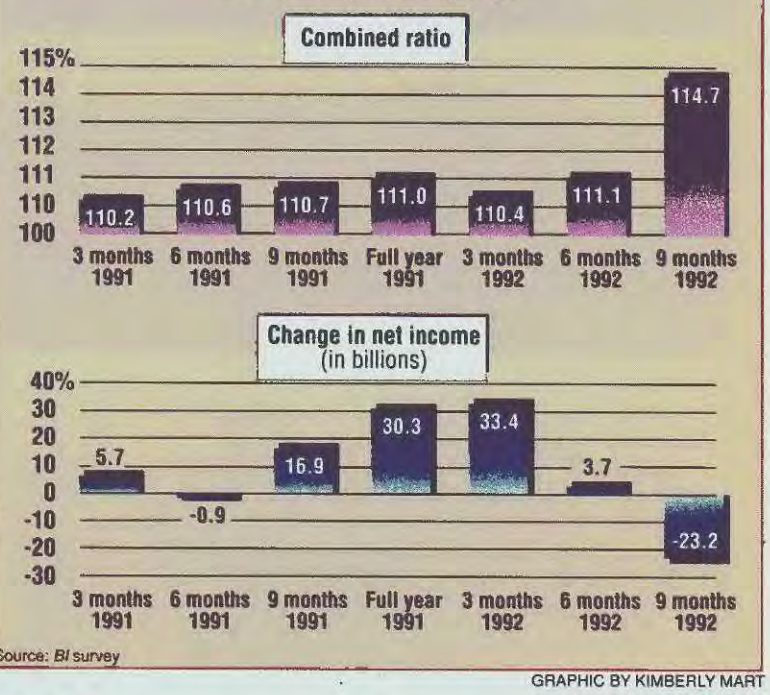
Insurers' losses surge

Hurricanes Andrew and Iniki walloped major property/casualty insurers in the third quarter, causing combined ratios to soar and profits to plunge.



Source: *BI* survey

GRAPHIC BY KIMBERLY MART

Ernst & Young settlement praised

Pact called 'fabulous deal' for accountant, insurers

By MARK A. HOFMANN and GAVIN SOUTER

WASHINGTON—Agreeing to pay $400 million to settle federal claims stemming from work for several failed thrifts was the best move Ernst & Young could make, legal and insurance experts say.

One leading accountant liability attorney predicts that other firms facing similar claims will quickly fall in step.

The settlement is significant both for its size and the fact that it is "global," meaning that Ernst & Young, the largest auditor of savings and loans, faces no further federal action in connection with its S&L work. Suits by private parties still are pending, though.

Of the $400 million, $300 million will come from the firm's coverage through the Minet Group P.L.C. accountants professional liability line slip. That coverage is placed with more than 100 insurers worldwide. Ernst partners will pay the remaining $100 million over the next four years.

"It's a fabulous deal for insurers," said Michael Harris, an underwriter for underwriting agent A.J. Archer P.L.C., one of those on the Minet line slip. "We have to be commercial realists, and we would have been bled to death in legal fees alone."

"This is the mummy and the daddy of settlements for auditors involved in the S&L crisis," said David McIntosh, senior partner at Davies Arnold & Cooper in London.

Last year, the law firm estimated that S&L failures could cost London under-

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Season not a holiday for some

Illustration by Jennifer Riegler

Employee assistance programs can prevent post-holiday blues

By SALLY ROBERTS

'Tis the season when jingle bells fill the air, families gather around the tree, champagne bottles pop, and all seems merry and bright—for most people.

For some though, the holidays, and especially the post-holiday period, aren't so jolly. For these people, a highly visible employee assistance program can be a most useful gift.

"There's a big buildup before the holidays and a big letdown after," explains Barbara D. Levine, a health care consultant for Hewitt Associates in Rowayton, Conn.

The holidays are especially hard on single employees, those who have just lost a loved-one or those who will not be seeing their children or family, says Rick Kinyon, director of employee assistance programs for Aetna Life & Casualty Co. in Hartford, Conn.

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Update

Bel-Aire still under state control

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under state control since 1990.

Bel-Aire claims have not been paid during the past year.

The five related companies are: A.B. Carter Inc., Risk Retention Service Corp., BIC Premium Finance Corp., Association Groups of America and Atlantic General Insurance Co.

The judge ruled that Bel-Aire and the companies had operated "at considerably less than arm's length." Several transactions among the companies potentially jeopardized Bel-Aire's solvency, he found. But he also wrote that 1989 and 1990 examinations provided no evidence that Bel-Aire was insolvent as late as October 1990 when the state took over the companies.

However, Mr. Melahn said the ruling "does not make a decision about Bel-Aire's solvency" at this point. He said the insurer has assets of $1.6 million and pending claims of about $5.4 million.

"Bel-Aire has filed a motion asking that the injunction be lifted and the company be given back to management," said Robert Hawkins III, Bel-Aire's Jefferson City attorney. He charged the department has merely handled claims and "let the company dwindle."

American Re to sell 24% stake

PRINCETON, N.J.—American Re Corp., parent company of American Re-Insurance Co., hopes to raise $300 million in capital in an initial public offering planned for early next year.

New stock will be issued to sell a 24% share of the company, said Thomas H. Walker Jr., senior vp for planning and issues management. American Re was sold by Aetna Life & Casualty Co. to leveraged buyout specialist Kohlberg, Kravis Roberts & Co. earlier this year (*BI*, Aug. 24; April 20).

Mr. Walker said that of the $300 million in expected proceeds from the offering, $100 million will be added to American Re's surplus. Another $100 million, together with new bank debt, will be used to repay old bank debt. Another $73 million will be used to repurchase the preferred stock Aetna received at the time of the acquisition, although Aetna will continue to be an equity owner. Any remaining funds after fees are paid will be added to American Re Corp.'s working capital, Mr. Walker said.

Tornado losses widespread

AUSTIN, Texas—Insured property damage from tornadoes that battered portions of 11 states last week is estimated to total more than $90 million in the Houston area alone.

The Southwestern Insurance Information Service in Austin reported that at least eight tornadoes struck the Houston area. Much of the damage was sustained in a residential part of the city.

The series of tornadoes killed more than 20 people in a swath of destruction that stretched from Texas north to Ohio and east to North Carolina. Several insurers said that the wide geographic spread of the storms meant calculating the extent of their losses would take longer than usual. The Property Claim Services division of the American Insurance Services Group does not expect to issue its industrywide loss estimate until later this week.

Nationwide Mutual Insurance Co. of Columbus, Ohio, already estimates that its losses will reach more than $4 million.

Integon Corp., a regional property/casualty insurer in Winston-Salem, N.C., estimates its losses in North Carolina at about $500,000.

N.J. uncompensated care plan

TRENTON, N.J.—Gov. James Florio says he would sign a Republican-sponsored bill introduced last week that would use $1.6 billion from the state's unemployment fund over the next three years to pay for uncompensated hospital care.

Under S. 10, introduced by state Sens. Lou Bassano and Don DiFrancesco of Union County, $600 million would be appropriated from the $2.3 billion New Jersey Unemployment Trust Fund to pay hospitals for the uncompensated care they provide in 1993. In 1994 and 1995, $500 million would be appropriated to pay for uncompensated care and a proposed managed care plan for the working uninsured.

Uncompensated care is estimated at $900 million to $1.2 billion annually. State GOP lawmakers say that figure would drop greatly next year if the managed care program for the working uninsured that Gov. Florio has unveiled is implemented (*BI*, Nov. 16).

If the unemployment fund, which is financed by both workers and employers, were to dip below $1.5 billion at any time, a 0.62% payroll tax would be levied against all employers.

An identical bill was introduced in the State Assembly by Nicholas Felice, R-Bergen County.

The New Jersey Chamber of Commerce opposes the plan. "Diverting money from a vital fund that employers and employees have paid into since the 1940s is a lousy idea," said Bill Healey, director of governmental affairs. "Fortunately, it's not a done deal."

New Jersey now finances uncompensated care with a 19.1% surcharge on hospital bills. But that method expires today. In May, a federal judge ruled the surcharges, when applied to self-insurers, violate the Employee Retirement Income Security Act (*BI*, June 1).

Best lowers Allstate ratings

OLDWICK, N.J.—A.M. Best Co. has downgraded Allstate Insurance Co. and its property/casualty affiliates to A− from A.

Best cited Allstate's heavy losses from Hurricane Andrew and said the insurer may yet increase its previously announced gross loss estimate of $1.9 billion. The move also reflected Allstate's "continued vulnerability to significant catastrophe exposures, which

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Policyholder must pay cost to prevent pollution's spread

By SARA MARLEY

DOVER, Del.—Insurer attorneys are hailing a Delaware Supreme Court ruling that comprehensive general liability insurance policies do not cover the cost of environmental cleanups that prevent the further spread of pollution.

Ruling on the so-called mitigation provision in the CGL policy, the three-judge panel on Nov. 18 unanimously ruled that policyholders, not their insurers, must pay for efforts to mitigate future pollution damage as a matter of public policy.

The ruling, the first by a state supreme court interpreting the CGL's mitigation provision, upholds a trial court's decision on a pretrial motion by Rhone-Poulenc Basic Chemicals Co. in its coverage dispute with American Motorists Insurance Co. and Travelers Indemnity Co.

Princeton, N.J.-based Rhone-Poulenc argued that the mitigation provision should apply only to mitigation efforts taken before damage had occurred and in cases where damage would be expected if no preventive measures were taken. It also argued that the drafting history of the provision shows that it was not intended to be used as a coverage exclusion.

Following the high court decision, a trial court will begin to decide in January whether the cleanup of a Delaware landfill polluted by Rhone-Poulenc's predecessor company was undertaken to prevent further groundwater contamination or was remedial in nature.

From 1969 to July 1971, Rhone-Poulenc's predecessor company, Stauffer Chemical Co., dumped 4.2 million pounds of ethylene dichloride sludge—or EDC—as well as 26 million pounds of other industrial wastes in the Tybouts Corner landfill in New Castle County, Del. The sludge was poured directly into the ground.

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HIAA to ponder future

President says 2 major defections won't hurt association

By MARK A. HOFMANN

WASHINGTON—Health Insurance Assn. of America directors this week will debate a special committee's report on how the organization should change to meet the challenges of the future.

The timing is coincidental, but perhaps portentous. Recently two of the group's largest members said they would withdraw at year end, implying that the group no longer adequately represented their views. Those two companies—Aetna Life & Casualty Co. and Metropolitan Life Insurance Co.—account for more than 11% of the group's annual budget.

The defections should not hinder the HIAA, contends Carl J. Schramm, the group's president, who is himself leaving.

"I think the association's future is secure. The remaining companies represent a vastly larger market than those that left," said Dr. Schramm, who has recently announced that he is leaving the HIAA to return to the private sector.

The incoming chairman said, however, that the withdrawals

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Three Florida plan operators to plead guilty, aid prosecution

MEWA fraud indictments

By DOUGLAS McLEOD

ORLANDO, Fla.—Three people involved in operating allegedly fraudulent group health insurance schemes in Florida have agreed to plead guilty to federal criminal charges and cooperate with prosecutors investigating the schemes.

George V. Doherty Jr., April Marie McGlawn and Robert L. Searle have agreed to plead guilty to various charges arising from the collapse of International Forum of Florida Health Benefit Trust and another insolvent multiple employer welfare arrangement.

IFFHBT collected $34.5 million in premiums from 6,867 employers before it collapsed, leaving more than $29 million in unpaid claims.

The three were among five people indicted by a federal grand jury in Orlando Nov. 19 on charges related to IFFHBT and Florida Custom Brokers & For-

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Listing of information resources to appear in two issues in January

Business Insurance will again publish its annual Information Resource feature in two separate issues. Employee benefit topics will be featured in the Jan. 11 issue, while risk management information will be featured in the Jan. 18 issue.

The issues will contain listings of current educational and informational literature—like brochures and booklets—on programs, products and services available to risk management, employee benefit and financial executives. The literature must be available to readers free of charge.

Companies that wish to submit literature for the sections must complete a fact sheet that describes each item to be listed and furnish a copy of the item. The literature must be less than one year old. Companies submitting information will be responsible for fulfilling readers' requests.

To receive a fact sheet, call Kathy Welyki at 312-649-5279. *Business Insurance* must receive a completed fact sheet and a sample copy of all items to be listed by Dec. 15.

Inside

✔ Caterpillar Inc. will stop covering the increases in health care costs for many of its retirees at the end of the century. **PAGE 6**

✔ A dissident member's proposal would destroy Lloyd's hallmark and spell doom for the market, this week's editorial says. **PAGE 8**

✔ English & American Insurance Co. Ltd. has stopped writing after it failed to raise enough capital to satisfy brokers of its security. **PAGE 17**

✔ The direct cost of employer-provided group benefits in Canada is rising sharply, a survey shows. **PAGE 17**

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Spotlight report

Mixed forecast for D&O market

Rates increase for some risks, drop for others

By MARK A. HOFMANN

Underwriters expect directors and officers liability insurance rates for some types of risks to edge upward as loss costs mount due to unabated litigation.

Insurers report they currently are obtaining 5% to 10% rate increases on renewal for many D&O risks, while the rate of increase for some troubled lines, like financial institutions and high-tech companies, is even higher.

However, competition remains for problem-free D&O accounts and capacity remains plentiful overall, underwriters and consultants agree.

"If you're a good account, you've got a lot of opportunity to improve conditions and price," said Kenneth S. Wollner, a consultant with Corporate Policyholders Counsel, a Park Ridge, Ill., risk management consulting firm.

Some attractive accounts are actually seeing rate cuts, agreed Mark Charron, senior manager-risk management consulting practice for Deloitte & Touche in Hartford, Conn. "The market is not as tight as some people are thinking."

In fact, a few policyholders are shopping for D&O coverage on the basis of price, said Charles Smith, vp-underwriting for ACE Ltd. The Hamilton, Bermuda-based insurer, which offers $50 million of D&O limits excess of $25 million, ranked No. 1 in The Wyatt Co.'s 1991 ranking of excess D&O insurers in terms of premium volume (*BI*, Feb. 24).

"We just lost one account because they wanted a lower price. They'd had the same rates for four or five years," said Mr. Smith.

Nevertheless, he said, D&O rates generally are running about 5% higher than last year. Some insurers are asking for rate increases as high as 10%, said Mr. Smith, noting that they don't always get those increases.

National Union Fire Insurance Co. of Pittsburgh, Pa., this year generally has been getting 12% to 15% rate increases on renewal for publicly held companies, said William Smith, president of the New York-based unit of American International Group Inc. National Union, which offers up to $25 million in primary or excess D&O limits, ranked first in terms of primary premium volume in the 1991 Wyatt survey and second in excess premium volume.

While the average premium for all companies responding to Wyatt's annual D&O survey is "ever so slightly edging up," the market remains "soft" for the majority of companies, said Phillip N. Norton, a consultant in Wyatt's Chicago office and editor of the annual survey. "It's really remarkable. It's been sort of edging up for the last four years, but (D&O rate increases) really peaked in 1988," he said.

"The marketplace is still competitive for the best accounts." said Ralph Jones III, senior vp and managing director for Chubb & Son Inc. in Warren, N.J. Chubb, which offers up to $25 million in limits for primary or excess D&O capacity, ranked second in terms of primary premium volume in Wyatt's 1991 D&O survey and third in excess volume.

Mr. Jones noted that competition in the D&O market is occurring despite the fact that "there is no slowdown in the pace of litigation."

"There's been a very significant increase in employment-related litigation," agreed National Union's Mr. Smith. The Americans with Disabilities Act,

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Employers add adoption to their family of benefits

By SARA MARLEY

A small but growing number of employers are offering adoption assistance benefits to aid the tens of thousands of families who adopt children each year.

More employers are paying for at least a small portion of adoption costs as well as offering adoptive parents leave—in many cases paid—to care for newly adopted children.

While the cost of the benefit is not tax-deductible, it puts employers on a level playing field with competitors that also offer the benefit.

Employers also view adoption assistance benefits as a matter of equity, since employees' maternity costs are covered under health care plans.

"We cover health care for a family that has a birth, so we found this to be a positive family benefit for those that choose to have a family by adoption," said Lynne Mischley, family issues coordinator for Dow Chemical Co.'s Dow U.S.A. division.

Leave policies for adoptive parents are true family benefits because they go beyond the disability associated with pregnancy to recognize the importance of new parents spending time with their children, said Virginia Mackin, vp-personnel at NationsBank in Charlotte, N.C.

Adoption benefits "provide a positive message about the employer, even for those who don't adopt," said Carol Sladek, a work and family benefits specialist with Hewitt Associates in Lincolnshire, Ill.

And, because few employees actually adopt children, "you get a big bang for your benefit dollar," she observed.

There are approximately 50,000 domestic adoptions each

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AP/Wide World Photo

Only a relatively small number of the 1,000 rooms in Windsor Castle were damaged by the Nov. 20 fire.

Insurers to cover artwork, antiques damaged at castle

WINDSOR, England—London underwriters will pay repair costs for art and antiques damaged in the Nov. 20 fire at Windsor Castle, Buckingham Palace spokesman said.

Repairs to the castle itself will be financed by the government, said Peter Brooke, U.K. secretary of state for national heritage.

Many of the works of art destroyed by the fire are irreplaceable. Any financial loss for those works will be borne directly by Queen Elizabeth II, the palace spokesman said.

"All of the contents which can be repaired and are not part of the fabric of the building are insured under the royal policy," he said.

Insurance for the royal household is placed largely at Lloyd's of London by broker Bain Clarkson Ltd., sources say.

So far the only items damaged by the fire that have been deemed repairable are an Axminster carpet made for the Great Exhibition of 1851 and several chandeliers, the spokesman said.

Most of the valuables normally located in the seven rooms that suffered the worst damage had been removed prior to the fire while rewiring and renovation work was being conducted.

—By Gavin Souter

Late notice voids cover

A 16-year delay prejudiced insurer, federal court rules

By SALLY ROBERTS

NEW YORK—A surgical and hospital supply company may appeal a recent federal court ruling that it has no liability coverage for a jury award because it was 16 years late in notifying its insurer of the court action.

Ethicon Inc. sued Aetna Casualty & Surety Co. after the insurer refused to indemnify the Somerville, N.J.-based company for $18.9 million that a jury ordered it to pay a competitor, Handgards Inc., in 1984.

The jury had found Ethicon guilty of "malicious prosecution," which was a covered risk under general liability policies written by Aetna between 1961 and 1973. Annual limits under the policy varied from $500,000 to $50 million.

However, the policy also required immediate notification of potential claims. Aetna argued that because the two competitors' legal battle began in 1968, and the insurer was not notified until 1984 of any legal actions, Aetna was prejudiced by its policyholder's late notice.

Ethicon, a Johnson & Johnson unit, argued it did not notify Aetna before 1984 because the original lawsuit tried in 1968 was an antitrust case, and Ethicon did not realize that any award could potentially be covered by its liability insurance.

But when the antitrust suit evolved into a "malicious prosecution" verdict in 1984, Ethicon said it became aware that it was entitled to coverage under the malicious prosecution clause in the CGL policies and notified the insurer.

In ruling for Aetna last month, U.S. District Judge Richard Owen said "that the 1968 antitrust complaint arguably gave sufficient notice that the antitrust suit involved such allegations of the prosecution of false

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Employers targeting retiree health costs

By MICHAEL SCHACHNER

Most companies are trying to manage the cost of current and future retiree health care benefits in light of impending financial accounting rules, though many still have not decided how they will account for these liabilities, a recent survey shows.

Only 17% of the 780 respondents to a William M. Mercer Inc. study said they are not taking any of several common steps, including shifting costs to retirees, capping benefits and tightening benefits eligibility.

About one in five respondents said they are using at least one cost management approach, while 62% say they are adopting two or more cost control approaches.

Beginning Jan. 1, Financial Accounting Standard 106 will require large companies to recognize future costs of retiree health care benefits in advance rather than accounting for the costs as benefits are paid. Companies can recognize all future

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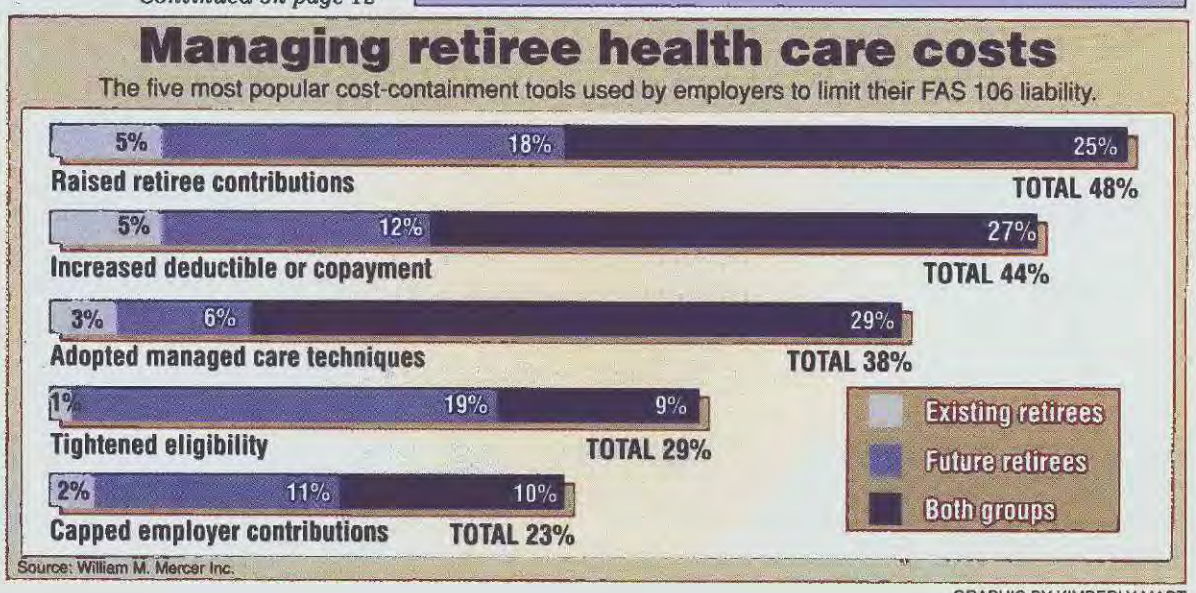


GRAPHIC BY KIMBERLY MART

Ernst & Young

Continued from page 1

writers up to $5 billion (*BI*, Feb. 25, 1991).

Now, though, Mr. McIntosh says that costs of that magnitude are unlikely.

Three federal agencies—the Federal Deposit Insurance Corp., the Office of Thrift Supervision and the Resolution Trust Corp.—charged Ernst & Young with improper auditing practices in connection with four high-profile, costly S&L failures.

The four institutions were Lincoln Savings & Loan Assn., Silverado Banking Savings & Loan Assn., Vernon Savings & Loan Assn., and Western Savings & Loan Assn.

The government charged Ernst & Young with a variety of violations of professional auditing standards in a 139-page notice.

The settlement, announced early last week, requires Ernst & Young to pay $271.8 million to the FDIC, and $128.2 million to the RTC.

In addition, under orders issued by the OTC, one current and two former Ernst & Young partners are prohibited from ever working with federally insured financial institutions again, and seven other current and former partners agreed to undergo additional training.

Ernst & Young joins a list of prominent professional firms that have paid millions of dollars to settle government suits related to S&L failures.

The settlement came after eight months of negotiations. In the settlement, Ernst & Young neither admitted nor denied any wrongdoing.

Both Ernst & Young officials and outside experts say the accounting firm had little choice but to settle.

"Although this is a costly settlement, it is the only realistic solution to an endless stream of lawsuits that would have been even more expensive to defend,"

'Large accounting firms have no choice except to settle on a global basis,' says Dan Goldwasser.

Chairman Ray J. Groves said in a statement.

"Contesting each lawsuit would have meant many years of almost continuous litigation—and an unacceptable drain of the firm's time and resources," said Mr. Groves.

"Moreover, even favorable court decisions are often little more than moral victories. The decision to settle reflects a practical assessment of what makes sense for the firm as a business organization," the statement said.

"Resolving all outstanding and potential government claims relating to failed financial institutions allows Ernst & Young to continue to devote its resources and energy to the business of serving our clients," Mr. Groves continued.

"The legal fees alone would have amounted to an enormous sum. . .and although we are making no admissions that we were at fault, when you are being sued by the government in front of a jury in the United States, you have to be realistic," remarked Elwyn Eilledge, a senior partner with Ernst & Young in London.

Private lawsuits—like claims filed by investors who bought stock in failed thrifts—are still pending, but the government settlement will make them much more difficult to pursue, said Mr. Goldwasser, a consultant to the New York State Society of Chartered Public Accountants and an expert on accountants' risk management.

"If the plaintiffs' bar wants to bring these suits, they have to find them on their own," Mr. Goldwasser said. "They can't coattail on the FDIC."

Ernst & Young would not say how many private lawsuits are pending over its work for failed thrifts.

It is not clear exactly how many federal actions are pending against other auditors of failed S&Ls. An RTC spokeswoman said her agency alone has about 20 professional malpractice cases pending.

One reason that other accounting firms are expected to follow the Ernst & Young lead in settling, said Mr. Goldwasser, is the finite amount of funds that insurers have to pay accountants' claims.

"The guy who fights this to the end" might find no coverage left, Mr. Goldwasser pointed out. "I don't think anybody wants to be the last in line to tap the insurance pool."

At the head of that line right now is Ernst & Young, which will have $300 million of its settlement paid by underwriters on the Minet line slip.

Ernst & Young's claims-made coverage is placed worldwide with more than 100 insurers, according to Rick Murray, managing director of Minet Professional Services Ltd. in London.

London sources say that accountants can buy up to $150 million in professional liability coverage from the Minet line slip.

In 1990, Big Six accounting firms typically retained $6 million to $10 million per professional liability claim with a $20 million to $30 million annual aggregate retention.

Ernst & Young's coverage is arranged in several layers with the primary $20 million layer led by syndicate 418, managed by Merrett Underwriting Agency Management Ltd., London sources say.

The claim on the policy is complex, said Ernst & Young's Mr. Eilledge.

"It is more than one loss, but it is not 400," he said referring to the 400 S&Ls that Ernst & Young has audited.

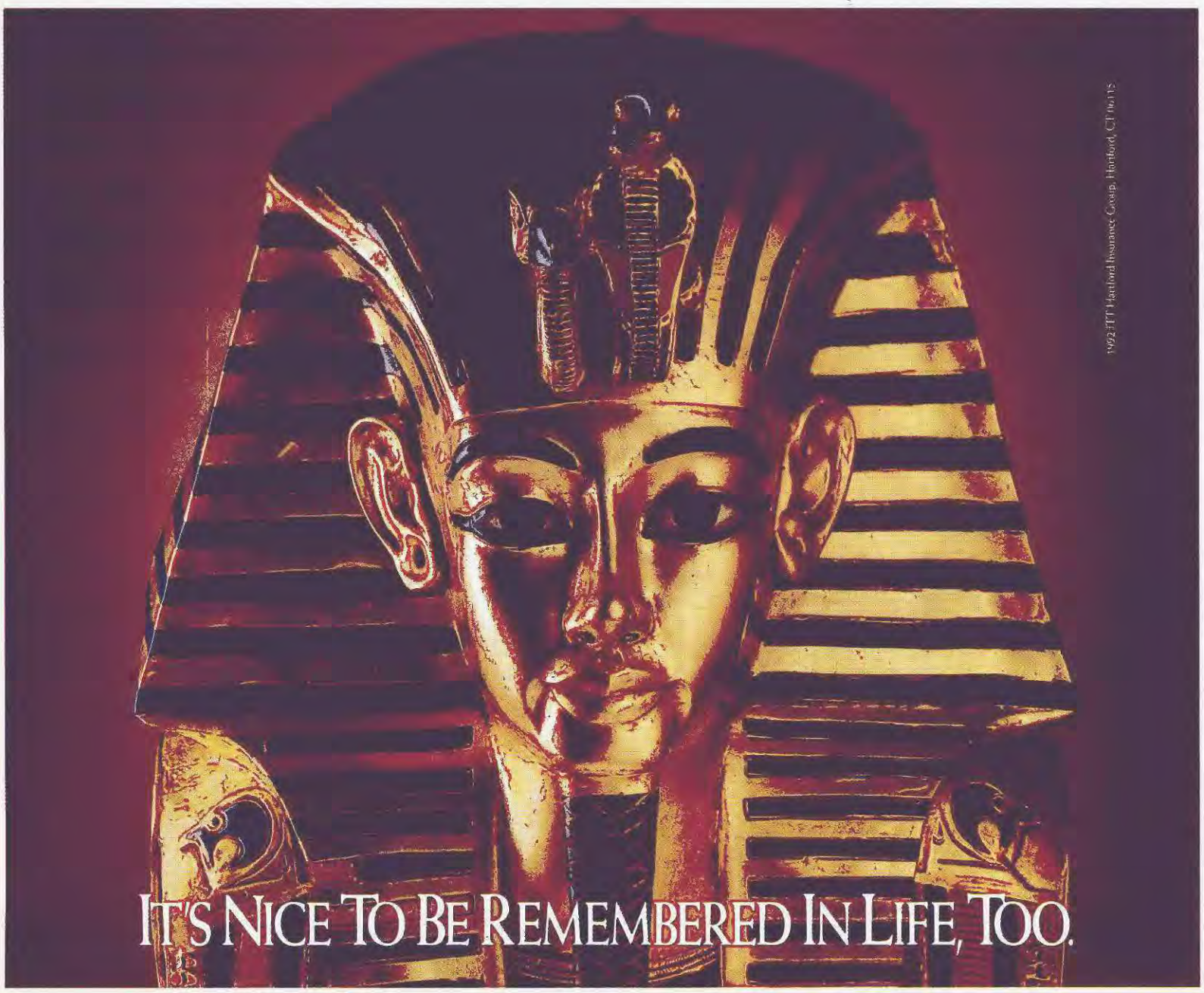
The underwriters and Ernst & Young had to agree on the number of cases where claims had already arisen; cases where claims were likely to arise; and cases where claims were unlikely to arise, he said.

The claims are also spread over several underwriting years, Mr. Eilledge said.

Despite the complex insurance claim and the large overall payment to the government, the settlement was "good news" for Ernst & Young, according to Mr. Eilledge.

The settlement reduces losses to easily manageable proportions, Mr. Eilledge said.

"The $100 million uninsured part of the settlement will be paid over four years, and that adds up to 1% of the revenues of our U.S. firm per year over the period," he explained. BI



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THIS COMPANY CAN OVERHAUL JET AIRCRAFT. BUT IT COULDN'T GET A RETIREMENT PLAN TO FLY.

Wausau handles the administration and paperwork, helps with employee enrollment, and reports to employees on performance of The Hardesty Companies' 401(k).

The employees at Bizjet International, one of the Tulsa-based Hardesty Companies, had a profit-sharing retirement plan. But employee enthusiasm for the plan was low.

"We were convinced our employees would be interested in the benefits of a 401(k), but we didn't have the time or the means to administer one. Wausau's 401(k) answered our concerns," says Roger Hardesty, Founder and President of The Hardesty Companies, including Bizjet, a jet aircraft remanufacturer.

The plan was so well received, in fact, that Mr. Hardesty switched all his companies to the 401(k) plan. It was up to Wausau to explain the benefits and help enroll the employees.

"Wausau had to understand the diverse audience they were speaking to and the individual needs of each employee. I didn't go out and try to sell our employees on the benefits; Wausau did that. As a result, employee acceptance of the 401(k) program company-wide is tremendous."

The Hardesty Companies wanted a retirement plan their employees would be enthused about. With a Wausau administered 401(k), it took off.

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Caterpillar will shift retiree health cost increases

PEORIA, Ill.—Caterpillar Inc. will stop covering the increases in health care costs for many of its retirees at the end of the century.

Beginning in the year 2000, the heavy machinery manufacturer will pay the same per capita retiree health care costs under its self-insured indemnity plan that it paid in 1999. Any increase in costs will be shifted to retirees in the form of a monthly premium.

Caterpillar will continue to pay any increases in retiree health care costs through 1999.

Benefit Beat

The provision applies to management and salaried employees who retire after Feb. 1, 1993, and to hourly employees who retire after Jan. 1 of this year.

The United Auto Workers could not be reached for comment.

Caterpillar's plan is similar to that taken by General Electric Co. Under a three-year 1991 labor pact, GE will cap its contributions to its retiree health plan at 1994 levels during subsequent labor negotiations (*BI*, Sept. 23, 1991).

Rising health care costs combined with the retiree health care liability accounting requirements imposed by Financial Accounting Standard 106 created a formula for change in Caterpillar's retiree health benefits.

The company, which has roughly 37,000 active U.S. employees—20,379 who are paid hourly—spent $101 million in 1991 on health and life insurance benefits for its U.S retirees.

Caterpillar will take a one-time aftertax charge of up to $2.4 billion against 1992 earnings to account for its accumulated retiree health care liabilities under FAS 106.

"Most large companies feel that it is appropriate to continue some level of benefit but that they must limit the escalation in costs," said Richard Ostuw, vp of benefit consultant Towers Perrin in Cleveland.

He predicts that at least 50% of large companies will take the route followed by Caterpillar and GE—continuing contributions but somehow freezing the amount.

Ten percent of companies will eventually discontinue retiree health care benefits, while the remaining companies will continue contributions while putting retirees on notice that health care benefits are subject to future change, he further predicted.

Freezing retiree health payments at some later date is an approach that will more likely work for large companies that must negotiate with unions, according to Dale H. Yamamoto, a consultant with Hewitt Associates in Lincolnshire, Ill.

Setting the date after one or two negotiation periods makes it more likely that agreement will be reached, he said.

Other companies that have recently announced plans to cap or eliminate retiree health benefits include Navistar International Corp. (*BI*, Aug. 3; Oct. 26); McDonnell Douglas Corp. (*BI*, Oct. 19); Farley Inc. (*BI*, Nov. 2); and Unisys Corp. (*BI*, Nov. 9).

Earlier this year, Caterpillar began requiring UAW members and retirees as well as salaried employees and management in the Peoria area to obtain care through a managed care network to receive full coverage under the company's self-insured indemnity plan (*BI*, April 20).

—By Sara J. Harty

PPO growth studied

The increase in the number of speciality preferred provider organizations and speciality services provided in PPOs greatly outpaced the number of new general service PPOs founded in 1991, a survey shows.

Specialty workers compensation PPOs operating in tandem with medical/surgical PPOs covered 19.3 million workers, up 22% from 15.8 million in 1990. Additional workers are covered by specialty workers compensation PPOs that are not part of general medical/surgical PPOs, according to the survey published by pharmaceutical maker Marion Merrell Dow Inc. of Kansas City, Mo.

And 78% of the PPOs surveyed offer psychiatric PPO networks in tandem with their medical/surgical networks, up from 67% in 1990—a 16% increase.

In addition, 44% of the PPOs offered managed pharmacy programs as part of their services in 1991, and 74% of PPOs offering such programs have carve-out drug benefit plans, the survey said.

Last year's survey had no data on pharmacy programs or drug benefit plans.

While there was "enormous growth in specialty PPOs, the growth of the PPO industry has leveled off," said Susan Alt, president of Business Word Inc. in Englewood, Colo., and the survey editor.

The number of corporate PPO entities increased only 2% in 1991 to 584 from 571, according to the survey.

For a free copy of the Marion Merrell Dow Managed Care Digest, call 800-362-7466, or write to Marion Merrell Dow Inc., Managed Health Care Markets Department, 9300 Ward Parkway, Kansas City, Mo. 64114.

—By Sally Roberts

Evaluating the health coverage needs of a whole company takes great skill. Not only do you have to know what to look for, you have to know what the impact will be.

Offering a choice of programs makes the task even more baffling. Keeping employees happy with the quality of care, and management happy with the cost, is a puzzle that can be very difficult to solve.

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If it seems like your present health insurance provider doesn't have a clue, talk to your insurance agent or call us. Working together, we're confident that there's almost no problem we can't solve.

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Health Alliance Plan promotes Davis

Donald M. Davis, 42, has been named vp-human resources at Detroit-based Health Alliance Plan, a managed health care company serving southeastern Michigan. In this position, he is responsible for all human resources functions, including benefits, payroll, and corporate training and development. Mr. Davis, who reports to Roman Kulich, group vp and chief operating officer, joined Health Alliance Plan in 1990 as director-human resources and was promoted to associate vp-human resources in 1991. Prior to joining Health Alliance, Mr. Davis was a corporate employee relations specialist with Comerica Bank in Detroit. He is a member of the American Society for Personnel Administration and the Society for Human Resource Management. Mr. Davis earned a bachelor's degree in political science from Eastern Michigan University in Ypsilanti.

* * *

Gerald L. Belfiglio, 44, has joined Continental Medical Systems Inc. as director-risk management, a newly created position at the medical rehabilitation services provider. Mr. Belfiglio's responsibilities include: identifying risks, claims handling, coordinating loss control and safety programs, and developing mechanisms of financing residual risks. He reports to Dennis Lehman, senior vp and chief financial officer. Prior to joining Mechanicsburg, Pa.-based Continental, Mr. Belfiglio was manager-pensions and insurance for Ford New Holland, a farm equipment and tractor manufacturer in New Holland, Pa. Prior to that, he was director—risk management for Pittsburgh-based Allegheny Ludlum Corp., a specialty steel manufacturer. Mr. Belfiglio is vp-governmental and public affairs for the Risk & Insurance Management Society Inc. He was elected to the RIMS Executive Council in 1989 and has served as vp-finance/treasurer and vp-member affairs/secretary. He holds the Associate in Risk Management and the Chartered Property & Casualty Underwriter designations. He has a bachelor's degree in insurance from Pennsylvania State University in University Park and a master's degree in business administration from the University of Pittsburgh.

* * *

Marcia McMillian has been promoted to vp-human resources at General American Life Insurance Co. in St. Louis. Ms. McMillian is responsible for all human resources operations, including benefits administration, compensation, training and development, employment and personnel services. She reports to Robert Banstetter, who is vp, general counsel and secretary. Ms. McMillian joined General American in 1979 as a personnel specialist in benefits administration and was promoted to director-employment and human resources planning in 1991. In her new position, she replaces **Dennis Cullen**, who has left the company. Ms. McMillian is a Fellow of the Life Management Institute and holds the Associate in Customer Service designation. She earned a bachelor's degree in English from the University of Missouri-Kansas City.

* * *

Mary C. Dewey, 34, has been named director of the department of risk management at the University of Vermont in Burlington. Ms. Dewey, who reports to William Ballard, assistant vp-administration, is responsible for the university's insurance placements and claims management. She also oversees the environmental health and safety program, which includes laboratory safety and waste management issues, and the occupational safety and fire safety programs.

Comings & Goings: Buyers

She joined the university in 1987 as assistant director-risk management and was named interim director in 1991. Ms. Dewey replaces **Leta Finch**, who left to direct the insurance institute at Champlain College in Burlington. Ms. Dewey holds the Associate in Risk Management, Chartered Property & Casualty Underwriter and Certified Insurance Counselor designations. She is a member of the University Risk Management and Insurance Assn. and the Society of Chartered Property Casualty Underwriters. In 1991, Ms. Dewey served on the State of Vermont Workers Compensation Advisory Board. Prior to joining the university, she had been a risk and insurance management consultant with a former Hanover, N.H. firm. Ms. Dewey earned a bachelor's degree in Russian studies from the University of Vermont.

* * *

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Roseanne White, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-7785. Please send a photograph.

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Opinions

No easy way out

IT SEEMS NEARLY everyone has a suggestion about how Lloyd's of London can rebound from the huge problems it faces. Some are commendable, some require a lot of thought and some simply won't work.

A recent suggestion by John Rew, chairman of the Society of Names, belongs in the third category.

Mr. Rew proposed earlier this month that Lloyd's syndicates should only pay the percentage of a claim that corresponds to the number of solvent members on the syndicate.

For example, if only 80% of the members belonging to a certain syndicate are considered solvent, then only 80% of the claim would be paid (*BI*, Nov. 23).

At this point, no one really knows how many Lloyd's members are "insolvent," though the number possibly could reach into the thousands.

Mr. Rew has a good basis from which to argue for his proposal: As more and more Lloyd's members "go bust," the remaining solvent members will be forced to pay a greater share of the claims. Eventually, they, too, will be bankrupt, according to Mr. Rew's scenario.

However, Mr. Rew's proposal also would spell doom for Lloyd's.

The hallmark of Lloyd's is its security. Lloyd's members, including Mr. Rew, promised when they joined Lloyd's that they would be unlimitedly liable for Lloyd's losses. To not pay legitimate claims would void Lloyd's reason to exist. No risk manager in his or her right mind would continue to buy coverage from a market that as a matter of policy does not pay claims in full.

In short, if Mr. Rew's suggestion were adopted, Lloyd's premium volume would fall much faster than its capacity. And, as incoming premium volume dwindles, members would have no hope of earning substantial profits to offset past losses.

Lloyd's currently is in the midst of a balancing act: It is trying to help members who face bankruptcy deal with the huge losses while still emphasizing to policyholders that Lloyd's is a stable, secure market. Any suggestion that Lloyd's not pay legitimate claims in full could put this delicate effort in jeopardy.

There's no easy way for Lloyd's to escape its problems. Mr. Rew suggestion is just that: an easy way out. Too bad it won't work.

Letters

Health reform proposal emphasizes wellness

To the editor: As a health economist who has has long been interested in cost management and health/wellness issues, I suggest a national health policy approach with the following elements:

- Large employers that generally offer solid employee health plans should largely be allowed to function without government controls, with the exception of mandated coverage to ensure that no employee is exposed to catastrophic costs and that at least minimal preventive health/screening services (probably costing no more than about $100 per family annually) are provided. Incremental costs, if any, could be partially passed along to employees.
- Medium-sized companies (50-1,000 employees) that offer health care plans would be treated similarly except that employees with catastrophic or uninsurable conditions could be covered by a government pool so that employers would not be disproportionately responsible for these individuals' health care.

Medium-sized companies that do not offer health care coverage could choose to either institute their own plan or pay a fair premium to enroll in the "government plan," described below, with employee cost sharing.

- Small companies would not be required to offer health care coverage, but if they do not, they would be required to pay an income tax surcharge to help finance the government plan. Companies that are losing money or marginally surviving would not be required to add a cost that would jeopardize their survival.

The government could assist all companies by:

- Creating a single nationwide insurance billing form.
- Mandating that all hospitals, and eventually other providers, report price and quality outcomes as public information.
- Enacting malpractice reform to reduce defensive medicine.
- Providing technical assistance and information regarding state-of-the-art cost containment techniques, employer coalition development, and cost/benefit-oriented preventive health and wellness program design.

Individuals not otherwise covered would be enrolled in a government plan that would, at a minimum, provide catastrophic coverage and preventive care, like smoking cessation programs, prenatal care, etc. Aggressive cost containment and provider price negotiation would be implemented, as would health consumer education. The existing community health center program would be substantially expanded.

The government plan would be funded through:

- Full-cost premiums paid by those with incomes exceeding 250% of the poverty level. Those below this threshold would pay premiums on a sliding scale.
- Elimination of state Medicaid program and economizing the Medicare system, which would reap tens of billions of dollars annually.
- Substantial cigarette and alcohol taxes, which would be established to recoup the societal costs these products cause.
- Preventive health training for physicians and other providers, which would help cut health care costs that we are needlessly inflicting on ourselves.

This approach would bring a quantum improvement in both cost-effectiveness and well-being compared with the horribly managed current system.

Edward R. Stasica
Mount Prospect, Ill.

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., 60611-2590.

Hartford's reinsurance capacity not lost

To the editor: I would like to clarify a statement in "State of the Reinsurance Market" (*BI*, Nov. 9).

While it's technically correct that ITT Hartford Group Inc. has retired its New England Reinsurance subsidiary, that decision does not mean—as the story implies—that capacity will leave the market.

ITT Hartford is consolidating its reinsurance operations with Hartford Reinsurance Management Co., which has a growth plan and an intense desire to take advantage of attractive opportunities in the market. Capacity will be transferred, not lost.

Dennis B. Zettervall
Chief Executive Officer
Hartford Reinsurance Management Co.
Hartford, Conn.

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D&O market

Continued from page 3
which took effect July 26 for private employers, will further fuel these types of suits, he said.

Wyatt's Mr. Norton said that preliminary analysis of the consultant's 1992 survey results, which will be published in January, shows that D&O claims frequency continues to level off. He said that this is due in part to a "quiet takeover market."

The merger and acquisition-driven claims of recent years have fallen with the decrease in the frequency of hostile takeovers, he said. Merger activity now is confined to the banking industry, and most of that appears to be non-hostile, he said.

However, a decrease in frequency hasn't translated into a decrease in claim severity, Mr. Norton pointed out.

The 1991 survey showed that the average payment for all D&O claims paid during the survey period—excluding those closed with no payment—was $3.02 million. That was a significant jump over the $1.94 million average D&O payment reported in the 1990 survey. Mr. Norton cautioned at the time that the apparent jump could have been a fluke because of a few very large settlements.

But the "rough actuarial projection" of 1992's results shows an average payment of about $3.1 million, he said. This preliminary finding indicates that the 1991 results were definitely not a fluke, he said.

The problem D&O accounts of 1991 remain the problem accounts of 1992, though there is some sign of easing for certain financial institutions.

For example, Deloitte & Touche's Mr. Charron pointed out that the wide spread between the interest rates that banks pay on interest-bearing accounts and the interest they charge on loans and credit card accounts has bolstered banks' profits, and lowers the likelihood of shareholder suits. The result has been better D&O policy wording and prices for "decent to good institutions," he said.

Continental Corp. targets financial institutions with assets of $5 billion or less and some non-bank risks, said Betsy Headd, senior vp and chief underwriting officer for bonds and D&O.

'Companies that have experienced difficulty or haven't lived up to their expectations are seeing large increases,' says Stephen Sills of Aetna Casualty & Surety Co.'s Executive Risk Management Associates unit.

She said that Continental is offering limits of $15 million primary or excess for D&O. Its targets are financial institutions with assets of $5 billion or less, as well as some non-bank risks.

"We're trying to keep the premium stable," Ms. Headd said. "We did not write any seriously distressed situations."

"Rates are going up. I'd say that companies that have experienced difficulty or haven't lived up to their expectations are seeing large increases," said Stephen Sills, chief underwriting officer of Aetna Casualty & Surety Co.'s Executive Risk Management Associates unit in Simsbury, Conn. ERMA, which ranked fifth in terms of both primary and excess D&O premium volume in Wyatt's 1991 survey, offers up to $30 million of primary or excess D&O limits.

Mr. Sills cautioned, however, that "large" doesn't begin to compare to the huge rate increases experienced by some companies during the hard market of the mid-1980s.

Only "financial institutions that have gone from being good to having problems" are facing triple-digit rate hikes, he said.

Indeed, the D&O outlook may be brightening for some risks that previously were pariahs, said Joseph Schlosser, executive vp-financial products/entertainment for Reliance National Insurance Co. in New York. Reliance, which ranked ninth in terms of primary D&O premium volume and seventh in terms of excess premium volume in the 1991 Wyatt survey, offers primary or excess limits of up to $10 million with the ability to go to $15 million with facultative reinsurance.

For example, the economic climate in Texas—the site of some of the most serious savings and loan failures—has improved to the point where D&O underwriters are now willing to write coverage for some financial institutions there, Mr. Schlosser said.

On the other hand, Chubb's Mr. Jones cited problems in California.

"While we don't exclude any particular regions, we're having particular trouble in California. If you're writing liability like directors and officers, it's not a very friendly state," he said.

Mr. Schlosser added that continuing real estate woes in California are souring the market for financial institution D&O coverage in that state.

Financial institutions are not the only problem area for D&O underwriters.

For example, National Union's Mr. Smith called high-tech companies as "extremely difficult," with some companies experiencing D&O rate increases in the 60% to 100% range.

ERMA's Mr. Sills also cited high-tech companies as difficult risks to underwrite even though the Aetna unit has a special high-tech D&O program that has been endorsed by the Santa Clara, Calif.-based American Electronics Assn.

Fledgling high-tech companies that embark on initial public offerings of stock often become a magnet for D&O suits because shareholders claim they were misled as to the company's earning potential.

Insurance companies are another problem D&O risk, said National Union's Mr. Smith.

"We're seeing a very significant increase in litigation for insurance companies," said Mr. Smith. Multiline and life insurance companies are more prone to suits against directors and officers than pure property/casualty insurers, he said. The insurers are targets because of "timing on disclosure on asset values," particularly where mortgage delinquencies are involved.

Despite a few problem risks, the D&O market suffers no lack of capacity.

"Clearly there seems to be more capacity available than is desired. That capacity will keep this market flat for another year," said Wyatt's Mr. Norton.

Companies are not buying "anywhere near the total limits" available, said ACE's Mr. Smith. ACE's average limit in 1991 was $36.7 million, with an average attachment of $52.4 million, he said. "That doesn't add up to $100 million and we have $100 million available just in the Bermuda market," he said.

The generally buyer-friendly market is not going to last forever, predict underwriters and consultants alike.

ERMA's Mr. Sills predicted that the D&O market is going to become "polarized," with problem accounts facing significant rate increases while good accounts "won't suffer another 1985-86."

The inevitable tightening of the property/casualty insurance market as a whole, possibly spurred by contractions in the catastrophe reinsurance market, cannot help but have an impact on the D&O sector, said Mr. Wollner of Corporate Policyholders Counsel.

"I'm very concerned about what happens in other market sectors and how this will impact D&O," Mr. Wollner commented. "Batten down the hatches and make sure you've got a program that's going to get you through tough times." BI

Late notification

Continued from page 3
patent litigation as part of an antitrust conspiracy as to have put Ethicon on notice that it had a duty to inform Aetna of the action under the policy's 'malicious prosecution' clause."

This case is "an issue concerning the kind of insurance (Ethicon) had," said one of Aetna's attorneys, Howard J. Newman, a partner at Rivkin, Radler & Kremer in Uniondale, N.Y.

"Johnson & Johnson was not communicating with Ethicon" about the unit's insurance policy, and Ethicon's excuse that "they didn't know" is an "erroneous argument," he said.

Johnson & Johnson's legal and insurance department oversaw those affairs for its subsidiary.

Ethicon had the ability, the personnel and the sophistication to know it had coverage before 1984, he said. There was clearly "no communication between departments," he said.

The judge agreed, saying "no 'ignorance of coverage' defense can apply when such ignorance was a result of negligence on the part of the insured."

Ethicon also argued that Aetna suffered no prejudice because Johnson & Johnson has a policy of settling cases whenever possible and that it hired some of the nation's pre-eminent antitrust attorneys to represent its subsidiary. Aetna could have done no better, the company contended.

But Aetna said that because it was not notified, it lost the opportunity to conduct investigations, take depositions, appear at trial and attempt to settle. Had it been notified in 1968, Aetna would have been involved in the whole process and the outcome might have been different, the insurer argued.

The judge again agreed. "There is certainly a likelihood that Aetna might have succeeded in settling the case or in capping its own liability had it received timely notice," he wrote.

"It is not unlikely that an appeal will be filed," said Robert LoBue, a partner for Patterson, Belknap, Webb & Tyler in New York, which represented Ethicon.

The coverage dispute stemmed from two patent infringement suits brought by Ethicon in the 1960s against a competitor. One patent pertained to a method of manufacturing disposable plastic gloves; the other covered the gloves themselves.

Ethicon filed patent infringement suits in 1962 against two predecessor corporations of Handgards. The suits were consolidated and tried in 1968. Handgards prevailed, and the manufacturing patent was ruled invalid.

Later that year, Handgards filed suit in U.S. District Court of New York against Ethicon and Johnson & Johnson, alleging restraint of trade and monopolization.

Handgards' original claim was based primarily upon allegations that the glove patent itself was fraudulently obtained, though this claim was abandoned by Handgards in 1975. The company then changed its position and charged that Ethicon's patent infringement actions were malicious or in bad faith and were part of an effort to monopolize the market for such gloves.

A jury in 1976 found Ethicon guilty of an "overall scheme to monopolize" and of maliciously prosecuting Handgards for infringing the glove manufacturing patent. The jury awarded Handgards $6.7 million.

Ethicon appealed the verdict in 1979. The 9th U.S. Circuit Court of Appeals dismissed the scheme to monopolize verdict. But the appeals court found errors in instructions to the jury on the malicious prosecution charge as well as on the question of damages.

The 9th Circuit sent the case back to the district court to be retried solely on the charge of malicious prosecution of the glove manufacturing patent.

Handgards amended its complaint in 1980, alleging that Ethicon's patent infringement prosecution was malicious "in that the proceedings were maintained solely for the purpose of suppressing and eliminating actual and threatened competition."

The new complaint contained exactly the same charges as its monopoly complaint as to Ethicon's alleged knowledge of the patent's invalidity.

Ethicon claimed the malicious prosecution complaint was "inexcusable and outrageously" untimely, having come 12 years after the filing of Handgards' original complaint.

In 1982, the district court found in favor of Handgards and the final judgment was set at $18.9 million in 1984.

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Ethicon Inc. vs. The Aetna Casualty & Surety Co., U.S. District Court for the Southern District of New York, 85 Civ. 7640 (PKL).

Retiree health care costs

Continued from page 3
liabilities at once, but the charge for doing so can be enormous. They also have the option of amortizing the costs over up to 20 years (*BI,* April 1, 1991).

Only 38% of the respondents said they had concluded how to account for the cost of their FAS 106 obligations. Of the respondents who have decided how they will account for the liability, 56%, or 152, will take a one-time charge against earnings. The remaining 121 companies, or 44%, will amortize the charges over up to 20 years.

"The main thing we can tell from this study is that employers, though they're still a little unsure how to to go about this process, are significantly trying to control costs," said George Wagoner, a principal and actuary in Mercer's Richmond, Va., office. "They are no longer willing to bear the cost of inflation themselves, especially now that they have to account in the present for future costs."

For example, nearly half—48%—of the respondents have raised current and/or future retirees' contributions for medical care. Similarly, 44% have raised deductibles and copayments for future and/or current retirees, according to the survey.

"I think this was an inevitable occurrence considering that employers have been shifting costs to active employees for years," said Mr. Wagoner.

The study also found that a fair number of companies—38%—are subjecting their future and/or current retirees to managed health care techniques, while 19% said they have tightened benefit eligibility for future retirees.

Other ways to control costs related to future retirees are: capping employer contributions, 11%; changing the level of Medicare integration, 4%; using a defined dollar approach for benefits, 8%; and lowering lifetime caps on benefits, 2%. Mercer also found that 9% of respondents are planning to completely cancel medical coverage for future retirees.

"This is significant when you consider only 1% of our respondents in 1991 said they were canceling benefits for either existing or future retirees," said Mr. Wagoner.

Mercer also asked employers how much they anticipate their liabilities to increase as a result of FAS 106.

Fifty-nine percent of respondents said they have actuarially valued their estimated accounting expense accrual. Of those, 60% estimated their FAS 106 liabilities to be three to eight times higher than current retiree health care expenses. The survey found that 18% expect current expenses to double, and 22% said expenses under FAS 106 will be more than eight times current expenses.

Most companies are still not prefunding retirement benefits, according to the survey. Only 10% of respondents are involved in some sort of prefunding program. The two most popular such programs are voluntary employee beneficiary associations, or 501(c)(9) trusts, and qualified savings accounts attached to defined benefit plans.

Of the respondents, 48% have between 1,000 and 10,000 employees; 36% have fewer than 1,000; 9% between 10,000 and 25,000; and 5% have more than 25,000 employees.

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For a free copy of "Retiree Health Benefits Survey Report-November 1992," contact William M. Mercer Inc.'s public relations department in New York at 212-345-7584.

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HIAA's future

Continued from page 2

will spur a reassessment of the group's programs.

"There's no way I think it's a positive event," said G. David Hurd, president and chief executive officer of Principal Financial Group in Des Moines, Iowa. Mr. Hurd, who assumes the chairmanship next April, said some "adjustment" in the organization would be necessary, though he would not speculate on where it would be made.

The dues paid by Aetna and Met Life account for less than 12% of the HIAA's current budget of $25 million, according to Dr. Schramm.

In announcing their withdrawals, both Aetna and MetLife implied that the HIAA was not representing the interests of insurers that have put more emphasis on managed care rather than on traditional indemnity programs.

That criticism did not sit well with Mr. Hurd. "The idea that HIAA is mostly focused on indemnity is simply wrong," he said.

"The association some time ago opened its membership to managed care companies. We're getting interest from managed care organizations and think we'll continue to see the HIAA evolve (into managed care) in two ways," Mr. Hurd said. The HIAA will continue to attract more managed care companies and its current members will continue to place greater emphasis on managed care, he said.

"I don't see a policy difference between these companies and HIAA. Our policy statement on managed care is especially strong—it was written by these companies," said Dr. Schramm. "HIAA is fully committed to the development of managed care."

However, a Met Life spokeswoman said: "We at Met Life are committed to managed care and believe that a successfully reformed health care system will be based on the elements of managed competition. While some of the current HIAA membership now share that belief, and others may indeed come to that belief over time, we feel a great urgency in that regard and expect to be in the forefront of changes needed to reform the health care system."

She added that Met Life's decision to withdraw from the HIAA "reflects the difference (from HIAA) in our view of the future of the health care delivery system and is not related to the views of any other company."

Mr. Hurd chairs the HIAA's Vision Committee, which was formed in February to examine future health care issues and how they will affect and be affected by the HIAA's current policies. The committee is scheduled to deliver its report to the HIAA board this week for debate.

Aetna and Met Life announced their departures from the HIAA earlier this month. The companies followed the lead of CIGNA Corp., which announced its withdrawal last year.

In its statement, CIGNA said that its action, which took effect Feb. 1, was "the result of an overall analysis of the value of all trade associations. During these difficult times, we are eliminating all but absolutely essential expenses."

Just last week, CIGNA used nearly identical wording in confirming that it also was withdrawing from the American Council of Life Insurance effective Jan. 1, 1993, as part of a drive to eliminate all but "absolutely essential expenses."

CIGNA had earlier dropped its membership in the Insurance Information Institute, a property/casualty trade group that suffered a number of defections in 1991-92 (*BI*, Nov. 4, 1991; May 6, 1991).

Aetna has also announced that it plans to withdraw from the III, citing financial and time constraints (*BI*, Jan. 20).

Neither Aetna nor Met Life, however, cited financial concerns for their decisions to withdraw from the HIAA. In a Nov. 3 statement, Aetna said that the insurer "can most effectively advance major health care reform by concentrating its energies and resources on coalitions that include a broad group of allies at both the national and state level.

"Aetna supports comprehensive health care reform, and we recognize that any reform will affect all parts of our society. So we have to build consensus with a broad range of employers, health care providers, consumers, unions and retirees, in addition to health insurance and managed care companies in order to achieve meaningful change."

In its statement, also released on Nov. 3, Met Life noted that while it has been an "active participant" in the HIAA for more than 35 years, "many changes have occurred and continue to occur in the health insurance industry, in Met Life's role in that field, and in our own very positive view of our future in a reformed American health care delivery system.

"We have concluded that we can be more effective by operating independently rather than through the structure of the HIAA."

The HIAA's Mr. Hurd scoffed at Aetna's and Met Life's assertions that they would be better able to promote health care reform outside of the HIAA.

"The association will still be very much a power" in Washington, said Mr. Hurd, who was one of several insurance chief executives to endorse the presidential candidacy of Gov. Bill Clinton.

"There is legitimate concern whether the industry can speak with a single voice," he said. "HIAA will still be the dominant voice."

Membership has fallen by about 20 companies since 1991 to approximately 270 members. An HIAA spokesman attributed much of that decline to "companies exiting the association after selling their book of business to other members."

According to the spokesman, a recent review showed the number of members falling but their collective premium and premium equivalent income actually increasing. Premium equivalent income includes stop-loss coverage sold to self-insured employers and fees paid to insurers for administering employee benefit plans.

That review was done after the CIGNA withdrawal but before Aetna and Met Life announce they would withdraw. BI

MEWA fraud indictments

Continued from page 2

warders Assn. Inc. Health Trust, another insolvent MEWA.

Still facing racketeering, conspiracy and other criminal charges are John L. Gazitua, a former administrator of the two MEWAs; and Kenneth G. Rutter, who allegedly provided administration and reinsurance services to the plans.

Separately, the Florida Insurance Department continues to press a civil lawsuit against numerous individuals and companies involved in the 1990 collapse of IFFHBT.

A Seminole County Circuit Court judge has entered a default judgment against Mr. Doherty, said Florida department attorney Bernard H. Dempsey Jr. of Dempsey & Associates in Winter Park, Fla.

The department's civil lawsuit also names Alan A. Teale and his Atlanta-based consulting firm, Corporate & Marketing Insurance Consultants Inc.

Florida department officials have accused Mr. Teale of helping IFFHBT obtain bogus assets to deceive regulators about its financial condition and helping the trust obtain reinsurance with several offshore companies (*BI*, July 1, 1991).

Mr. Teale is not named in the two MEWA-related indictments returned by the Orlando grand jury earlier this month.

The more comprehensive of the two indictments charges Mr. Gazitua, Mr. Doherty, Mr. Rutter and Ms. McGlawn with conspiring to defraud thousands of companies and their employees.

The indictment alleges, among other things, that while Messrs. Gazitua and Doherty controlled IFFHBT, they used a network of purported service companies to siphon millions of dollars of premiums away from the plan.

These companies included Blackburn Financial Group Inc., a third-party administrator for IFFHBT; JOMO Insurance Sales Inc., Kensington Marketing Group Inc. and Gibralter Insurance Sales Inc., which marketed the health plan; and National Benefit Concepts Inc. and Mercedes Insurance Agency Inc., which acted as agents for IFFHBT, the indictment says.

The indictment charges that Mr. Gazitua initially acted as administrator and trustee for Florida Custom Brokers & Forwarders Health Trust from 1984 until 1988.

Prosecutors allege Mr. Gazitua conspired with Mr. Rutter—then a vp with Marly Financial Inc., the MEWA's TPA—to accept kickbacks from Marly in exchange for marketing and reinsurance management contracts.

The Florida Custom Brokers MEWA later collapsed, leaving $987,384 in unpaid claims.

Messrs. Gazitua and Doherty then formed International Forum of Florida Inc. and IFFHBT, which grew between 1988 and 1990 to insure about 40,300 employees of 6,867 companies, the indictment says.

Messrs. Gazitua, Doherty and Rutter and Ms. McGlawn defrauded IFFHBT in a variety of ways over two years, prosecutors allege. The indictment charges that:

- Mr. Rutter paid a $72,945 kickback to Messrs. Gazitua and Doherty through Gibralter in exchange for a contract to provide stop-loss reinsurance for the MEWA.
- Messrs. Gazitua and Doherty skimmed a total of $1.5 million from IFFHBT accounts.
- Messrs. Gazitua and Doherty used International Forum of Florida to embezzle $1.3 million from IFFHBT accounts, disguising the payments as various fees.
- Messrs. Gazitua, Doherty, Rutter and Searle conspired to cause another IFFHBT TPA, Cohen Benefit Group Inc., to overcharge the MEWA for TPA services. The four men then allegedly split the $71,367 overcharge.

The indictment charges all the defendants except Mr. Searle with conspiracy. It also charges Messrs. Gazitua and Doherty with mail fraud, embezzlement, money laundering, receipt of kickbacks and racketeering.

Mr. Rutter is charged with embezzlement, offering a kickback and racketeering.

Mr. Searle also is named in a separate one-count indictment charging him with helping to prepare a false 1988 federal tax return for Marly Financial.

Mr. Searle's arraignment is scheduled for Dec. 1. Arraignment for the others is set for Dec. 15.

Mr. Doherty has agreed to plead guilty to one racketeering charge carrying a maximum 20-year prison term and to make restitution of up to $34.5 million, court documents show.

Ms. McGlawn also has agreed to plead guilty to the conspiracy charge, which carries a five-year maximum prison term, and to make restitution.

Mr. Searle has agreed to plead guilty to the tax fraud charge, confirmed his lawyer, James Neel of Fort Myers, Fla. He faces a maximum sentence of three years in jail and a $250,000 fine.

Messrs. Gazitua and Rutter face statutory maximum sentences of more than 100 years if convicted on all charges, though actual terms under federal sentencing guidelines would likely not exceed 15 years, Mr. Glazebrook said.

Mr. Rutter, who denies any involvement in the alleged fraud, will plead not guilty, says his attorney, Bill Ullman of Miami.

Lawyers for Mr. Gazitua could not be reached. BI

CGL mitigation provision

Continued from page 2

The high court notes that EDC has been considered a dangerous toxic agent since 1932 but that Stauffer used it to clean polyvinyl chloride reactors because it was cheaper than other methods.

Tests conducted between July 1969 and June 1971 showed that the level of pollution in the area of the landfill was not serious, court papers say. But, in 1980, the U.S. government ordered the landfill cleaned up under the Superfund act. And, by 1984, the landfill was ranked second on the national priority list of the worst hazardous waste sites.

The cleanup suit was settled by Rhone-Poulenc and others in 1989. Rhone-Poulenc is responsible for 38.3% of an estimated $25 million to $30 million cleanup, said Robert F. Cusumano, an attorney with Simpson Thatcher & Bartlett in New York representing Travelers.

Stauffer purchased three standard-form CGL policies from American Motorists covering the period from Jan. 1, 1969, through March 1, 1971.

In addition, Travelers wrote CGL coverage for the company from March 1, 1971, to July 1, 1977. While the mitigation provision was removed from most CGL policies in 1973, the manuscript policies that Travelers wrote contained a similar provision through 1977.

When Rhone-Poulenc sought to recover cleanup costs from the insurers, they denied coverage, arguing the cleanup was designed to prevent further pollution and that the mitigation provision holds policyholders responsible for those costs.

Rhone-Poulenc argued that the mitigation provision "can never apply to remedial determinations taken after the fact because liability-avoiding measures cannot logically be taken after liability for an injury has been assessed."

The Delaware Supreme Court rejected that argument.

"Public policy clearly favors imposing upon insureds a duty to mitigate damages," the court ruled. "In the absence of such a rule, insureds could sit back and allow environmental damage to accumulate until they are compelled to mitigate damages through litigation."

And, the court added, "The mitigation provision. . .is properly construed as precluding coverage for the cost of measures taken or to be taken to prevent the further release of contaminants."

The court made a "clear, common sense reading of the contract," said George A. McKeon, general counsel for Travelers Corp. in Hartford, Conn.

Other insurer attorneys hailed the decision as a major victory with national implications.

"This case makes clear that the policyholder is not able to ignore its obligations to clean up waste problems by passing the consequences on to its insurers," said insurer attorney Thomas W. Brunner of Wiley, Rein & Fielding in Washington.

The ruling means that even in cases without the mitigation provision, Rhone-Poulenc and ultimately other policyholders could be held responsible to a substantial degree for cleanup costs, Mr. Brunner said.

There are 19 Superfund sites in Delaware.

"When a case like this comes down, it has national significance," said Barry Bunschoft, an attorney with Hancock, Rothert & Bunschoft in San Francisco.

The decision marks the first time a state supreme court has ruled on the mitigation provision, though federal courts have ruled identically, Mr. Bunschoft said.

"In the future, case by case, lawyers will wrestle with the nature of the damage" to determine whether a cleanup was designed to mitigate or remediate damage, he said.

Policyholders' attorneys dismiss the importance of the ruling, noting that the mitigation provision was included in standard-form CGL policies only from 1967 to 1973.

The mitigation provision was removed from the CGL "because it was being misused by insurance company claims people" to deny claims, said policyholder attorney Eugene Anderson of Anderson Kill Olick & Oshinsky in New York.

The provision's drafters "made it absolutely clear they did not mean it to be an exclusion," said Rhone-Poulenc attorney Robert N. Sayler of Covington & Burling in Washington. "They removed it because they were afraid it would be read that way."

The spirit of the provision is contained in the exclusion for expected or intended damage, he said.

Policyholder attorney Peter Kalis of Kirkpatrick & Lockhart in Pittsburgh likened the Delaware decision to early court rulings that found the cost of cleanups ordered by the U.S. Environmental Protection Agency do not constitute insurable damages. "Today the majority of state supreme courts side with the policyholder" on that issue.

Rhone-Poulenc's attorney noted other pretrial rulings in the case have rejected insurer defenses involving the trigger of coverage, pollution exclusions and the insurers' duty to defend. "This is a bad blip on a largely favorable set of decisions," Mr. Sayler said.

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Rhone-Poulenc Basic Chemicals Co. vs. American Motorists Insurance Co., Supreme Court of Delaware; C.A. No. 95-1992.

INTERNATIONAL

INTERNATIONAL DIGEST

ING withdraws bid for Banque Bruxelles Lambert

AMSTERDAM, Netherlands—Internationale Nederlanden Groep announced Nov. 19 that it will not proceed with a bid for Belgium's Banque Bruxelles Lambert. The Dutch insurance and banking group said it withdrew its offer because some BBL shareholders wanted a price higher than ING's maximum offer.

ING later announced that it would cancel a planned preferred share offering that would have financed the takeover. The Dutch company intends to retain its 10% share in BBL.

ING said in a statement that differences with BBL over the valuation of some assets could not be bridged.

A spokeswoman in Brussels said Groupe Bruxelles Lambert, the dominant BBL shareholder with a 13.3% stake, said the company had no comment on the withdrawal of ING's offer.

Analysts say ING's decision is a prudent move. The insurance and banking group is the product of two mergers in one year, and shareholders were already concerned about dilution, said Jonathan Lawlor of Kleinwort Benson Securities in London. He says it appears that GBL assumed ING would increase its offer price above 3,600 Belgian francs ($109.48) per share.

Aachen Re's underwriting results improve

AACHEN, Germany—Aachen Reinsurance Co. reported 1991 net profits of 10 million deutsche marks ($6.61 million at the applicable exchange rate), unchanged from 1990. Aachen Re reported a slight improvement in underwriting results to a loss of 49 million deutsche marks ($32.4 million) from a loss of 54 million deutsche marks ($36.1 million) the previous year.

In 1991, premium income reached 1.05 billion deutsche marks ($694.1 billion), up from 960 million in 1990 ($642.2 million).The reinsurer will pay a 10 deutsche mark ($6.23) dividend per share.

The Aachen Re group said for 1992 it expects a consolidated premium volume of 1.3 billion deutsche marks ($810 million).

Aachen Re recently set up branches in Atlanta and Copenhagen, Denmark, and strengthened its Southeast Asian position.

Colombian president may push for anti-kidnap bill

LONDON—The future of kidnap and ransom insurance in Colombia appears less secure following President Cesar Gaviria's Nov. 8 declaration of a state of emergency in the wake of terrorist violence.

Anti-kidnap legislation before Congress would outlaw ransom payments, making K&R coverage illegal (*BI*, Oct. 12). The declaration of the 90-day state of emergency, which came after rebels on Nov. 7 murdered 26 police officers guarding an oil field in southern Colombia, could prompt an accelerated action on the legislation.

The president, who supports the anti-kidnap legislation, said the government would establish a facility enabling it to terminate government contracts with companies found to make ransom payments. A spokesman for the president would not comment on whether the facility would arise from an acceleration of the anti-kidnap legislation or from another legal provision. But national and foreign oil companies in Colombia say the anti-kidnap legislation would be unenforceable and would make them even greater targets.

A spokeswoman for Cassidy Davis Underwriting Ltd. in London says it believes that ransom payments in Colombia are not yet illegal, and the company will continue to write the coverage. Once ransom payments are illegal, U.K.-based underwriters would be prohibited from participating in K&R coverage in Colombia under the U.K.'s Protection against Terrorism Act, which makes it an offense to contribute to terrorist causes and not to disclose financial dealings with terrorists. But the British legislation does not expressly forbid ransom payments, the spokeswoman said.

Allianz announces Czech subsidiary

MUNICH, Germany—Allianz Versicherungs A.G. says it plans to establish a subsidiary in Czechoslovakia. Allianz Pojistovna A.S., to be based in Prague, will focus on property, life, accident and health insurance.

"The goal is a broad coverage of the Czech and Slovakian markets," said a spokesman.

Allianz A.G. currently is the only shareholder, but future plans call for some local ownership. The Czech insurance company will give Allianz a larger network through which to serve German and international companies, the spokesman said.

AIG establishes Moscow office

MOSCOW—American International Group Inc. has opened a Moscow office to assist joint ventures and other foreign investors in arranging appropriate insurance coverage for their risks in the Russian Federation.

In another announcement earlier this month, AIG said that AIG Europe (U.K.) Ltd. will manage and act as underwriting agent for a new European subsidiary of Korea-based Ankuk Fire & Marine Insurance Co. Ankuk Insurance Co. of Europe Ltd. is licensed to write all classes of non-life insurance.

—By Maria Kielmas and Don Lewis Kirk

Failing to raise capital, E&A stops underwriting

By STACY SHAPIRO

LONDON

LONDON—English & American Insurance Co. Ltd. last week stopped writing new or renewal business after it failed to raise enough capital to satisfy brokers of its security.

The company's parent, English & American Group P.L.C., says the insurer will run off its existing business and continue to pay claims as they come due.

Several of the parent's operations will continue, according to Group Deputy Chairman Chris Keeling.

These include Guernsey's largest captive manager Transglobe Underwriting Management (Guernsey) Ltd., which manages major aviation captive insurer Polygon Insurance Co. Ltd.; run-off specialist Trinity Square Services Ltd.; and English & American Management Inc. in the United States.

Fourteen of the company's 600 employees were laid off last week.

The closure of E&A Insurance means that the underwriting of marine, non-marine and aviation pools managed by sister company English & American Underwriting Agency Ltd. has been suspended. E&A Insurance wrote about 25% of the business in each of the pools, said Mr. Keeling.

Although the aviation pool probably will not continue, E&A executives will meet with pool members to decide whether to continue the marine and non-marine pools, said Mr. Keeling. The pool members include Nippon Insurance Co. of Europe Ltd., Fuji International Insurance Co. Ltd. and Swiss Reinsurance Co., he said.

The move comes as a blow in particular to the aviation and marine insurance market where E&A has played major roles since the company was bought by

Continued on next page

Grumman subsidiary to stop underwriting

By ROGER SCOTTON

BERMUDA

HAMILTON, Bermuda—Paumanock Insurance Co. Ltd., the Bermuda-based reinsurance subsidiary of Grumman Corp., has ceased underwriting and will go into runoff.

No official reason has been given for the move, which sent shockwaves through the island's insurance community. It is believed that Grumman may be preparing to sell the subsidiary.

Paumanock President Edward Jacobs, who is assistant treasurer of Bethpage, N.Y.-based Grumman, did not return calls last week.

However, Robin Spencer-Arscott, the chairman and chief executive officer of Paumanock's manager, Anchor Underwriting Managers, said the company has "stopped underwriting pending its disposition."

"I cannot comment on Grumman's reasons for this decision, but my impression is that there's likely to be a buyer for this company and that it could be disposed of by Dec. 31," he said.

Grumman's decision came as Anchor, a unit of Aon Corp., was preparing to expand a team of five underwriters out of total staff of 27.

Now, Mr. Spencer-Arscott says the best he can hope for is that Anchor secures a contract to manage the runoff, which he says will require no more than two dozen staff members.

He said he was shocked and dismayed at Grumman's decision to halt underwriting at Paumanock after almost 13 years as a reinsurer of property and marine treaty busi-

Continued on next page

Pressure from business prompts Japan to delay product liability reforms

By JUDITH RAWNSLEY

TOKYO—Under pressure from Japanese business, the Japanese government will delay for up to a year introducing legislation that would make it easier for consumers to hold business liable for injuries caused by defective products.

Japan's Social Policy Council, an advisory body to the government, has delayed introducing the product liability legislation, saying it needs more time to make further studies. Originally, a decision was expected by year-end.

Under existing law, consumers cannot recover compensatory damages for their injuries or losses unless they can prove that product suppliers were negligent in manufacturing or handling a product.

Consumer groups have argued that this burden causes many consumers to drop their complaints. For example, the Ministry of International Trade and Industry receives only a few hundred consumer complaints annually, compared with the thousands of complaints received daily by the U.S. Consumer Product Safety commission.

The product liability bill would no longer require consumers to prove negligence. It would require them to demonstrate only that a defective product caused injury or a loss.

Similar laws have long existed in the United States and Europe.

The Social Policy Council's subcommittee on consumer policy said in a report that a product liability law is necessary to protect consumers when they are harmed or otherwise suffer as a result of defective products.

However, the report released last month also said the issue should be deliberated for another year in light of reservations raised by manufacturers and industries. A new full council will be formed in December to continue deliberations.

Business says such a law would hurt the nation's economy and

Continued on next page

Benefit tab in Canada small now, but rising

By JERRY GEISEL

The direct cost of employer-provided health and other group benefits in Canada is less than half that in the United States, but costs are rising significantly north of the border, too.

Canadian employers' total 1991 group benefit costs—which include medical, disability, dental, prescription drugs, vision care and life insurance—averaged $1,405 per employee, according to a survey of 533 Canadian employers by A. Foster Higgins & Co. Inc. Both employer and employee contributions are included.

Regionally, employers' group health and other benefit costs were highest in Ontario, averaging $1,495 per employee. Costs in the western provinces were a close second at $1,473. In the eastern provinces—Quebec and the Maritime Provinces—the average was $1,139.

By industry, group benefit costs were highest among public sector employers, averaging $1,690 per employee in 1991, compared with $1,460 for manufacturers and $1,274 among non-manufacturers.

These costs are dwarfed by costs in the United States. In 1991, U.S. employers' group health care expenditures alone averaged $3,605 per employee, Foster Higgins found in an earlier survey. U.S. employers' costs exclude disability and life insurance expenses (*BI*, Jan. 27).

There is no mystery why U.S. health plans cost more than twice what Canadian ones cost. Canada's universal national health insurance program—administered by the provinces—means employers play a much smaller role in providing benefits

Continued on next page

INTERNATIONAL

LONDON

Continued from previous page
management from C.T. Bowring & Co. Ltd. in 1983.

But brokers in London were not totally surprised. English & American Insurance was taken off their lists of secure insurers following a downgrading in June of its rating to B from A by Insurance Solvency International, a Standard & Poor's Corp. unit in London.

A B rating means financial security is "vulnerable," according to ISI. "When doubt is raised, it doesn't help," admitted Mr. Keeling, referring to the insurer's lowered rating.

E&A sought enough capital to boost its surplus to 50 million pounds ($76.1 million at current exchange rate) from 29 million pounds ($44.1 million), Mr. Keeling pointed out. "But we were unable to get it."

While the parent company posted a profit last year, E&A Insurance reported a pretax loss of 3.5 million pounds ($6.5 million). Total liabilities reached nearly 59 million pounds ($110.3 million) in 1991 while its shareholders funds totalled 26 million pounds ($48.6 million), including 20 million pounds ($37.4 million) in paid-in capital.

E&A is 36.7% owned by management, 21.8% by Credit Suisse, 17.8% by B.D. Partners, 10.1% by Empire Co. Ltd., 9.1% by Polygon Insurance Co. Ltd. and 4.5% by Schweiz Versicherung in Switzerland.

New VDT rules

Thousands of employers in the United Kingdom will have to assess the risk of injury from their video display terminals under new Health and Safety Executive regulations to be enforced Jan. 1.

The risk assessments are designed to reduce the risks of "upper limb disorders, fatigue and mental stress" caused by the use of computers and other display screen equipment, according to the HSE, an arm of the government's Health and Safety Commission that oversees workplace safety regulation.

Under the new regulations, employers also will be required to pay for eye tests upon request from any employee who uses VDTs regularly in his or her job.

The regulations also will require employers to allow "periodic interruptions" on a regular basis to give employees time away from the screens. The HSE suggests breaks be short and frequent, such as a five- to 10-minute break after 50 to 60 minutes of continuous screen or keyboard work.

These regulations will affect 4.5 million people in the United Kingdom who are either fully employed or are self-employed but regularly use VDTs for their jobs.

The Health and Safety (Display Screen Equipment) Regulations 1992 enforces a European Community directive on "the minimum safety and health requirement for work with display screen equipment" published in May 1990.

All E.C. nations are required to implement the directive in their own body of laws by Jan. 1.

The VDT regulations follow an increase in health complaints by equipment users that include upper limb disorders, particularly repetitive strain injuries, like carpal tunnel syndrome; eye strain; headaches; fatigue; and stress, said Sir John Cullen, chairman of the Health and Safety Commission.

What causes the problems, though, "is not so much the equipment but the way in which it is used," Sir John said.

The Health and Safety Commission heard from 100,000 people in the last year who thought they had upper limb disorders from working on computer terminals and other display screen equipment, according to an HSE spokeswoman.

Earlier this year, a British court awarded damages for the first time to office workers who suffered from repetitive strain injuries. Two data processors from British Telecom P.L.C. received 6,000 pounds ($9,129 at current exchange rate) in damages plus 600 pounds ($912) in interest in the case (*BI*, Jan. 20).

Other litigation surrounding these types of injuries includes legal action filed by employees/members of: the Financial Times; the National Communications Union; the National Union of Journalists; Reuters in London; and the Yorkshire Post.

These injuries can be prevented, however, "by applying ergonomic principles to the design, selection and installation of display screen equipment, the design of the workplace and the organization of the task," according to a recently published guide to the HSE's display screen equipment regulations.

Under the regulations, every employer "shall perform a suitable and sufficient analysis" of all display screen equipment workstations.

"Risk assessment should first identify any hazards and then evaluate risks and their extent," the guide says.

The HSE will publish a list of consultants who are qualified to conduct risk assessments.

But the HSE advises that the assessment should also include input from employees who work at the display terminals.

Risk assessments must also be performed on workstations based in employees' homes that are provided in whole or in part by an employer.

Any action that can be taken to reduce the risk of injury from this equipment must be done immediately.

However, if this requires a change in equipment, employers have until Dec. 31, 1996, to comply with the changes.

The risk assessment should look for:

- Posture problems, which can be overcome by simple adjustments like repositioning the equipment or adjusting/replacing a chair.
- Vision problems, caused by a flickering screen, or glare. A change in the user's position or lighting might be required.
- Fatigue and stress, which can be alleviated by correcting obvious defects in the workstation. BI

BERMUDA

Continued from previous page
ness. He said the reason could not have been because of fears about the reinsurer's financial stability.

Paumanock reported 1991 gross premium written of $97.9 million, of which $87.1 million was for risks unrelated to Grumman. Net income was $6.3 million, from which Grumman received a $1.9 million dividend.

Mr. Spencer-Arscott said that Grumman decided to put the company into runoff in spite of Anchor's advice that as reinsurance rates harden and capacity shrinks, "now's the time to be getting into this business instead of getting out."

"Paumanock has $68 million in capital and surplus," he said, so the decision was not based on concerns about solvency.

Nor is it due to losses from Hurricane Andrew, which are estimated at approximately $30 million net compared with written premiums in 1992 in excess of $100 million.

Paumanock had put up about $45 million of reserves for its non-related business through 1991, according to its annual report. The company did not write long-tail business, so a runoff could be concluded within three to five years, Mr. Spencer-Arscott said.

However, if the runoff contract is not awarded to Anchor, the underwriting manager will require no more than a couple staff members to work on its larger captive accounts. Regardless, Mr. Spencer-Arscott said he would not be letting any staff go before the end of the year. Another major underwriting account could be signed up soon, he said. "In two or three years, Anchor could be back to its current size," he said.

The Paumanock decision was the second blow to Anchor in recent weeks.

The first was its loss of Virginia Surety Co. Inc., an Aon unit for which Anchor has underwritten property reinsurance since 1990. Last year, Anchor wrote about $10 million in gross premiums for Virginia Surety and was expecting to write about half that amount in 1992.

"The loss of Virginia Surety was the result of a corporate decision by Aon Corp. to get out of the property business," said Mr. Spencer-Arscott.

The Paumanock and Virginia Surety developments came as Mr. Spencer-Arscott was merging Aon's Bermuda captive management unit, Rollins Burdick Hunter (Bermuda) Ltd., with the captive management and brokerage office of Frank B. Hall & Co. Inc.

The newly merged management entity will manage more than 85 captives with a staff of about 30.

However, it will not have Stuart Grayston, Hall's local president and chief executive. Mr. Grayston, a Bermudian, left the company this month, saying he will not make new business plans until the new year.

ACE net income down

ACE Ltd., the Bermuda-based high excess liability insurer, saw its underwriting losses more than double in fiscal 1992.

As a result of increased loss reserves for 1992 and prior years, ACE's net income was down sharply for the 12 months ending Sept. 30.

However, bright spots for ACE were a jump in premiums and several new clients.

ACE adopted a new incurred-but-not-reported loss reserving methodology in 1992, which has applied to all fiscal years since its inception. Because of this change, the insurer reports, loss reserves were increased by $463 million, of which $236 million is applicable to years prior to fiscal 1992. As a result, its underwriting losses widened to $224.3 million, compared with $104 million in fiscal 1991.

Investment income and realized gains were $245.8 million, up 38.3% from $177.7 million a year earlier.

ACE's net income was $10.5 million, down 83.9% from $65.4 million in 1991.

Premiums written jumped 26.4% to $325.4 million from $257.4 million, while net premiums earned climbed 16.5% to $274 million from $235.3 million.

Also last year, ACE added 56 new excess liability accounts and 32 directors and officers liability accounts—more new business than in any year since it opened for business in 1986. BI

Canadian benefit costs

Continued from previous page
than do American employers.

Instead of providing primary medical and hospital benefits, Canadian employers often supplement the provincial plans. These benefits include upgrades to semi-private or private hospital rooms from public wards, as well as prescription drug and dental benefits.

Although low by U.S. standards, Canadian employers' health care costs are rising. The reasons include escalating prescription drug charges and an aging population, noted Guy Jobin, a principal in Foster Higgins' Toronto office.

Employers also have had to pay a greater share of the total health care bill as the provinces, under budgetary pressures, have cut back on benefits. In fact, 73% of respondents said their health care costs increased last year, and 67% expect costs will also rise this year.

Mr. Jobin estimates that employers' group health costs grew at about the same rate in Canada as in the United States: 12%.

Still, only a relatively small percentage of Canadian employers are boosting deductibles or increasing coinsurance requirements. Just 8% of respondents said they recently raised or intend to raise deductibles, while about 3% boosted or intend to boost coinsurance levels.

Deductibles are low by U.S. standards and are often in the $25 to $50 range for individual and family coverage. Deductibles in the United States often are 10 times that level.

Many surveyed Canadian employers said they wanted better claims data from benefit plan administrators. While 34% of respondents said they were completely satisfied with data reports, 49% were somewhat satisfied and 17% were completely dissatisfied.

Just 11% of surveyed firms have valued their post-retirement health and life insurance liabilities, while 25% said they intend to try to measure liabilities for one or more of their plans. Sixty-four percent have no plans to determine the liability.

The Canadian accounting industry currently is considering whether to require employers to recognize post-retirement health and liabilities on their financial statements, but such a requirement is not likely to be adopted for several more years, Foster Higgins' Mr. Jobin said.

Forty-two percent of respondents said they offer life insurance benefits to retirees, while 40% provide prescription drug benefits and 39% provide supplementary hospital and medical benefits. Twenty-eight percent provide dental coverage and 22% offer vision care benefits.

Copies of "1992 Canadian Benefit Programs," are available from A. Foster Higgins & Co. Inc., Survey and Research Services, C.P. 126, Tour de la Bourse, Montreal, Quebec H4Z 1C3; 514-878-1780. The cost is $100 (Canadian).

Japanese product liability

Continued from previous page
society.

Manufacturers are primarily concerned that a product liability law would would force them to defend themselves in court more often and pay damages more frequently. They say this would drive up their insurance premiums and other costs and could drive some companies into bankruptcy.

Small firms fear that they would be unable to compete against larger firms that could more easily adapt to a tougher product liability law.

Japanese industry also argues that the current safety standards are enough to meet the consumers' needs in cases of product-related accidents. Such safety measures include the electrical appliances control law and the Road Vehicles Act, both of which require manufacturers to abide by a set of product safety measures.

Japan also has other systems designed to provide compensation to consumers injured by defective goods or who suffer side effects after using pharmaceuticals.

For example, certain categories of goods must carry a so-called safety mark that certifies the product's quality. Consumers can claim, without proving proving negligence, damages of up to 30 million yen ($241,800 at current exchange rates) if any good bearing the safety mark is found to be defective.

However, critics point out that this system is far from comprehensive, since the affected categories cover only 89 miscellaneous items.

Still, Akio Morishima, the subcommittee's chairman, said recently that a majority of the members favored the introduction of a product liability bill.

The subcommittee says there is little chance that the number of consumer lawsuits would rise significantly in Japan following the introduction of a tougher product liability law in contrast to the United States, which the subcommittee said has become excessively litigious. A key reason is that Japan has only a fraction of the number of lawyers compared with the United States.

The subcommittee's report also says that making manufacturers liable for harm caused by their products would have little impact on the economy. It indicates that the Consumer Price Index would grow by a maximum of only 0.3% even if manufacturers were to add product liability insurance premium costs to product prices.

But, the subcommittee report says that product liability needs to be considered according to product categories. It urges relevant ministries and agencies to discuss ways to protect consumers harmed by products, like consumer electrical equipment, foodstuffs, pharmaceuticals and automobiles.

It also suggests improving and reinforcing the ability to investigate the causes of accidents involving industrial products and to collect data on current accidents.

But manufacturers say that if the current systems are improved, there will be no need for a product liability law.

Consumer and lawyer groups in Japan are angered by the government's decision to delay introducing the product liability bill. BI

Australian brokers get lost in the crowd

Education efforts, legislative changes could sharpen their professional image

By KATE McILWAINE

GOLD COAST, Australia—Proliferation is the biggest problem for Australian brokers, says the president of Australia's National Insurance Brokers' Assn.

And, according to Bob Elder, it is the hardest problem to solve.

Mr. Elder, speaking at the 10th annual NIBA convention last month, said that while insurers are consolidating, the number of brokerages still is increasing.

As of June 30, there were 955 registered non-life brokerages in Australia, compared with 904 the year before, according to the latest Insurance and Superannuation Commission statistics.

"There are simply too many of us," Mr. Elder said.

New brokerages are continually being registered, though some are established with "little more than a former employer's client list and an ability to communicate with the clients they formerly serviced."

Brokers have an image problem because clients are not aware of their role, nor of the difference between an agent and a broker, Mr. Elder said.

"The problem's with us. To the consumer, all brokers are the same," he said.

Mr. Elder, who is managing director of IPG Insurance Brokers Pty. Ltd. in Sydney, said a new advertising campaign by NIBA would address that problem.

Philip Clairs, managing director of Melbourne-based Commercial Union Ltd. and president of the Insurance Council of Australia, told brokers that direct dealing between policyholders and insurers is on the increase.

"Broker commissions are under scrutiny, and underwriters will be searching for more ways to cut costs," he said.

Insurer expense ratios are too high and broker commissions are "a major component."

But if underwriters "seriously believe commissions are a problem, why do they pay the same rate" to an agent? Mr. Elder asked.

As brokers become better educated—which they must do if they want to attain the NIBA-sponsored Qualified Practicing Insurance Broker status—underwriters will appreciate their skill levels and their ability to add value to insurance products and contracts, according to Mr. Clairs.

The National Insurance Brokers Assn. is 'heading in the right direction' if its education programs help potential clients distinguish between brokers and agents, says Mr. Smith of the Insurance and Superannuation Commission.

Richard Smith, the Insurance and Superannuation Commission's deputy commissioner for non-life insurance, agreed that there are too many brokers.

But, he was quick to reject a suggestion from the floor that entry to brokering be restricted, saying it was a matter for the market, not the government regulator.

Mr. Smith told brokers that 95% of the complaints about brokers concerned non-NIBA members but that the 5% of complaints about members created a poor impression for all NIBA members.

Policyholders filing complaints often believed they did not get the support they expected from their brokers, he said. They assumed there were strong "broker-insurer alliances" and thought the industry was "closing ranks on them."

NIBA is "heading in the right direction" if its education programs help potential clients distinguish between brokers and agents, according to Mr. Smith. "The broker is clearly the agent of the client, while the agent is an agent of the insurer."

Mr. Smith said changes to the Insurance (Agents & Brokers) Act, which are scheduled to be introduced following an extensive ISC review, are likely to go before the Australian Parliament next year.

The amendments would force insurers to take more responsibility for their agents' actions by making insurers jointly and severally liable if responsibility for indemnity is unclear and a claim is made.

The amendments also would give the ISC greater administrative and enforcement powers, particularly to refuse, cancel or suspend brokers' registration.

And, the amendments would give the ISC greater control over alternative risk financing arrangements.

"There appears to be a trend toward the use of self-insurance, captives, underwriting agencies, pools, mutual aid schemes and other discretionary funds to meet certain insurance needs," Mr. Smith said.

"The arrangements can impact consumers when they extend to the provision of liability cover. We need to carefully consider whether prudential supervisory arrangements need to be extended to ensure consumers are adequately protected." BI

Australian insurers advised to heat up participation in global warming debate

By KATE McILWAINE

GOLD COAST, Australia—Unless insurers actively combat the effects of global warming, the cost to the industry will be massive, an environmental activist warns.

Jeremy Leggett, international director of science for Greenpeace, says the industry must act urgently, noting that 15 disasters since 1987 have cost insurers more than $1 billion.

"There are worrying indications that climatic events consistent with global warming are already occurring," he told the National Insurance Brokers Assn. conference last month.

"All the world's major climate models now predict potentially dangerous rates of warming, unprecedented in human history, in the decades ahead. Levels of greenhouse gases, such as carbon dioxide, are rising dramatically."

The result is a warming of the earth's surface, which means more intense periods of rainfall and drought, more coastal storms, tropical cyclones traveling beyond historical boundaries, stronger monsoons in northern Australia, more heat waves and fewer frosts.

Mr. Leggett noted the insurance industry is taking some steps in response to the changing weather patterns.

One Lloyd's of London syndicate reduced its business in coastal Florida after seeking the advice of climate experts after Hurricane Hugo in 1989, he said. "Their foresight has saved them millions."

Cyclones Ofa and Val in the Pacific in 1990 prompted an insurer to cancel all cyclone coverage for Western Samoa, he noted.

But he warned that "a quantum change in the way the insurance industry does business" is necessary to cope with the increase in catastrophes.

The past is no longer an accurate guide for the future, he said.

"There are people who are fearful for the very future of insurance markets if the forecasts are correct," Mr. Leggett said.

"It is high time the Australian insurance industry became actively involved in the climate change debate. It needs to adopt a policy of enlightened self-interest by entering the political debate and becoming involved in the promotion of environmentally benign economic activities," he said.

Because of the threat of global warming, insurers are limiting their exposures, says Claire Wivell.

"If the fossil fuel business persists in protecting the status quo dependence on oil and coal, it is clear that the social, economic and ecological fabric we currently rely on faces the prospect of total collapse. An industry like insurance must be capable of exerting the pressure required to protect itself."

Because of the threat of global warming, insurers are limiting their exposures, said Claire Wivell, a Melbourne-based insurance partner with the law firm Phillips Fox. Insurers, she said, are likely to impose substantial deductibles, limit the amount of coverage, limit the number of risks covered in particular areas, and insist on strict safety measures and construction techniques for insured property before granting coverage.

The industry also could press authorities to tighten construction regulations and limit land use in highly exposed regions, create organizational structures that can more easily assess natural disaster losses and set premiums commensurate with the risk, she said.

Ms. Wivell noted that while there had been uncertainty over whether significant global warming would occur as a result of human interaction with the environment, the doubt is now confined to the extent of the climatic changes, rather than their existence.

She said the area in which tropical cyclones form could broaden, while their destructive potential could increase 30% to 40%. And slightly higher sea levels, lower barometric pressures and higher wind speeds could increase storm surges.

Of the natural hazards affected by global warming, windstorms are likely to be most costly for the insurance industry, she said. BI

NIBA meeting recognizes new broker status

GOLD COAST, Australia—The annual National Insurance Brokers Assn. conference is one of Australia's largest insurance conventions.

This year's NIBA conference, held last month, again broke an attendance record with 956 registered delegates and guests. The delegates included 239 brokers with Qualified Practicing Insurance Broker status, a new educational standard introduced by trade group this year.

The 1993 NIBA convention will again be held on Queensland's Gold Coast from Oct. 17-20. For information, contact Deborah Rice, NIBA Convention Coordinator, 49 Agnes St., Jolimont, Victoria, Australia 3002; phone: 61-3-6506466; fax: 61-3-6547038.

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Maine approves 8.9% hike in workers comp rates

AUGUSTA, Maine—Maine has implemented an 8.9% rate increase for workers compensation policies issued or renewed after July 1.

The National Council on Compensation Insurance had initially sought a 32.2% increase, but later reduced its request to 21%.

The increase "is far from being adequate to cover costs, and we are reviewing our legal options," said John Casner, director of government, consumer and industry affairs in the NCCI's northern region.

To cover an estimated $186 million deficit for residual market policies issued between 1988 and 1990, Maine Insurance Superintendent Brian K. Atchinson also increased "fresh start" surcharges on employers and insurers. Employers must pay a levy equal to 4% of premiums, up from a 3% surcharge, to cover 1988 residual market losses. Both employers and insurers must pay a 1.5% surcharge for 1989.

"Inadequate investment practices by NCCI with respect to reserve funds have negatively impacted on the workers compensation market," Mr. Atchinson said. Those inefficiencies and poor service have cost the system $40 million, which insurers must repay, he said.

The NCCI serves as plan manager for Maine's assigned-risk pool. However, the "NCCI does not make investment decisions for the pool," Mr. Casner countered. "All pool investments are made at the direction of the pool board's investment subcommittee."

Newly enacted workers comp reforms take effect in Maine on Jan. 1 (*BI*, Oct. 26).

—By Sara Marley

Insurer results

Continued from page 1

That compares with a 3.7% year-to-year increase in net income to $3.48 billion in the first half of 1992 (*BI*, Aug. 31).

The hurricane losses caused the combined ratios reported by a larger group of insurers surveyed by *BI* to jump to 114.7% in the first nine months of 1992 from 110.7% in the year-earlier period. In comparison, the same insurers reported a 111.1% combined ratio in the first half.

In the third quarter alone, the 29 insurers surveyed reported a 122.2% combined ratio, up dramatically from 111.3% a year earlier.

Other nine-month results posted by the 29 insurers surveyed by *BI* show that:

- Net written premiums for the nine months fell 2.5% to $63.96 billion from $65.6 billion for the comparable period of 1991. This result is a slight change from first half, in which net premiums dipped 2.3% to $43.05 billion.
- Underwriting losses jumped by 32.2% to $9.18 billion from $6.95 billion. This is much worse than the 1.6% increase in underwriting losses to $4.76 billion in the first half. For the first quarter, underwriting losses actually decreased by 1.7% to $2.27 billion (*BI*, June 1).
- With interest rates still low, investment income increased by a modest 2.4% to $11.06 billion, from $10.81 billion. This slight uptick was an improvement, though, over the first half, when investment income gained only 1% to $7.31 billion.
- Policyholder surplus increased a modest 0.8% to $40.56 billion from $40.24 billion. This compares with an 11.2% increase to $37.51 billion for the first half.

Besides losses from Andrew and Hurricane Iniki, which caused $1.6 billion in damage to the Hawaiian island of Kauai, several insurers' profits dropped because of restructuring charges in the third quarter:

- Continental Corp. said in September that, largely as a result of catastrophe losses, it would stop writing reinsurance, sell its Continental Reinsurance Corp. unit and take a $120 million charge in the third quarter to cover costs associated with its withdrawal from the reinsurance and local international insurance markets (*BI*, Sept. 28).
- ITT Corp. said it would take a $1.15 billion pretax charge against third-quarter earnings to bolster the reserves of three loss-plagued ITT Hartford Group Inc. units and to cover the cost of defending pollution and asbestos claims (*BI*, Oct. 5).
- Xerox Corp., parent of Crum & Forster Inc., said it would allocate $444 million in realized capital gains for unspecified future "restructuring" activities, a move some analysts interpreted as a sign Xerox may sell the underwriting subsidiary (*BI*, Nov. 2).
- Travelers Corp. said it took a $202 million aftertax charge in its third-quarter results related to ongoing restructuring efforts.

Overall, property/casualty insurers' nine-month results are "terrible," said Gloria Vogel, first vp with Lehman Bros. in New York.

The hurricane dominated the nine-month results, noted Barbara Stewart of Stewart Economics in Atlanta. "The only thing they really tell you is a lot of companies took big hits, and some took bigger hits than others."

"Companies are having a hard, hard time," said Joanne Morrissey, a principal with Firemark Inc. in Parsipanny, N.J. "It's really a blah quarter."

But many point out that once losses related to Hurricane Andrew are "backed out" of the results, they were not actually all that bad.

"If you want to exclude the hurricane, I'd say it's a pretty average to good quarter," said Adam Klauber, an analyst with rating agency Duff & Phelps Credit Rating Co. in Chicago. Commercial insurance results—excluding the hurricane losses—"were pretty good."

"The quarter's earnings were weak, as expected, because of the large catastrophe losses and that is what has driven earnings," said Steven A. Gavios, an analyst with Kidder, Peabody & Co. in New York. But once those are taken into account, results were "reasonable," continuing the trends of the past few quarters.

"If I back out the catastrophe losses for both quarters, I find the trends are relatively unchanged," said Gordon Luce, assistant manager with Brown Bros. Harriman & Co. in New York.

The prognosis for fourth-quarter results is a continuation of the pattern set earlier in the year, "just a gradual erosion, if you eliminate the catastrophes," said Mr. Luce.

"I expect earnings to be sort of OK for the balance of the year," said Mr. Gavios.

There's major disagreement over whether the hurricane losses will hasten a market turn. Some believe a turn could be apparent as soon as midyear, but others say it may still be at least a year away.

Among those who expect rates to rise soon is David Seifer, vp with Donaldson, Lufkin & Jenrette in New York. "We think the industry's run out of options and now has to face reality.

'I think it's in the process of turning positive," Mr. Seifer said of the market. "I think all the ingredients are in place," and there could be "visible evidence" of price increases by midyear renewals, with an improvement in financial results not becoming apparent until 1994.

"I wouldn't be totally surprised to see some shift in the market" as soon as the first quarter of 1993, as companies finalize their 1992 results "and perhaps come to realize how short they are in reserves in addition to other things going on," said Michael Crall, president and chief executive officer of Argonaut Insurance Co. in Menlo Park, Calif.

"Enough things are coming together from different directions" to create "at least a good possibility, if not an absolute likelihood of a turn," said Mr. Crall.

"I think that psychologically, the CEOs are ready for a turn in rates," said Firemark's Ms. Morrissey. "I think it's beginning to turn, but it's like a battleship. It takes a while for it to turn."

"I see a degree of fear and a difference in insurance company mindset" that will cause price increases in 1993, Mr. Gavios said. "I think the catastrophe losses were the catalyst for that."

Ms. Stewart was among those less optimistic, Even for insurers with big losses from Andrew, "it doesn't look like the hits are going to change or make any dent in operating procedures," she said. "I don't think a turn is imminent.

Continued on next page

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Business Insurance

Summary of major property/casualty insurers' nine-month results

Ranked by change in net income. All amounts in thousands of dollars.

Rank 1992		Corporate: Consolidated revenues 1992	Corporate: Percent Net income 1992	Corporate: increase (decline) 1991-1992	Property/casualty operations: Combined[1] ratio 1992	Property/casualty operations: Net Combined[1] ratio 1991	Property/casualty operations: Percent premiums written 1992	Property/casualty operations: Pretax increase (decrease) 1991-1992	Property/casualty operations: Percent underwriting income (loss) 1992	Property/casualty operations: Pretax increase (decline) 1991-1992	Property/casualty operations: Percent investment income 1992	Property/casualty operations: increase (decrease) 1991-1992	Property/casualty operations: Percent Policyholders surplus 1992	Property/casualty operations: increase (decrease) 1991-1992
1	Royal Group (U.S. subs.)[2]	N/A	69,300	236.4	120.0[3]	124.8[3]	1,159,700	1.8	(237,600)	13.6	249,300	(1.8)	831,700	4.3
2	Reliance Ins. Co. & subs.	2,527,410	43,918	132.4	111.5	124.2	1,267,734	1.4	(125,947)	52.8	111,923	(15.3)	N/A	N/A
3	USF&G Corp.	2,710,000	15,000	111.0	117.1[2]	117.6[2]	1,930,000[2]	(16.0)	(364,000)	6.9	369,000	1.1	1,404,000	(1.8)
4	Home Insurance Co.	1,792,000	144,000	61.8	110.8[2]	109.9[2]	1,258,000	(4.5)	(126,000)	17.1	208,000	(5.5)	943,000	22.6
5	Lincoln National Corp.	6,005,900	285,700	48.5	114.7[2]	111.5[2]	1,536,500	(12.1)	(237,600)	(28.2)	213,900	3.6	1,377,800	-
6	Old Republic Int'l	1,198,326	136,536	46.6	108.6[2]	107.5[2]	581,282[2]	6.1	(61,707)[2]	(12.1)	131,111[2]	3.2	1,034,878	20.6
7	SAFECO Corp.	2,594,072	207,324	18.6	106.7	109.5	1,368,866	12.3	(86,742)	25.2	209,997	(2.2)	1,236,343	6.3
8	Sentry Insurance Cos.[2]	1,240,279	41,777	14.2	106.8	107.2	1,036,078	10.0	(69,651)	(2.5)	132,006	9.1	806,366	10.4
9	Fremont General Corp.	451,503	25,274	12.0	106.9	106.0	312,894	(1.3)	(21,302)	(12.7)	45,338	(5.9)	148,789	(2.2)
10	Argonaut Insurance Co.	319,477	73,805	7.4	102.7[2]	106.1[2]	222,007[2]	(16.8)	(6,958)[2]	63.6	85,000[2]	(7.0)	500,867	5.8
11	General Re Corp.	2,518,700	506,100	7.1	107.7[2]	101.8[2]	1,766,100	4.6	(142,300)	(429.0)	561,900	0.2	3,353,700	7.2
12	Aetna Life & Casualty Co.	13,183,700	425,800	3.3	121.9	116.6	3,686,700	(16.8)	(749,200)	(5.0)	665,000	(2.6)	2,020,200	(19.2)
13	Crum & Forster Inc.	2,600,000	126,000	3.2	119.2	116.3	1,747,900	(6.1)	(333,200)	(8.9)	430,700	(5.3)	1,571,600	10.7
14	American International Group	13,529,695	1,184,050	2.7	102.4[2]	100.0[2]	6,973,095	(0.8)	(165,386)	(2,347.4)	927,037	8.5	N/A	N/A
15	Chubb Corp.	3,598,300	419,600	1.7	99.8[2]	98.7[2]	2,443,300	4.0	(8,800)	(134.9)	363,900	3.7	1,746,066	9.8
16	The St. Paul Cos. Inc.	3,397,280	261,507	(11.5)	114.9[2]	105.3[2]	2,362,383	(2.3)	(354,255)	(161.1)	479,952	0.4	1,639,697	3.6
17	CIGNA Corp.	13,791,000	286,000	(16.1)	132.0	116.0	3,600,000	(10.3)	(925,000)	(39.3)	572,000	(11.2)	1,583,000	(23.6)
18	Ohio Casualty Corp.	1,352,236	68,422	(16.6)	108.5[2]	104.2[2]	1,165,793[2]	2.9	(100,047)	(98.8)	145,770	2.7	631,882	5.0
19	Berkshire Hathaway Group	731,601	117,153	(27.1)	138.3	128.3	573,147	38.2	(176,592)	(102.5)	270,865	6.9	N/A	N/A
20	CNA Financial Corp.	8,110,000	266,700	(27.8)	122.0[2]	115.1[2]	4,910,000[2]	(4.1)	(1,084,000)[2]	(38.3)	910,500[2]	(2.5)	3,830,000	9.4
21	Hartford Steam Boiler	507,379	39,565	(32.7)	102.3	91.9	267,992	8.1	(5,920)	(130.4)	27,417	(10.3)	387,740	(2.9)
22	Travelers Corp.	7,994,900	(68,300)	(127.5)	125.6	112.9	2,905,300	(9.1)	(835,700)	(94.4)	540,100	(5.2)	1,676,200	(13.2)
23	Continental Corp.	3,669,200	(77,800)	(202.8)	115.4[2]	112.8[2]	2,960,500[2]	1.6	(488,700)[2]	(20.3)	429,500	(6.4)	1,694,000	(14.0)
24	Hartford Insurance Group	7,395,000	(799,000)	(348.1)	118.0	108.9	4,769,000	1.3	(821,000)	(86.2)	1,104,000	42.5	3,018,000	(1.8)
—	Commercial Union Ins. (U.S.)[2]	N/A	N/A	N/A	108.0[3]	112.5[3]	1,108,800	7.4	(101,600)	24.5	139,900	7.0	820,400	27.6
—	Nationwide Mutual Ins. Co.[2]	N/A	N/A	N/A	108.9	105.9	5,064,793	9.6	(475,429)	(63.7)	640,815	6.9	3,808,528	0.7
—	Kemper National Ins. Cos.[2]	N/A	N/A	N/A	112.9	112.7	2,370,254	(1.4)	(304,107)	2.2	277,277	4.4	1,738,674	9.9
—	Liberty Mutual Ins. Co.[2]	N/A	N/A	N/A	118.3	115.7	4,616,040	(7.1)	(775,042)	(15.1)	818,013	(2.7)	2,759,300	4.3
	Cumulative	101,217,958	3,796,431	(23.4)	114.7	110.7	63,964,158	(2.5)	(9,183,785)	(32.2)	11,060,221	2.4	40,562,730	0.8

[1] After dividends [2] Statutory [3] Before dividends N/A—Company did not provide data

Andrew's path spared some insurers

Just as Hurricane Andrew cut a swath of destruction through parts of Florida but left other areas untouched, it has decimated some commercial property/casualty insurers' results but left others relatively unscathed.

In a sense, though, the entire industry got off relatively easy, contends Robert Branche of the Branche Research Group in Morrisville, Pa. Not only was the hurricane's path relatively narrow at about 30 miles wide, it missed major population areas like Miami and Fort Lauderdale, he noted. And yet, "it could end up $15 billion" once all the losses are tallied, he predicted.

Insurers writing primarily commercial coverage surveyed by *Business Insurance* were less hard-hit than major personal lines companies like Allstate Insurance Co., the Prudential Insurance Co. of America, State Farm Group and GEICO Corp. (*BI*, Sept. 28; Sept. 7).

That, however, is probably little consolation for insurers that have to pay hurricane claims.

Here is a sampling of how the hurricanes and other catastrophes affected major commercial insurers' third-quarter results after reinsurance:

- Travelers Corp. said Hurricane Andrew reduced third-quarter net income by $240 million after taxes.
- CNA Financial Corp. reported pretax losses of about $200 million from Hurricane Andrew.
- Continental Corp. also reported $200 million in aftertax catastrophe losses, which reflects $70 million in Hurricane Andrew losses, $55 million in Hurricane Iniki losses and $75 million in reinsurance reinstatement costs.
- CIGNA Corp. reported pretax catastrophe losses for the third quarter and nine month-period of $139 million. This compares with pretax catastrophe losses of $17 million in the third quarter of 1991.
- American International Group Inc. incurred $153.3 million in pretax catastrophe losses during the quarter from Hurricanes Andrew and Iniki and Hurricane Omar in Guam.
- USF&G Corp. reported an $80 million aftertax loss from Hurricane Andrew.
- Chubb Corp.'s catastrophe losses, which primarily reflect Hurricane Andrew, amounted to $65.6 million aftertax.
- Aetna Life & Casualty Co. reported $59 million in aftertax catastrophe losses in the third quarter.
- Reliance Group Holdings Inc. reported a $41.7 million pretax loss from Hurricane Andrew.
- Kemper National Insurance Cos. reported aftertax loss of slightly more than $40 million from Hurricane Andrew. Separately, Kemper Corp. said its Kemper Reinsurance Co. unit had $21.8 million in aftertax losses relating to Hurricanes Andrew and Iniki.
- The Home Insurance Co. reported net losses of $20 million from both Andrew and Iniki.
- Lincoln National Corp. reported a $19.3 million aftertax loss from Hurricane Andrew.
- Ohio Casualty Corp. reported $13 million in aftertax losses from Hurricane Andrew.
- SAFECO Corp. announced a $4.3 million aftertax loss from Hurricane Andrew.
- Sentry Insurance Co. reported $3.5 million in aftertax Hurricane Andrew losses.

—By Judy Greenwald

Insurer results

Continued from previous page

"Sometimes when I realize that people are expecting a turn in 1993, one has to wonder if that's wishful thinking more than anything else, but we'll just have to see," she said.

Ms. Stewart said rather than leading to price increases, the hurricane losses could drive rates down even further as companies compete to for cash flow with which to pay claims. "I think that's a real possibility."

"I haven't heard from my own people of any signs of change," said Michael Goldberg, vp at Berkshire Hathaway Inc. in Omaha, Neb., who suspects there will be a turn in the "next two to three years." Hurricane Andrew by itself is not enough to turn the market, he said.

The market turns when "people get so scared they do something, and I don't see that fear element here yet," said James J. Meenaghan, chairman, president and CEO of The Home Insurance Co. in New York. Unless another event, like a major decline in the stock market, occurs, a turn in the property/casualty market "could well be a year away."

"I see nothing to imply a turn in the market," said Alan Levin, senior vp at Standard & Poor's Corp. in New York. "The weakness of the market underlies the numbers," he said, adding that very few companies seem determined to raise prices.

The market will turn no earlier than the second half of 1993 "if then," said Duff & Phelps' Mr. Klauber. "We still think surplus levels are too high."

There will be no change in the market for at least six to 12 months, said David Wells, an analyst with Fitch Investors Service in New York. "Maybe in late '93 we might see something happen," he said. But the industry "hasn't gotten to the threshold of pain yet." BI

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For the Record

Alliance wary of plan for risk-based capital

SCHAUMBURG, Ill.—Insurance regulators developing risk-based capital standards for property/casualty insurers should not set the standards too high, consultants warn in a new report financed by the Alliance of American Insurers.

Setting standards too high would reduce underwriting capacity, increase prices, distort insurer investment decisions and damage the reputation of insurers that are "wrongly identified as undercapitalized," cautions the report written three university business professors.

Too-high standards also could eliminate several hundred insurers, which would cause "severe market disruptions," said Alliance President Rodger S. Lawson.

Instead, the consultants recommend that regulators consider alternatives like a "minimum threshold" requirement, which fewer insurers would fail at the outset. Such a proposal was not described in detail. They also recommend that regulators test the formula for one —or preferably two—complete annual statement cycles before making the results public.

"We think the findings of this report, as well as the experience to date with risk-based capital in (commercial banking) should lead the NAIC to use considerable caution," Mr. Lawson said.

The NAIC is expected to adopt risk-based capital standards for life/health insurers next month.

American Star ordered liquidated by judge

MADISON, Wis.—Small commercial policyholders of American Star Insurance Co. will be able to collect claims payments from state guaranty funds now that the insurer is being liquidated.

The San Francisco-based insurance company, which is domiciled in Wisconsin, has been ordered liquidated by a Wisconsin state judge.

American Star reported a deficit of around $10.4 million and outstanding claims of about $30 million as of Sept. 30.

The insurer wrote property/casualty, commercial auto and some surety business in seven Western states. In 1991, American Star wrote $50 million in direct premiums.

Mutual Benefit bailout generates objections

TRENTON, N.J.—A formal objection filed earlier this month by the largest group of Mutual Benefit Life Insurance Co. pension contract holders could force major revisions in the insurer's $800 million bailout plan now awaiting court approval.

The Assn. of Mutual Benefit Life Insurance Contractholders complains that the bailout plan, which rehabilitators submitted to New Jersey Superior Court in August, may not provide a minimum annual rate of interest of 3.5% in every year, which plan promises. The group represents about 500,000 individuals enrolled in about 100 companies' pension plans.

"The way the plan reads, if Mutual Benefit has a good year and we receive 6% interest, they don't have to give us at least 3.5% the next year," contends Frank Ciaccio, an attorney with Orick, Herrington & Sutcliffe in New York, which represents the group.

Actuarial formulas designed to help build surplus would hurt policyholders, contends Mr. Ciaccio. "They have a target surplus they want to reach at the end of the plan, but they're taking too much from our yield to reach that," he said, noting that most of the pension contracts originally promised annual interest of at least double the 3.5% promised in the plan.

AMBLIC's formal complaint is one of 28 complaints the court has received since the plan was filed.

Pfizer Inc. settles 330 heart valve claims

NEW YORK—Pfizer Inc. settled 330 additional claims last week with patients with defective Pfizer heart valves.

The claimants, represented by Minneapolis law firm Robins, Kaplan, Miller & Ciresi, sought either compensatory damages for defective valves or emotional distress damages because of anxiety about the possibility of having faulty valves.

Pfizer said the confidential settlement will be covered by existing reserves and insurance and will not have a "material adverse effect" on company finances.

The 330 plaintiffs were among about 850 implant recipients who chose not to settle in August along with 51,000 members of a class-action suit (*BI*, Feb. 3; Nov. 23).

Fremont General Corp. founder dies at age 86

SANTA MONICA, Calif.—Fremont General Corp. founder Lee Emerson McIntyre died Nov. 7. He was 86.

Mr. McIntyre formed Fremont General in 1973 as a holding company parent to Fremont Indemnity Co., a workers compensation insurer he launched in 1963 with $800,000 in capital.

Fremont General went public in 1977 when it had $80 million in assets. It now has more than $2 billion in assets.

Mr. McIntyre served as Fremont General's chairman from 1978 until his retirement in 1989. James A. McIntyre, the eldest of Mr. McIntyre's two sons, succeeded him as chairman in addition to holding the combined posts of president and CEO.

Texas orders insurer to halt operations

DALLAS—An offshore insurer accused of failing to pay premium taxes and illegally issuing fidelity bonds and liability insurance policies has been ordered to stop doing business in Texas.

A cease-and-desist order issued by Texas Insurance Commissioner Georgia Flint earlier this month halted the operations of Standard Indemnity Co. Ltd., an insurer incorporated in the British Virgin Islands.

Standard Indemnity is owned by Capital & Services Inc., a Dallas-based holding company.

The Insurance Department charges that the insurer failed to pay premium taxes in 1990 and 1991 and illegally issued fidelity bonds, professional liability and general liability insurance policies.

Standard Indemnity's "primary function" was as a reinsurer of excess and surplus lines risks written by insurers based outside of Texas, according to Charles L. Clover, president of the holding company.

The insurer wrote only a "couple of million" in annual reinsurance premiums and even less in direct premiums, according to Mr. Clover.

Capital & Services is under investigation by the FBI following an October raid in which agents seized records and computers. "We haven't been charged with anything," said Mr. Clover.

He said he was told the raid was conducted "on the basis of suspected insurance fraud."

Mr. Clover said Capital & Services is unaware of the specific reasons for the raid because they were based on complaints in two sealed affidavits.

"We've been unable to have the affidavits unsealed, but we're trying so we can find out what the complaints are," he said.

Allied-Signal sued over waste exposure

JERSEY CITY, N.J.—Allied-Signal Inc. is coming under fire for health hazards allegedly posed by a youth athletic field that was once a chemical waste site operated by two predecessor companies.

Eighteen people, including seven adults and 11 children, filed a class action suit last month in New Jersey Superior Court seeking funding for medical monitoring for people exposed to dirt and dust containing chromium while playing in Metro Field in Jersey City, which was home to youth baseball and football leagues.

State environmental officials closed Metro Field in the spring when it discovered the infield had once been a chromium dump site operated by Mutual Chemical Co. of America from 1905 to 1954.

The site was acquired from Mutual Chemical in 1954 by Allied Chemical & Die, which itself was acquired by Allied-Signal in 1985.

The defendants allege that Allied-Signal was negligent for failing to warn the athletic field's owners or users of the potential health and environmental hazards associated with exposure to the hazardous waste.

However, Allied-Signal contends there have been no injuries or illnesses resulting from exposure to chromium waste at the athletic field.

The company is negotiating with state authorities concerning what cleanup actions need to be taken, said a spokesman.

Value Health Inc. buys four new businesses

AVON, Conn.—Value Health Inc., a multi-specialty managed care company, is acquiring four new businesses, valued at a total of $36 million.

The Avon, Conn.-based firm will acquire Stokeld Health Services Corp., a Davenport, Iowa-based mail order pharmacy service that covers almost 800,000 lives and will post revenues of $30 million for 1992. The acquisition will bolster Value Health's current mail order pharmacy business.

The firm also purchased an 8% interest in Complete Pharmacy Network, a retail pharmacy preferred provider program based in Medina, Ohio. Value Health has an option to acquire the remaining 92% of CPN during the fourth quarter of 1993.

Value Health plans to acquire Lewin-ICF, a leading health policy and management consulting organization based in Washington. The firm will be renamed Value-VHI.

And, Value Health plans to acquire Wellington Life Insurance Co., based in Phoenix. The purchase is subject to approval by the Arizona Insurance Department. BI

Update

Best lowers Allstate ratings

Continued from page 2

are not adequately protected by its current reinsurance."

Best also lowered its rating of Allstate Life Insurance Co. to A+ from A+ +.

Allstate said its $1.9 billion hurricane loss estimate is "accurate." The insurer also said it has bought catastrophe reinsurance based on its historical loss record but Hurricane Andrew has caused it to "reassess" its needs.

Best also affirmed its A rating of Skandia America Reinsurance Corp. Parent Skandia Group had announced it would restructure the unit after turning down takeover offers for it (*BI*, Nov. 16).

Separately, Moody's Investors Service downgraded its financial strength rating of Metropolitan Life Insurance Co. to Aa1 from Aaa, citing Met Life's large exposure to commercial mortgage and real estate equity investments.

Moody's also cut its rating of Prudential Insurance Co. of America to Aa2 from Aa1, citing hurricane losses suffered by Prudential Property & Casualty Insurance Co. and Prudential's real estate exposure.

Standard & Poor's Corp. earlier cut Prudential's claims-paying ability rating to AA+ from AAA (*BI*, Nov. 23).

Accord advances GATT talks

WASHINGTON—The agricultural accord reached by U.S. and European Community negotiators on Nov. 20 may pave the way for an end to the current round of talks on the General Agreement on Tariffs and Trade by year end, observers say.

The Uruguay Round, which began in 1986, had stalled amid conflict over European oilseed subsidies. Earlier this month, the United States threatened to impose tariffs if no agreement was reached by Dec. 5, a move many feared would set off a trade war (*BI* Nov. 9).

In the financial services talks, which include insurance, the United States must still reach "request and offer" accords with several countries. Negotiators for the U.S. Trade Representative's office have identified nine countries where potential insurance trade problems exist: Japan, Korea, Brazil, India, Indonesia, Malaysia, Singapore, Thailand and the Philippines.

Major parties have agreed on the basics of the GATT service agreements: the right to market entry, guarantees of equal treatment for domestic and foreign companies and more disclosure in regulation.

If the agreement is reached by the Dec. 22 target date, Congress could still approve GATT on a fast-track basis, which allows no amendments, said Gordon Cloney, president of the International Insurance Council. Fast-track status for the pact expires in June 1993.

France still could veto the agricultural accord, noted Ronald J. Anderson, IIC chairman and senior vp of American International Underwriters. "There are a lot of angry French farmers out there."

China hull claim to hit London

GUILIN, China—Aviation underwriters face an estimated $36 million hull claim after a China Southern Airlines Boeing 737-300 crashed on approach to China's Guilin Airport last week, killing all 133 passengers and the eight-member crew.

Most of the passengers are thought to have been Chinese. No liability reserve has been set.

The aircraft's hull and liability coverage is placed with the People's Insurance Co. of China. Most of the risk was reinsured into international markets. The reinsurance was placed by C.T. Bowring & Co. Ltd. and Willis Corroon P.L.C.

The reinsurance was led by Lloyd's of London syndicate 172, managed by Stewart & Hughman Ltd.

The aircraft was en route to Guilin from Canton when it crashed.

Briefly noted

David Rowland, chairman of Sedgwick Group P.L.C., is virtually certain to be the next chairman of Lloyd's of London following his election to the Council of Lloyd's. Mr. Rowland won the most votes during balloting last week for four working members and one external member of the new slimmed-down, 21-person ruling council. Other working members elected were: Robert Hiscox of managing and members agency Roberts & Hiscox; Richard Keeling, underwriter of syndicate 362; and Stephen Merrett of Merrett Holdings P.L.C. The external member elected was businessman David James. . . .The number of **workplace injuries and illnesses** fell 7% in 1991 to 6.3 million from 6.8 million in 1990. The workplace injury and illness rate per 100 workers dropped to 8.4 cases from 8.8 in 1990, the biggest decline in 10 years, reports the Bureau of Labor Statistics . . . .Insurance will cover the minor damage to furniture and files caused by a fire last Monday at the Manhattan headquarters of reinsurance intermediary **The Holborn Agency Corp.** "There won't be any business interruption," said Executive Vp James Cathcart. . . .**William M. Wilson**, 55, will retire Dec. 28 as deputy chairman and executive vp of Alexander & Alexander Services Inc. His duties will be assumed by Deputy Chairman and Executive Vp Michael K. White. . . .Don W. Stephens, previously commissioner of Kentucky's Department of Alcoholic Beverage Control, has been appointed **insurance commissioner**. Former Commissioner Ronnie C. Moore has returned to his insurance agency in Bowling Green. . . .The California Insurance Department has moved to revoke the insurance licenses of Leo Patrick Goebel, Michael Butler and Robert Turell, all involved in marketing a series of unauthorized group health plans shut down by California regulators. The plans included Physicians Benefit Plan, sponsored by a chapter of the **National Council of Allied Employees**, an allegedly phony labor union (*BI*, May 18). . . .The U.S. House will quickly take up **family and medical leave legislation** when it convenes in January, said Speaker Tom Foley, D-Wash.

Holiday stress

Continued from page 1

Holiday depression can "manifest in the workforce in the form of absenteeism, complaints and low productivity," points out Mory B. Framer, president of Barrington Center, a full-service psychiatric center in Los Angeles.

Mental health care experts agree that aggressively communicating an employee assistance program—before the holidays begin—can help prevent some of the more serious problems that can result from depression, including alcohol and other substance abuse.

It's a fact that depression increases among employees after the holiday season.

For example, U.S. Behavioral Health, a managed mental health and chemical dependency subsidiary of Travelers Insurance Co., handled 570 new mental health and substance-abuse cases in January 1992, compared with 360 cases in December 1991, 370 in November and 400 in October, the survey revealed. The 570 new cases reported in January were 51% greater than the monthly average of 376 new cases during the previous three months.

"A significant portion" of the new cases in January "is brought by post-holiday stress," Mr. Feldman pointed out.

Data from the two previous years showed the same trend, though the problem appears to be increasing: The number of new EAP cases reported in January rose 197% from 1990 to 1992, the study showed.

The increase in EAP utilization caused by seasonal stress can in part be attributed to the worsening economy, Mr. Feldman said. This year's numbers "will be interesting to see," he said, pointing out that consumer confidence in the economy seems to be increasing and that could reduce the number of EAP cases.

Union National Bank in Wichita, Kan., agrees with U.S. Behavioral Health's findings. In fact, 90% of the personal problems reported to the company's EAP each year arise during the holiday season, said Willa Wulz, senior vp of human resources.

What can employers do before the "holiday blahs" become a serious problem for employees?

Employers can go in two directions: "prevention or treatment," said Brent Turek, manager of psychiatric services for Dow Chemical Co. in Midland, Mich. Historically, the treatment route has been the most traveled, he said, though employers and mental health experts agree that prevention is the path that should be taken.

"An ounce of prevention is worth a pound of cure," summed up Lance Tane, a partner at Kwasha Lipton in Fort Lee, N.J.

During the holidays, "people need to talk to someone, not check into a hospital," Ms. Levine said.

"The sooner employees get help, the cheaper it is" for the employer and employee, agrees Ann Waltonsmith, a branch manager for employee assistance programs at Managed Health Network, an EAP vendor in Cupertino, Calif.

Prevention starts by "pressing the visibility of their EAP" before the holiday season gets into high gear, Mr. Kinyon said.

Aetna has successfully increased EAP usage during the holidays by holding voluntary employee workshops before Thanksgiving through Dec. 12, Mr. Kinyon said. The workshops usually are 60- to 90-minute "brown-baggers" that discuss, among other topics, how to deal with grief and loss during the holiday season and how the EAP can be of assistance to them. Aetna also holds similar workshops after the Jan. 1 focusing on post-holiday stress, he said.

The workshops include films, discussions and lectures, he said.

Managed Health Network conducts "workshops tailored to coping with the holiday season" for many companies, including Hewlett Packard Co., Ms. Waltonsmith said.

These workshops usually are also voluntary, yet some employers make it mandatory for employees to attend, she said. The workshops, which are held in early December, discuss a variety of topics including coping with holiday stress. MHN leads the workshops by getting a sense of the specific stress factors people are dealing with, and then leading discussions in how to manage the stress.

Southern California Edison Co. sends out flyers in November explaining to employees that it is a "common experience to be depressed" after the holidays and that the EAP can be of assistance, said Marcia Ayers, a licensed marriage, family and child therapist at the electric company's EAP in Rosemead, Calif.

Texas Instruments Inc. also reminds its employees about their EAP through on-site newspapers and posters with messages of how it "understands that people might need additional help" during the holidays and how the EAP is there for them, said Sue Nelson, health benefits manager for the Dallas-based computer and electronic company.

But not every company increases promotion of their EAP before the holidays.

At Union National Bank, the supervisors and employees are already "real tuned in" to the services the EAP has to offer, Ms. Wulz said, though she added that employers "can't overcommunicate."

Employers agree that increased EAP utilization will help bring down the potential hidden costs of holiday-related depression.

If depression is left untreated, "the costs are enormous," Mr. Feldman said. Hidden costs include high absenteeism and low productivity. But if employees are aware that an EAP is available, problems can be detected early, lessening the impact later on, Mr. Turek said.

And since "most EAPs charge per capita," whether or not an employee uses the EAP, an increase in employee use of the program "will lower costs in other areas" including doctor and hospital costs, Mr. Framer said.

Ms. Wulz agrees. The increased EAP utilization "doesn't cost the employer any more and costs the employee nothing."

While Hewitt Associates estimates that 75% of companies with 1,000 or more employees have an EAP, those employers that don't should tell their employees about alternatives such as community assistance centers before the holidays begin, Mr. Tane said.

In addition to educating employees about post-holiday depression and the assistance centers available, employers need to become more "sensitive to how it will manifest in the workforce," Mr. Framer said.

After the holidays, employers should "develop a tracking system to closely examine employees" so their depression doesn't spread and disrupt the workforce.

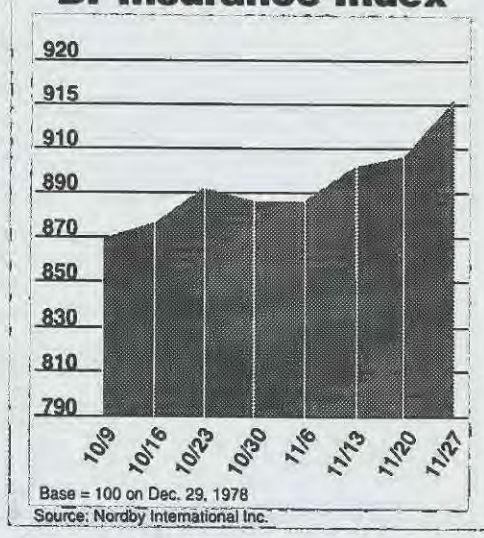
Another area employers should focus on before the holidays season begins is the traditional holiday party, where alcoholic beverages often flow freely.

"The focus on alcohol during the holiday is way, way too high," said Cynthia Emmets, director of Home Team, a group of alcohol management specialists in Los Angeles.

Liquor served at holiday parties can be used as a "coping mechanism" by those who are experiencing the "holiday blues," Ms. Ayers said. This "coping mechanism" can exacerbate an existing alcohol problem, turning it into a more serious illness, she said.

Employers should serve high-protein foods at holiday parties to help those who imbibe absorb the alcohol, Ms. Emmets recommends. Employers also should offer lots of non-alcoholic drinks and arrange for free cab rides or hotel rooms for those who drink too much, Ms. Emmets recommends. BI

BI Insurance Index



Insurance industry stocks surged ahead last week as the *Business Insurance* Index climbed 10.9 points to 915.3 on Nov. 25 from 904.4 on Nov. 20. Advancing issues were led by Lawrence Insurance Group, up 12.5%; Berkshire Hathaway Inc., up 8.7%; and Reliance Group Holdings, up 7.0%. Declining issues followed NAC Re Corp., down 6.4%; Mutual Risk Management Ltd., down 6.0%; and United Medical Corp., down 3.8%. The most active issue for the week was Sears, Roebuck (Allstate), 2.6 million shares traded. The *BI* Index was up 1.2%; the NYSE Composite was up 0.6%; the Standard & Poor's 500 was up 0.6%; and the Dow Jones 30 Industrials rose 1.2%.

British Issues

Nov. 24 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Commi Union	594	N/M	31.5	5.3	594—573
Genl Accident	579	N/M	35.7	6.2	579—560
Gdn Royal Exch	160	N/M	10.0	6.0	170—168
Royal	257	N/M	7.0*	2.7	264—257
Sun Alliance	336	N/M	19.0	5.7	339—336
Brokers					
Bradstock	115	12.8	6.3	5.5	119—115
CE Heath	319	18.5	21.3*	6.7	319—297
Hogg Group	149	14.0	10.9	7.3	150—149
JIB Group	153	11.7	10.0	6.5	155—153
Lloyd Thompson	230	18.6	7.5	3.3	232—230
Lowndes Lmbrt	300	11.7	16.8	5.6	300—282
PWS Holdings	40	4.6	5.3	13.3	40—40
Sedgwick Grp	153	12.2	8.0*	5.2	153—145
Steel Brri Jones	201	9.8	17.7	8.8	202—201
Willis Corroon	174	11.0	17.6	10.1	180—174

Source: Philip Olsen, London * Estimated

BI Industry Stock Report

NOVEMBER 23, 1992 THROUGH NOVEMBER 25, 1992

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	26.13	-0.48	27.44	27.38	18.00	355	1.00	3.83	93	10.00	2.61
Gallagher Arthur J. & Co.	NYS	28.00	-0.88	25.14	29.00	20.00	195	0.64	2.29	19	6.35	4.41
Frank B. Hall	NYS	2.88	0.00	-32.35	5.50	2.63	0	0.00	0.00	-3	N/A	N/A
Hilb, Rogal & Hamilton	NYS	14.88	0.85	12.26	15.63	11.00	32	0.44	2.96	23	3.11	4.78
Marsh & McLennan	NYS	92.50	2.07	13.67	94.50	70.75	314	2.68	2.90	22	14.40	6.42
Poe & Associates	OTC	14.50	1.75	20.83	16.00	11.25	3	0.40	2.76	18	2.64	5.49
BROKERS	AVERAGE		0.6	11.2					2.1	25		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	44.50	-1.11	45.90	47.75	27.25	63	0.36	0.81	17	23.51	1.89
Berkshire Hathaway Inc.	NYS	10950.0	8.68	0.00	10950.0	9100.00	0	0.00	0.00	44	6437.25	1.70
ITT (Hartford Group)	NYS	70.75	0.00	22.51	70.75	50.00	538	1.84	2.60	17	68.23	1.04
Sears (Allstate)	NYS	42.75	-0.29	12.87	48.00	32.50	2573	2.00	4.68	42	40.18	1.06
CONGLOMERATES	AVERAGE		1.8	20.3					2.0	30		
INSURERS/REINSURERS												
AEGON N.V.	NYS	40.88	-0.91	16.79	42.75	32.50	15	2.68	6.56	7	34.06	1.20
Aetna Life & Casualty	NYS	44.00	2.33	0.00	47.00	36.50	834	2.76	6.27	14	67.08	0.66
Allied Group Inc.	OTC	30.75	3.36	80.88	31.13	16.25	84	0.64	2.08	9	11.29	2.72
American General	NYS	53.88	3.61	21.07	53.88	39.25	331	2.08	3.86	11	39.89	1.35
American Heritage Life Ins.	NYS	30.63	1.66	0.00	32.50	22.13	4	0.84	2.74	15	16.51	1.85
American Indemnity/Fin'l	OTC	5.75	0.00	21.05	9.25	4.63	2	0.08	1.39	3	14.43	0.40
American International	NYS	114.25	3.39	16.14	116.75	82.00	1527	0.56	0.49	15	54.21	2.11
Aon Corp.	NYS	51.13	2.51	29.02	51.13	36.25	241	1.68	3.29	13	27.17	1.88
Argonaut Group	OTC	28.50	1.79	20.00	30.00	21.75	19	0.84	2.95	8	21.70	1.31
AVEMCO Corp.	NYS	23.75	-0.52	-5.00	28.00	21.50	17	0.00	0.00	22	7.33	3.24
Baldwin & Lyons Inc.	OTC	34.00	0.74	32.04	36.00	25.00	12	0.48	1.41	8	30.85	1.10
Chandler Insurance	OTC	4.63	5.71	42.31	7.63	3.19	11	0.00	0.00	21	8.63	0.54
Chubb Corp.	NYS	87.63	1.59	13.80	88.75	62.38	625	1.60	1.83	14	40.67	2.15
CIGNA Corp.	NYS	56.88	4.60	-6.95	61.75	47.13	472	3.04	5.35	11	81.73	0.70
CNA Financial Corp.	NYS	93.13	-0.93	-4.97	104.50	78.50	41	0.00	0.00	11	80.24	1.16
Continental Corp.	NYS	27.50	-0.45	-0.45	34.75	20.00	257	1.00	3.64	20	38.32	0.72
EXEL Ltd.	NYS	45.38	-0.82	21.00	46.38	30.75	364	0.92	2.03	9	N/A	N/A
Fund American Corp.	NYS	73.63	0.34	5.37	73.63	62.50	26	0.68	0.92	18	81.85	0.90
Fremont General Corp.	OTC	26.75	1.42	9.74	27.25	17.00	226	1.00	3.74	7	25.62	1.04
Frontier Insurance Group	NYS	35.50	-0.70	31.48	40.50	22.16	21	0.60	1.69	13	13.97	2.54
Gainsco Inc.	ASE	14.75	-3.28	58.04	15.63	7.53	54	0.04	0.27	20	2.65	5.57
General RE Corp.	NYS	111.00	2.54	8.96	117.00	77.50	935	1.80	1.62	15	46.07	2.41
Guaranty National Corp.	NYS	18.00	3.60	24.14	20.38	13.00	40	0.48	2.67	12	9.12	1.97
Hanover Insurance Co.	OTC	49.00	0.51	37.06	49.63	33.00	31	0.44	0.90	8	40.44	1.21
Harleysville Group	OTC	26.25	0.48	23.53	28.25	17.50	42	0.64	2.44	11	16.77	1.57
Hartford Steam Boiler	NYS	55.75	1.13	-3.04	59.25	45.13	69	2.12	3.80	21	19.74	2.82
Kemper Corp.	NYS	26.50	0.95	-30.49	46.13	20.75	259	0.92	3.47	19	37.66	0.70
Lawrence Insurance Group	ASE	9.00	12.50	-19.10	11.13	7.00	4	0.48	5.33	20	4.66	1.93
Liberty Corp.	NYS	26.88	3.37	21.47	32.88	20.13	13	0.48	1.79	11	18.43	1.46
Lincoln National	NYS	70.38	-0.35	28.54	71.13	49.38	246	3.04	4.32	11	58.92	1.19
Markel Corp.	OTC	28.88	2.67	31.25	29.25	18.00	20	0.00	0.00	7	15.44	1.87
Mutual Risk Mgmt. Ltd.	NYS	35.25	-6.00	0.36	40.00	25.75	21	0.24	0.68	21	7.51	4.69
NAC Re Corp.	OTC	38.50	-6.38	22.22	42.00	21.75	429	0.16	0.42	34	13.60	2.83
National Re Corp.	NYS	28.75	-2.13	N/A	31.00	17.00	54	0.12	0.42	13	N/A	N/A
Navigators Group	OTC	35.00	2.19	-14.63	48.25	28.50	22	0.00	0.00	25	15.69	2.23
Nobel Insurance LTD.	OTC	5.25	0.00	31.25	6.00	3.75	185	0.00	0.00	3	3.91	1.34
NWNL Companies	NYS	45.88	6.07	47.39	45.88	26.00	149	1.48	3.23	12	46.21	0.99
Ohio Casualty Corp.	OTC	61.63	-0.20	24.49	66.63	46.25	128	2.68	4.35	12	43.08	1.43
Old Republic Int'l	NYS	25.00	0.50	40.85	26.50	16.00	308	0.40	1.60	8	18.63	1.34
Orion Capital Corp.	NYS	37.50	-0.99	18.58	41.00	29.00	11	1.00	2.67	6	28.62	1.31
Phoenix RE Corp.	OTC	13.00	-3.70	23.81	13.75	8.75	171	0.20	1.54	-19	13.32	0.98
Provident Life	NYS	25.50	-2.86	9.68	28.00	19.75	53	1.00	3.92	10	30.38	0.84
Re Capital Corp.	ASE	15.75	2.44	9.57	16.38	12.25	15	0.24	1.52	28	16.88	0.93
Reliance Group Holdings	NYS	5.75	6.98	39.39	5.88	3.50	160	0.32	5.57	3	2.94	1.96
RLI Corp.	NYS	23.38	0.00	41.67	23.63	15.50	3	0.52	2.22	10	16.15	1.45
St. Paul Companies	NYS	74.00	2.78	1.54	80.75	66.00	462	2.72	3.68	11	59.79	1.24
SAFECO Corp.	OTC	55.63	-0.45	14.10	57.00	41.88	240	1.64	2.95	14	35.37	1.57
SCOR U.S. Corp.	NYS	18.63	-1.97	21.14	19.50	13.13	15	0.28	1.50	18	14.39	1.29
Seibels Bruce Group	OTC	1.25	0.00	-77.27	6.50	0.38	138	0.36	28.80	-0	6.22	0.20
Selective Ins. Group	OTC	20.75	-1.19	23.88	23.50	16.00	35	1.12	5.40	8	20.22	1.03
Statesman Group Inc.	OTC	10.00	2.56	73.91	10.25	5.00	564	0.00	0.00	5	6.71	1.49
Tokio Marine & Fire	OTC	46.00	0.55	-10.68	55.25	32.25	3	0.00	0.00	92	70.93	0.65
Torchmark Corp.	NYS	51.38	1.48	33.15	54.50	34.41	330	1.04	2.02	15	14.87	3.45
Transamerica	NYS	46.50	0.81	16.61	46.75	35.63	542	2.00	4.30	21	35.86	1.30
Transatlantic Holdings	NYS	50.38	-2.18	29.58	52.50	29.38	95	0.24	0.48	17	21.85	2.31
Travelers Corp.	NYS	23.13	1.09	6.94	23.75	17.13	1285	1.60	6.92	-13	43.85	0.53
Trenwick Group Inc.	OTC	38.75	-3.73	35.96	42.00	25.00	127	0.80	2.06	15	23.87	1.62
United Fire & Casualty	OTC	40.00	2.56	33.33	42.50	29.16	2	1.00	2.50	17	28.47	1.40
Unitrin	OTC	38.50	4.76	7.69	39.50	31.00	172	1.20	3.12	12	36.51	1.05
UNUM Corp.	NYS	49.75	-0.25	22.84	50.38	32.00	517	0.64	1.29	14	21.83	2.28
US Facilities Corp.	OTC	8.50	-2.86	-42.86	19.00	7.00	116	0.00	0.00	9	8.90	0.96
USF&G Corp.	NYS	13.75	0.00	89.66	15.00	5.63	846	0.20	1.45	-26	10.29	1.34
USLICO Corp.	NYS	17.00	1.49	-8.11	20.38	16.75	13	1.00	5.88	24	29.80	0.57
USLIFE Corp.	NYS	50.25	1.26	4.96	52.50	39.00	86	1.80	3.58	10	64.90	0.77
Washington National	NYS	22.88	0.00	44.09	23.63	14.00	39	1.08	4.72	19	30.27	0.76
Zenith National Ins.	NYS	16.63	-1.48	-1.48	19.50	13.75	23	1.00	6.02	12	14.81	1.12
INSURERS/REINSURERS	AVERAGE		0.8	17.2					3.4	15.1		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	22.75	4.00	59.65	22.75	10.38	628	0.00	0.00	22	9.61	2.37
Pacificare Health Sys.	OTC	45.50	0.00	130.38	46.75	11.38	81	0.00	0.00	26	3.90	11.67
Safeguard Health Enter.	OTC	9.25	0.00	-1.33	14.75	7.00	21	0.00	0.00	11	4.03	2.30
Sierra Health Services	ASE	40.88	0.93	341.89	40.88	14.38	45	0.00	0.00	19	4.01	10.19
United Healthcare Corp.	NYS	53.75	0.00	44.30	54.75	29.75	707	0.01	0.02	35	4.68	11.49
United Medical Corp.	ASE	6.38	-3.77	-8.93	8.75	6.38	5	0.20	3.14	58	10.30	0.62
U.S. Healthcare	OTC	47.25	4.42	70.78	51.25	23.16	2119	0.52	1.10	28	3.60	13.13
HMOs	AVERAGE		0.8	91.0					0.5	25		
ALL COMPANIES	AVERAGE		1.0	34.9					2.8	17		

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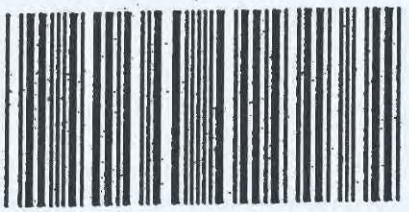

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NEWSPAPER

NOVEMBER 23, 1992

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Update

N.Y. says fronting proposal must apply to all captives

KANSAS CITY, Mo.—The New York Insurance Department will oppose exempting any type of captive insurer from a proposed model law that restricts fronting arrangements.

A new draft of the proposal released last week by National Assn. of Insurance Commissioners staffers exempts "any reinsurance transaction with a captive insurer whose writings are limited to coverage of its parent or its controlling policyholders."

However, the draft does not define im-

Continued on next page

Benefit expenses surge

Health care costs, pension outlays fueling increase, Chamber reports

By JERRY GEISEL

WASHINGTON—Employers' benefit costs as a percent of payroll could hit 40% this year if costs continue to rise at the current rate.

Fueled by huge increases in health care and pension expenditures, employers' employee benefit costs climbed 5.8% in 1991 to an average of $13,126 per employee from $12,402 in 1990 and $11,527 in 1989, according to the U.S. Chamber of Commerce.

Benefit costs as a percentage of payroll increased to 39.2% in 1991 from 38.4% in 1990 and 37.6% in 1989.

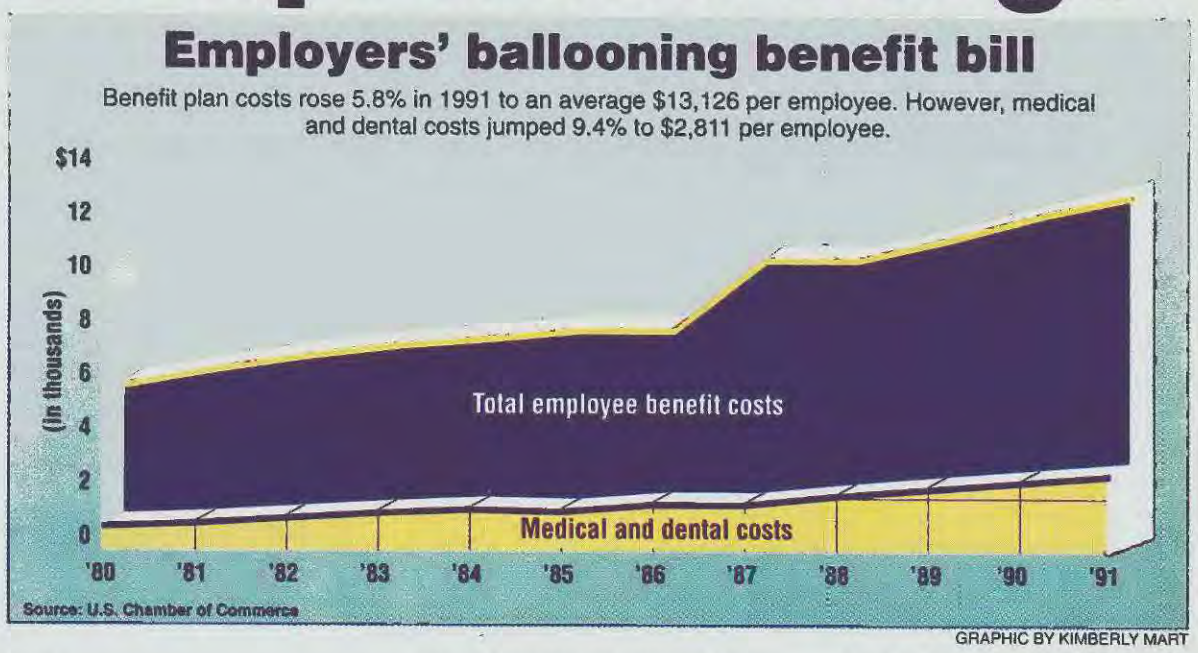
Despite efforts to control costs, health care-related expenditures continue to spiral. In fact, the Chamber attributes about 60% of the increase in employee benefits costs last year to rising medical costs.

The cost of providing medical and medically related benefits leaped to $3,465 per employee on average in 1991, up 8.4% from $3,197 in 1990 and 21.5% from $2,853 in 1989. Included in this broad category are employee and retiree hospital and medical benefits, short- and long-term disability benefits, dental and vision care benefits.

For the first time, medical and medically related benefits exceeded 10% of payroll, rising to 10.4% from 9.9%.

Similarly, the cost of employees' medical and dental care benefits—two big components of the medical and medically related benefits category—climbed 9.4% in 1991 to an average of $2,811 per employee from $2,569

Continued on page 49



GRAPHIC BY KIMBERLY MART

AT&T sues 24 insurers for cover for sex bias settlement

By JOANNE WOJCIK

MORRISTOWN, N.J.—American Telephone & Telegraph Co. is suing 24 of its comprehensive general liability insurers to recover the $66 million it has agreed to pay to settle a gender discrimination suit over its maternity leave policies in the 1960s and 1970s.

In a suit filed last month in New Jersey Superior Court, AT&T maintains that discrimination is a "personal injury" covered by the CGL policies.

AT&T says that the insurers are jointly and severally liable for the damages, costs and payments related to the discrimination suit, which charged the company did not treat 13,000 pregnant employees like other disabled employees.

But one insurer defendant says its policies excluded coverage for discriminatory acts. Other defendants declined to comment because they had not seen the litigation.

Collectively, the insurers wrote more than $423 million in coverage between Oct. 15, 1964, and Oct. 15, 1978, according to court papers.

In its coverage suit, AT&T says: "Under the liability policy, the defendants in general undertook to pay defense costs and indemnity in connection with claims alleging personal injury, including discrimination, subject to any retained limit to be paid by plaintiffs."

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Transamerica plans IPO

Selling P/C unit to public will benefit shareholders: Officials

By JUDY GREENWALD

SAN FRANCISCO—Transamerica Corp. says it will sell its property/casualty insurance unit to the public early next spring because that would provide more benefits to shareholders than selling the insurance group to another company.

Transamerica announced in July that it would divest Transamerica Insurance Group, which includes Transamerica Reinsurance Co., to focus on less-cyclical and more profitable finance services and life insurance activities (*BI*, July 27).

Besides considering an initial public offering and a sale to another company, Transamerica also considered spinning off the Woodland Hills, Calif.-based insurance group to current shareholders.

Transamerica also announced that Gerald Isom, Transamerica Insurance Group's president and chief executive officer, will leave the company following the offering.

Upon completion of the IPO, Jon Rotenstreich, formerly president of Torchmark Corp., a Birmingham, Ala.-based life and health insurer, will become chairman and CEO of the insurance group.

Don Hutson, currently chairman, president and CEO of American Eagle Group, a Dallas-based specialty insurer, will become president and chief operating officer.

Transamerica officials couldn't specify how much the company expects to gain from the sale of the property/casualty insurance unit, which has a $1.1 billion book value on a generally accepted accounting principle basis and an $800 million statutory book value.

Transamerica Corp. will use the IPO proceeds to reduce debt, buy its own stock and/or invest

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Spotlight on Specialty Risks
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Directory of Environmental Consultants
Page 20

Policy disappears; so does coverage

By MICHAEL BRADFORD

NEW ORLEANS—A policyholder cannot prove it is entitled to general liability coverage unless it can furnish evidence of the policy wording, a federal appellate court says.

The 5th U.S. Circuit Court of Appeals last month vacated a lower court ruling that Bituminous Casualty Corp. must pay the costs incurred by Vacuum Tanks Inc. in defending pollution claims. VTI is a waste disposal company in Houston.

Neither VTI nor Bituminous, a Rock Island, Ill.-based unit of Old Republic International Inc., could find copies of the actual comprehensive general liability policies Bituminous wrote between 1959 and 1965.

VTI did, however, furnish the policy numbers, the dates the policies were in effect and the limits written.

And Bituminous, trying to show a good faith effort to locate the policies during the original trial before a U.S. District Court in Houston, introduced a "specimen" policy typical of the ones it wrote during the period in question.

The district court ruled in 1991 that the specimen policy provided evidence of the insurer's duty to defend VTI. Ironically, VTI's own lawyer had objected to the introduction of the specimen policy as evidence.

It was that ruling that a three-judge panel overturned last month. Citing Texas law, the judges unanimously ruled that the lower court erred because the specimen policy was not proven to be identical to the policies written for VTI.

U.S. Circuit Judge Sam John-

Continued on page 62

Update

Fronting debate heats up

portant terms, including "captive." The definition was omitted because "not all members of the (NAIC) Reinsurance Task Force have as yet reached agreement regarding the appropriate treatment of captive insurers for the purposes of this act," a drafting note said.

The draft is an attempt to blend proposals by Iowa and New York regulators into a single compromise agreement.

Iowa had recommended excluding fronted programs reinsured by a corporate captive from the model law, though it would apply to captives writing third-party business. A version of the New York draft recommended exempting single-parent and group captives with 10 or fewer owners that do not write unrelated business (*BI*, Sept. 28).

But, Sandra M. Siegel, assistant deputy New York insurance superintendent, said the latest draft is "misleading." The provisions in the draft relating to contract terms and reporting requirements are so "watered-down" that they should apply to any type of captive.

The task force is expected to discuss the draft Dec. 7 during the NAIC's winter meeting in Atlanta.

Florida guaranty fund in danger

TALLAHASSEE, Fla.—The Florida Insurance Guaranty Assn. will be out of money by Thanksgiving if it continues paying Hurricane Andrew claims, warns Insurance Commissioner Tom Gallagher.

The guaranty fund's ability "to pay consumer claims is rapidly diminishing," Mr. Gallagher said in a letter to the Legislature last week. "This would strand thousands of Floridians, many whose homes were severely damaged or destroyed by Andrew, waiting for their claims to be paid at some future, indeterminate date."

The commissioner is asking the Legislature to lift the 2% cap on insurer assessments as well as authorize a bond financing proposal. The fund already has assessed property/casualty insurers in the state about $71 million—the maximum allowed by law—to help cover the tab left by six insurers blown into insolvency by Andrew (*BI*, Nov. 2).

Mr. Gallagher said that if that request is rejected, he will direct the fund to limit payouts to the 16,000 policyholders with Andrew claims owed by insurers that went broke due to storm losses.

Oregon resubmits health plan

SALEM, Ore.—Gov. Barbara Roberts has submitted a revised version of the state's universal health care plan and a new request for a waiver of Medicaid rules to U.S. Health and Human Services Secretary Louis W. Sullivan.

Revisions to the Oregon Health Plan—which hinges on a system of rationing medical services—were made after the Bush administration earlier this year said elements of the plan would violate the Americans with Disabilities Act (*BI*, Aug. 10). "Anything that might give the perception of discrimination" has been changed, Gov. Roberts said.

Under the Oregon plan, the state would limit how it would spend Medicaid funds depending on the importance or value of medical services. By prioritizing medical services, the plan would be able to extend care to more of the poor, the state says.

The revised proposal is quite similar to the original, but the state has removed all references to quality of life and information derived from a telephone survey that the administration said had biased state officials against disabled people when the officials originally prioritized medical services. The priority list also was amended.

Medical malpractice cap upheld

WASHINGTON—The U.S. Supreme Court last week refused to hear a constitutional challenge to Missouri's cap on medical malpractice damages.

A 1986 state law that caps non-economic damages in medical malpractice litigation was challenged in 1988 by the family of an 8-year-old girl who suffered severe brain damage and blindness when she received an inaccurate amount of anesthesia during routine skin graft surgery. A jury awarded the girl and her family more than $20 million in compensatory damages, but the trial judge reduced the award to $3.1 million based on the cap.

The family appealed to the Missouri Supreme Court, arguing that the cap violates the constitutional guarantees of due process and equal protection, said attorney Mary Winter of Hendren & Andrae in Jefferson City, Mo., which filed briefs on behalf of two doctors' groups. But, the state high court in May upheld the cap as constitutional.

10 airlines drop Warsaw limits

LONDON—Ten Japanese airlines last week became the first to drop their rights to cap passenger liability on international flights.

Most international flights are governed by the Warsaw Convention, which limit an airline's liability to $10,000 to $75,000 per passenger in the United States and to 100,000 special drawing rights ($140,000) in Japan. The limits are not applicable if it is proven a crash resulted from an airline's willful misconduct.

The Japanese airlines' decision stems from the 1985 domestic crash of a Japan Air Lines Boeing 747, even though the flight was not governed by the Warsaw Convention, said George Tompkins Jr., senior partner for Condon & Forsyth in New York. Relatives of the 529 people killed in the crash received an average of $800,000 per passenger. Since this set a legal precedent for compensation in future Japanese air disasters, the airlines "couldn't continue with Warsaw limits" under Japanese law, he explained.

Other European and Asian airlines, including British Airways, are considering following the Japanese lead, noted Peter Martin, senior partner at Frere Cholmley in London.

Updates continued on page 62

Antitrust decision would 'wreak havoc': Defendants

By JUDY GREENWALD

WASHINGTON—If the appellate court ruling reinstating the massive insurance antitrust litigation is permitted to stand, it "would wreak havoc within the insurance industry—a fact that plaintiffs do little to disguise," say industry defendants in a brief to the U.S. Supreme Court.

Domestic and foreign defendants in the case filed separate briefs with the Supreme Court Friday. Five friend-of-the-court briefs supporting the defendants also were filed.

The defendants want the high court to overturn a 9th U.S. Circuit Court of Appeals ruling that reinstated the antitrust litigation after it had been dismissed by a federal judge (*BI*, June 24, 1991).

The state attorneys general who brought the suit are scheduled to file their briefs in a month. Oral arguments in the case will likely be held in late February or early March.

The high court last month agreed to review the 9th Circuit ruling on two arguments focusing on the McCarran-Ferguson Act—one related to boycotts and the other related to foreign reinsurers. The court also agreed to hear an argument involving comity, a mutual respect for foreign law (*BI*, Oct. 12).

The brief filed by the domestic defendants states that, contrary

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St. Paul Surplus Lines to appeal $24 million award

Insurer hit in claims dispute

By MICHAEL BRADFORD

DALLAS—St. Paul Surplus Lines Insurance Co. will appeal a $24 million jury award for mishandling a claim and failing to defend a policyholder.

The state court jury in Dallas earlier this month returned the verdict that ended a four-week trial in a lawsuit filed against the St. Paul, Minn.-based insurer by Dal-Worth Tank Co. Inc., a manufacturer of propane gas trucks in Grand Prairie, Texas.

The jury awarded now-bankrupt Dal-Worth $3.5 million in actual damages and $11.5 million in punitive damages.

Another $1 million, which will be trebled under Texas' trade practices statute, goes to Mission Butane Gas Co. Inc., which had filed a claim against Dal-Worth that was investigated—but not settled—by St. Paul Surplus Lines.

In addition, the jury awarded attorneys' fees of $6 million to the San Antonio law firm Watkins & Brock, which represented Dal-Worth.

The judgment "will be appealed," said Terry Topham, an attorney with Davidson & Troilo in San Antonio, which represented St. Paul Surplus Lines.

The dispute began in 1988 when San Antonio-based Mission Butane sought reimbursement from Dal-Worth,

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Alternative to clogged courts

Voluntary mediation program set up for hurricane claims

By MICHAEL SCHACHNER

Businesses and homeowners battered by hurricanes Andrew and Iniki should soon have a place to go other than already-clogged courts to settle disputes with their insurers.

A leading alternative dispute resolution organization is putting together a claims resolution program that will encourage commercial policyholders, as well as homeowners, to submit to voluntary mediation or arbitration to settle disputes over hurricane claims.

And, the Florida Insurance Department is in the final stages of setting up a similar program for homeowners with Andrew-related claims.

"With a disaster of this proportion, there is no possible way the Florida court system will be able to handle all the inevitable disputes that will arise from what could be as many as 700,000 claims from Hurricane Andrew," said James Murray, vp with the Center for Public Resources, an ADR group in New York.

"We believe anything can be solved through ADR, which in this case could save upward of $20 million in court costs and legal expenses," he said.

Ten major insurers are promising to participate in an ADR plan that the group is arranging

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S&P lists 'vulnerable' insurers

By DOUGLAS McLEOD

NEW YORK—While the majority of U.S. property/casualty and life/health insurance is written by financially secure insurers, a large volume of premium still flows to companies vulnerable to failure, Standard & Poor's Corp. concludes.

S&P last week released the third edition of its Insurer Solvency Review, which rates 3,332 property/casualty and life/health insurers based on 1991 data.

Among other things, S&P found that insurers writing about $413 billion in property/casualty and life/health premiums last year—or about 91% of the industry's total volume of $455.6 billion—offer "adequate or better" financial security.

However, 472 companies writing about $12 billion in premium volume in 1991—or about 2.6% of the industry's total—were rated by S&P as "vulnerable" to financial problems.

Asset quality and other troubles facing the life insurance industry may have peaked in 1991, but property/casualty insurers still face problems that triggered scores of failures in recent years: underpricing, underreserving, uncollectible reinsurance and sudden unexpected losses like those from Hurricane Andrew, S&P said.

S&P produced similar insurer

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- There's a cornucopia of reasons to be thankful this holiday season, this week's editorial says. **PAGE 8**
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- Reinsurers are excluding coverage for terrorist acts from U.K. treaties. **PAGE 53**
- A new Russian political risk insurance facility is launched. **PAGE 53**
- A dissident Lloyd's member says syndicates should not pay the full amount of policyholder claims if some syndicate members are insolvent. **PAGE 53**
- Most multiemployer welfare plans offer retiree health care coverage, a study shows. **PAGE 59**

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Specialty Risks

Environmental niche products gaining strength

Lower prices, tougher rules spur companies to buy cover

By LOUISE KERTESZ

Even with markets for broad environmental coverage expanding, niche pollution insurance markets remain critical to U.S. business.

Expansion of niche products is being fueled by factors like federal and state regulation, contractual requirements and tighter lending requirements, explained Dawn Hallett, vp and manager of the environmental division at Rollins Hudig Hall Inc. in Washington.

Another factor is that underwriters have grown more comfortable with writing environmental coverage because corporations now realize that "you can't get away with being a slimebag anymore," said Corinne Woods, account manager and environmental product manager of Sedgwick James of California in San Francisco. "You're going to get caught."

Underwriters also have a better handle on what the environmental exposures are for any type of business, Ms. Woods said.

Meanwhile, more companies are considering buying environmental coverage because prices have either stabilized or dropped, consultants and insurers point out.

"Things are becoming more affordable," said Alan Jaeger, vp of Agricultural Excess & Surplus Insurance Co., a unit of Great American Insurance Co. of Cincinnati. "There's been a softening in the last two years."

"Small companies might consider buying pollution insurance if the price were right," she said, noting that "some products are not priced that way yet."

And, many large corporations still self-insure primary layers of environmental exposures and will probably continue to do so, preferring to put their resources into risk control, Ms. Woods noted.

The bottom line is that even though the coverage has become less expensive, many companies "don't think they need it—until they get sued," said Johnson & Higgins Senior Vp Dennis Connolly.

For companies with obvious exposures—like petroleum distributors and hazardous waste site operators—there are a range of insurance products available.

But products have been developed for a range of other industries as well.

The following niche products cover both sudden and gradual pollution on a claims-made basis, unless otherwise noted:

- ERIC Group Inc. of Englewood, Colo., has expanded coverage it began offering last year for property owners/developers and lenders for legal liabilities arising from pollution that was undetected at the time of a purchase.

This product, called property transfer liability insurance, covers the costs of cleaning up pollution, including that from underground tanks.

Originally, pollution that occurred after the policy inception was not covered. Now coverage is extended to: pollution "migrating to the site after policy inception, or dumping by third parties or contamination caused by

Continued on next page

Photo by Michael Melford/Image Bank

Demand drops for cover for underground tanks

Buyers turning to state funds

By DEBORAH SHALOWITZ

Lack of demand is driving the market for environmental impairment liability insurance for underground petroleum storage tanks into the ground.

Demand is falling for three reasons: the growing availability of state funds that insure the risk (see story, page 14); a deadline extension for some tank owners to comply with federal financial responsibility requirements; and little effort by the government to enforce compliance for tank owners and operators already subject to the requirements.

One insurer has enhanced its UST coverage to satisfy the federal financial responsibility requirements, but several have stopped writing the coverage. And most of those still in the market say demand is either flat or falling.

There is "no demand" for EIL coverage for underground storage tanks, said Raymond Cowan, chairman of broker Cowan Surplus Lines Insurance Services Inc. of Sherman Oaks, Calif., which stopped offering UST coverage last summer. "Everybody's quite satisfied" with the coverage provided by state funds, Mr. Cowan said.

"These guys aren't going to buy —there's no motivation for them to," said Thomas Egan, vp of Boca

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EIL insurers expanding offerings

Zurich enters market for broad-based cover

By LOUISE KERTESZ

The markets for broad environmental coverage are expanding.

Another giant, Zurich American Insurance Group, has entered the field with a range of environmental policies. Zurich is the third major market for broad environmental coverage, joining the two largest environmental insurers: American International Group Inc. and Reliance Group Holdings Inc.

And a smaller insurer once known for its niche products, United Coastal Insurance Co. of New Britain, Conn., has broadened its offerings significantly and can be considered a fourth market for broad coverages (see story, page 10).

Meanwhile, AIG and Reliance continue to offer new products and higher limits. AIG and Reliance are also expanding product offerings abroad.

With Gov. Bill Clinton and environmental champion Sen. Al Gore soon to take over the White House, "coverages will continue to broaden to include new exposures that will be identified by increased legislation," predicts Barry Persofsky, executive vp of Commerce & Industry Insurance Co., an AIG unit.

Higher limits and new products "just shows further confidence" on the part of environmental insurers, said William Kronenberg, president of Environmental Compliance Services Inc. in Exton, Pa., which writes EIL coverage on behalf of Reliance National Insurance Co. of New York.

"Environmental specialists, such as engineers and geologists are getting into insurance. . .which is why we're seeing a lot more products. These are people who understand the exposures. . . .It's not just a duck shoot. They know what they're doing," said Corinne Woods, account manager and environmental project manager for Sedgwick James of California in San Francisco.

And insurers say they are more confident of the success of EIL products because corporations are becoming better environmental citizens.

Higher limits also demonstrate "reinsurance satisfaction with the results and the underwriting methods we utilize," said Mr. Kronenberg.

Zurich decided "it was imminent and important to have a solid (environmental)

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Libel insurance rates stable despite big awards

By SARA MARLEY

Despite larger court awards, rates for media libel insurance remain flat and capacity is plentiful, though some risk managers want limits above the $15 million now commonly available.

After doubling and tripling in the mid-1980s, libel insurance rates have stabilized at 10% to 20% below their peak levels, underwriters, brokers and risk managers say.

Today libel "is one of the most stable lines in the industry," said Rodger Rudkin, vp and manager of the media liability department of Employers Reinsurance Corp. in Overland Park, Kan., one of the largest libel insurance underwriters.

"It's different from other lines," said Hoyt Wood, senior vp and chief underwriting officer at Employers Re. "At the moment, it's not a hard or soft market. Prices are adequate. I don't anticipate raising prices soon."

"I don't anticipate any overall market turn in the next three or four years," said Michael E. Rekruciak, vp of Alexander & Alexander Service Inc.'s professional services department in Chicago. "Isolated lines are turning," but libel is not likely to be one of those.

"Premium is supporting losses at this point," he said.

A company with a history of claims, though, is "going to pay for it through a larger deductible or premium," warned Christine Sligar, vp of Sedgwick James of California in Irvine.

"The current pricing levels are fair," said Ted Young, corporate risk manager for Cox Enterprises Inc., a media concern based in Atlanta. Before rates shot up in 1986, "the product was grossly underpriced.

"If pricing were to spike dramatically in the same way it did five years ago, it

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EIL niche markets

Continued from previous page
owners and tenants," said Glen E. Sibley, vp and national sales manager at ERIC Group.

ERIC consists of Eric Syndicate, a member of the Illinois Insurance Exchange; a managing general agency; an engineering unit; and a surety company.

ERIC's policy also covers defense costs and the costs associated with third-party property cleanup.

Policy limits per location are $2 million per discovery of contamination/$2 million aggregate or $5 million per discovery of contamination/$5 million aggregate. However, some risks can obtain limits of up to $10 million.

The minimum deductible is $10,000.

The minimum premium ranges from $4,000 to $6,000.

ERIC's property transfer liability coverage has been pre-approved by Fleet Financial Group, which announced in June that it will require environmental insurance for new and renewing commercial real estate loans (*BI,* June 29).

"ERIC is involved in negotiations with 35 of the country's largest financial institutions, as well as property developers, trust companies, banks and insurance companies that are seeking environmental liability protection," ERIC said.

The company offers a modified version of the policy—ERIC Environmental Trust Protection—that is tailored for trust companies.

"When a trust company acts as a fiduciary, in the eyes of the law in most states they become the owner and are almost always the operator or the entity that hires the operator" of a site, Mr. Sibley said. As such, the trust company is "a potentially responsible party" in the event of pollution.

ERIC's product covers beneficiaries of the trust and the trust itself as well as the trust company. Premiums and deductibles are determined by the size of the trust portfolio.

Property transfer liability coverage also has been customized for the International Council of Shopping Centers. The group's 5,400 members develop, own or manage shopping centers. Limits are available up to $10 million per discovery and aggregate, though the standard limit is $1 million.

The minimum deductible generally is $50,000 but is negotiable.

If multiple locations are covered, the minimum premium can be discounted to about $3,000 per location.

The shopping center program also covers new pollution caused by tenants and underground storage tanks. The minimum premium for the tank coverage is $1,700 per tank.

ERIC also plans to market soon coverage for the National Assn. of Industrial & Office Parks that is similar to the shopping center product. The trade group's 6,000 members develop office and light industrial parks.

The coverage will differ somewhat from the shopping center program because office parks do not have environmental exposures like dry cleaners, Mr. Sibley said.

ERIC still is developing its premium and deductible structure for the coverage.

ERIC discontinued its errors and omissions coverage for environmental consultants because that coverage "became generally available last year," Mr. Sibley said.

• Environmental Insurance Services Inc., a Birmingham, Ala., wholesaler, is providing professional liability coverage for small environmental consulting firms generating annual revenues of $500,000 or less.

The coverage, written by Environmental Insurance Services on a managing general agency basis, provides limits of $1 million per occurrence with an annual aggregate of $1 million.

Jack Adams, the firm's president, would not identify the insurer but said it is rated B+ and has surplus of $100 million.

• Environmental Warranty Inc. in West Hartford, Conn., is now offering the environmental site assessment coverage for lenders and property owners that had been offered on a pilot basis by Hartford Steam Boiler Inspection & Insurance Co.

Environmental Warranty is is offering lower limits—$10 million per discovery and aggregate—but the $10,000 minimum deductible and the less than $10,000 minimum premium also are lower for the three-year policy, said Charles W. Perry Jr. its president and CEO. Mr. Perry, formerly manager of Hartford's finance industry group, left the insurer to form Environmental Warranty.

"Hartford's approach (to the coverage) was strictly high-end," with a $25,000 minimum premium, Mr. Perry noted.

But because "the market has moved substantially," the minimum premium is now less than $10,000, he said.

The insurer for Environmental Warranty's product currently is Covenant Mutual Insurance Co. of Hartford.

But Environmental Warranty currently is negotiating with "one of the largest players" in the market to underwrite the policy to increase capacity, Mr. Perry said.

• General Star Indemnity Co. has expanded its petroleum storage tank contractors liability coverage to include petroleum tank remediators, said Ron Austin, vp with the Stamford, Conn., company.

The General Re Corp. unit's policy, which covers pollution and professional liability risks, offers primary limits of $1 million per claim/$1 million aggregate and excess limits of $2 million per claim/$2 million aggregate.

The minimum deductible is $1,000.

The minimum premium is $15,000.

General Star is "investigating the opportunity to expand coverage to environmental consultants and remediators in general," Mr. Austin said.

• United Capitol Insurance Co. recently raised the limits on its commercial general liability coverage that includes pollution coverage for underground storage tank contractors to $5 million per occurrence and aggregate from $1 million.

The Atlanta-based insurer also has extended its contractors pollution liability coverage to remedial action contractors.

The minimum deductible is

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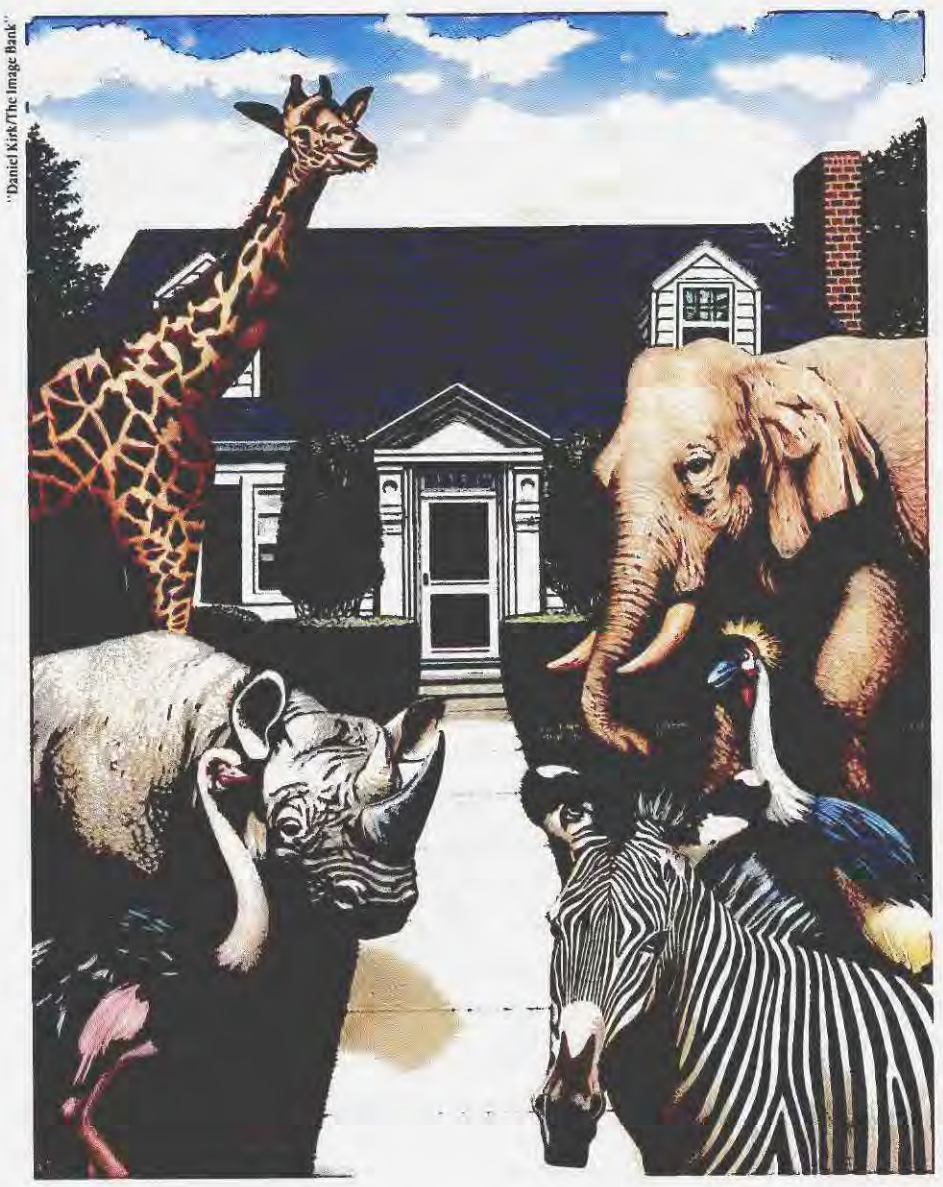

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EIL niche markets

Continued from page 4

$25,000.

The minimum premium is $25,000.

United Capitol also writes professional liability coverage for environmental consultants, asbestos consultants and engineers. Limits have been raised to $2 million per claim and aggregate from $1 million. The minimum deductible is $25,000, and the minimum premium is $40,000.

Defense costs are included within policy limits for all three coverages.

• Agricultural Excess & Surplus Insurance Co. has cut the minimum premium for its "contingent liability policy" for independent petroleum wholesalers.

The policy is designed to protect wholesalers from pollution liability claims filed against gas stations without coverage by claimants—including government agencies—searching for deep pockets.

The coverage provides limits of $1 million per claim and aggregate. The minimum deductible is $50,000.

By halving the minimum premium to $25,000, the company hopes to attract more smaller wholesalers, said Alan Jaeger, a vp.

AESIC also offers claims-made product liability coverage that does not exclude pollution risks. Typical buyers might be manufacturers of gasoline pumps, underground storage tanks or foundry equipment.

AESIC offers $1 million of limits per claim and aggregate on a primary basis, with a minimum deductible of $10,000.

Premiums on claims-made pollution liability coverage for tank contractors are coming down because of marketplace competition and underwriting experience, says Mr. Hardy of Environmental Impairment Insurance Agency.

The minimum premium is $10,000.

AESIC also offers a pollution liability policy for underground storage tank contractors that provides completed operations coverage. Limits are $1 million per claim and aggregate.

The minimum deductible is $10,000.

The minimum premium is $20,000.

AESIC expects to offer a policy covering underground storage tank contractors for on-site pollution within two months, Mr. Jaeger said. It will cover cleanup costs as well as third-party liability while the contractor is on the premises.

• Federated Mutual Insurance Co. of Owatonna, Minn., offers a pollution liability policy that covers general pollution liability exposures as well as both underground and above-ground tank pollution liability coverage.

The site-specific coverage is targeted at petroleum marketers, auto dealers, equipment dealers and specialty contractors.

Federated offers limits of up to $1 million per claim/$2 million aggregate, with defense costs outside limits.

The minimum premium is $5,000 for petroleum marketers with tanks listed on their policies, $1,900 for marketers without scheduled tanks, $500 for non-marketers with scheduled tanks and $250 for non-marketers without scheduled tanks.

Minimum deductibles for petroleum marketers are $25,000, except in California, where they are $50,000. For non-marketers, the minimum deductible is $2,500.

If the pollution incident occurs during the delivery of of home heating oil, the deductible is 25% of the loss, with a minimum deductible of $2,500.

• Universal Underwriters Insurance Co. of Overland Park, Kan., writes an environmental impairment liability policy for auto, truck and parts and implement dealers.

The policy offers limits of $1 million per claim and aggregate. Defense costs are not included within policy limits.

Optional coverage for on-site cleanup is available, but coverage is capped at $25,000.

The minimum deductible is $1,000.

The minimum premium is $1,200.

Companies can obtain the coverage only by directly contacting Universal Underwriter.

• Front Royal Insurance Co. of Sterling, Va., offers broad environmental coverage for country clubs.

The program includes underground storage tank coverage but also offers coverage for non-petroleum pollution releases, including herbicides and pesticides, said Michael Sommer, vp of underwriting.

Limits are $1 million per incident/$2 million aggregate.

The minimum deductible is $25,000.

The minimum premium is $4,500 per location.

The program also includes $500,000 in directors and officers liability coverage for pollution-related claims.

To be eligible for this coverage, the policyholder must purchase Front Royal's other two parts of the environmental coverage program.

The minimum deductible is $10,000.

The standard premium is $1,000.

• Environmental Impairment Insurance Agency of Hillsboro, Wis., has slashed the premium on its claims-made pollution liability coverage for tank contractors.

The minimum premium is $5,000, down from $12,500 last year. Premiums are coming down because of competition in the marketplace and because of underwriting experience, said Ed Hardy, the agency president.

Limits are $1 million per claim/aggregate and the coverage is written on a surplus lines basis through various insurers.

The minimum deductible is $1,000.

The group also has added E&O coverage for tank testers, with limits of $1 million per claim and aggregate.

The minimum deductible is $1,000.

The minimum premium is

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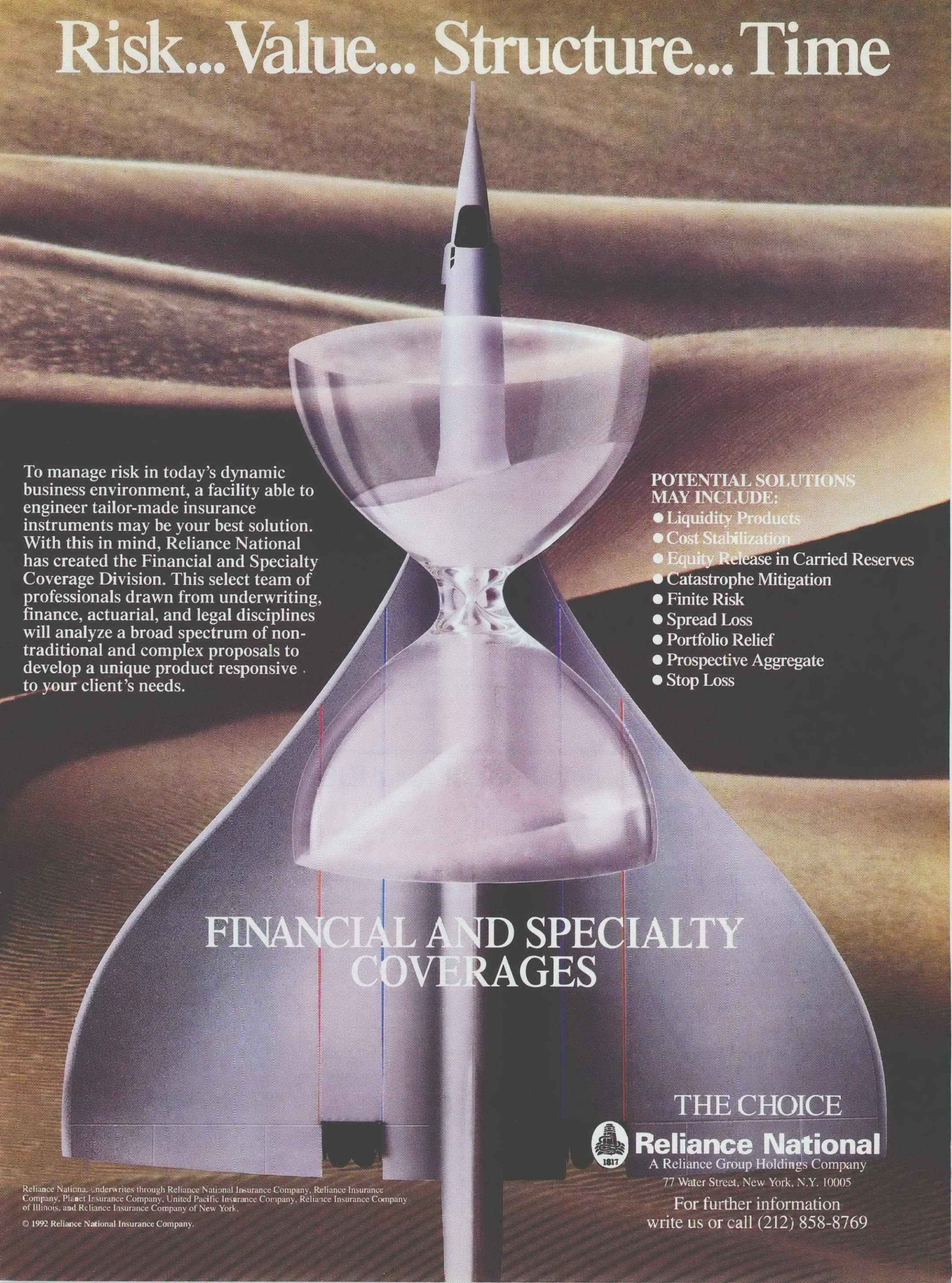

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Opinions

Let us give thanks

THE HOLIDAY SEASON is already upon us. With the aroma of turkey and pumpkin pie in the air, let us pause before enjoying our Thanksgiving feast to give thanks for many things:

• For property/casualty insurance prices, which have been low throughout 1992. Although the future course of the marketplace is uncertain, let us hope that any rate hikes at year end, if necessary, will be modest rather than steep.

• For the 102nd Congress, which treated employer-sponsored benefit plans with a much more gentle hand than some of its predecessors. While it is disappointing that pension simplification and other legislation that would have helped employers was not passed by this Congress, lawmakers did not approve any COBRA- or Section 89-like legislation that would cause benefit managers major headaches.

• For those who have unflaggingly worked to reform the civil justice system. Tort reform is an issue easy for risk managers to forget during a soft insurance market. Let's remember those who have continued to work for change and vow that we will remember to keep writing our legislators to remind them of the importance of tort reform to businesses.

• Likewise, for those who have worked to reform the troubled workers compensation system. Even-handed workers compensation reform will benefit everyone, employers and employees alike, since the money saved can be directed to expansion of business and, therefore, jobs.

• For the moderation in health care cost increases. Frankly, it's tough to give thanks for double-digit inflation, but the reality is that health care costs are rising less rapidly compared with several years ago. That's a holiday gift that every benefit manager can enjoy.

• For the election of Bill Clinton, which could signal meaningful reform of the health care system in a way that will benefit all parties, especially the employers that pay a huge share of the nation's health care bill.

• For what did not occur. While Hurricane Andrew was the most devastating storm on record and Hurricane Iniki ranks with the worst, we can be thankful that they were not as destructive as they could have been. Let's hope that the misery caused by these two storms will prompt officials to tighten building codes in hurricane-prone areas to encourage storm-resistant construction.

Finally, let's remember to give thanks, from the bottom of our hearts, to our co-workers, without whom we could not do our jobs.

Letters

Values, fairness and a new benefit for AIDS

To the editor: We were disturbed to see the questions of "value and fairness" regarding HIV benefits for health care workers that were raised in "AIDS Benefit Questioned" (*BI,* Oct. 12).

As reinsurance intermediaries for the first domestically approved HIV benefit, we find the Harvard University plan a bold first step clearly in the best interests of the health care profession and the public. The National Commission on AIDS concurs in its July report, stating:

"The commission believes that physicians and other health care workers may not ethically avoid treating HIV-infected patients; it therefore encourages the development of insurance and other approaches designed to eliminate or minimize possible career or economic losses that might act as deterrents to providing care for HIV-infected patients."

We do agree with one of the people interviewed in the story regarding the risks associated with designating the infection as a result of an occupational accident. We feel this designation opens that way for litigation under the occupational disease provisions of workers compensation laws.

There is available in the marketplace a form of coverage that pays a benefit upon positive test for the infection regardless of cause, other than for three exclusions. This coverage lessens the possibility of occupational disease litigation, provides more of a public and professional service and eliminates the "good victim vs. bad victim" distinction.

Michael J. Carey
Vp
William R. Carey & Co. Inc.
Upper Saddle River, N.J.

* * *

To the editor: "AIDS Benefit Questioned" clearly outlines the mixed opinions benefit professionals have toward the issue of communicable disease protection for health care workers.

Careful examination shows that employers and employees have vested interests that currently are not met by traditional risk management and employee benefit programs.

Employers feel an obligation to recognize employees' occupational risks and need a pro-active vehicle to encourage infected employees, from whatever the source, to indentify themselves without attendant risk of serious financial loss. This process allows employers to manage their liability exposures and public image while remaining sensitive to employee needs.

Employers have to balance the coverage's cost and perception that occupational HIV risks are low against:

• Increasing non-occupational infection rates.

• The cost of rebuilding a facility's public image.

• The cost of follow-up testing for all past patients treated by HIV-positive staff.

Employees who become HIV-positive on or off the job typically won't be eligible for disability benefits until they become AIDS-symptomatic, which could take five or 10 years. Early retirement usually carries substantial penalties. Living benefits riders under life insurance plans usually require "terminal" illness. Unforeseen medical, legal and counseling costs further strain cash reserves and required modification of professional duties can limit future income potential.

While we applaud Harvard University's progress, the scope and amount of HIV/AIDS coverage clearly is inadequate.

Hepatitis B is an equally severe risk. It is more virulent than the HIV virus and can result in chronic disease and death. Also, statistics indicate up to 10% of those infected with Hepatitis B become "carriers" representing a potentially severe risk to patients paralleling HIV's impact. Safety and vaccination procedures certainly offer substantial protection but are not foolproof.

We feel that communicable disease protection soon will become a valuable part of health care facilities' risk management and employee benefit packages.

Dennis A. Sandole
President
American Special Risk Management Corp.
Cherry Hill, N.J.

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EIL niche markets

Continued from page 6

$2,500.

The purchasing group also offers third-party liability coverage for landfill operators in Wisconsin, Illinois and Michigan.

Limits are $1 million per claim and aggregate, with a minimum deductible of $25,000. The minimum premium is $5,000.

The group also offers coverage for hazardous material haulers. Limits are $1 million per claim and aggregate, with a minimum deductible of $1,000 per vehicle.

The minimum premium is $500 per vehicle.

• St. Paul Fire & Marine Insurance Co. of St. Paul, Minn., offers sudden and accidental above-ground pollution coverage to commercial risks from golf courses to high-tech businesses.

St. Paul writes $1 million of limits per claim and aggregate, with defense costs included within policy limits.

The policy covers incidents that happen on or above the surface of the land, in the basement floor of any building, and in any waterway or body of water.

To qualify for coverage, a pollution incident must: result from an accident, begin and end within 72 hours, occur on or after the policy's retroactive date, and result in environmental damage. Damage to a policyholder's own property and claims stemming from pollution caused by infectious wastes, like contaminated syringes, are excluded.

There is no deductible.

The minimum premium is $150 for low-hazard risks; $250 for moderate risks; and $500 for high risks.

• Chubb Corp. of Warren, N.J., has increased the limits on the pollution liability coverages that it writes for its coal, oil, gas and power generation policyholders as part of other coverage.

Limits of $2 million per claim and aggregate are now available, up from $1 million. Defense costs are outside of policy limits.

The minimum deductible is $10,000 per claim. The minimum premium is $1,500.

Chubb also is preparing to introduce pollution liability coverage for power generation policyholders that also would cover on-site as well as third-party cleanup costs.

Limits will be $1 million per claim/$2 million aggregate. Separate defense limits will be $50,000 per claim/$1 million aggregate, with a minimum deductible of $25,000. The minimum premium will be $15,000.

• X.L. Insurance Co. Ltd. and ACE Ltd. of Bermuda also offer for sudden and accidental pollution coverage as part of their excess general liability form, although not on a stand-alone basis. X.L. covers only incidents that the policyholder learns of within seven days and reports to the insurer within 40 days.

ACE also covers only incidents that the policyholder learns of within seven days. But it has extended the reporting period to 40 days from 20 days.

• Shand, Morahan & Co. has halved the minimum premium and deductible—both to $25,000—on its professional liability policy for environmental consultants due to "the good results of the line," according to John Moore, senior professional. The coverage, written by Evanston Insurance Co., has limits of $1 million per claim and aggregate.

BI

United Coastal Insurance Co. expands environmental product line

United Coastal Insurance Co. of New Britain, Conn., has significantly increased its environmental products offerings and can be considered a fourth major market for broad coverage.

Referring to United Coastal's expanded product line, President Henry Nozko Jr. said, "We were the first in this business and we have an engineering and construction background. We always felt that even though it is a high-risk business, it can be underwritten in an intelligent manner and priced accordingly."

New from United Coastal is environmental impairment liability coverage for companies that store and treat hazardous materials. This would include any manufacturer that uses hazardous materials in production and stores them on site, for example.

Limits for sudden and accidental spills are up to $4 million per claim/$6 million aggregate. The minimum premium is $100,000 and the minimum deductible is $10,000.

The policy can also cover gradual pollution. Minimum premiums and deductibles would be about 25% greater than those for sudden pollution coverage.

Also new from United Coastal is pollution liability for hazardous materials transporters. The policy covers only sudden and accidental incidents.

Limits are $2 million per occurrence/$5 million aggregate. The minimum premium is $75,000 and the minimum deductible is $20,000.

United Coastal has also introduced environmental impairment liability coverage for owners of hazardous waste landfills. Limits are $6 million per occurrence/aggregate. The minimum premium is $125,000 and the minimum deductible is $25,000 for sudden and accidental pollution coverage. There is a 35% increase in premium and a 50% increase in deductibles for gradual pollution coverage.

United Coastal also offers a claims-made pollution liability policy for contractors that covers only sudden and accidental pollution. The insurer will write up to $7 million of primary limits per claim/$7 million aggregate. The policy also covers on-site cleanups. Defense costs are covered within policy limits.

The minimum deductible is $5,000 and the minimum premium is $10,000.

Coverage for gradual pollution can be provided for a minimum premium of $60,000.

E&O coverage for environmental consultants and engineers is also available. Maximum limits are $7 million per claim/aggregate. Defense costs are covered within policy limits.

The minimum deductible is $5,000 and the minimum premium is $40,000.

—By Louise Kertesz

Just
because the
cycle turns
upward,
why should
your premiums
follow?

Broad EIL coverage

Continued from page 3

program" for commercial clients worldwide, who were becoming increasingly concerned about environmental liability, said John Amore, executive vp at Zurich American Specialties Division in New York.

Mr. Amore is the former president of Commerce & Industry, the AIG unit.

"About six months ago, Zurich started to build a team of people and put together several insurance products and built capacity to provide environmental coverage for the U.S. marketplace," he explained. "We see this as just the beginning for us."

AIG, considered the largest player in the market, has doubled capacity for its broad environmental impairment liability coverages and increased capacity on other policies.

The EIL policy for larger policyholders is designed for companies with heavy pollution exposures, like chemical plants.

The site-specific policy covers pollution occurring after the effective date of the initial policy. Limits of $40 million per claim/$40 million aggregate are available, up from $20 million last year.

Defense costs can be covered either within or outside policy limits. In either case, defense cost coverage is capped at 25% of the aggregate limit. The minimum deductible is $50,000 and the minimum premium is $17,500.

For smaller policyholders, AIG offers broad EIL coverage with limits of $1 million per claim/$1 million aggregate. The minimum premium is $5,000 and the minimum deductible is $25,000.

AIG has also introduced what Dawn Hallett, a vp with Rollins Hudig Hall Inc. in Washington, calls a "seamless" or integrated product which combines traditional pollution legal liability insurance with self-funding components for both on- and off-site cleanup.

AIG's new integrated product, which it calls the "Environmental Protection Program," is an extension of its EIL coverage and is targeted at larger policyholders. Certain sites are covered on an insured basis and other sites —which are not yet insurable for various reasons—are self-insured.

But, Ms. Hallett explained, "As things are cleaned up and the risks become qualified, they can be moved from the self-funded to the insured side."

Limits for EPP coverage are $40 million per claim/aggregate for the insured sites. "The funded limit is whatever the insured is comfortable funding," said Kenneth Cornell, a C&I vp.

Premiums and deductibles are tailored to each individual program, he said.

AIG, in conjunction with Nippon Fire & Marine Insurance Co. and Yasuda Fire & Marine Insurance Co. Ltd., has jointly developed an EIL product for Japan. The coverage, which is similar to policies marketed in the United States, is designed for Japanese companies as well as multinationals doing business in Japan.

AIG has also established a dedicated environmental insurance staff in its London office. This "positions AIG to further expand the market for EIL insurance products in the U.K.," AIG said in a release.

AIG expects to expand product offerings in other countries "based on the needs of the markets," Mr. Cornell said.

AIG also offers a waste transportation endorsement to its pollution legal liability policies, which covers pollution caused by waste sent by its policyholders to a non-owned site.

Limits have been increased to $2 million per claim/$2 million aggregate from $1 million last yea, and "we can consider going higher," Mr. Cornell said. The minimum premium is $5,000.

"Whenever we could tailor (the EIL) product to a specific industry, we have tried to do that," said Mr. Cornell. For example, AIG writes an EIL program for members of the American Hospital Assn. and other health care facilities, with a lower minimum premium of $10,000 and a lower minimum deductible of $20,000.

The program offers hospitals coverage for pollution due to the escape of medical or infectious wastes. Limits have been increased to $40 million per claim/aggregate from $20 million last year and covers both sudden and accidental and gradual pollution, said J.R. Johnson, an account executive at AHA Insurance Resource Inc. in Chicago.

AIG also offers an endorsement to commercial property coverage that raises on-site pollution cleanup limits to $1 million from the $10,000 pollution cleanup limits typically offered on standard commercial property policies.

It provides for the cleanup of land and water in the event of damages caused by a covered peril, like fire or flood, named in the property policy.

AIG has also added an endorsement with a sliding-scale premium to its product tailored for members of executive committees that manage the cleanup of Superfund sites. The endorsement covers the 12 months after the scheduled U.S. Environmental Protection Agency site reinspection, said Adrianne Cronas, vp at Minet Insurance Brokerage Services in Paramus, N.J., a unit of Minet Holdings P.L.C.

The coverage, available exclusively through Minet, is modeled after directors and officers liability coverage. It protects the members of Superfund committees from losses they are legally obligated to pay as a result of an alleged wrongful act.

The claims-made policy offers $1 million limits per claim/aggregate. The minimum retention is $10,000, and the minimum premium for the entire committee is $25,000. Defense costs are included within the limits.

AIG is trying to provide $2 million in excess coverage through the London market, Ms. Cronas said.

AIG also writes contractors pollution liability coverage. AIG offers $10 million of primary limits per claim/aggregate, and could go higher in individual cases, Mr. Cornell said.

Defense costs are covered either within or outside policy limits, at the policyholder's discretion. If they are covered outside policy limits, defense costs are capped at 25% of the aggregate limit.

The minimum deductible is $25,000 and the minimum premium is $25,000. Completed operations coverage, which can be arranged, has been extended to

Continued on next page

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Broad EIL coverage

Continued from previous page
five years.

AIG also offers cleanup contractors errors and omissions coverage. Limits have been increased to $10 million per claim/aggregate on a primary basis from $5 million. Defense costs are covered within policy limits. The coverage has been expanded to include accounts with premiums and deductibles as low as $25,000.

A new product from C&I is a contractors operations and professional services policy, a combination of contractors pollution liability coverage and E&O coverage, designed for smaller policyholders. Premiums, deductibles and limits for the combined product are the same as for either product separately.

AIG writes environmental remediation insurance, which is a first-party coverage that protects property owners and their lenders from losses resulting from existing environmental damage undiscovered prior to a real estate purchase.

This year the policy has been enhanced to include incidents occurring after the inception of the policy as well as third-party cleanup costs.

The property purchaser would buy the policy, but the lender can be names as an additional insured. The coverage is also available to trusts that own property.

Limits have been increased to $10 million per single site loss from $5 million. Multisite policy limits can be negotiated with higher aggregate limits of "around $40 million," Mr. Cornell said.

The minimum premium is $20,000, and the minimum deductible is $10,000.

Another new product from AIG is lenders environmental protection insurance for real estate loan portfolios. It is designed to protect commercial banks when a loan default occurs and a previously unknown pollution condition is discovered on real property securing the loan.

The policy insures the outstanding loan balance as of the date of default, subject to an independent inspection verifying that pollution cleanup costs exceed the outstanding balance of the loan.

The coverage is tailored for commercial banks with total assets exceeding $500 million. Limits of up to $10 million are available.

Both the minimum premium and the minimum retention are determined during the underwriting process, based on the policyholder's loan portfolio. Limits of $10 million per loss/aggregate are available.

Another new product from AIG is directors and officers pollution insurance. The product fills the gap caused by the pollution exclusion in all domestic D&O policies and protects both the personal assets of directors and officers as well as the corporate treasury.

Limits are $10 million per claim/aggregate. There is no minimum premium, because the coverage is individually underwritten, but the premium would be less than for standard D&O coverage, AIG says.

Meanwhile, Reliance National has increased limits on its environmental coverages "across the board" and is offering several new products, said Mr. Kronenberg.

Reliance has increased its first-party pollution cleanup policy limits to $10 million per loss/$20 million aggregate, up from $5 million per loss/aggregate.

ECS's policy form can be tailored to indemnify an operator, buyer/seller or a financial institution. The coverage is site-specific.

The coverage is offered nationwide and has a minimum premium of $10,000 for $1 million in limits and a minimum deductible of $25,000.

Reliance will soon announce a comprehensive environmental restoration policy which "for the first time combines first- and third-party liability coverages into one policy form," Mr. Kronenberg said.

Limits are $10 million per occurrence/$20 million aggregate. The minimum premium is $10,000, and the minimum deductible is $25,000.

In addition, ECS offers a property insurance policy that includes $1 million in on-site pollution cleanup coverage for clients like environmental consultants; treatment, storage and disposal facilities; incinerators; hazardous waste and materials transporters; and others. The cleanup limit was increased from $10,000 last year.

Property limits of $15 million are available in-house, and higher limits can be arranged.

Reliance National also writes third-party pollution liability coverage for virtually all types of businesses and industries.

The company will write $10 million of limits per claim with a $20 million aggregate on a site-specific basis, up from $5 million/$10 million. All covered locations must be specified in the policy.

Defense costs are covered within policy limits, except when prohibited by applicable state law.

The minimum deductible is $25,000 and the minimum premium is $20,000. There is a one-year extended reporting option.

Reliance National also writes contractors pollution liability coverage for for all types of contractors, such as construction, electrical and cleaning contractors, as well as waste cleanup firms.

Limits have been increased to $10 million per claim/$20 million aggregate on a blanket basis from $5 million per claim/aggregate. On a per-project basis, limits have also been increased to $10 million per claim/$20 million aggregate, from $5 million/$10 million.

All covered operations must be specified on the policy.

In addition, a policyholder's clients may be listed as additional insureds. Defense costs are covered within policy limits.

For either blanket or project-basis coverage, the minimum deductible is $25,000 and the minimum premium is $20,000. A one-year extended reporting period option and completed operations coverage are available.

Reliance National also writes professional liability errors and omissions coverage for environmental consultants. Up to $10 million per claim/$20 million aggregate are available on a blanket basis, up from $5 million; and $10 million per claim/$20 million aggregate are available on a per-project basis, up from $5 million/$10 million. Defense costs are covered within policy limits. A one-year extended reporting period option is available.

The minimum deductible is $25,000 and the minimum premium—for a $1 million-limit policy—is $25,000.

A multiyear coverage option is available for a term of up to three years for a specific project with maximum limits of $5 million per claim/$10 million aggregate. The minimum premium is $100,000 and the minimum deductible is $50,000.

This year, Reliance National is offering E&O coverage to smaller consultants with $1 million in limits per claim/aggregate. The minimum premium is $10,000 for a $1 million limit on a blanket or per-project basis. There is a $15 million minimum deductible on a blanket or per-project basis.

The consultant must have minimum projected gross receipts of $250,000.

Reliance National writes a policy for consultants that combines pollution liability and professional liability coverages. The insurer offers limits of up to $10 million per claim/$20 million aggregate on a blanket basis, up from $5 million; and $10 million per claim/$20 million aggregate on a per-project basis, up from $5 million/$10 million.

Defense costs are covered within policy limits. The minimum deductible is $25,000. The $20,000 minimum premium is based on a $1 million policy limit. Terms of up to three years are available.

A one-year extended discovery period option and completed operations coverage are available.

Reliance is now also offering bid and performance bonds to environmental consultants and contractors that have pollution coverage in force from ECS Underwriting. "The traditional marketplace for bid and performance bonds has not responded overwhelmingly to requests from these contractors," Mr. Kronenberg noted.

Available limits are $5,000 per job and $10,000 for all jobs in progress, with higher limits available upon request.

In addition, Reliance National writes professional liability coverage for environmental laboratories whose business is at least 50% environmental analysis. Limits of $500,000 per claim/aggregate or $1 million per claim/aggregate are available. Defense costs are within policy limits.

The $500,000 limit policy requires a $15,000 minimum deductible and a $15,000 minimum premium. The $1 million-limit policy requires a $25,000 minimum deductible and a $25,000 minimum premium.

A one-year extended reporting period is available.

Reliance National also offers claims-made general liability insurance for chemical distributors without the usual absolute pollution exclusion.

Reliance National and ECS have opened a new facility in London that will "initially be able to provide all of the same environmental coverages offered currently in the U.S., modified to meet the specific differences between our regulations and those of the U.K.," Mr. Kronenberg said.

Limits of 5 million pounds ($7.8 million at current exchange rates) per occurrence/aggregate will be available.

"This is our launching pad for the opening of business to the entire European community," he said.

ECS and Reliance National's Risk Management Services Division have also joined together to

Continued on next page

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COVERAGE MAY NOT BE AVAILABLE IN ALL STATES

Continued from previous page
provide a new facility to assist large accounts with environmental management needs.

The facility will assist major environmental or industrial firms that have exposures greater than Reliance's current limits of $10 million per occurrence/$20 million aggregate to develop risk management techniques and large deductible programs, Mr. Kronenberg said.

Meanwhile, Zurich—with the expertise of top-level environmental staff like Mr. Amore hired from American International Group Inc. —offers environmental impairment liability coverage with $30 million in limits per claim and aggregate. The claims-made product covers third-party bodily injury and property damage.

There is no minimum premium and the minimum deductible is $25,000.

"We target the hazardous waste industry and the full range of industrial clients," Mr. Amore said.

Zurich's policy is not to establish a minimum premium for any single product. But the minimum premium for a policyholder's entire account with Zurich is $50,000.

Zurich also offers environmental contractors pollution liability with limits of $10 million per claim/aggregate. The minimum deductible is $25,000.

The insurer provides an additional liability limit of up to $10 million for completed operations for up to three years, Mr. Amore said. Normally the limit for completed operations is included within the policy limits, he pointed out.

Zurich also offers E&O coverage for environmental engineers and consultants, with limits of $5 million per claim/aggregate. The minimum deductible is $50,000.

Zurich is also working on developing a "seamless" or "integrated" pollution insurance product. It will offer a policyholder traditional risk transfer for certain exposures and help the policyholder cover other exposures through self-funding and other methods, said Ken Berger, assistant vp at Zurich American Specialties.

The product is similar in concept to AIG's EPP product, but will incorporate "new ideas" in coverage, he said. BI

UST coverage

Continued from page 3
Raton, Fla.-based U.S. Risk of Florida Inc., a subsidiary of U.S. Risk Insurance Group Inc. Many tank owners and operators believe that their risk is minimal, and that state funds are sufficient for their needs, Mr. Egan explained.

U.S. Risk stopped offering the coverage last summer.

"There's no apparent compelling reason for non-marketers to purchase this insurance," because they are not required to comply with the U.S. Environmental Protection Agency's financial responsibility requirements until the end of 1993, noted Charles North, assistant vp and manager of special risk underwriting for Shand, Morahan & Co. in Evanston, Ill. Shand Morahan has not offered UST coverage since October 1991.

Petroleum marketers owning one to 12 tanks at more than one facility or fewer than 100 tanks at a single facility and non-marketers with less than $20 million in net worth do not have to comply with the EPA's financial responsibility requirements until Dec. 31, 1993.

All other tank owners and operators are required by the EPA to prove they can pay for on-site cleanups and third-party damages resulting from tank leaks (see story, page 18).

The EPA requires owners and operators of underground petroleum storage tanks to purchase coverage with limits of up to $1 million per claim and $2 million aggregate, depending on the owner's size. The coverage also must meet other EPA requirements.

Several insurers offer UST coverage that satisfies the EPA's rules.

New York-based Commerce & Industry Insurance Co., a unit of American International Group, Inc., in September added on-site cleanup coverage to its UST policy to satisfy EPA regulations. Limits of up to $5 million per claim/$5 million aggregate are available.

Although the coverage currently is available in only a handful of states, C&I expects nationwide availability by next spring, said Peggy Cullen, product line manager for the UST group.

"We see opportunity" in this market, said Joseph Palumbo, C&I's national director of marketing.

The minimum premium is $2,000 per location and the minimum deductible is $10,000. The product is available through Sedgwick James of Pennsylvania and through C&I's headquarters.

C&I also offers a special UST program in Florida to operate in conjunction with the state's financial assurance trust fund.

Agricultural Excess & Surplus Insurance Co., a subsidiary of Great American Insurance Co. of Cincinnati, offers EIL coverage for both above-ground tanks and USTs.

The policy, which satisfies EPA regulations, is available in all states except Delaware and Rhode Island. Limits of up to $10 million per occurrence/$10 million aggregate are available.

The coverage is available on either a basic policy or a broad policy form.

Under the basic coverage, the $2 million aggregate limit applies per policy rather than per insured site as under the broad policy. And, the optional extended reporting period is six months under the basic policy, compared with 12 months under the broad policy.

The broad policy also includes coverage for loading and unloading of USTs and covers pre-existing pollution that becomes known during the policy term.

The minimum premium for the basic policy is $2,500, compared with $3,500 for the broad coverage. The minimum deductible for both policies is $5,000.

AESIC is "guardedly optimistic" about the future of the UST market, commented Michael Ryan, vp of EIL. "We are at least optimistic enough that we're going to stick with it."

Other UST insurers are less enthusiastic.

Demand for UST coverage is "pretty flat," commented Michael Sommer, vp of underwriting for Front Royal Insurance Co. of Sterling, Va. "The extension of the last deadline

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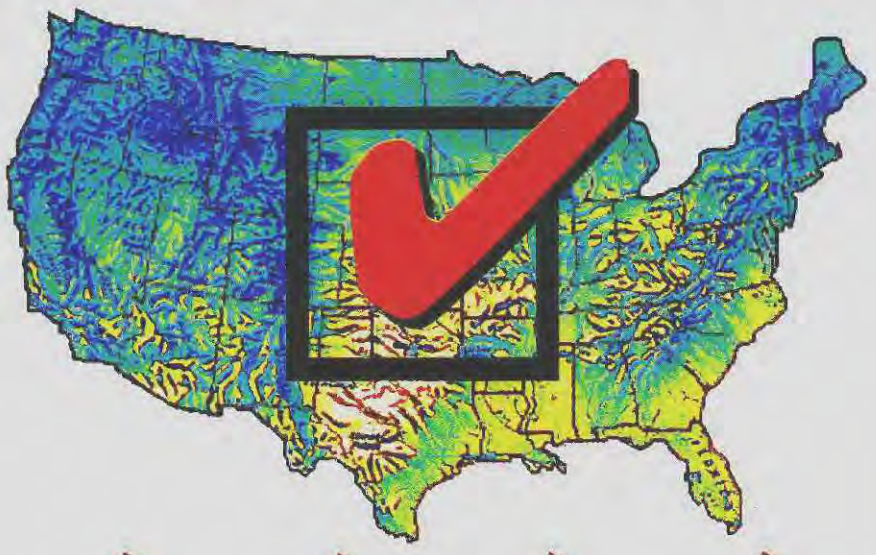
Executives Vote For BI



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UST coverage

Continued from previous page
killed any enthusiasm for the coverage."

Front Royal's UST coverage satisfies the EPA requirements and is available in 24 states. The minimum premium is $1,500 for both USTs and above-ground storage tanks, and the minimum deductible is $25,000.

Tank owners and operators "are not going to buy (coverage) until they have to," said Ed Hardy, president of Environmental Impairment Insurance Agency in Hillsboro, Wis.

Mr. Hardy said that Environmental Impairment has approximately 300 UST coverage policyholders, but most of the policyholders only bought the coverage because it was required by their lending institutions.

Environmental Impairment's UST coverage satisfies all EPA requirements and is available in all 50 states. It is underwritten by American International Surplus Lines Insurance Co. in New York. The minimum premium is $1,500 per location, and the minimum deductible is $10,000.

The Planning Corp., of Reston, Va., is the exclusive broker for a Lloyd's of London facility that writes UST and above-ground petroleum storage tank coverage. The Planning Corp. provides the standard primary limits required by the EPA and offers $1 million per claim/$2 million aggregate in excess limits.

The minimum premium is between $1,000 and $2,500, depending on the state and the arrangement of a state trust fund. The minimum deductible is $25,000 or $50,000, depending on the state.

There isn't a lot of activity in the UST market, said Kathryn Martin, vp of The Planning Corp. "The people who were going to buy insurance did it years ago, and they generally stay with the same insurer."

However, "the largest number of tank owners just don't buy insurance," she said. "It's just a matter of attitude."

Despite the EPA regulations, tank owners "just look the other way because of the lack of enforcement," she stated.

Oilmen's Insurance Plan, a small Bermuda-based specialty reinsurer for petroleum marketers, also offers UST coverage, but the product is "not being bought," said Peter Gerken, senior vp.

Mr. Gerken, who operates from Teaneck, N.J., offered two explanations: "Markets are relying on state trust funds" and "no one is seriously pressing the tank owners to do anything."

The Oilmen's coverage satisfies the EPA regulations and is available in 45 states. The minimum premium is $3,500 and the minimum deductible is $25,000.

Federated Mutual Insurance Co., of Owatonna, Minn., writes UST coverage in 15 states. Federated's underground and above-ground storage tank coverage is offered as part of its site-specific pollution liability coverage (see story, page 3).

Tank Owners Insurance Co. of Texas, a Vermont-domiciled risk retention group, writes UST coverage only in Texas. The policy covers third-party liability only and wraps around the Texas state trust fund, said Jess Alonso, director of marketing.

Capitalization requirements for joining the risk retention group are $325 per tank. The minimum deductible is $2,500.

The risk retention group has insured more than 13,000 tanks for 600 companies in the state and writes about $4.5 million in premium, Mr. Alonso said.

United Coastal Insurance Co. of New Britain, Conn., offers UST coverage with limits up to $5 million per occurrence/$5 million aggregate at a minimum premium of $1,850 per tank. The minimum deductible is $20,000. The policy is available in 46 states.

Another player in the UST market is CIGNA Corp.

CIGNA's program, which is available in all states except New Jersey and Florida, is underwritten by either Illinois Union Insurance Co. or California Union Insurance Co. There is a $1,000 minimum premium for each tank and the minimum deductible is $1,000.

Owners and operators of USTs and above-ground storage tanks sometimes can look to their general liability insurers for EIL coverage.

For example, Warren, N.J.-based Chubb Corp. offers UST coverage "in conjunction with writing other insurance for a particular client," said Peter Thompson, underwriting manager. The minimum premium is $3,000 and the minimum deductible is $10,000. The policy satisfies all EPA regulations and is available in approximately 35 states. BI

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State UST trust funds face future money drain

Funds in 29 states approved by EPA

By DEBORAH SHALOWITZ

Many of the federally certified state funds that provide pollution coverage for owners and operators of underground petroleum storage tanks may be on shaky financial ground.

At least one state trust fund—the Texas Petroleum Storage Tank Reimbursement Program—has stopped paying for some cleanups.

Despite problems, the trust funds remain a popular method for UST owners to satisfy federal financial responsibility requirements (see story, page 18).

And, while many predict that state trust funds' financial problems will continue, some funds are operating successfully.

Trust funds have been approved by the U.S. Environmental Protection Agency in 29 states: Alabama, Arkansas, Connecticut, Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont and Wyoming.

Not all these funds satisfy all the EPA requirements. For ex-

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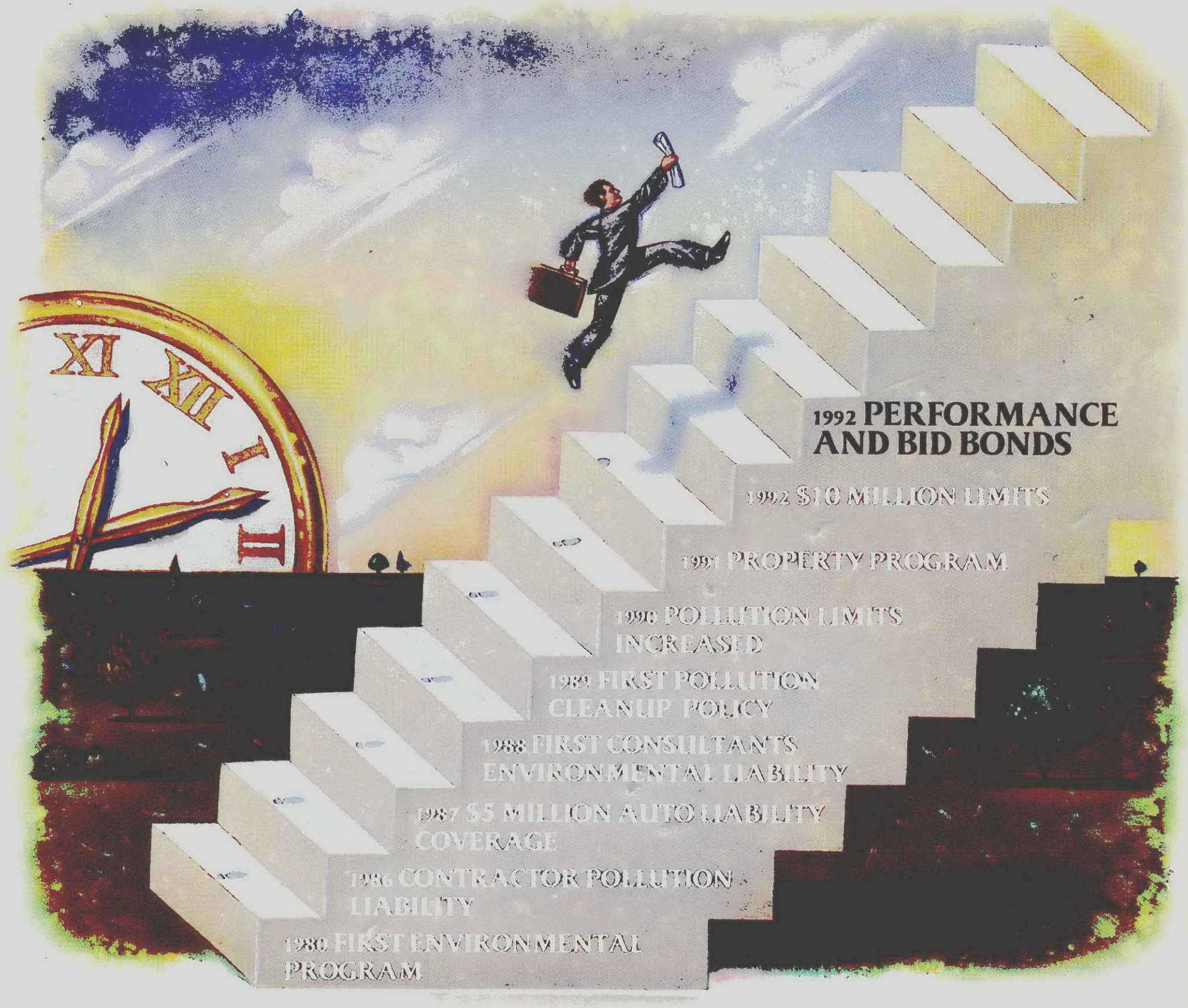

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State UST funds

Continued from page 14

ample, many state funds require a deductible to be met.

And, in some states, the trust fund does not provide third-party liability coverage or cover defense costs.

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

Seven other states operate state financial assurance funds that have not applied for EPA approval: Alaska, Arizona, Delaware, Indiana, Missouri, Pennsylvania and West Virginia.

The remaining states and the District of Columbia do not have a state financial assurance program: Hawaii, Maryland, New Jersey, New York, Oregon, Rhode Island and Washington.

Washington has a state program that reinsures tank owners and operators for cleanup costs exceeding $75,000 per occurrence (*BI,* Feb. 25, 1991).

'They will all pay sooner or later because they have the power of taxation. I don't see a lot of (funds) totally going bust and not fulfilling their obligations. It just may be later than people had hoped,' says Ms. Bouska.

Many of the state funds are in serious financial trouble and even the healthy ones could eventually run into financial problems, several experts point out.

"The funds in general are not funded well," said Amy Bouska, a principal in the Arlington, Va. office of Tillinghast, a division of Towers Perrin.

"I definitely think (the state funds are) all going to start having trouble," said Nancy Self, manager of the UST division for broker Crump E&S Group Inc. of Dallas.

"By and large it won't work in the long run for many" of the state funds, predicted Dawn Hallett, vp and manager of the environmental risk division of Rollins Hudig Hall Inc. in Washington.

One reason is that EPA regulations requiring tank owners to upgrade or replace their storage tanks "are accelerating how many leaks are being discovered," she noted. "When you dig up a tank, there usually is a leak."

"One of the reasons people don't upgrade their technology is that they're pretty sure the tank is leaking and they don't want to find it," agreed Ms. Bouska.

In addition to having to clean up more contaminated sites than they had expected, state funds are facing cleanups that cost more than anticipated.

In Texas, for example, "the demand on the fund has been astronomical over the past year," stated Dianna Gordon, director of fiscal management for the Texas Water Commission, which is in charge of the Petroleum Storage Tank Reimbursement Program.

At the end of October, the program had a deficit of $138 million and is cleaning up only priority sites where the contamination threatens human health or seriously threatens the environment, she said.

"We didn't have a handle on the costs associated with remediating a site," Ms. Gordon noted.

The fund generates about $5 million per month in revenue from a 0.6 cent tax on each gallon of motor fuel sold in the state. That tax may be raised next year.

There are 145,000 registered USTs in Texas, and the state has reports of almost 13,000 sites with contamination, noted Barry Williams, director of the petroleum storage tank division.

Last summer, the division figured that an average site cleanup cost approximately $80,000, yielding a total cleanup bill of $1.04 billion for leaks reported to the state so far.

"When I look at the financial statement today it looks pretty bleak," Ms. Gordon admitted. "But I feel very optimistic that there will be a solution," she said, adding that Texas is "very environmentally aware."

Just because a state fund is strapped does not mean that it is going to go under, Ms. Bouska pointed out.

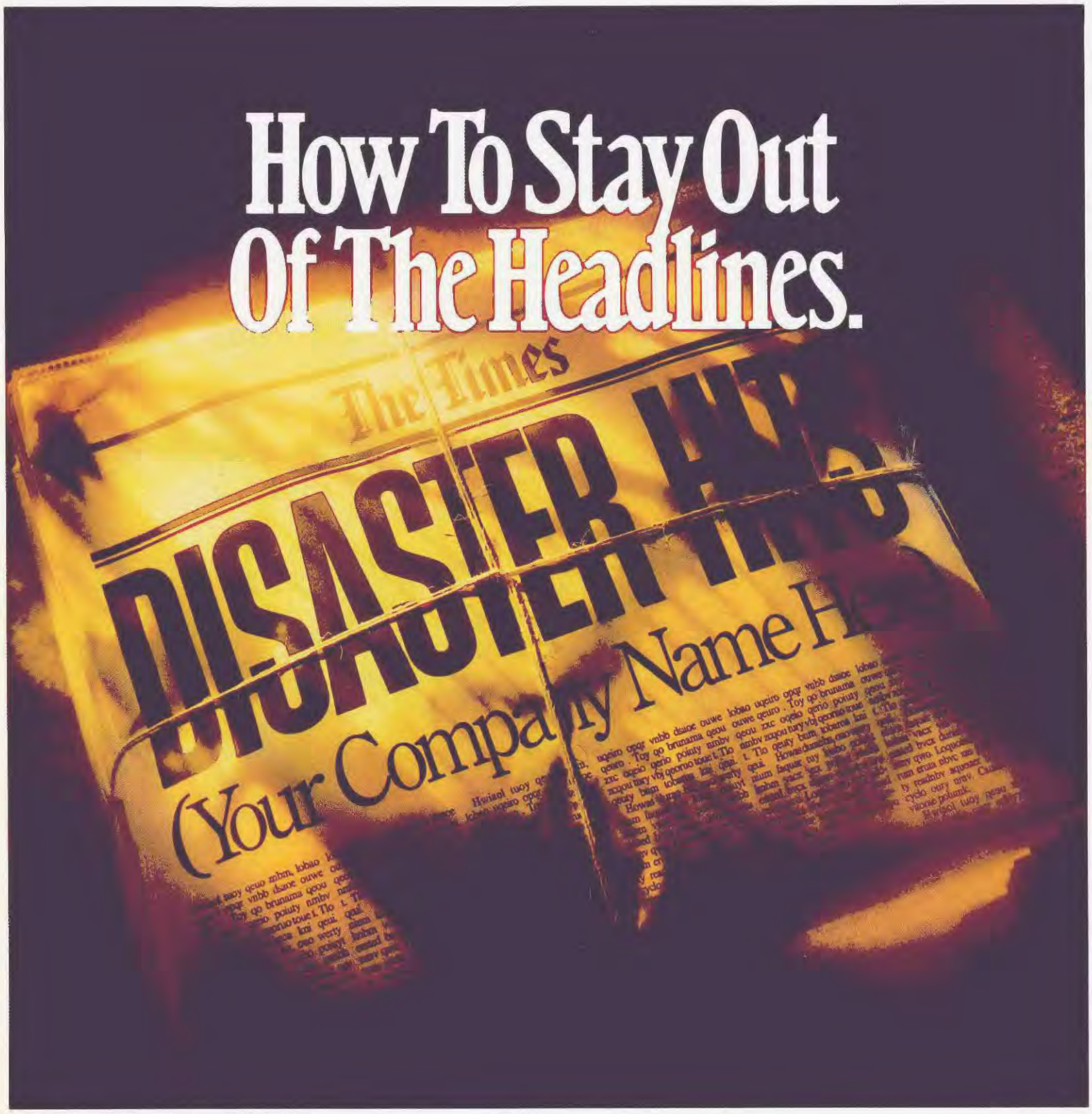
"They will all pay sooner or later because they have the power of taxation," Ms. Bouska stated. "I don't see a lot of (funds) totally going bust and not fulfilling their obligations. It just may be later than people had hoped."

Not all state funds are in trouble.

The Virginia Petroleum Storage Tank Fund, for example, had a surplus of $17 million as of the end of September, according to Russell Ellison, UST program manager.

The fund generates about $10 million per year from a 0.2 cent per gallon gas tax. It has reimbursed owners $1.979 million for cleanups and disapproved $315,527 in claims.

However, the fund knows of 4,850 locations with contamination, Mr. Ellison said. There are a total of 71,000 tanks in the state. With the total cleanup bill as yet undetermined, "nobody knows how this thing's going to go," he said. BI



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EPA gives reprieve to some tank owners

By DEBORAH SHALOWITZ

Two groups of underground storage tank owners now have an extra year—until Dec. 31, 1993—to comply with U.S. Environmental Protection Agency financial responsibility rules.

The deadline was extended for both petroleum marketers with one to 12 storage tanks at more than one facility or more than 100 at a single facility and for non-marketers worth less than $20 million.

All other storage tank owners and operators already have to demonstrate that they have the resources to cover cleanups and third-party damages from leaks.

That standard is set out in Subtitle I of the Resource Conservation and Recovery Act. Companies can demonstrate their ability to pay through insurance or other acceptable risk financing mechanisms.

The EPA requires owners of storage tanks with monthly throughputs exceeding 10,000 gallons or those used in petroleum production, refining or marketing to secure coverage with limits of $1 million per claim. Owners of smaller tanks or those not used in production, refining or marketing must maintain limits of $500,000 per claim/$1 million aggregate.

Aggregate limits are also spelled out. Owners and operators of 100 or fewer tanks must buy limits of at least $1 million; larger owners and operators need limits of at least $2 million.

A pollution policy for USTs must provide coverage for third-party damage and on-site cleanup. Defense costs cannot be included in policy limits.

Several risk financing alternatives are allowed. These include satisfying a net worth test, corporate guarantees, surety bonds, letters of credit, fully funded trust funds or state trust funds.

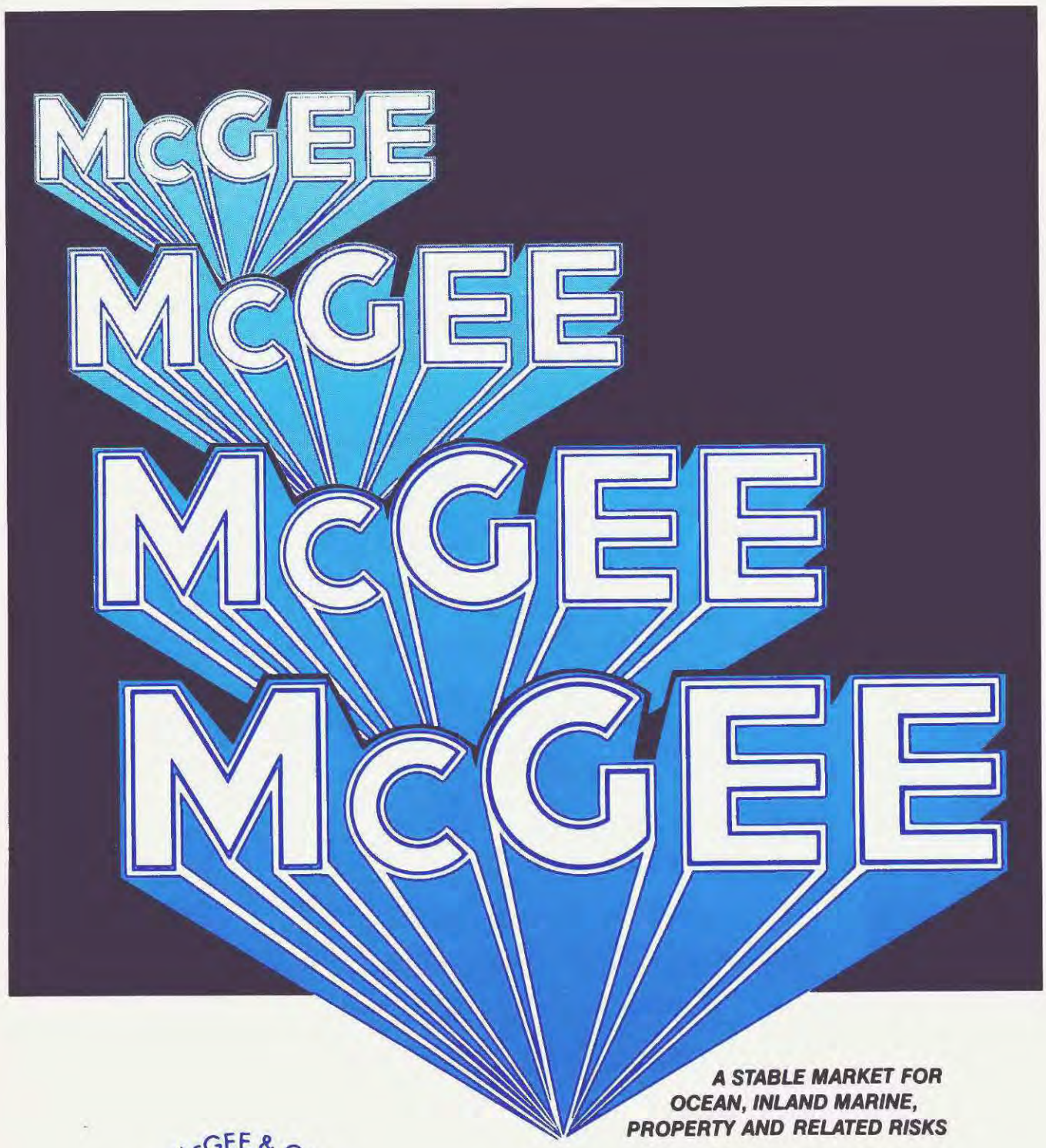
In addition to the financial responsibility requirements, the EPA also sets stringent technical requirements for tanks and deadlines for complying with them.

For tanks installed after December 1988, approved installation procedures must be followed and the tanks must be equipped with devices that prevent spills and overfills. The tank and piping must be protected from corrosion and be equipped with leak-detection mechanisms.

Tanks installed between 1985 and December 1988 must be equipped with mechanisms that prevent releases due to corrosion or structural failure. The stored contents also must be compatible with the tanks' interior walls.

Leak detection requirements are being phased in for existing tanks depending on their age, but the deadline for all tanks is 1993. Leak detection requirements must be satisfied by several approved methods.

By December 1998, tanks that were installed before December 1988 must have corrosion protection for steel tanks and piping, as well as devices that prevent spills and overfills. BI



Seizing the day on EIL worries

Risk managers turn aggressive

By MICHAEL BRADFORD

Risk managers are not waiting for problems to surface before addressing environmental concerns, but instead are asking consultants to help identify exposures and head off potentially costly catastrophes.

They have grown more aggressive in implementing programs that include all corporate divisions when identifying environmental exposures, risk management consultants say.

In the past, many corporations simply waited for environmental problems to arise, acted to solve those problems and then put in place systems to ensure that those problems were not repeated elsewhere.

"The trend is now away from looking just at discrete problems in terms of say, clean air or discharge problems," said Robert M. Wenger, president of Environ Corp. in Arlington, Va. "There is much more movement toward the development of overall strong environmental management systems."

A lot of companies are "looking at the corporate exposure where several locations are involved," agreed Jack Adams, president of Environmental Insurance Services Inc., a wholesale broker in Birmingham, Ala.

No longer are risk managers relying on brokers and consultants for advice on cleanup and remediation efforts. Instead, said Mr. Adams, they are asking for answers to questions like: "How do we analyze and address what risk transfer mechanisms are needed? What exactly are our environmental exposures?"

Companies used to wait until there was a problem at one location, and then put in place measures that they hoped would prevent the problem elsewhere, he pointed out. "Now, there's a more preventive or pro-active approach."

No program will eliminate environmental risks. But risk managers realize that the best way to prepare for a pollution problem is to design a program that will quickly respond and keep damage to a minimum, Mr. Wenger said.

"If you go to any company that is dealing with chemicals in any significant way and do a wall-to-wall compliance study, you will find violations," he said. "But people are stepping back and saying they can accept the fact that there will be screw-ups, but are asking, 'Do we have a system in place that will find 95% of the issues and deal with them when they arise?' "

There is a focus, he stressed, "on a good, strong environmental management system."

Still, many companies do not

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realize that programs are needed until it is too late.

"A lot of what we are doing is cleaning up the mistakes where the risk is already realized," said John M. Armstrong, president of The Traverse Group Inc., a consulting firm in Ann Arbor, Mich.

"We do mostly large remedial cleanups, but we do get a lot of clients that come back and say they don't want to go through that again and want to know how to avoid it," Mr. Armstrong observed.

Mr. Armstrong said his firm shows those clients how to establish an "environmental wellness program" that will help identify potential problems before they occur.

Selling a company that has completed an environmental cleanup on a program that could help avoid future problems is easy, he noted.

But for companies that have never has a pollution problem, it's a different story.

"It's a hard sell to go in and show them that they need an environmental wellness program" that will identify risks and the type of action needed to reduce those risks, Mr. Armstrong said.

"You try to reduce the frequency of environmental occurrences," Mr. Armstrong said. "But at the same time, you want to reduce the damages when they do occur."

Consultants indicate that risk managers continue to be concerned about environmental liabilities associated with properties that their companies buy or sell, including land or plants overseas.

"U.S. multinationals looking to purchase a business or land in Europe increasingly are looking at the environmental exposures," said David I. Brandwein, principal of Environmental Risk Limited in Bloomfield, Conn.

"The interest in doing environmental assessments in western, central and eastern Europe is growing because some of the countries there are considering civil liability theories that, while they may not be quite as draconian as the U.S. Superfund law, do go beyond the simple 'polluter pays' principle," he explained.

The move in Europe toward strict liability is "causing companies to do environmental assessments at levels similar to those done in the U.S.," Mr. Brandwein said.

European multinationals also are beginning to show increased concern about pollution associated with property purchased in the United States. And European banks have begun to require environmental assessments before financing a U.S. land purchase, Mr. Brandwein said.

With the increasing attention to the environment overseas, U.S. consultants are looking to Europe as a new source of business.

Mr. Brandwein said Environmental Risk Ltd. has developed a relationship with Belgium firm Research Development & Consulting S.A. that could result in an expansion to Europe of ERL's wood waste disposal consulting specialty.

The "European market is good for the risk management part of our business," said Mr. Armstrong of The Traverse Group. The firm has a joint venture in Frankfurt, Germany, with consultant Scharz-Hanson G.M.B.H.

Europeans "have had the advantage of looking across the water and seeing what can happen," Mr. Armstrong said.

Consultants want to find new markets because the recession has cut into their U.S. business. "Our industry has slowed down," Mr. Wenger said. "Our growth rate is not as strong as it was during the '80s."

Mr. Wenger said the environmental consulting business is maturing, with individual firms focusing on "making sure we are putting out a good quality product and maintaining competitiveness in terms of pricing."

Tough times still exist for some industries, and spending for consulting services has been scaled back at those companies, said Gary Mathes, vp of the technical services division of Burlington Environmental Inc. in Columbia, Ill.

However, the "fourth quarter becomes an active quarter," because companies are spending money they know will not be needed for other purposes by the year end, he noted.

"The fall is a very busy period. If they are uncertain about their budget, they won't spend early in the year. But once their position is known, they will spend what is justified."

Still, Mr. Mathes maintained, spending this fall is weaker than in past years.

"Our revenues are up 30% this year," Mr. Armstrong said. "But we do see an impact on our clients" and as a result "have to be competitive"—that is, keep prices reasonable and provide quality service.

Despite the sour economy, Mr. Armstrong maintains that environmental risk management programs should remain a high priority.

Risk managers who need environmental consultants should pay attention to experience, suggested Richard J. Carlson, president of Carlson Environmental Inc. in Chicago.

A consultant should have experience both in the type of work the client needs and in dealing with regulators. "It's not a business you can learn in school," he emphasized.

He also warned that "a lot of consultants take the easy way out" by gathering enormous amounts of data when working on a project "to make them feel comfortable."

"Data is very expensive to gather," Mr. Carlson said. "You have to work with enough to make a decision, but not gather so much that you break the bank. Finding a consultant who can make that decision is tough."

Mr. Adams of Environmental Insurance Services cautioned risk managers to match the consultant with the type of work that needs to be done. "You want to take a look at resumes," he said.

In addition, consulting firms "must have a statement of qualifications," he said.

Risk managers also should consider how the data they need will be used, he said.

"If it's for your own benefit, if you just want to know if you're OK, you can use a local consultant. If you are looking at a cleanup that may be an issue with the federal government, you may want to use a large, nationally recognized firm that has some clout by their size and name." BI

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Officers: Arnold Goldberg, president; Robert Blaunstein, Charles Benda, Leon Busiello, Jack Leonard, vps.
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Other services: Environmental consulting to insurers and public policy makers.
Staff: Five total; four environmental professionals including two principal consultants and two consultants. Professional designations include one PE, one CPG.
Clients: 30 total. Environmental consulting clients: 20% with gross revenues less than $10 million, 20% with $10 million-$24 million, 30% with $25 million-$99 million, 15% with $100 million-$1 billion, 15% with more than $1 billion.
Specialties: Assessment and management of environmental risks for financial institutions and manufacturing firms.
Compensation: By the project; on retainer; by the hour: principal consultant, $110; consultant, $90.
1991 gross revenues: $400,000 total, 90% from unbundled environmental risk management consulting services.
Officers: Alan M. Feldbaum, Dennis P. Shelly, principals.
Contact: Alan M. Feldbaum.

All Risks Ltd. Inc.

294 Broad St., Red Bank, N.J. 07701; 908-741-3450; fax: 908-758-1888

Founded: 1970.
Environmental services: Risk financing.
Other services: Frequent general risk management consulting.
Staff: One total; principal consultant.
Clients: Three total.
Specialties: Expert witness services available.
Branch offices: Alexandria, Va.
Compensation: By the hour: principal consultant, $100.
1991 gross revenues: $60,000 total.
Officers: Hubert M. Farrow Jr., president/senior consultant.

A WISE MAN WAS ASKED, "WHAT SHALL I DO TO RECEIVE THE MOST FOR MY MONEY?" THE REPLY GIVEN WAS "A THING THAT IS BOUGHT OR SOLD HAS NO VALUE UNLESS IT CONTAINS THAT WHAT CANNOT BE BOUGHT OR SOLD. LOOK FOR THE PRICELESS INGREDIENT."

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ANCO Environmental Services Inc.

10 Summit Ave., Berkley Heights, N.J. 07922; 908-464-3511; fax: 908-464-8979

Founded: 1981.
Environmental services: Frequent real estate audits, UST management and removal, bulk plank petroleum storage-vaulted and above ground.
Other services: Frequent remediation activities, installation/replacement of vaulted storage tank systems; occasional general risk management consulting.
Staff: 12 total; one principal consultant and one consultant. Professional designations include one PE, one CPG.
Clients: 150 total; 25 environmental consulting clients, 75% with gross revenues less than $10 million, 25% with $10 million-$24 million.
Specialties: Telecommunications, banking, real estate.
Compensation: By the project; on retainer; by the hour: principal consultant, $125; consultant, $85.
1991 gross revenues: $2.1 million total, 20% from unbundled environmental risk management consulting services.
Officers: Mark C. Annis, president.

Aralie Inc.-Risk Liability Enterprises

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

Founded: 1983.
Environmental services: Frequent real estate audits, manufacturing plant audits, waste minimization plans, litigation support, UST management and removal, risk financing, consulting on manufacturing, processing, transportation, distribution, use and disposal of chemical/pharmaceutical products, facilities; occasional design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, management of allegations/claims, disputes/litigation, administration and technical data, financial assurance, development and planning of environmental strategies, environmental insurance brokerage; occasional remediation activities.
Staff: Eight total; five environmental professionals including three principal consultants and two consultants. Professional designations include one PE, one CPG, two ARMs, one CPCU, one CGWP.
Clients: Environmental consulting clients: 40% with gross revenues less than $10 million, 10% with $10 million-$24 million, 30% with $25 million-$99 million, 20% with $100 million-$1 billion.
Specialties: Consulting small to medium-sized industrial/commercial enterprises facing hazardous chemical and pharmaceutical risks, insurance companies, banks, developers.
Branch offices: Bernardsville, Burlington, Elmwood Park, N.J.; Milanville, Pa.; San Francisco; Westbury, N.Y.
Compensation: By the project; on retainer; by the hour: principal consultant, $125 to $175; consultant, $75 to $125.
1991 gross revenues: 90% from unbundled environmental risk management consulting services.
Officers: C.P. Priesing, president; M. Feldman, V.A. Agnihotri, Clayton C. Cook, J.A. Fischer, vps.

Continued on next page

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B

BCM Engineers Inc.

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

Founded: 1977.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, UST management and removal; occasional litigation support, regulatory and public policy analysis.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting; occasional remediation activities.
Staff: 925 total; 250 environmental professionals including 80 principal consultants, 170 consultants. Professional designations include 120 PEs, 24 CPGs, one attorney, two CGWPs.
Clients: 1,600 total; 137 environmental consulting clients, 5% with gross revenues less than $10 million, 10% with $10 million-$24 million, 50% with $25 million-$99 million, 15% with $100 million-$1 billion, 20% with more than $1 billion.
Specialties: Chemical/petrochemical, manufacturing, building maintenance, real estate, hotels/motels, financial institutions, insurance industry consulting.
Branch offices: Albuquerque, N.M.; Atlanta; Burlington, N.J.; Chicago; Dallas; Detroit; Huntersville, N.C.; Jackson, Miss.; Los Angeles; Metairie, La.; Mobile, Ala.; New York; Panama City, Fla.; Pittsburgh; Richmond, Va.; Washington.
Compensation: By the project; on retainer; by the hour: principal consultant, $90-$150; consultant, $65-85.
1991 gross revenues: $85 million total, 11% from unbundled environmental risk management consulting services.
Officers: M.Z. Hanlon, president/CEO; H.E. Myers Jr., chairman; J.J. Jablonski, CFO; R.L. Swavely, executive vp; D.B. Wright, senior vp.
Contact: Thomas J. Baker, senior vp/risk manager.

Baker Environmental Inc.

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

Founded: 1981.
Parent: Michael Baker Corp.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, UST management and removal; occasional litigation support, regulatory and public policy analysis.
Other services: Frequent general risk management consulting; occasional remediation activities, consulting to insurers and public policy makers.
Staff: 250 total; environmental professionals include 3 principal consultants, 172 consultants. Professional designations include 30 PEs, eight CPGs, two CGWPs.
Clients: 130 total; 90 environmental consulting clients, 10% with gross reve-

Continued on next page

How to use EIL directory

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

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

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

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

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

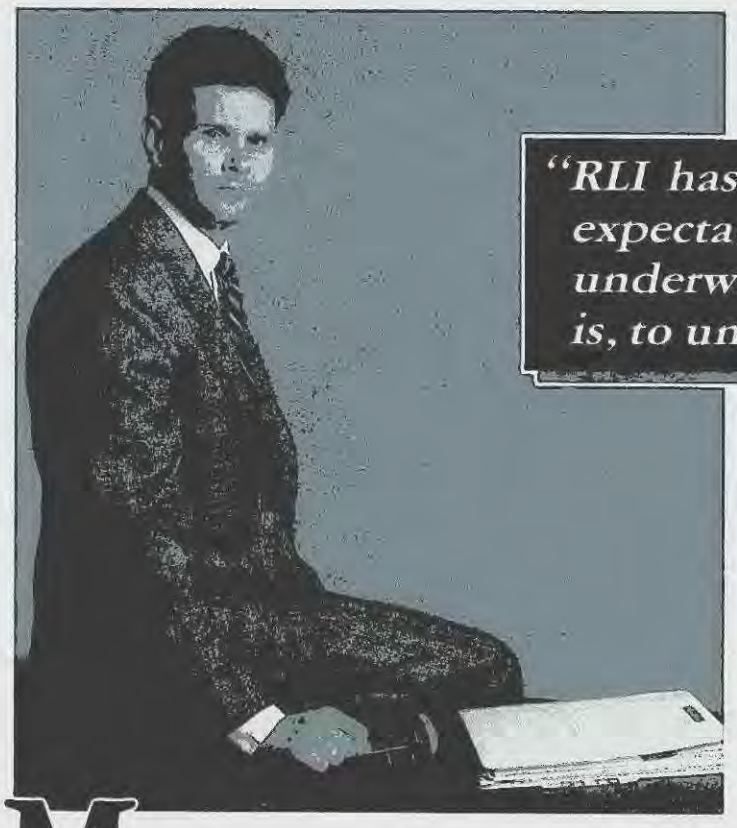
The total number of **clients** along with the number of corporate and institutional environmental risk management consulting employer clients in 1991 and a percentage breakdown of clients' revenues is listed next.

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

Locations of **branch offices** providing environmental risk management consulting follow. How the company bills for services is listed under **compensation**. When reported, 1991 total **gross revenues** and the percent generated by environmental risk management consulting to employers (which does not include environmental activities or consulting to insurance companies or government agencies) is given.

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

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



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James D. Steeves, CPCU
Vice President
RLI Midwest Regional Office
St. Paul, MN

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"RLI is there when needed, always exhibiting firm professionalism. The Company's underwriters understand exposure, asking the right questions at the right time and yielding logical decisions. With a barometric grasp of the marketplace, they know when to be competitive. This efficiency translates into binding business. Above all, RLI's underwriters are real people who add that personal touch to doing business."

Our agility lets us provide essential service at the front of of the transaction. Typically, a broker can get right through to us. We aren't tied up in meetings or administrative detail. The decks are cleared for underwriting.

And the ability of our underwriting staff is extensive. Hiring underwriters with 10-15 years of experience is really RLI's strong suit. We can evaluate unique risks by drawing on our diverse experience.

Exceptional underwriting experience and the availability of underwriting resources are two of the most important ingredients in customer service. Anyone using a recipe without them will find very few diners at the table.

RLI 9025 N. Lindbergh Drive Peoria, IL 61615
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Continued from previous page
nues less than $10 million, 20% with $10 million-$24 million, 20% with $25 million-$99 million, 25% with $100 million-$1 billion, 25% with more than $1 billion.

Specialties: Metals and chemicals.

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

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

1991 gross revenues: $21 million total, 80% from unbundled environmental risk management consulting services.

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

Contact: Peter S. Bussey.

Bechtel Environmental Inc.

P.O. Box 193965; San Francisco, Calif. 94119-3965; 415-768-9243; fax: 415-768-4898

Founded: 1898.

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

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

Staff: 3,033 total. Professional designations include CPGs, attorneys, CGWPs.

Clients: 134 total.

Branch offices: Gaithersburg, Md.; Houston; London; Norwalk, Calif; Oak Ridge, Tenn.

Compensation: By the project; by the hour: $45 to $600.

1991 gross revenues: $490 million total.

Officers: R.C. Johnstone Jr., president; R. Strelow, executive vp/manager-environmental operations; G. Benz, vp/manager-environmental technologies.

Contact: Anne E. Sigmon manager-marketing/business development.

R.L. Beeckman & Co. Inc.

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

Founded: 1986.

Environmental services: Frequent insurance coverage review, insurance history development; occasional litigation support, risk financing.

Other services: Frequent general risk management consulting, loss control services.

Staff: 11 total. Professional designations include one attorney, three ARMs, five CPCUs.

Clients: 100 total.

Branch offices: Mishawaka, Ind.

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

1991 gross revenues: $450,000 total, 10% from unbundled environmental risk management consulting services.

Officers: Richard Beeckman, president.

Betterley Risk Consultants Inc.

10 Chestnut St., Worcester, Mass. 01608; 508-754-1704; fax: 508-752-9059

Founded: 1932.

Environmental services: Strategy on denied claims, assistance in finding coverage, insurance analysis, policy reconstruction.

Other services: Frequent risk management consulting.

Staff: 15 total. Professional designations include ARMs, CPCUs.

Clients: 150 total; 10 environmental consulting clients, 40% with gross revenues less than $10 million, 40% with $10 million-$24 million, 10% with $25 million-$99 million, 10% with $100 million-$1 billion.

Specialties: Business and public entities which have a pollution incident.

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

1991 gross revenues: $1.3 million total, 5% from unbundled environmental risk management consulting services.

Officers: Richard S. Betterley, president.

Contact: Jane Y. Rastallis, senior consultant.

Bowser-Morner Inc.

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

Founded: 1911.

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

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

Staff: 230 total; 30 environmental professionals including six principal consultants, 24 consultants. Professional designations include 10 PEs, two CPGs.

Clients: 1,200 total. Environmental consulting clients: 80% with gross revenues less than $10 million, 20% with $10 million-$24 million.

Branch offices: Indianapolis; Lexington, Ky.; Toledo, Ohio.

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

1991 gross revenues: $13 million total, 95% from unbundled environmental risk management consulting services.

Officers: Steven M. Bowser, president; Kenneth A. Taylor, senior vp; David C. Cowherd, chief engineer; Gerald H. Degler, vp/director-marketing; Nyle Gillott, comptroller.

Burlington Environmental Inc.

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

Founded: 1975.

Parent: Burlington Environmental Inc.

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

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

Staff: 260 total; 62 environmental professionals including 13 principal consultants, 49 consultants. Professional designations include 15 PEs, 9 CPGs, two CGWPs.

Clients: 350 total; 275 environmental consulting clients, 10% with gross revenues less than $10 million, 10% with $10 million-$24 million, 50% with $25 million-$99 million, 10% with $100 million-$1 billion, 20% with more than $1 billion.

Specialties: Manufacturing, chemicals, petroleum and electronics industries; schools; insurance companies; banks.

Branch offices: Columbia, Ill.; Groveport, Ohio; Houston; Jobstown, N.J.; Pittsburgh; Seattle.

Compensation: By the project; by the hour: principal consultant, $90-$105; consultant, $60-$90.

1991 gross revenues: $25 million total, 75% from unbundled environmental risk management consulting services.

Officers: John M. Craig, president; Gary M. Mathes, vp; Lance B. West, secretary; Michael A. Brochu, treasurer.

Contact: C. George Lynn.

C

Capsule Environmental Engineering Inc.

1970 Oakcrest Ave., Suite 215, St. Paul, Minn. 55113; 612-636-2644; fax: 612-636-3106

Founded: 1980.

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

Staff: 38 total; 10 environmental professionals including two principal consultants, eight consultants. Professional designations include two PEs.

Clients: 30 environmental consulting clients, 33% with gross revenues less than $10 million, 13% with $10 million-$24 million, 20% with $25 million-$99 million, 27% with $100 million-$1 billion, 7% with more than $1 billion.

Specialties: Manufacturing industry.

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

1991 gross revenues: $5 million total, 70% from unbundled environmental risk management consulting services.

Officers: James E. Nash, president; Dennis G. Willis, vp-operations; David R. Cushman, vp-technical services.

Contact: Julie Theisen, manager-marketing services.

Carlson Environmental Inc.

312 W. Randolph St., Chicago, Ill. 60606; 312-346-2140; fax: 312-346-6956

Founded: 1988.

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

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

Staff: 10 total. Professional designations include two PEs, one CPGs.

Clients: Environmental consulting clients include 40% with gross revenues less than $10 million, 40% with $10 million-$24 million, 5% with $25 million-$99 million, 5% with $100 million-$1 billion, 10% with more than $1 billion.

Branch offices: Springfield, Ill.

Compensation: By the project; on retainer; by the hour: principal consultant, $125-$175; consultant, $65-$125.

1991 gross revenues: $1.2 million total, 65% from unbundled environmental risk management consulting services.

Officers: Richard J. Carlson, president; Jeffrey S. Clark, vp.

Contact: Richard J. Carlson.

Charter Insurance & Consulting

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

Founded: 1986.

Environmental services: Manufacturing plant audits, risk financing, merger and acquisition due diligence.

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

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

Clients: 40 total; 40 environmental consulting clients, 60% with revenues of $10 million-$24 million, 20% with $25 million-$99 million, 20% with $100 million-$1 billion.

Specialties: Energy, manufacturing, financial institutions, colleges.

1991 gross revenues: 10% from unbundled environmental risk management consulting services.

Officers: Peter J. Lunati.

Contact: Sandy Ensworth.

Clayton Environmental Consultants Inc.

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

Parent: Marsh & McLennan Cos. Inc.

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

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

Staff: 396 total; 317 environmental professionals including 15 principal consultants, 122 consultants. Professional designations include 15 PEs, three CPGs.

Clients: 3,000 total; all environmental consulting clients, 10% with gross revenues less than $10 million, 20% with $10 million-$24 million, 20% with $25 million-$99 million, 20% with $100 million-$1 billion, 30% with more than $1 billion.

Branch offices: Cypress and Pleasanton, Calif.; Edison, N.J.; Honolulu; Kennesaw, Ga.; Lexington, Mass.; Phoenix; Birmingham, Gateshead, Ilford and Southampton, England; Toronto; Windsor, Ontario.

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

1991 gross revenues: 95% from unbundled environmental risk management consulting services.

Officers: Nick Pyett, CFO; Alice C. Farrar, vp-quality management/marketing; Jas Singh, senior vp; Charles Blake, Kirit Vora, vps.

Contact: Alice C. Farrar.

Compu-Weather Inc.

P.O. Box 1122/29-50 Union St., Flushing, N.Y. 11354; 800-825-4445; fax: 718-353-1294

Founded: 1978.

Environmental services: Litigation support, weather experts.

Other services: Obtain and supply official weather records, prepare reports in laymens terms.

Staff: 15 total; 12 environmental professionals including two principal consultants, ten consultants.

Clients: 1,500 total.

Specialties: Atmospheric dispersion modeling for businesses with potentially toxic or nuclear emissions.

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

Officers: Jeff Wimmer, vp; Todd Gross, president.

Contact: Peter Muldavin, sales manager.

Consulting Services Inc.

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

Founded: 1985.

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

Other services: Frequent environ-

Continued on next page

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mental consulting to insurers and public policy makers; occasional general risk management consulting.

Staff: 50 total; 30 environmental professionals including one principal consultant, 10 consultants. Professional designations include three PEs, three CPGs.

Clients: 150 total; 60 environmental consulting clients, 25% with gross revenues less than $10 million, 55% with $10 million-$24 million, 20% with $25 million-$99 million.

Specialties: Insurance, banking, real estate.

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

1991 gross revenues: $5 million total.

Officers: Bill Kronenberg, president/CEO; David Rosenberg, executive vp; Frank Piliero, CFO; James Splain, vp.

Containment Advisors Inc.

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

Founded: 1990.

Environmental services: Frequent litigation support, UST management and removal, risk financing, underground and above-ground storage system failure analysis; occasional manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis.

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

Staff: Two total; one environmental professional.

Clients: 15 total; environmental consulting clients include 60% with gross revenues less than $10 million, 10% with $10 million-$24 million, 10% with $25 million-$99 million, 10% with $100 million-$1 billion, 10% with more than $1 billion.

Specialties: Above-ground and underground storage system failure investigations.

Compensation: By the hour: principal consultant, $200.

1991 gross revenues: $325,000 total, 35% from unbundled environmental risk management consulting services.

Officers: Brian C. Donovan, president.

Control Engineering & Technology Inc.

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

Founded: 1977.

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

Other services: Occasional consulting to insurers and public policy makers, general risk management consulting, environmental reviews for SEC stock filings.

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

Clients: 41 environmental consulting clients, 85% with gross revenues less than $10 million, 7% with $10 million-$24 million, 2.6% with $25 million-$99 million, 2.7% with $100 million-$1 billion, 2.7% with more than $1 billion.

Specialties: Consulting lending institutions, attorneys, real estate industry, building owners, developers, potential property buyers, business owners, managers.

Branch offices: Buffalo, N.Y.; Detroit.

Compensation: By the project; on retainer; by the hour: principal consultant, $65-$85; consultant, $40-$60.

1991 gross revenues: $300,000 total, all from unbundled environmental risk management consulting services.

Officers: Mark S. Mastrangel, president; Glen Gelinas, vp.

Contact: Mark S. Mastrangel.

Converse Consultants East

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

Founded: 1946.

Parent: Converse Professional Group, Pasadena, Calif.

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

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, geo-technical engineering, soil mechanics laboratory, well drilling.

Staff: 40 total; 11 environmental professionals including two principal consultants, nine consultants. Professional designations include five PEs, four CPGs.

Clients: 100 total; environmental consulting clients include 40% with gross revenues less than $10 million, 25% with $10 million-$24 million, 25% with $25 million-$99 million, 5% with $100 million-$1 billion, 5% with more than $1 billion.

Specialties: Miscellaneous manufacturing.

Branch offices: Costa Mesa, Hesperia, Irvine, Pasadena, San Bernardino, San Diego and San Francisco, Calif.; Las Vegas, Nev.; State College, Pa.; Seattle.

Compensation: By the project; on retainer; by the hour: principal consultant, $150; consultant, $45.

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Continued from previous page

1991 gross revenues: $5.5 million total, 60% from unbundled environmental risk management consulting services.

Officers: Issa S. Oweis; R. Brian Ellwood; Joseph D. Chastanet; Daniel K. Kearney; Robert S. Woolworth.

Contact: Todd A. Schultze.

Corporate Risk Management Inc.

200 Oceangate, Suite 360, Long Beach, Calif. 90802; 310-435-2200; fax: 310-436-9730

Founded: 1992

Environmental services: Frequent litigation support; regulatory and public policy analysis; risk financing; managing/conducting environmental due diligence for acquisitions, sales, mergers or financing; develop/implement strategies to resolve complex and multi-party disputes. Occasional real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, UST management and removal.

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, remediation management services including environmental claims management, insurance reconstruction and negotiation of interim funding agreements for environmental liabilities.

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

Specialties: Industrial, financial institutions, commercial real estate, selected insurers and reinsurers.

Compensation: By the project; on retainer; by the hour: principal consultant, $175-$250; consultant, $60-$250.

1991 gross revenues: 50% from unbundled environmental risk management consulting services.

Officers: Ian Matheson, CEO; Craig DeRoy, president; Gary Dietrich, senior consultant; George DeRoy, general counsel.

Contact: Craig DeRoy.

Corporate Risk Management Inc.

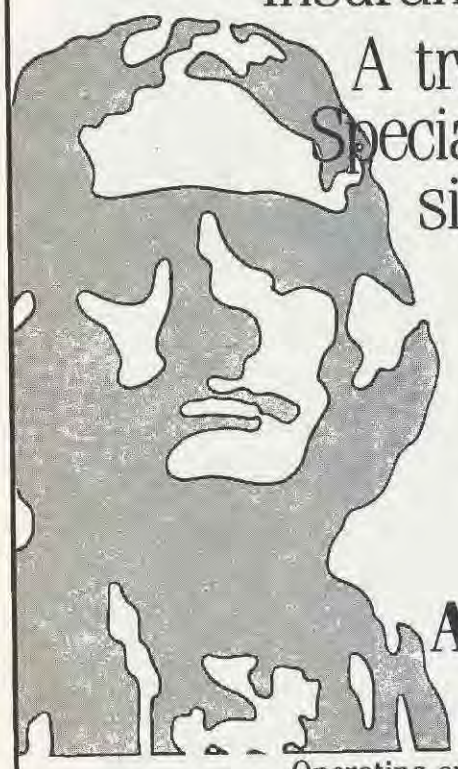
350 East Ogden Ave., Westmont, Ill. 60559; 708-920-0000; fax: 708-920-0157

Founded: 1978.

Environmental services: Frequent risk financing, evaluations of present insurance programs.

Other services: Frequent general risk management consulting.

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



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Clients: 70 total; five environmental consulting clients, 90% with gross revenues less than $10 million, 10% with $10 million-$24 million.

Specialties: Construction; asbestos abatement contractors.

Compensation: By the project; by the hour: principal consultant, $200; consultant, $150.

Officers: Robert A. Wilson, president; Robert W. Wilson, vp.

Contact: Robert A. Wilson.

Willis Corroon

P.O. Box 305024, Nashville, Tenn. 37230-5024; 615-872-3200; fax: 615-872-3333

Founded: 1990.

Environmental services: Frequent risk financing, vendor evaluation, international environmental risk management, environmental risk management procedures manuals; occasional manufacturing plant audits, regulatory and public policy analysis.

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

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

Clients: 20 total; environmental consulting clients include 5% with gross revenues less than $10 million, 10% with $10 million-$24 million, 20% with $25 million-$99 million, 60% with $100 million-$1 billion, 5% with more than $1 billion.

Specialties: Consulting to contractors, engineers, waste services firms, health care facilities, underground storage tank owners/operators, manufacturers, financial institutions.

Compensation: By the project; on retainer; by the hour: principal consultant, $250; consultant, $100.

1991 gross revenues: $400,000 total, 10% from unbundled environmental risk management consulting services.

Officers: David J. Dybdahl, managing director, Kenneth W. Ayers, vp.

Contact: David J. Dybdahl, 615-872-3260.

Crawford & Co.

P.O. Box 5047, Atlanta, Ga. 30302; 800-241-2541; fax: 404-847-4668

Founded: 1941.

Environmental services: Frequent litigation support, cleanup cost tracking and cost control, environmental claims handling.

Staff: 60 total; three environmental professionals, all principal consultants. Professional designations include 25 CPCUs.

Clients: 2,000 total; 25 environmental consulting clients.

Specialties: Oil and chemical industries.

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

1991 gross revenues: $550 million total, 1% from unbundled environmental risk management consulting services.

Officers: Forrest Minix, CEO; Dennis Smith, president; Bud Trice, Gene Renfroe, vps; Ron DeNoville, assistant vp.

Curtner Risk Management Inc.

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

Founded: 1984.

Environmental services: Frequent litigation support, risk financing.

Other services: Frequent general risk management consulting.

Staff: Two total. Professional designations include ARMs.

Clients: 11 total; eight environmental consulting clients, 5% with gross revenues less than $10 million, 45% with $25 million-$99 million, 25% with $100 million-$1 billion, 25% with more than $1 billion.

Compensation: By the project; by the hour: principal consultant, $85-$100; consultant, $50-$75.

1991 gross revenues: 10% from unbundled environmental risk management consulting services.

Officers: Walter R. Curtner, president.

Cygnet Associates

687 Sequoia Valley Road, Mill Valley, Calif. 94941; 415-388-1049; fax: 415-383-9226

Founded: 1990.

Environmental services: Risk financing, due diligence reviews for investors.

Other services: Occasional general risk management consulting.

Staff: One total.

Specialties: Assessment and remediation contractors.

Compensation: By the project.

1991 gross revenues: $85,000 total, 100% from unbundled environmental risk management consulting services.

Officers: Scott A. McKown.

D

Dames & Moore Inc.

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

Founded: 1938.

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

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

Staff: 3,300 total; 2,120 environmental professionals including 620 principal consultants, 1,500 consultants. Professional designations include 900 PEs, 350 CPGs, four attorneys, three ARMs, one CPCU, 250 CGWPs.

Clients: 24,000 total; 2,000 environmental consulting clients, 15% with gross revenues less than $10 million, 30% with $10 million-$24 million, 30% with $25 million-$99 million, 20% with $100 million-$1 billion, 5% with more than $1 billion.

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

Branch offices: 135 offices worldwide in Australia, Europe, United States and Canada.

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

1991 gross revenues: $357 million total, 46% from unbundled environmental risk management consulting services.

Officers: George D. Leal, CEO; Henry Klehn Jr., COO; Robert M. Perry, CFO; Anne Toepker, chief-human resources/communication; Maurice Yellen, controller.

Contact: Jim Toto, 12 Commerce Dr., Cranford, N.J. 07016-1101; 908-272-8300; Art Darrow, 5425 Hollister Ave., Suite 160, Santa Barbara, Calif. 93111; 805-683-0200.

Deloitte & Touche

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

Founded: 1895.

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

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

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

Clients: 20 total; all environmental consulting clients, 30% with $100 million-$1 billion in gross revenues, 70% with more than $1 billion.

Specialties: Manufacturing, public sector, high technology companies.

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

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

1991 gross revenues: $2 billion total (U.S.), 50% from unbundled environmental risk management consulting services.

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

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

Desert Southwest Insurance Group Inc.

9700 N. 91st, Suite A202, Scottsdale, Ariz. 85258; 602-860-8181; fax: 602-860-2993

Founded: 1990

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

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

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

Clients: 75 total; environmental consulting clients include 60% with gross revenues less than $10 million, 35% with $10 million-$24 million, 5% with $25 million-$99 million.

Specialties: Consulting professionals and remedial activities.

Branch offices: Cedar Rapids, Iowa.

Compensation: By the project.

1991 gross revenues: $375,000 total, 100% from unbundled environmental risk management consulting services.

Officers: Dennis L. Park, president; Charles DeHaan, vp.

Drucker Health & Safety Management Inc.

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

Founded: 1984.

Environmental services: Frequent real estate audits, manufacturing plant audits, litigation support, regulatory and public policy analysis, industrial hygiene & safety consultation; occasional public health risk assessment.

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

Staff: Five total; four environmental professionals including one principal consultant, four consultants.

Clients: 300 total; environmental consulting clients include 50% with gross revenues less than $10 million, 30% with $10 million-$24 million, 15% with $25 million-$99 million, 5% with $100 million-$1 billion.

Compensation: By the hour.

Officers: Marjorie A. Drucker, president.

E

EMG Inc.

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

Founded: 1988.

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

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

Staff: 23 total; 15 environmental professionals. Professional designations include two PEs, two CPGs, two attorneys.

Specialties: Manufacturing, governmental and law firms.

Branch offices: Detroit.

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

1991 gross revenues: 75% from unbundled environmental risk management consulting services.

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

Contact: David G. Hartman.

ESM Inc.

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

Founded: 1987.

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

Other services: Frequent remediation activities; occasional consulting to insur-

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ers and public policy makers, general risk management consulting.

Staff: 28 total; 11 environmental professionals including four principal consultants, seven consultants. Professional designations include one CPG, one attorney.

Clients: 175 total; environmental consulting clients include 40% with gross revenues less than $10 million, 30% with $10 million-$24 million, 25% with $25 million-$99 million, 5% with $100 million-$1 billion.

Specialties: Banking.

Branch offices: Columbus, Ohio.

Compensation: By the project; on retainer.

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

Contact: Richard J. Brown, sales manager.

Eastern Environmental Engineering Services Inc.

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

Founded: 1989.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, UST management and removal, spill prevention containment and counter measures plans, emergency response planning; occasional waste minimization plans, risk financing.

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

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

Clients: Environmental consulting clients include 95% with gross revenues less than $10 million, 5% with $10 million-$24 million.

Specialties: Fuel retailing (service stations, airports, marinas), transportation companies, manufacturing, distribution, municipal governments, school boards.

Compensation: By the project; on retainer; by the hour: principal consultant, $150; consultant, $90-$110.

1991 gross revenues: $500,000 total, 30% from unbundled environmental risk management consulting services.

Officers: Gregory A. Brown, president.

Contact: Gregory A. Brown or Timothy C. Kessler, project manager.

Ecology & Environment Inc.

Buffalo Corporate Center, 368 Pleasantview Drive, Lancaster, N.Y. 14086-1397; 716-684-8060; fax: 716-684-0844

Founded: 1970.

Environmental services: Frequent real estate audits; manufacturing plant audits; design and analysis of remediation plans; waste minimization plans; public health risk assessment; hazard and risk analysis of operations, storage and transportation; disposal of hazardous, toxic, radioactive and mixed wastes. Occasional litigation support, regulatory and public policy analysis, risk financing.

Other services: Frequent remediation activities; environmental impact assessment; analytical laboratory services; environmental field monitoring; air, water and ground water pollution control; environmental engineering; remedial investigation; feasibility studies; asbestos removal management. Occasional consulting to insurers and public policy makers.

Staff: 1,000 total; 900 environmental professionals. Professional designations include 37 PEs, six attorneys.

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

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

1991 gross revenues: $90 million total, 2% from unbundled environmental risk management consulting services.

Officers: Gerhard J. Neumaier, president; Frank R. Silverstro, executive vp-operations; Gerald A. Strobel, executive vp-technical; Ronald L. Frank, executive vp-finance/administration; Gerard A. Gallagher Jr., senior vp-special projects.

Contact: Laird Robertson.

EnecoTech Inc.

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

Founded: 1984.

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

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

Staff: 200 total; 150 environmental professionals including 20 principal consultants, 130 consultants. Professional designations include 11 PEs, 13 CPGs, two CGWPs.

Clients: 180 total; all environmental consulting clients, 2% with gross revenues less than $10 million, 8% with $10 million-$24 million, 20% with $25 million-$99 million, 50% with $100 million-$1 billion, 20% with more than $1 billion.

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

Branch offices: Austin, Texas; Chicago; Des Moines, Iowa; Detroit; Kansas City, Kan.; Little Rock, Ark.; Los Angeles; Minneapolis; San Diego; Tulsa, Okla.

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

1991 gross revenues: $15 million total, all from unbundled environmental risk management consulting services.

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

Contact: John S. Stevenson.

ENVIRON International Corp.

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

Founded: 1982.

Parent: Applied Bioscience International Inc.

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

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

Staff: 303 total; 189 environmental professionals including 24 principal consultants, 165 consultants. Professional designations include 14 PEs, four CPGs, two attorneys.

Clients: 500 total; 300 environmental consulting clients, 17% with gross revenues less than $10 million, 20% with $10 million-$24 million, 30% with $25 million-$99 million, 30% with $100 million-$1 billion, 3% with more than $1 billion.

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

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

1991 gross revenues: $46.6 million total.

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

Contact: Robert M. Wenger.

Environmental Engineering Consultants Co.

P.O. Box 9697, South Laguna, Calif. 92677; 714-499-0015; fax: 714-499-1865

Founded: 1988.

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

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

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

Clients: 10 total; seven environmental consulting clients, 10% with gross revenues of $25 million-$99 million, 70% with $100 million-$1 billion, 20% with more than $1 billion.

Specialties: Manufacturing.

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

1991 gross revenues: $500,000 total, all from unbundled environmental risk management consulting services.

Officers: Jack E. Cotter, principal.

Environmental Insurance Management Inc.

45615 Willow Pond Plaza, Sterling, Va. 20164; 703-318-0100; fax: 703-318-0323

Founded: 1987.

Parent: Front Royal Inc.

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

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

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

Clients: 10 total; all environmental consulting clients with gross revenues less than $10 million.

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

Branch offices: Raleigh, N.C.

Compensation: By the project, by the hour.

1992 gross revenues: $400,000 estimated total, 40% from unbundled environmental risk management consulting services.

Officers: J. Adam Abram, chairman; John J. Metelski, president; Albert W. Gard III, vp-operations; Michael Sommer, vp-underwriting; Karen A. Bavis, secretary/treasurer.

Contact: Karen A. Bavis.

Environmental Insurance Services

31 Inverness Center Parkway, Suite 280, Birmingham, Ala. 35242; 205-980-3000; fax: 205-991-2588

Founded: 1989.

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

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

Staff: 11 total; four environmental professionals including two principal consultants, two consultants. Professional designations include one ARM, one CPCU.

Clients: 140 total; 50 environmental consulting clients, 70% with gross revenues less than $10 million, 15% with $10 million-$24 million, 15% with $25 million-$99 million.

Specialties: Landfills, consultants, contractors.

Compensation: By the project, by the hour.

1991 gross revenues: $4.3 million total, 25% from unbundled environmental risk management consulting services.

Officers: Jack Adams, president; Bill Twitty, vp.

Contact: Bill Twitty.

Environmental Management Group Inc.

EMG Corporate Center 11421 Cronhill Drive, Baltimore, Md. 21117; 410-356-0660; fax: 410-356-0663

Founded: 1986.

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

Other services: Frequent general risk management consulting, phase I environmental site assessments; occasional consulting to insurers and public policy makers.

Staff: 14 total; 10 environmental professionals including three principal consultants, seven consultants. Professional designations include one PE, one CPG, one CGWP.

Clients: 130 total; environmental consulting clients include 1% with gross revenues less than $10 million, 4% with $10 million-$24 million, 10% with $25 million-$99 million, 60% with $100 million-$1 billion, 25% with more than $1 billion.

Compensation: By the project.

1991 gross revenues: $1.4 million total, 85% from unbundled environmental risk management consulting services.

Officers: Michael E. Logsdon, president; Hank Post, CEO; Bryan D. Mooney, executive vp; Jack Jackson, COO.

Contact: Bryan D. Mooney.

Environmental Risk Consulting Inc.

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

Founded: 1991.

Environmental services: Frequent real estate audits, litigation support, risk financing, creation of environmental risk management programs; occasional manufacturing plant audits, regulatory and public policy analysis.

Other services: Frequent general risk

Continued on next page

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Continued from previous page
management consulting; occasional consulting to insurers and public policy makers.

Staff: Three total; all environmental professionals, two principal consultants. Professional designations include one ARM, one CPCU.

Clients: Five total.

Specialties: Financial, real estate.

Compensation: By the project; by the hour.

1991 gross revenues: All from unbundled environmental risk management consulting services.

Officers: Anthony Carey, owner.

Environmental Risk Ltd.

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

Founded: 1985.

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

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

Staff: 50 total; 40 environmental professionals including six principal consultants, 34 consultants. Professional designations include four PEs, one attorney.

Clients: 1,000 total; all environmental consulting clients, 15% with gross revenues less than $10 million, 35% with $10 million-$24 million, 35% with $25 million-$99 million, 10% with $100 million-$1 billion, 5% with more than $1 billion.

Specialties: Cogeneration; petro-chemicals; waste management; general manufacturing; consulting to lawyers, financial institutions and developers.

Branch offices: Clifton, N.J.; Aalst, Belgium.

Compensation: By the project; on retainer; by the hour: principal consultant, $150; consultant, $55.

1991 gross revenues: 75% from unbundled environmental risk management consulting services.

Officers: Richard S. Atkins, president; Gordon T. Brookman, managing principal; David I. Brandwein, Mitchell M. Wurmbrand, principals.

Contact: David I. Brandwein.

Environmental Risk & Loss Control Inc.

309 E. 90th St., Suite 4, New York, N.Y. 10128; 212-722-7381; fax: 212-722-7381

Founded: 1991.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis, UST management and removal, development of proactive environmental policies and programs, contingency planning, risk communication, employee training; occasional waste minimization plans, litigation support, risk financing.

Other services: Frequent general risk management consulting; technical support in air, water, waste water, solid waste and hazardous waste. Occasional remediation activities, consulting to insurers and public policy makers.

Staff: One total, principal consultant.

Clients: 12 total; all environmental consulting clients, 25% with gross revenues less than $10 million, 25% with $10 million-$24 million, 25% with $25 million-$99 million, 25% with $100 million-$1 billion.

Specialties: Industrial, trade associations, government.

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

1991 gross revenues: $100,000 total, all from unbundled environmental risk management consulting services.

Officers: Wayne Tusa, president.

Environmental & Safety Services Inc.

7505 N.W. Tiffany Springs Parkway, Suite 500, Kansas City, Mo. 64153; 800-523-3774; fax: 816-459-4130

Founded: 1989.

Parent: Farmland Industries Inc.

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

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

Staff: 54 total; 41 environmental professionals including three principal consultants, 38 consultants. Professional designations include three PEs, one attorney, one CGWP.

Clients: 500 total; 35 environmental consulting clients, 15% with gross revenues less than $10 million, 82% with $10 million-$24 million, 3% with more than $1 billion.

Specialties: Petroleum, chemicals, agribusiness, food processing.

Branch offices: Des Moines, Iowa; Amarillo, Texas; Enid, Okla.

Compensation: By the project; on retainer; by the hour: principal consultant, $102; consultant, $75.

1991 gross revenues: $17 million total, 25% from unbundled environmental risk management consulting services.

Officers: Tracy Mack, president/general manager.

Continued on next page

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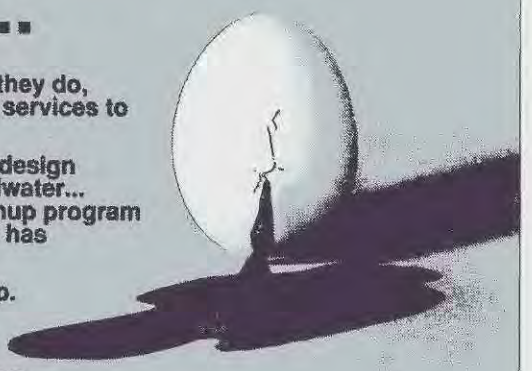

TGI

The Traverse Group, Inc.

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Continued from previous page

Environmental Strategies Corp.

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

Founded: 1986.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, UST management and removal, technical support for insurance claims, risk assessments in support of pollution insurance; occasional risk financing, asbestos evaluation/remediation.
Other services: Frequent general risk management consulting; occasional remediation activities, consulting to insurers and public policy makers.
Staff: 120 total; 92 environmental professionals including four principal consultants, 88 consultants. Professional designations include 13 PEs, 13 CPGs, 12 CGWPs.
Clients: 350 total; 290 environmental consulting clients, 15% with gross revenues less than $10 million, 30% with $10 million-$24 million, 30% with $25 million-$99 million, 15% with $100 million-$1 billion, 10% with more than $1 billion.
Specialties: Electronics, refining, utilities, chemicals, financial institutions, insurance companies.
Branch offices: San Jose and Burbank, Calif.; Pittsburgh; Boxborough, Mass.; Minneapolis; London and Chester, England.
Compensation: By the project; on retainer; by the hour: principal consultant, $125-$140; consultant, $55-$80.
1991 gross revenues: 80% from unbundled environmental risk management consulting services.
Officers: Lynne M. Miller, president; Michael J. Murphy, chairman; Douglas Gladstone, Richard Freudenberger, Robert J. Mason, senior vps.
Contact: Lynne M. Miller.

Environmental Title Services Inc.

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

Founded: 1990.
Environmental services: Frequent litigation support, identification and assessment of prior ownership and use of land; occasional real estate audits, public policy analysis, risk financing.
Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: Eight total; five environmental professionals including three principal consultants, two consultants. Professional designations include two attorneys, one CPCU.
Clients: 28 total; 65% with gross revenues less than $10 million, 10% with $10 million-$24 million, 5% with $25 million-$99 million, 10% with $100 million-$1 billion, 10% with more than $1 billion.
Specialties: Finance, litigation/law, environmental engineering, petroleum, transportation/trucking, insurance.
Compensation: By the project; on retainer; by the hour: principal consultant, $75.
1991 gross revenues: All from unbundled environmental risk management consulting services.
Officers: Wayne A. Weber, president; Kevin Goodman, vp-litigation support; Garry McNeil, vp-coordinator; Mark Rasnick, vp-liability abstractor; David Eisler, counsel.
Contact: Wayne Weber.

Environmental Warranty Inc.

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

Founded: 1992.
Environmental services: Frequent review of real estate audits, provide insurance for undiscovered contamination of commercial property; occasional risk financing.
Other services: Frequent environmental consulting to insurers and public policy makers.
Staff: Five total; four environmental professionals including one principal consultant, three consultants.
Specialties: Consulting and insurance services to property owners and financial institutions.
Compensation: By the project.
Officers: Charles L. Perry Jr., president/CEO; Anthony W. Drescher, senior insurance officer; William A. Gildea Jr., managing director; Thomas S. Lux, senior technical officer.
Contact: William A. Gildea Jr.

F

Farinacci & Associates Inc.

180 N. Riverview Drive, Suite 260, Anaheim, Calif. 92808; 714-283-8025; fax: 714-283-8029

Founded: 1981.
Environmental services: Frequent regulatory and public policy analysis; occasional manufacturing plant audits, waste minimization plans, public health risk assessment.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, loss prevention consulting.
Staff: 10 total; seven professionals including one principal consultant, six consultants. Professional designations include one ARM.
Specialties: School districts.
Compensation: By the project; by the hour: principal consultant, $90-$120; consultant, $80-$100.
Officers: John J. Farinacci, president; Marie J. Farinacci, vp.
Contact: John J. Farinacci.

R.M. Fields & Co. Ltd.

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

Founded: 1982.
Environmental services: Frequent insurance archaeology, historic insurance audits.
Other services: Frequent general risk management consulting, expert testimony.
Staff: 13 total; 11 environmental professionals including four principal consultants, seven consultants. Professional designations include one attorney.
Clients: 100 total; 5% with gross revenues less than $10 million, 5% with $10 million-$24 million, 15% with $25 million-$99 million, 25% with $100 million-$1 billion, 50% with more than $1 billion.
Branch offices: Los Angeles, London.
Compensation: By the hour: principal consultant, $150-$225; consultant, $45-$125.
1991 gross revenues: $1.5 million total.
Officers: Randolph M. Fields, Henry Booth, David Jones and Carl Watkins, directors.
Contact: Randolph M. Fields or Henry Booth.

First Risk Management Co.

636 Old York Rd., Jenkentown, Pa. 19046; 215-885-1125; fax: 215-885-1161

Founded: 1954.
Environmental services: Litigation support.
Other services: Frequent general risk management consulting.
Staff: Six total; environmental professionals including one principal consultant. Professional designations include two ARMs, two CPCUs.
Specialties: Case preparation, support consulting for attorneys involved in environmental/insurance cases; expert witness.
Compensation: By the hour: principal consultant, $320; consultant, $225.
1991 gross revenues: $1 million total, 20% from unbundled environmental risk management consulting services.
Officers: Leonard J. Silver, president; Edward Bartle, vp; Harry Cylinder, assistant vp.
Contact: Leonard J. Silver.

J.H. Frank & Associates

1638 Virden Drive, Glendale, Calif. 91208-2722; 818-246-7527; fax: 310-444-1215

Founded: 1985.
Environmental services: Frequent litigation support, sundry claims, administrative oversight; occasional real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: Eight total; three environmental professionals, all principal consultants. Professional designations include one PE, one CPG, one attorney, one ARM, one CPCU, one CGWP.
Clients: 11 total; four environmental consulting clients, all with gross revenues of $10 million-$24 million.
Branch offices: Morris County, N.J.; Delaware Valley and Lehigh Valley, Pa.; Jacksonville, Fla.; Benicia, Calif.
Compensation: By the project; on retainer; by the hour: principal consultant, $175-$250; consultant, $135-$150.
1991 gross revenues: 33% from unbundled environmental risk management consulting services.
Officers: Jaye Frank, P.S. Buck, C.E. Simmons, P.R. Majchrowicz, M.E. Avroch, principals.
Contact: Michael W. Frank.

G

GAB-Environmental Claims Division

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

Founded: 1885.
Parent: SGS.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, risk financing, pre-loss/post-loss services, claims management/financing, environmental drilling, air emissions assessment, motor fuel quality evaluation; occasional manufacturing plant audits, waste minimization plans, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers; general risk management consulting; lab testing of hazardous waste, ground water, soil and drinking water by EPA protocols; test drilling and monitoring of remediation projects. Occasional remediation activities.
Staff: 5,035 total. Professional designations include 31 PEs, four attorneys, 39 CPCUs.
Clients: 7,980 total; 960 environmental consulting clients, 50% with gross revenues less than $10 million, 20% with $10 million-$24 million, 10% with $25 million-$99 million, 20% with $100 million-$1 billion.
Specialties: Environmental engineering for oil companies, manufacturing and utilities; risk management for manufacturing, chemical and petroleum industries.
Branch offices: 500 U.S. and 140 foreign locations.
Compensation: By the project; on retainer.
1991 gross revenues: $285 million total.
Officers: Richard Simon, chairman/CEO; William Bergs, president/COO; Joseph Rizzo, executive vp; John Darden, CFO; G. Roger Eiler, senior vp.
Contact: Thomas C. MacArthur, managing director, 212-815-8931.

GJL Environmental

4009 Fairwood St., Bakersfield, Calif. 93306-1310; 805-872-1543; fax: 805-323-1340

Founded: 1987.
Environmental services: Frequent real estate audits, litigation support, UST management and removal; occasional manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, regulatory and public policy analysis.
Other services: Frequent remediation activities, general risk management consulting.
Staff: Five total; environmental professionals include three principal consultants. Professional designations include one PE, one CPG.
Clients: 25 total; all environmental consulting clients have gross revenues less than $10 million.
Specialties: Real estate, agricultural, chemical.
Compensation: By the project; on retainer; by the hour: principal consultant, $85-$150.
1991 gross revenues: $499,000 total, 50% from unbundled environmental risk management consulting services.
Officers: Gary J. Leary, owner; John R. Wilson, registered civil engineer; Mark Magargee, registered geologist.

Gallagher Bassett Services Inc.

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-235-4000

Founded: 1962.
Parent: Arthur J. Gallagher & Co.
Environmental services: Frequent real estate audits, public health risk assessment, regulatory and public policy analysis, industrial hygiene (asbestos and lead), consulting and laboratory analysis; occasional manufacturing plant audits, design and analysis of remediation plans, litigation support, UST management and removal, risk financing.
Other services: Frequent general risk management consulting.
Staff: 52 total; 15 environmental professionals including three principal consultants, 12 consultants. Professional designations include two PEs, two CPGs, five ARMs.
Clients: 1,080 total.
Specialties: Consulting to real estate developers, property managers, industrial manufacturers, municipalities, schools, religious institutions, commercial clients.
Branch offices: Batavia and Peoria, Ill.; Cedar Rapids, Iowa; Sacramento, Calif.
Compensation: By the project; on retainer; by the hour: principal consultant, $90-$130; consultant, $65-85.
1991 gross revenues: $72 million total, 5% from unbundled environmental risk management consulting services.

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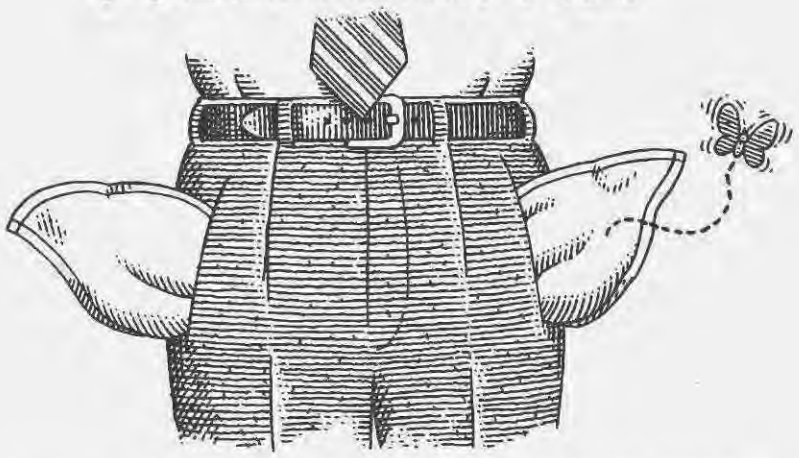

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Aetna

Continued from previous page

Officers: John G. Campbell, chairman; Peter J. Durkalski, president; Richard McKenna, Fred Potenza, Richard Rothman, executive vps.

Contact: Fred Potenza or Kurt Montalto, sales representative.

Galson Corp.

6601 Kirkville Road, East Syracuse, N.Y. 13057; 315-432-0506; fax: 315-437-0507

Founded: 1946.

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

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

Staff: 250 total. Professional designations include one PE.

Clients: 600 total.

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

Branch offices: Berkeley, Calif.; Hawthorn and Rochester, N.Y.; Plymouth Meeting, Pa.; Raleigh, N.C.

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

1991 gross revenues: $15 million total.

Officers: Allen E. Galson, CEO; R. Leland Davis, president; Mike Lorenz, CFO/senior vp; Robert V. Bibbo and Joe Unangst, senior vps.

Contact: Cindy Kuiper, marketing resources manager.

Gandee & Associates Inc.

4488 Mobile Drive, Columbus, Ohio 43220; 614-459-8338; fax: 614-442-2158

Founded: 1979.

Environmental services: Frequent design and analysis of remediation plans, radon testing, asbestos materials studies, design/administration/inspection of asbestos abatement; occasional real estate audits, litigation support, public health risk assessment, regulatory and public policy analysis.

Staff: 27 total; 16 environmental professionals including three principal consultants, 13 consultants. Professional designations include one PE.

Clients: 50 environmental consulting clients, 30% with gross revenues less than $10 million, 58% with $10 million-$24 million, 10% with $25 million-$99 million, 2% with $100 million-$1 billion.

Compensation: By the project; by the hour: principal consultant, $95; consultant, $62.

1991 gross revenues: $2.85 million total, all from unbundled environmental risk management consulting services.

Officers: Kurt Varga, president; David Gandee, vp; Dave Warye, secretary; Tim Price, treasurer.

GeoResearch

3960 Gilman St., Long Beach, Calif. 90815; 213-597-3977; fax: 213-597-8459

Founded: 1984.

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

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

Staff: 87 total; 64 environmental professionals. Professional designations include one PE.

Clients: 250 total.

Branch offices: San Luis Obispo and Fresno, Calif.

Compensation: By the project; on retainer; by the hour: consultant, $85-$150.

1991 gross revenues: 90% from unbundled environmental risk management consulting services.

Officers: Michael M. Mooradian, president, Cheryl K. Mooradian, vp.

Contact: Cheryl K. Mooradian.

Geosystem Consultants Inc.

18218 McDurmott E., Suite G, Irvine, Calif. 92714; 714-553-8757; fax: 714-261-8550

Founded: 1986.

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

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

Staff: 20 total; 16 environmental professionals including five principal consultants, 11 consultants. Professional designations include four PEs, one CPG, two CGWPs.

Clients: 40 total; all environmental consulting clients, 10% with gross revenues less than $10 million, 15% with $10 million-$24 million, 20% with $25 million-$99 million, 20% with $100 million-$1 billion, 35% with more than $1 billion.

Specialties: Petroleum/petrochemical refining and distribution, wood preserving, manufacturing, local governments.

Branch offices: Santa Clara and San Luis Obispo, Calif.

Compensation: By the project; by the hour: principal consultant, $110; consultant, $58.

1991 gross revenues: $2.5 million total, 75% from unbundled environmental risk management consulting services.

Officers: Mohsen Mehran, Philip Miller.

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SPECIALTY LINES DIVISION

Continued from previous page

Gradient Corp.

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

Founded: 1985.
Environmental services: Real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis.
Other services: Occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 45 total; 30 environmental professionals including six principal consultants, 24 consultants.
Clients: 50 total; 45 environmental consulting clients, 10% with gross revenues less than $10 million, 15% with $10 million-$24 million, 25% with $25 million-$99 million, 25% with $100 million-$1 billion, 25% with more than $1 billion.
Specialties: Petrochemical, mining, manufacturing, insurers.
Branch offices: Ann Arbor, Mich.; Boulder, Colo.
Compensation: By the hour: principal consultant, $175-$190; consultant, $100-$150.
1991 gross revenues: $3.6 million total, 70% from unbundled environmental risk management consulting services.
Officers: David B. Kiser, chairman; Jean P. Gosselin, president; Neil S. Shifrin, Brian L. Murphy, director.
Contact: Brian L. Murphy.

Green Environmental Inc.

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

Founded: 1986.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, litigation support, public health risk assessment, UST management and removal; occasional manufacturing plant audits, waste minimization plans, regulatory and public policy analysis.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 40 total; 18 environmental professionals including three principal consultants, 15 consultants. Professional designations include two PEs, five CPGs, one CGWP.
Clients: 200 total; all environmental consulting clients, 20% with gross revenues less than $10 million, 30% with $10 million-$24 million, 30% with $25 million-$99 million, 10% with $100 million-$1 billion, 10% with more than $1 billion.
Compensation: By the project; on retainer; by the hour: principal consultant, $100; consultant, $50.
1991 gross revenues: $7 million total, 50% from unbundled environmental risk management consulting services.
Officers: Glenn C. Ferguson.
Contact: Wallace Pimental.

Griffin Environmental

25251 Paseo de Alicia, Suite 200; Laguna Hills, Calif. 92653; 714-457-0919; fax: 714-859-7350

Founded: 1991.
Environmental services: Frequent manufacturing plant audits, litigation support, regulatory and public policy analysis; occasional real estate audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment.
Other services: Frequent field testing for toxics; occasional remediation activities, consulting to insurers and public policy makers.
Staff: Three total; one environmental professional who is a principal consultant.
Clients: Four total; two environmental consulting clients.
Specialties: Consulting manufacturers and property owners.
Compensation: By the project; by the hour: principal consultant, $135; consultant, $95.
1991 gross revenues: $180,000 total, 35% from unbundled environmental risk management consulting services.
Officers: Roger D. Griffin, president; A.M. Griffin, chairman.

H

Hazard Management Associates

2 Gateway Center, Suite 1800, Pittsburgh, Pa. 15222; 412-288-0832; fax: 412-288-0863

Founded: 1991.
Parent: Halliwell & Associates Inc.
Environmental services: Frequent real estate audits, manufacturing plant audits, risk financing, health care environmental management and risk assessment; occasional design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, environmental oversight, environmental assurance reviews and audits for directors/trustees.
Staff: Three total; all environmental professionals including two principal consultants, one consultant.
Clients: 12 total; 14 environmental consulting clients, 20% with gross revenues less than $10 million, 20% with $10 million-$24 million, 60% with $25 million-$99 million.
Specialties: Health care, financial, insurance.
Compensation: By the project; by the hour: principal consultant, $145; consultant, $120.
1991 gross revenues: $160,000 total, 80% from unbundled environmental risk management consulting services.
Officers: Timothy J. Budacki; Thomas Baily.

Heritage Remediation/ Engineering Inc.

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

Founded: 1970.
Parent: Heritage Environmental Services Inc.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, UST management and removal; occasional litigation support.
Other services: Frequent remediation.
Staff: 250 total; 20 environmental professionals. Professional designations include 18 PEs, five CPGs, one attorney.
Clients: 1,000 total; 200 environmental consulting clients.
Specialties: Oil, automotive, general manufacturing.
Branch offices: Chicago; Louisville, Ky.; St. Louis; Toldeo, Ohio.
Compensation: By the project; by the hour.
Officers: John Spangler, president; John Renkes, executive vp; James Maloney, vp.

Hewitt, Coleman & Associates Inc.

P.O. Box 3665, Greenville, S.C. 29608; 803-240-5800; fax: 803-232-8824

Founded: 1923.
Environmental services: Frequent manufacturing plant audits, risk financing; occasional waste minimization plans.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: Seven total. Professional designations include one PE, one ARM.
Clients: Environmental consulting clients include 15% with gross revenues less than $10 million, 20% with $10 million-$24 million, 60% with $25 million-$99 million, 5% with $100 million-$1 billion.
Branch offices: Atlanta; Birmingham, Ala.; Denver; Orlando, Fla.; Raleigh, N.C.
Compensation: By the project.
Officers: Charles R. Warne, president; Ron Graves, Randy Chapman, Garry Coulter, vps.
Contact: Ronald J. Graves.

Eugene Horton & Associates

600 Stewart St., Suite 1300, Seattle, Wash. 98101; 206-441-7020; fax: 206-441-7025

Founded: 1985.
Environmental services: Frequent risk financing.
Other services: Frequent general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: Four total; one environmental professional.
Clients: 600 total; environmental consulting clients include 71% with gross revenues less than $10 million, 29% with $10 million-$24 million.
1991 gross revenues: $1.5 million total, 3% from unbundled environmental risk management consulting services.
Officers: Eugene A. Horton.

I

IAG Ltd.

240 Madison Ave., 14th Floor, New York, N.Y. 10016; 212-697-2680; fax: 212-697-4354

Founded: 1985.
Environmental services: Frequent litigation support, historic insurance reconstruction, sample policy form procurement, insurance contract analysis, policy database management.
Staff: 20 total; 13 environmental professionals including two principal consultants, 11 consultants.
Clients: 150 total; all environmental consulting clients, 5% with gross revenues less than $10 million, 5% with $10 million-$24 million, 30% with $25 million-$99 million, 35% with $100 million-$1 billion, 25% with more than $1 billion.
Compensation: By the hour: principal consultant, $185-$200; consultant, $60-$150.
1991 gross revenues: 80% from unbundled environmental risk management consulting services.
Officers: Sheila Mulrennan, president; Michele Pierro, vp.

The Institute of Environmental Solutions Inc.

1325 15th St., Suite 501, Sacramento, Calif. 95814; 916-962-0732; fax: 916-966-6953

Founded: 1987.
Environmental services: Public health risk assessment, risk financing, safety engineering services related to physical ergonomic and chemical hazards in the workplace.
Other services: Frequent environmental consulting to insurers and public policy makers; occasional general risk management consulting.
Staff: Seven total; environmental professionals include three principal consultants, two consultants. Professional designations include PE, ARM, CPCU.
Clients: 150 total; all environmental consulting clients, 91% with gross revenues less than $10 million, 7% with $10 million-$24 million, 2% with $25 million-$99 million.
Compensation: By the project; on retainer.
1991 gross revenues: $1.2 million total, 12% from unbundled environmental risk management consulting services.
Officers: Rebekah J. Buckles, president; David O. Newell, chief field consultant; Steve Jordan, analyst.

Insurance Control Systems Inc.

1118 N. LaBrea Ave., Inglewood, Calif. 90302; 213-678-7115; fax: 310-673-3350

Founded: 1989.
Environmental services: Frequent manufacturing plant audits, waste minimization plans, litigation support, regulatory and public policy analysis, risk financing; occasional real estate audits, design and analysis of remediation plans.
Other services: Frequent general risk management consulting; occasional remediation activities, consulting to insurers and public policy makers.
Staff: 12 total; three environmental professionals. Professional designations include one ARM.
Clients: 46 total; 14 environmental consulting clients, 20% with gross revenues less than $10 million, 40% with $10 million-$24 million, 40% with $25 million-$99 million.
Branch offices: Atlanta; Dallas; Reno, Nev.
Compensation: By the project; by the hour.
1991 gross revenues: $1.05 million total.
Officers: Alfred Kirkpatrick, president; Valeta Paganelli, vp; Laura Patten, vp-operations; Lani Amarino, service manager; V. Heitkamp, controller.
Contact: Laura Patten.

Insurance Surveys Co.-Benjamin Levy

Route 52 E., Liberty, N.Y. 12754; 914-292-5390; fax: 914-292-2191

Founded: 1932.
Environmental services: Public health risk assessment, regulatory and public policy analysis, risk financing.
Other services: Review policyholders' accountants, attorneys and insurance; occasional remediation activities, consulting to insurers and public policy makers.
Staff: Two total; one principal consultant.
Clients: Three environmental consulting clients, 33% with gross revenues less than $10 million, 67% with $25 million-$99 million.
Compensation: On retainer; by the hour: principal consultant, $70.
1991 gross revenues: 20% from unbundled environmental risk management consulting services.
Officers: Benjamin Levy, owner.

Integrated Environmental Services

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

Founded: 1973.
Parent: The Penn Central Corp.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis, UST management and removal; occasional waste minimization plans, litigation support, public health risk assessment.
Other services: Frequent remediation activities.
Staff: 44 total; Professional designations include one PE.
Clients: 15 total; 10% with gross revenues less than $10 million, 10% with $10 million-$24 million, 10% with $25 million-$99 million, 10% with $100 million-$1 billion, 60% with more than $1 billion.
Specialties: Wire and cable companies, public utilities, commercial real estate, government-hazardous materials and nuclear.
Compensation: By the project; on retainer; by the hour: principal consultant, $70-$80; consultant, $40-$70.
1991 gross revenues: $3 million total, 25% from unbundled environmental risk management consulting services.
Officers: William J. Manion, president; Thomas Keenan, Albert Uziel, vps; David M. Jurasek, secretary/treasurer; Francisco Trejo, general manager.

International Environmental Services Inc.

1600 Golf Rd., Suite 1200, Rolling Meadows, Ill. 60008; 708-956-4949; fax: 708-956-4948

Founded: 1990.
Environmental services: Frequent

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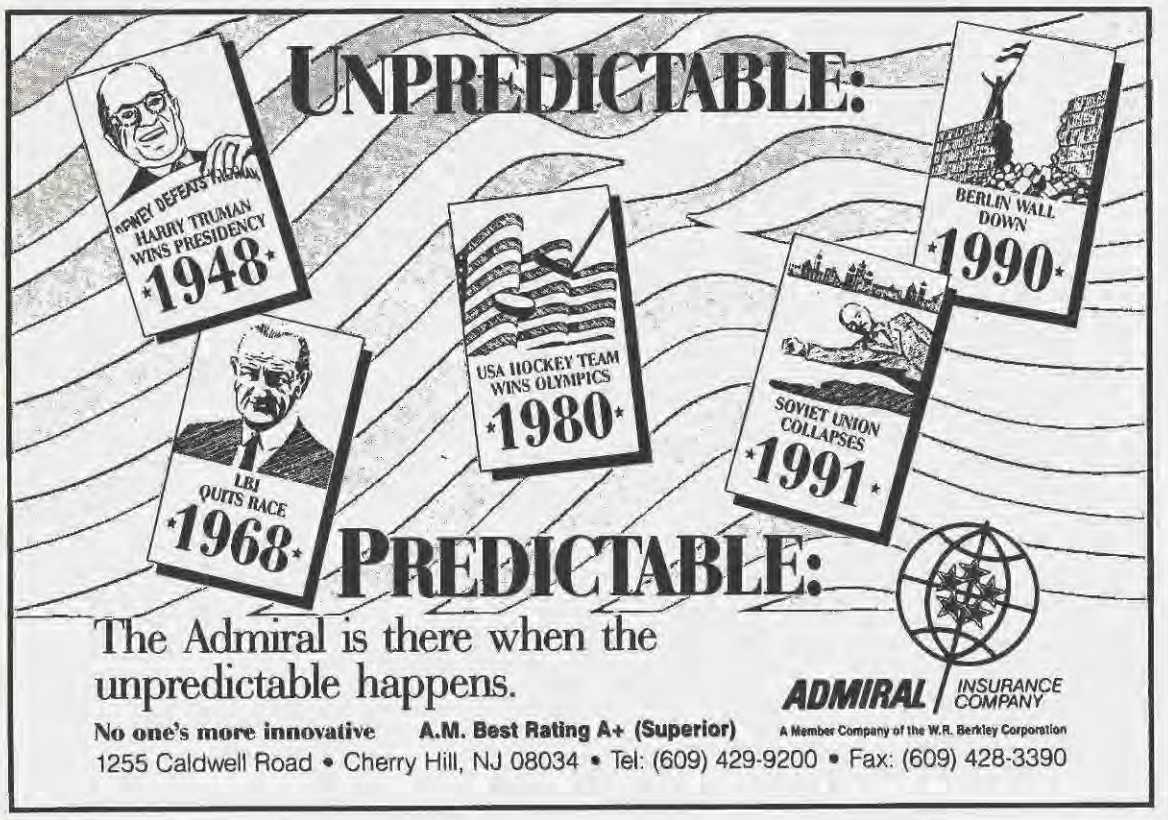

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Continued from previous page
analysis of actual and potential environmental liabilities; occasional litigation support, regulatory and public policy analysis, UST management and removal.

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

Staff: 14 total; Professional designations include two attorneys.

Specialties: Insurance companies; law firms.

Branch offices: Los Angeles; Princeton, N.J.

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

Officers: John E. Conway, president; Donnie M. Allen, vp.

Contact: John E. Conway or Christine Pippin.

International Technology Corp.

23456 Hawthorne Blvd., Torrance, Calif. 90505; 310-378-9933; fax: 310-791-2587

Founded: 1926.

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

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

Staff: 3,707 total; 200 environmental professionals including 40 principal consultants, 160 consultants. Professional designations include 194 PEs, 147 CPGs, 14 attorneys, 192 ARMs, seven CGWPs.

Clients: 18,000 total; 1,000 environmental consulting clients, 1% with gross revenues less than $10 million, 2% with $10 million-$24 million, 17% with $25 million-$99 million, 70% with $100 million-$1 billion, 10% with more than $1 billion.

Specialties: Chemicals, petroleum, manufacturing, transportation, aerospace, electronics, real estate, pharmaceuticals, pulp and paper; consults for Department of Defense, Department of Energy, Environmental Protection Agency.

Branch offices: Albuquerque and Los Alamos, N.M.; Atlanta; Austin, Houston and Dallas, Texas; Avenel, Bellmawr and Edison, N.J.; Baton Rouge, Lake Charles and Port Allen, La.; Chicago; Cincinnati; Columbia, S.C.; Deerfield Beach, Ocala, Orlando and Tampa, Fla.; Denver; Detroit; Durham, N.C.; Idaho Falls, Idaho; Irvine, Martinez, San Bernardino, San Diego, San Jose and Wilmington, Calif.; Kansas City, Mo.; Knoxville and Oak Ridge, Tenn.; Las Vegas; Montgomery, Ala.; Pittsburgh; Richland, Wash.; Rochester, N.Y.; St. Paul, Minn.; Shrewsbury, Mass.; South Charleston and Vienna, W.Va.; Washington.

Compensation: By the project; by the hour: principal consultant, $200-$400; consultant, $118-$150.

1991 gross revenues: $420 million total, 51% from unbundled environmental risk management consulting services.

Officers: Robert B. Sheh, president/CEO; Anthony J. DeLuca, senior vp/CFO; James R. Mahoney, senior vp-corporate development/sales; Eric Schwartz, senior vp/corporate secretary; Philip H. Ockelmann, vp/treasurer.

Contact: James R. Mahoney.

J

Johnson & Higgins

125 Broad St., New York, N.Y. 10004; 212-574-8287; fax: 212-574-7676

Founded: 1845.

Environmental services: Risk financing, structured settlements, claims handling, loss control.

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

Staff: 3,000 total; six environmental professionals.

Branch offices: 52 locations nationwide.

Officers: David A. Olsen; Richard A. Nielson.

Contact: James D. Cox, vp-environmental specialist, construction group.

K

Kemper Risk Management Services, NATLSCO Division

1 Kemper Drive, Long Grove, Ill. 60049-0075; 708-540-4665; fax: 708-540-4330

Founded: 1968.

Parent: Kemper Corp.

Environmental services: Frequent manufacturing plant audits, waste minimization plans, public health risk assessment, environmental program development assistance, training, permitting; occasional litigation support, regulatory and public policy analysis, UST management and removal.

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

Staff: 70 total; 40 environmental

Continued on page 38

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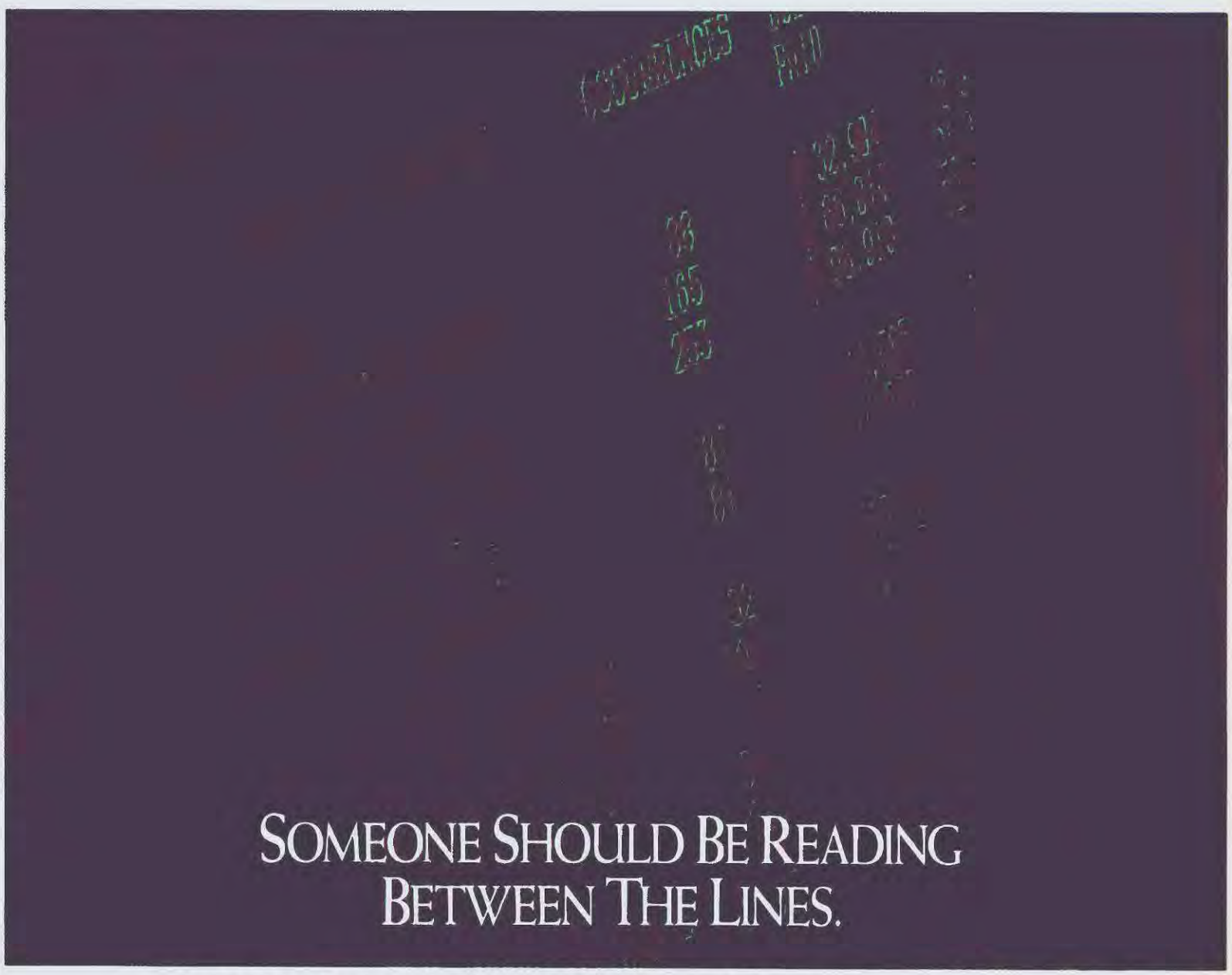

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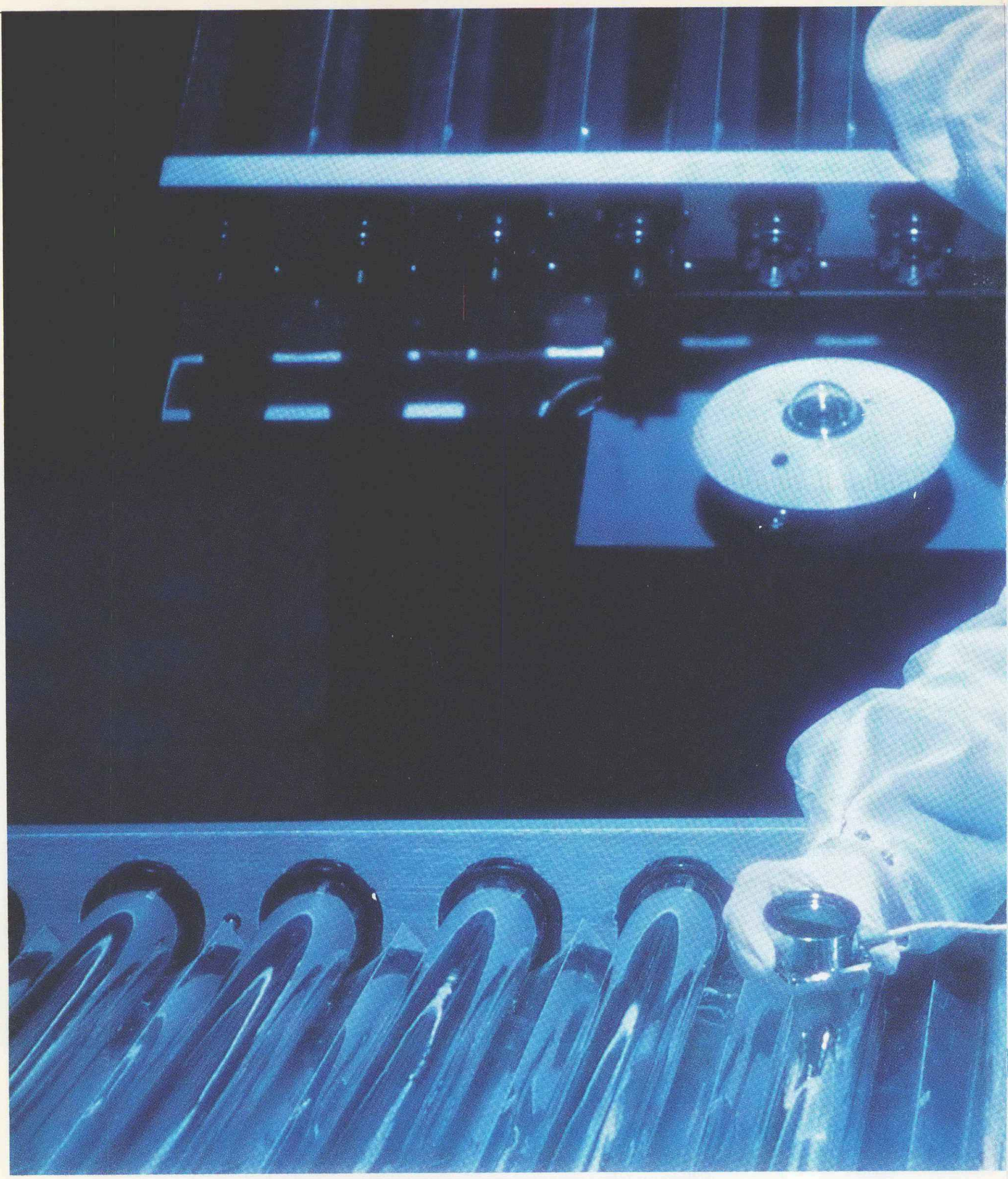

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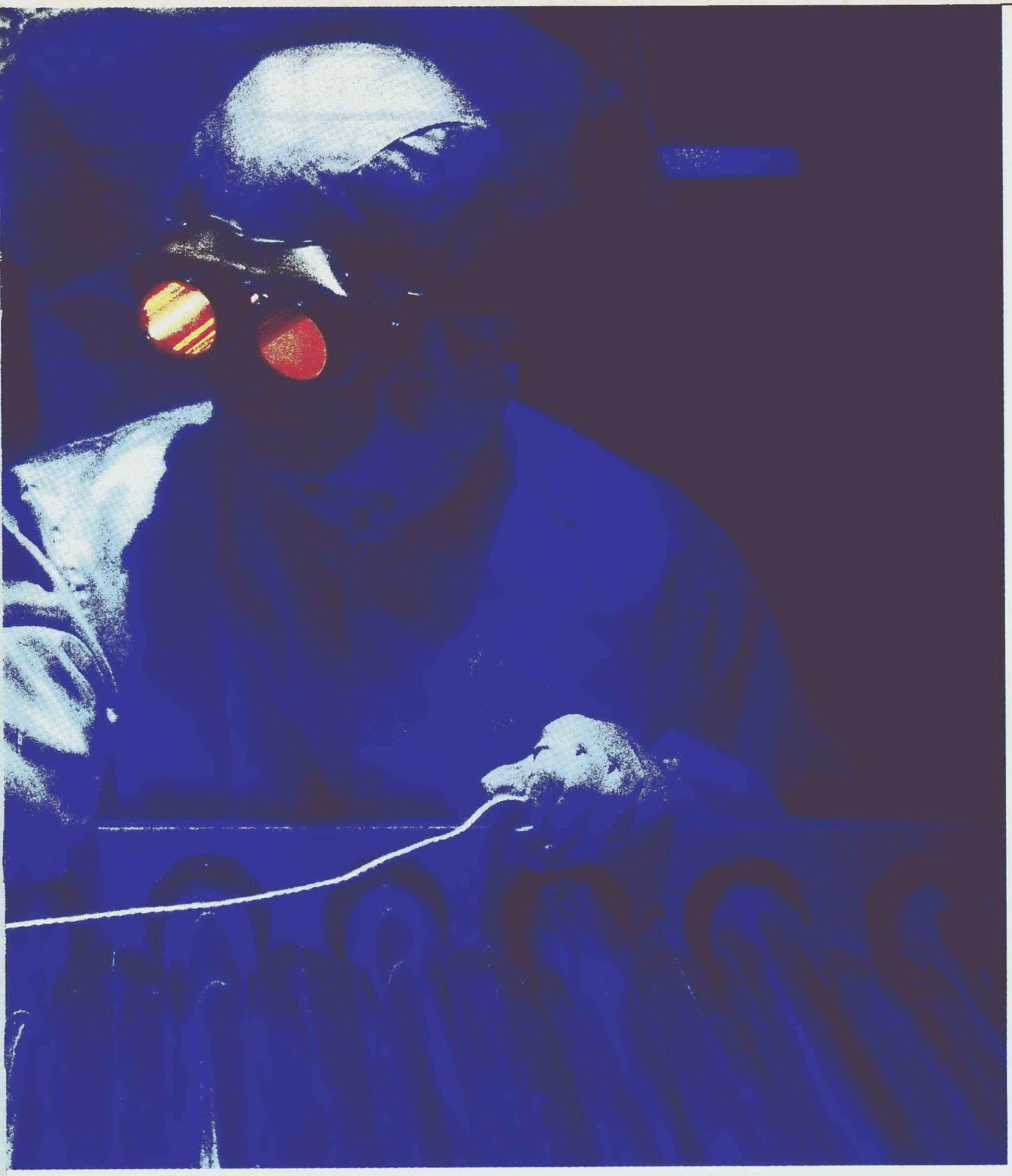

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Data integrity

Continued from previous page
problems. That may have been a mistake made at the employer level, but manual data entry at the secondary data source can also cause problems. This can be proven by the number of duplicate claims, erroneously opened and closed claims, and even liability claims which become property claims or vice versa.

Where are these problems coming from? Typically, the answer lies in the conversion process. As we know, employers frequently change their service providers. And, because most service providers' claims information systems are different, the data from the older source must be accurately converted to the newer source.

Who performs this conversion routine? Typically, it is the same type of individual who is entering claims information at the service provider—one with little or no understanding of the claims or insurance process. Data entry personnel may not understand how critical it is to accurately translate the data from the old source to the new system without making any changes or arbitrarily inputting data to fill open fields. Disturbing as this seems, it probably happens more than the general public knows.

In some cases, the original data may be abysmally incomplete. That is typically the case when one moves from an insurer-based program to a self-insured situation where the risk manager is looking for much more data to analyze. Historically, insurance companies have only collected information that was useful to them; they weren't very interested (although that is now changing) in capturing a lot of sub-data on a particular claim which is very useful to the risk manager today.

This conversion process involves specific and important steps: mapping, file formatting and trial input. But the point here is that the conversion is a critical function and is many times overlooked by those interested in moving to a different RMIS vendor or other service provider. A conversion process that identifies errors in the old data will provide some comfort to the risk manager.

Data can be transmitted from one source to another in three major ways:

- Manually from written form submission, telephone or fax.
- Magnetic tapes/floppy disk transfer. This is still the most popular way of transmitting large volumes of data from one system to another.
- Electronically through electronic data interchange, imaging, modem transmission or network technology.

One might say that the problem with data integrity will be reduced as we move from manual to electronic transmission. This may be true, but the problems of accuracy and integrity remain in terms of verifying data accuracy in the exchange and making sure that the conversion software routine does not mistakenly alter the data during the conversion process. BI

David A. Tweedy is a senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass. He is the editor of Betterley Risk Management Commentary and the author of RMIS Update, a yearly publication analyzing major risk management information systems and vendors. Mr. Tweedy's column on risk management information systems appears the third Monday of the month.

Health plan discounts

Continued from previous page
paid the full discounted amount, and the participant's copayment obligation is applied to all other charges.

Result: This approach maximizes the savings for the plan, while the participant pays no more than if there were no discount arrangement.

In the second example, in which the plan pays 80% of the first $10,000 and 100% thereafter, the plan shifts the copayment completely to the first set of miscellaneous charges received. The participant still satisfies the out-of-pocket, and the plan pays less because of its hospital discount. Again, the shift is entirely an internal administrative matter at the plan.

Result: The plan saves the full $1,500 on the hospital bill, while the participant's outlay is no greater than if there were no discount arrangement.

In the third example, in which the plan pays 80% of the first $5,000 and 100% thereafter, the plan again applies the copayment obligation to part of the miscellaneous charges, ensuring that it can use all of its potential hospital discount.

Result: The plan saves $1,500 on the hospital bill, and the participant pays no more than he or she would pay if there were no discount arrangement.

Although the plan certainly has an incentive to steer its participants to network facilities, in none of the above examples is there a direct financial incentive for the participant to use the network facilities, ensuring a discount for the plan. Therefore, we recommend that most employers consider sharing some of the savings with participants to create an incentive for them to use the providers in our network.

We expect that, over time, the larger the incentive, the more participants will use the facilities on our discount network. That will translate, we expect, into lower cost increases for the plan. And of course, the more a plan or a network uses particular health care facilities, the more incentive for those facilities to grant the plan or network deeper discounts. BI

Donald Rubin is the founder and president of MultiPlan Inc., a preferred provider organization in New York.

Claim upheld for dentures broken in fight

Is the destruction or damage to a prosthesis compensable under workers compensation when the accident was attenuated with other physical injuries? The Supreme Court of South Carolina ruled that it was.

Mary Corbett, an employee of the South Carolina Department of Youth Services, was hit in the mouth while attempting to end a fight between two clients. Her mouth was injured and her dentures were broken. She filed a workers comp claim for the cost of replacement dentures and dentist bills. The insurer denied coverage. However, the state workers compensation commission granted coverage, which was affirmed by the trial court.

On appeal, the insurer argued that injury or destruction of a prosthesis was not a physical injury under the workers compensation law. The court said that it thought the state law defined ". . .personal injury broad enough to encompass repair or replacement of a prosthesis which is a replacement for a natural body part when the prosthesis is damaged or destroyed in a work-related accident and accompanied by other physical injury." The court noted that since 1951 11 states and the federal workers compensation statutes had been amended to provide recovery in such cases.

Corbett vs. South Carolina Department of Youth Services, Supreme Court of South Carolina, Feb. 24, 1992 (*BI*/03/D.-$10).

ERISA doesn't cover golden parachute

The 5th U.S. Circuit Court of Appeals ruled that a company's senior executive severance plan was not a "plan" within the meaning of and subject to the governance of the Employee Retirement Income Security Act of 1974.

John E. Fontenot was employed with NL Industries Inc. from July 1978 as a manager of mechanical engineering. Over time, he rose to a vice presidency of the newly organized NL Bariod Technology. In the meantime, NL was the target of a takeover attempt. To discourage takeover attempts, NL instituted the NL Senior Executive Severance Plan providing that if an executive was terminated within two years of a change of control, the company would give the executive a lump sum cash payment of three times his highest annual compensation for the three preceding years, as well as a three-year continuation of certain benefits. When NL Industries was taken over in June 1986, Mr. Fontenot learned he had no "golden parachute" in that he was not included in the severance plan. One year later, his employment was terminated. He eventually requested benefits under the severance plan, but the request was denied. He sued the company, alleging his entitlement to the severance benefits under ERISA. The trial court dismissed his claims.

The appellate court pointed out that the NL severance plan involved a one-time lump sum payment triggered by a single event that might never materialize. Thus, the court said, the plan required no administrative scheme whatsoever to meet the employer's obligation and the employer assumed no responsibility to pay benefits on a regular basis. Therefore, the court said, the plan was not governed by ERISA. The trial court decision was affirmed.

Fontenot vs. NL Industries Inc., U.S. Court of Appeals for the Fifth Circuit, Feb. 19, 1992 (*BI*/04/D.-$10).

Comp award for off-site auto accident

Where an employee is required to bring his own vehicle to work for use in the performance of his job and is injured while en route to work, his accident arouse out of and in the course of employment, according to the Supreme Court of Minnesota.

Marty Gilbert was employed as a newspaper route delivery driver and carrier. He was expected to assemble the employer's newspapers at a paper depot and deliver the papers to a safe, dry place along a designated route. He was required to furnish a reliable motor vehicle. Route carriers' earnings were based on the number of papers delivered, the price of gasoline and the mileage attributed to a particular route.

Mr. Gilbert was involved in a motor vehicle accident while traveling in his own pickup truck from his home to the employer's paper depot to pick up the newspapers for his assigned routes. He applied for but was denied workers compensation benefits.

The appellate court said that the rule excluding off-premises injuries occurring during the trip to and from work does not apply to those situations in which the employee, as part of the job, is required to bring his or her own vehicle for use during the working day.

"That fact alone will bring the trip to and from work within the course of employment," said the court.

Mr. Gilbert was awarded benefits.

Gilbert vs. Star Tribune/Cowles Media, Supreme Court of Minnesota, Feb. 21, 1992 (*BI*/05/D.-$10).

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

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Continued from page 31
professionals including 20 principal consultants, 20 consultants.

Clients: 1,500 total; 20% with gross revenues less than $10 million, 20% with $10 million-$24 million, 20% with $25 million-$99 million, 20% with $100 million-$1 billion, 20% with more than $1 billion.

Specialties: Food products, medical products, electronics.

Compensation: By the project; by the hour.

1991 gross revenues: $90 million total, 10% from unbundled environmental risk management consulting services.

Officers: F.G. Minchk, president; G.J. Krafcisin, vp.

Contact: John R. Wiemhoff, environmental consulting services manager.

L

LCH Construction Management

P.O. Box 290, Snellville, Ga. 30278; 404-979-6467; fax: 404-985-6677

Founded: 1977.

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

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

Staff: Six total; environmental professionals include three principal consultants. Professional designations include one PE.

Clients: 50% with gross revenues less than $10 million, 50% with $100 million-$1 billion.

Specialties: Land acquisitions.

Branch offices: Salt Lake City, Utah.

Compensation: By the project.

1991 gross revenues: $600,000 total, all from unbundled environmental risk management consulting services.

Officers: Larry Howick, president; Billie Howick, CFO.

Contact: Larry Howick.

Dennis Lang & Associates

P.O. Box 683, 5910 Ponderosa St., Colleyville, Texas 76034; 817-481-7785; fax: 817-329-0960

Founded: 1987.

Environmental services: Frequent litigation support, public health risk assessment, UST management and removal, risk financing, environmental insurance program development for industry groups; occasional environmental real estate audits, manufacturing plant audits, regulatory and public policy analysis.

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

Staff: Four total; all environmental professionals, two principal consultants, two consultants. Professional designations include one PE, one ARM.

Clients: 40 total; environmental consulting clients include 5% with gross revenues less than $10 million, 10% with $10 million-$24 million, 5% with $25 million-$99 million, 20% with $100 million-$1 billion, 60% with more than $1 billion.

Specialties: Oil and gas, construction, health care, public sectors.

Branch offices: Fort Wright, Ky.

Compensation: By the project; by the hour: principal consultant, $175; consultant, $125.

1991 gross revenues: All from unbundled environmental risk management consulting services.

Officers: Dennis Lang, president; Allan C. Davis, vp.

Contact: Dennis Lang.

Lawrence & Associates Ltd.

P.O. Box 886, Notre Dame, Indiana 46556; 219-289-4137 or 800-892-6263; fax: 219-289-4664

Founded: 1991.

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

Other services: Frequent general risk management consulting.

Staff: Six total; two environmental professionals, both principal consultants. Professional designations include two attorneys.

Clients: 20 environmental consulting clients, 50% with gross revenues less than $10 million, 20% with $10 million-$24 million, 15% with $25 million-$99 million, 15% with $100 million-$1 billion.

Specialties: Transportation industry.

Branch offices: Red Wing, Minn.

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

1992 gross revenues: $200,000 estimated total, 50% from unbundled environmental risk management consulting services.

Officers: Stephen A. Lawrence, president.

Contact: Tom Travis; Patrick Feehan, 3254 N. Service Drive, Red Wing, Minn. 55066; 612-388-7067.

The Scott Lawson Group Ltd.

29 River Road, Suite 18, P.O. Box 894, Concord, N.H. 03301; 603-228-3610; fax: 603-228-3871

Founded: 1978.

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

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

Staff: 30 total; six environmental professionals including two principal consultants, four consultants.

Clients: 590 total; 400 environmental consulting clients, 60% with gross revenues less than $10 million, 25% with $10 million-$24 million, 10% with $25 million-$99 million, 5% with $100 million-$1 billion.

Specialties: Paper industry, electronics industry, construction.

Compensation: By the project; by the hour: principal consultant, $65-$125; consultant, $45-$65.

1991 gross revenues: $1.5 million total, 50% from unbundled environmental risk management consulting services.

Officers: Scott H. Lawson, president; Donald P. McLelland, Anthony M. Sanborn, vps.

Contact: Donald P. McLelland.

Litigation Management Specialists Inc.

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

Founded: 1988.

Environmental services: Frequent management of lawsuits, risk spreading analysis and implementation, project coordination, identify and manage technical and legal service providers; occasional real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, risk financing.

Other services: Frequent general risk management consulting, management education, training, special projects, loss prevention.

Staff: Three total. Professional designations include one attorney.

Clients: 12 total; five environmental consulting clients, 40% with gross revenues less than $10 million, 40% with $10 million-$24 million, 20% with $100 million-$1 billion.

Specialties: Manufacturing.

Compensation: By the project; on retainer; by the hour: principal consultant, $95-$125; consultant, $60-$75.

1991 gross revenues: $150,000 total, 20% from unbundled environmental risk management consulting services.

Officers: James A. Freeman III, president.

Arthur D. Little Inc.

Acorn Park, Cambridge, Mass. 02140; 617-498-5000; fax: 617-498-7200

Founded: 1886.

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

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

Staff: 2,500 total; 300 environmental professionals.

Clients: 500 environmental consulting clients, 5% with gross revenues less than $10 million, 5% with $10 million-$24 million, 5% with $25 million-$99 million, 15% with $100 million-$1 billion, 70% with more than $1 billion.

Compensation: By the project; by the hour.

1991 gross revenues: 20% from unbundled environmental risk management consulting services.

Officers: J. Ladd Greeno, R. Scott Stricoff, Anthony P. Graffeo, Paul D. Boehm, Gilbert S. Hedstrom, vp/managing directors.

M

Manchester Risk Management

25 Nashua Rd., Londonderry, N.H. 03053; 603-432-8700; fax: 603-432-3349

Founded: 1987.

Environmental services: Risk financing consulting.

Other services: General risk management consulting.

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

Clients: 50% with gross revenues of $10 million-$24 million, 30% with $25 million-$99 million, 20% with $100 million-$1 billion.

Specialties: Public entity municipal solid waste management including waste to energy.

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

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

Contact: Lorene R. Larrabee.

Market Information Inc.

4100 N. Marine Drive, Suite 10E, Chicago, Ill. 60613; 312-871-4388

Founded: 1979.

Environmental services: Frequent litigation support, risk financing, casualty insurance historical research, legal research and position papers for potentially responsible parties.

Other services: Frequent environmental consulting to insurers and public policy makers, market research, secondary studies, data base analysis, annual reports, direct marketing, public relations.

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

1991 gross revenues: 75% from unbundled environmental risk management consulting services.

Contact: Barbara Abarbanell, president.

N

National Medical Advisory Service

7910 Woodmont Ave., Suite 700, Bethesda, Md. 20814-3015; 800-258-0014; fax: 301-913-0028

Founded: 1975.

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

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

Staff: 50 total; 10 environmental professionals including three principal consultants, seven consultants.

Specialties: Lenders, insurance groups, developers, manufacturers.

Branch offices: Baltimore.

Compensation: By the project; by the hour: principal consultant, $125-$175; consultant, $75-$95.

Officers: Ronald E. Gots, president; Barbara A. Gots, executive vp; John W. Spencer, vp-director of environmental sciences division.

Contact: Harry Englehart.

P

Phase One Inc.

85 Argonaut, Suite 190, Aliso Viejo, Calif. 92656; 714-457-0097; fax: 714-457-8586

Founded: 1990.

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

Other services: Occasional consulting to insurers and public policy makers, general risk management consulting, project management of investigatory and remediation projects.

Staff: 25 total; all environmental professionals, four principal consultants, 12 consultants. Professional designations include three PEs, one CPG.

Clients: 250 total; environmental consulting clients include 50% with gross revenues less than $10 million, 20% with $10 million-$24 million, 20% with $25 million-$99 million, 10% with $100 million-$1 billion.

Branch offices: Seattle; Dallas; Princeton, N.J.

Compensation: By the project.

1991 gross revenues: 100% from unbundled environmental risk management consulting services.

Officers: John T. French, Eric D. Kieselbach.

Contact: John T. French or Scott Dolan.

Pinnacle Environmental Group Inc.

60 N. Westwood Ave., Toledo, Ohio 43607; 419-536-9008; fax: 419-536-8586

Founded: 1990.

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

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

Staff: 15 total; five environmental professionals including one principal consultants, four consultants. Professional designations include one PE, one CPG, two CGWPs.

Clients: 65 total.

Specialties: Retail and wholesale petroleum sales, coal mines, landfills.

Compensation: By the project; on retainer; by the hour: principal consultant, $95; consultant, $80.

1991 gross revenues: $1.3 million total, all from unbundled environmental risk management consulting services.

Officers: Michael V. Glaze, president; Glen Taylor, vp; Frances F. Glaze, secretary/treasurer.

Contact: Glen Taylor.

Continued on page 40

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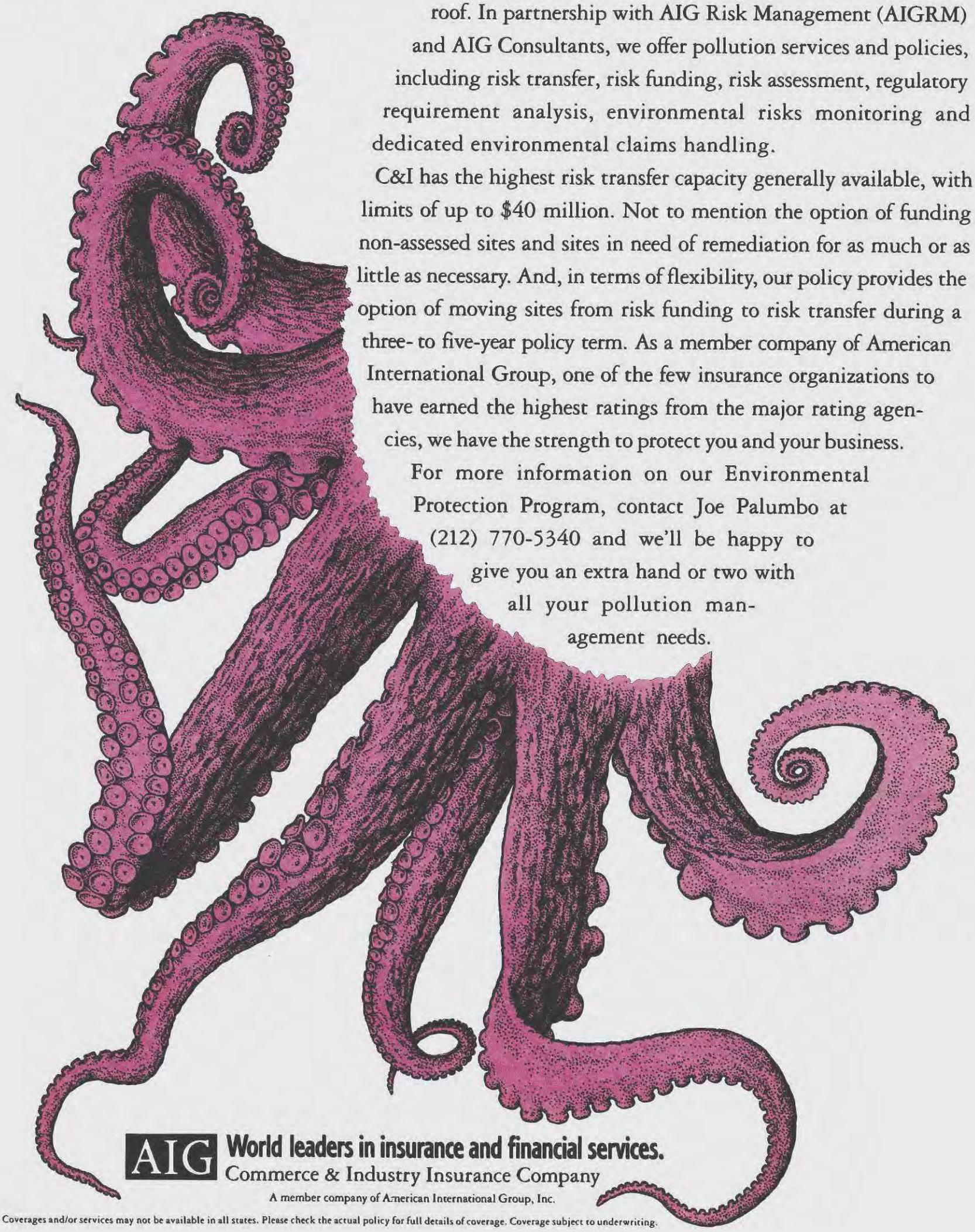

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Continued from page 38

Malcolm Pirnie Inc.

2 Corporate Park Drive, White Plains, N.Y. 10901; 914-694-2100; fax: 914-694-9286

Founded: 1929.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, UST management and removal; occasional litigation support, risk financing.
Other services: Occasional remediation activities, consulting to insurers and public policy makers, general risk management consulting.
Staff: 1,021 total; 600 environmental professionals including 155 principal consultants, 395 consultants. Professional designations include 234 PEs, 40 CPGs, three attorneys, four CGWPs.
Clients: 1300 total.
Specialties: Pharmaceuticals, chemicals, mining, petrochemicals, food, paper, textiles, metal finishings, state and local governments.
Branch offices: Akron, Ohio; Albany, Buffalo, Rochester and Syracuse, N.Y.; Boston; Cleveland and Columbus, Ohio; Fort. Lauderdale, Fla.; Hartford, Conn.; Houston and San Antonio, Texas; Jackson, Miss.; Lansing, Mich.; Minneapolis; New Orleans; Newport News, Va.; Mahwah, N.J.; Phoenix and Tucson, Ariz.; San Diego.
Compensation: By the project; on retainer; by the hour: principal consultant, $118-$200; consultant, $61-$115.
1991 gross revenues: $112 million total, 10% from unbundled environmental risk management consulting services.
Officers: John H. Foster, chairman; Paul L. Busch, president; Thomas J. Hickey, Garret P. Westerhoff, Daniel R. Shevchik, vps.
Contact: Richard P. Brownell, vp.

Professional Liability Risk Management Ltd.

214 Bronson Road, Syracuse, N.Y. 13219; 315-488-2162; fax: 315-424-1374

Founded: 1983.
Environmental services: Manufacturing plant audits, litigation support, risk financing.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: Six total; environmental professionals include one principal consultant. Professional designations include one attorney.
Clients: 15 total; environmental consulting clients include 87% with gross revenues less than $10 million, 13% with $10 million-$24 million.
Specialties: Architecture, engineering.
Compensation: By the hour: principal consultant, $150; consultant, $75.
Officers: Eli Marposon III, president.

Professional Risk Management Inc.

1433 Utica Ave. S., Suite 70, Minneapolis, Minn. 55416; 612-542-8414; fax: 612-542-8850

Founded: 1988.
Environmental services: Occasional real estate audits, manufacturing plant audits, risk financing.
Other services: Frequent general risk management consulting.
Staff: One total. Professional designations include ARM, CPCU.
Clients: 31 total; five environmental consulting clients, all with gross revenues less than $10 million.
Specialties: Manufacturing, real estate, public entities, medical.
Compensation: By the hour: principal consultant, $85-$135.
Officers: Carl F. Lidstrom, president.

R

Radian Corp.

8501 N. Mopac Blvd., P.O. Box 201088, Austin, Texas 78720-1088; 512-454-4797; fax: 512-454-7129

Founded: 1969.
Parent: The Hartford Steam Boiler Inspection & Insurance Co.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, public health risk assessment, regulatory and public policy analysis, training, compliance software, compliance procedures manuals; occasional litigation support, UST management and removal, risk financing.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, monitoring, modeling, environmental data management, control technology evaluation/troubleshooting, permitting, waste management, waste water treatment design.
Staff: 2,300 total; 200 environmental professionals including 50 principal consultants, 150 consultants. Professional designations include 149 PEs, 47 CPGs, 6 attorneys, one CGWP.
Clients: 3,500 total; 50 environmental consulting clients.
Specialties: Fortune 1,000 industrial companies.
Branch offices: Albuquerque, N.M.; Alexandria, Va.; Atlanta; Baton Rouge, La.; Boulder and Denver, Colo.; Cincinnati; Houston; Kansas City, Kan.; Los Angeles, North Los Angeles, Orange County, Sacramento and San Francisco, Calif.; Louisville, Ky.; Milwaukee; Minneapolis; Oak Ridge, Tenn.; Raleigh/Durham, N.C.; Rochester, N.Y.; Salt Lake City; Seattle; Washington; Hong Kong; London; Mexico; Australia; Taiwan; Canada.
Compensation: By the project, by the hour.
1991 gross revenues: $183 million total, 18.5% from unbundled environmental risk management consulting services.
Officers: Donald M. Carlton, president; P.E. Hudson, W.N. Kocurek, F.S. LaGrone, R.M. Wells, senior vps.
Contact: S.R. Fernandes.

Recra Environmental Inc.

10 Hazelwood Drive, Amherst, N.Y. 14228-2298; 716-691-2600; fax: 716-691-2617

Founded: 1986.
Environmental services: Frequent waste minimization plans, litigation support; occasional real estate audits, manufacturing plant audits, design and analysis of remediation plans, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent analytical chemistry laboratory services; occasional remediation activities, consulting to insurers and public policy makers.
Staff: 175 total; environmental professionals include two principal consultants, three consultants. Professional designations include one attorney.
Clients: 40 total; all environmental consulting clients, 20% with $25 million-$99 million, 20% with $100 million-$1 billion, 60% with more than $1 billion.
Specialties: Chemical and pharmaceutical manufacturing and waste disposal companies.
Compensation: On retainer; by the hour: principal consultant, $125-$200; consultant, $75-$125.
1991 gross revenues: $11 million total, 10% from unbundled environmental risk management consulting services.
Officers: Robert A. Stadelmaier, president/CEO; Thomas G. Robertson, executive vp/COO; Robert K. Wyeth, vp/principal; Thomas F. Stanczyk, senior vp; Deborah J. Kinecki, vp-laboratory production.
Contact: Robert K. Wyeth.

RESNA Industries Inc.

505 Sansome St., San Francisco, Calif. 94111; 415-291-9926; fax: 415-291-9364

Founded: 1989.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal; occasional manufacturing plant audits, waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent remediation activities; occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 375 total; 200 environmental professionals including 40 principal consultants, 160 consultants. Professional designations include 10 PEs, 15 CPGs, two attorneys.
Clients: 120 environmental consulting clients, 5% with gross revenues less than $10 million, 5% with $10 million-$24 million, 10% with $25 million-$99 million, 10% with $100 million-$1 billion, 70% with more than $1 billion.
Branch offices: Aiea, Hawaii; Bakersfield, Escalon, Fremont, Los Angeles, Novato, Irvine, Rancho Cordova, San Jose, and Ventura, Calif.; Chandler and Tucson, Ariz.; Colorado Springs, Colo.; Hopkinton, Mass.; Sandy, Utah; Yerington, Nev.
Compensation: By the project, on retainer, by the hour.
1991 gross revenues: $34 million total, 60% from unbundled environmental risk management consulting services.
Officers: Claude Ganz, CEO; Michael Wright, president; David Delasanta, Jon Fitch, vps-sales.
Contact: Jack D. Provda, client representative, 17062 Murphy Ave., Irvine, Calif. 92714; 714-756-6666.

Risk International Services Inc.

190 Montrose West Ave., Suite 160, Akron, Ohio 44321-2786; 216-666-2556; fax: 216-666-0842

Founded: 1986.
Parent: International Marine Casualty Services.
Environmental services: Frequent insurance archaeology, claims recoveries; occasional litigation support, risk financing.
Other services: Frequent general risk management consulting.
Staff: 15 total; six environmental professionals including two principal consultants, four consultants. Professional designations include three attorneys, one CPCU.
Clients: 26 total; 17 environmental consulting clients, 16% with gross revenues less than $10 million, 11% with $10 million-$24 million, 9% with $25 million-$99 million, 29% with $100 million-$1 billion, 35% with more than $1 billion.
Branch offices: Houston.
Compensation: By the project; by the hour: principal consultant, $125; consultant, $85.
Officers: Del R. Jones, chairman; David C. Hatch, president; Douglas L. Talley, vp/counsel; Daniel C. Buser, claims manager/counsel.
Contact: Douglas L. Talley.

Risk Management Associates

Executive Offices, 13 Franklin Circle, Northboro, Mass. 01532; 508-393-2519; fax: 508-393-1467

Founded: 1972.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, risk financing, claims settlement, insurance facility analysis; occasional waste minimization plans, UST management and removal.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, conduct meetings on local regulations with legal and municipal entities on behalf of clients; occasional remediation activities.
Staff: Four total; environmental professionals include one principal consultant.
Clients: Six environmental consulting clients, 5% with gross revenues less than $10 million, 95% with $10 million-$24 million.
Specialties: Petroleum hauling distribution.
Compensation: By retainer.
Officers: Edward V. Harding, owner.

Risk Management Technologies Inc.

1020 N. Fairfax St., Suite 201, Alexandria, Va. 22314; 703-549-0977; fax: 703 548-5945

Founded: 1987.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, regulatory and public policy analysis, risk financing, environmental due diligence and compliance audits, pollution insurance risk assessment surveys, voluntary site risk-based cleanups; occasional waste minimization plans, litigation support, public health risk assessment.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, risk communications strategic market planning and government relations; occasional remediation activities.
Staff: 11 total; all environmental professionals, seven principal consultants, four consultants.
Clients: 33 total; 26 environmental consulting clients, 18% with $100 million-$1 billion, 82% with more than $1 billion.
Specialties: SIC 20-39 companies; chemical, petroleum, manufacturing (automotive flexible packaging), waste management industry, financial institutions/service companies.
Branch offices: Washington.
Compensation: By the project, on retainer, by the hour.
1991 gross revenues: 65% from unbundled environmental risk management consulting services.
Officers: Dean Jeffery Telego, president; Tacy Cook, Charles Ellis, vps.
Contact: Dean Jeffery Telego.

Risk Science International Inc.

1101 30th St. N.W., Suite 4, Washington, D.C. 20007; 202-342-2206; fax: 202 342-6491

Founded: 1981.
Environmental services: Frequent real estate audits, manufacturing plant audits, public health risk assessment, regulatory and public policy analysis, UST management and removal, risk financing, risk assessment to satisfy underwriting requirements; occasional design and analysis of remediation plans, waste minimization plans, litigation support.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: 30 total; 24 environmental professionals, eight principal consultants, 16 consultants. Professional designations include three PEs, three CPGs.
Clients: 200 total; all environmental consulting clients, 50% with gross revenues less than $10 million, 20% with $10 million-$24 million, 20% with $25 million-$99 million, 8% with $100 million-$1 billion, 2% with more than $1 billion.
Branch offices: Los Angeles; Sydney, Australia; Copenhagen, Denmark.
Compensation: By the project; on retainer; by the hour.
1991 gross revenues: 100% from unbundled environmental risk management consulting services.

Continued on page 42

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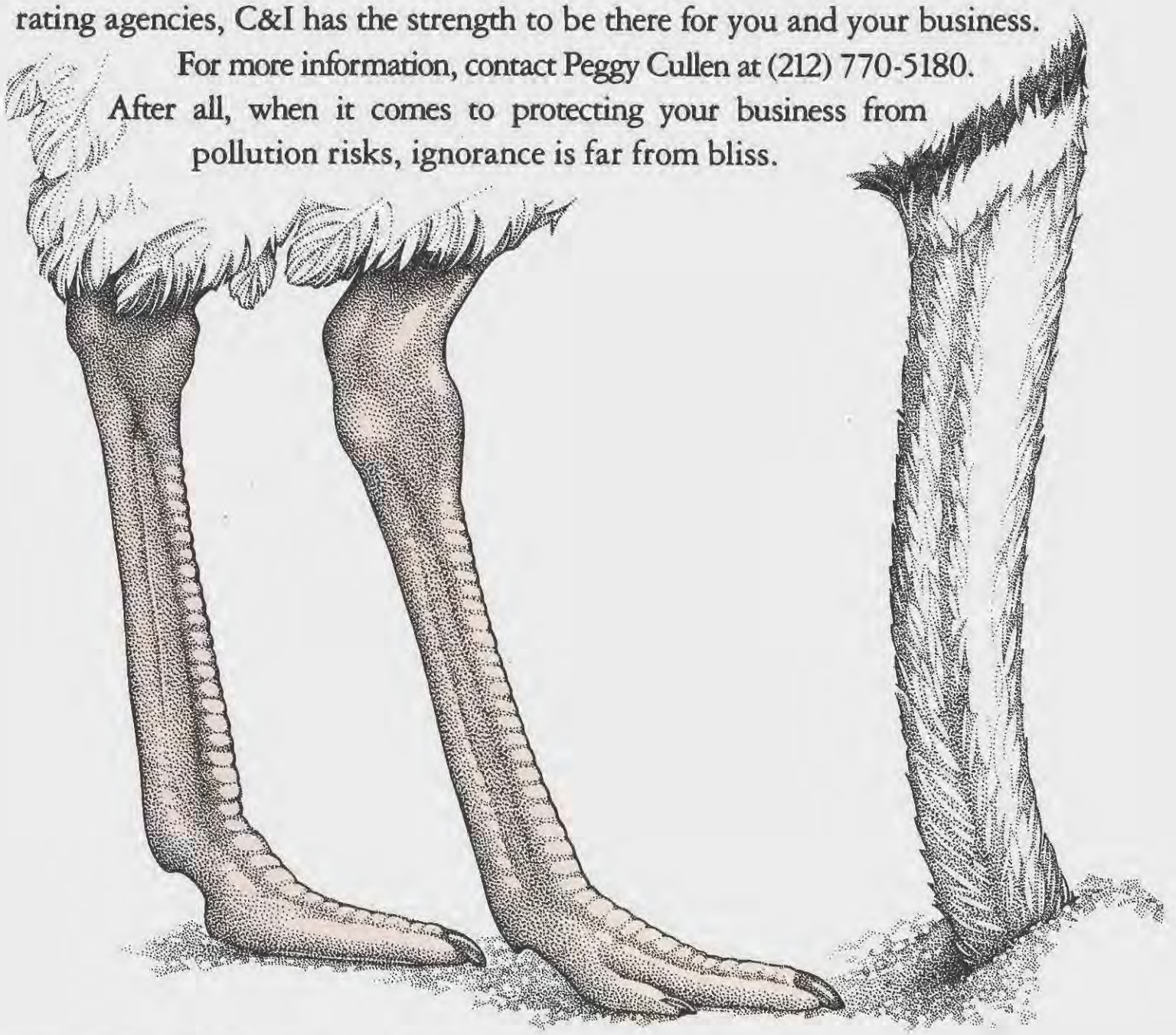

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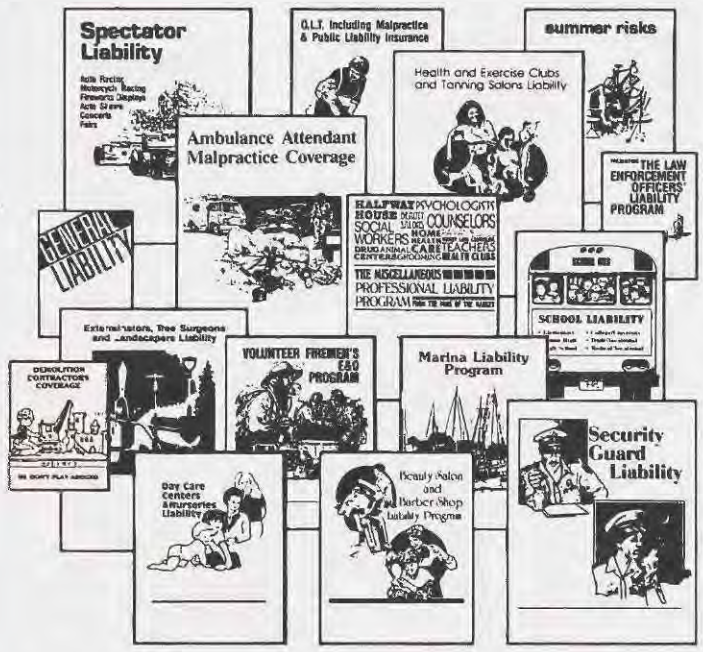

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Officers: Robert M. Kube, executive vp; Jeff A. Lalande, business manager.
Contact: Jeff A. Lalande.

Warren Rogers Associates Inc.

747 Aquidneck Ave., Middletown, R.I. 02840; 401-846-4747; fax: 401-847-8170

Founded: 1979.
Environmental services: Frequent litigation support, regulatory and public policy analysis, UST management and removal, monitoring services for insurers providing UST environmental impairment liability coverage.
Other services: Occasional general risk management consulting.
Staff: 15 total; five environmental professionals including one principal consultant, four consultants.
Clients: 40 total; environmental clients include 30% with gross revenues less than $10 million, 22% with $10 million-$24 million, 15% with $25 million-$99 million, 15% with $100 million-$1 billion, 18% with more than $1 billion.
Specialties: Petroleum marketers, rental car companies, trucking companies, environmental impairment insurers, public agencies.
Compensation: By the hour: principal consultant, $175-$225; consultant, $85-$95.
1991 gross revenues: $1 million total, 95% from unbundled environmental risk management consulting services.
Officers: Warren F. Rogers, president; Jill Jones, vp; John D. Shimer, director-sales/marketing; William P. Jones, director-technical services.
Contact: Jill Jones.

Rollins Hudig Hall-Environmental Risk Division

490 L'Enfant Plaza East S.W., Suite 7200, Washington, D.C., 20024; 202-479-4400; fax: 202-479-2293

Founded: 1989.
Parent: Aon Corp.
Environmental services: Frequent regulatory and public policy analysis, risk financing, corporate environmental culture planning and consulting; occasional UST management and removal planning.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting.
Staff: Three total; two environmental professionals, both principal consultants. Professional designations include two ARMs.
Clients: 100 total; 25 environmental consulting clients, 5% with gross revenues less than $10 million, 10% with $10 million-$24 million, 25% with $25 million-$99 million, 50% with $100 million-$1 billion, 10% with more than $1 billion.
Compensation: By the project; by the hour.
Officers: Dawn V. Hallett, vp/manager.

S

STS Consultants Ltd.

111 Pfingsten Road, Northbrook, Ill. 60062; 708-272-6520; fax: 708-498-2721

Founded: 1948.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, UST management and removal, air quality permitting; occasional manufacturing plant audits, waste minimization plans, litigation support.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers.
Staff: 420 total; 67 environmental professionals including seven principal consultants, 60 consultants. Professional designations include 53 PEs, five CPGs, one CGWP.
Clients: 216 total; 100 environmental consulting clients.
Specialties: Pulp and paper, retail, waste management, commercial developments, food processors.
Branch offices: Milwaukee, Green Bay, Oshkosh and Wausau, Wis.; Lansing and Kalamazoo, Mich.; Minneapolis; Salt Lake City; Sterling, Va.
Compensation: By the project, on retainer, by the hour.
1991 gross revenues: $40 million total, 30% from unbundled environmental risk management consulting services.
Officers: William Perpich, chairman, Michael Russell, president, Steven Shimek, principal scientist; Richard Berggreen, principal geologist; Bakulesh Khara, principal engineer/manager-environmental services.
Contact: Katie Gauer.

Sandler Occupational Medicine Associates Inc.

275 Broadhollow Road, Suite 302, Melville, N.Y. 11747; 516-756-2204; fax: 516-756-2213

Founded: 1983.
Environmental services: Frequent real estate audits, manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis.
Other services: Frequent environmental consulting to insurers and public policy makers, general risk management consulting, training, computer applications, literature research.
Staff: 65 total; six environmental professionals including four principal consultants, two consultants. Professional designations include one PE.
Clients: 200 total; 75 environmental consulting clients, 15% with gross revenues less than $10 million, 15% with $10 million-$24 million, 20% with $25 million-$99 million, 30% with $100 million-$1 billion, 20% with more than $1 billion.
Specialties: Manufacturing, insurance.
Branch offices: Philadelphia; Rockville, Md.; San Antonio.
Compensation: By the project; on retainer; by the hour: consultant, $75-$225.
1991 gross revenues: $2.3 million total.
Officers: Dr. Howard M. Sandler, president; Sheldon H. Rabinovitz, Dr. Richard Bloom, vps.
Contact: Lisa Fallon, marketing manager.

Sedgwick Environmental Services

1285 Ave. of the Americas, New York, N.Y. 10019; 212-830-1000; fax: 212-830-1169

Founded: 1858.
Parent: Sedgwick Group P.L.C.
Environmental services: Frequent manufacturing plant audits, risk financing. Occasional real estate audits; litigation support; public health risk assessment; development of environmental management programs; risk analysis for treatment, storage and disposal facilities including municipal landfills and incinerators.
Other services: Frequent general risk management consulting; occasional consulting to insurers and public policy makers.
Staff: 16 total; 12 environmental professionals including four principal consultants, eight consultants. Professional designations include four PEs, two attorneys, six ARMs, five CPCUs.
Specialties: Public entities, petroleum, construction, electric utilities, health care, real estate development, financial institutions, retail and commercial operations, mining, manufacturing.
Branch offices: Atlanta; Boston; Chicago; Columbia, S.C.; Dallas; Denver; Detroit; Harrisburg, Pittsburgh and Philadelphia, Pa.; Irvine and San Francisco, Calif.; Memphis and Nashville, Tenn.; Portland, Ore.; Seattle; Spokane, Wash.; Calgary and Toronto, Canada; London; Melbourne, Australia.
Compensation: By the project; by the hour: principal consultant, $150-$250; consultant, $115-$150.
Officers: Rodney J. Taylor, U.S. director; Steve Ossleton, Canada national coordinator; Nick Chipman, managing director, United Kingdom.
Contact: Rodney J. Taylor, 3401 W. End Ave., Suite 600, Nashville, Tenn. 37203; 615-385-8383; fax: 615-385-8366.

Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan

2500 First Union Capitol Center, Raleigh, N.C. 27601; 919-821-1220; fax: 919-821-6800

Founded: 1927.
Environmental services: Frequent design and analysis of remediation plans, litigation support, regulatory and public policy analysis, legal counseling on UST management and removal; occasional real estate audits, manufacturing plant audits, risk financing.
Other services: Frequent legal counseling on remediation activities, general legal risk management consulting; occasional legal consulting to insurers and public policy makers.
Staff: 58 total; three environmental professionals. Professional designations include three attorneys.
Clients: 20 total.
Specialties: Legal consulting to clients including banking, industrial and development businesses.
Compensation: By the hour: attorneys, $75-$165.
Officers: Thomas N. Barefoot, head of environmental department; Michael W. Hubbard, senior associate.

Southwestern Laboratories Inc.

P.O. Box 8768, Houston, Texas 77249; 713-869-7913; fax: 713-869-7374

Founded: 1912.
Parent: Huntingdon International Holdings.
Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, waste minimization plans, litigation support, public health risk assessment, UST management and removal, risk financing, RCRA permitting, analytical services, emission testing, hazardous waste management.
Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, geotech drilling, construction materials testing, non-destructive testing, asphalt research, timber inspection, roofing inspection.
Staff: 620 total; 160 environmental professionals including 40 principal consultants, 120 consultants. Professional designations include 20 PEs, 30 CPGs, 15 CGWPs.
Clients: 35 total; all with gross revenues less than $10 million.
Specialties: Banks, insurance companies, real estate management companies.
Branch offices: Atlanta; Austin, Beaumont, Dallas, Midland, San Antonio and Rio Grande Valley, Texas.
Compensation: By the project, on retainer, by the hour.
1991 gross revenues: $20 million total, 60% from unbundled environmental risk management consulting services.
Officers: William Harper, president; George Love, George Cozart, senior vps; Richard Beale, vp.
Contact: Richard Beale.

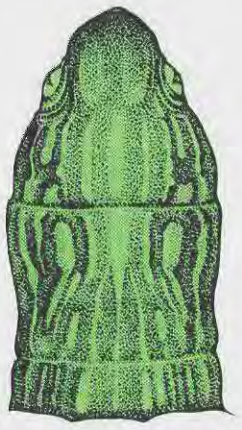
Superior Environmental Corp.

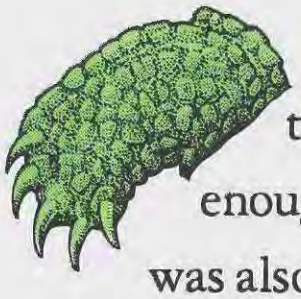
2201 Wolf Lake Road, Muskegon, Mich. 49442; 616-788-5558; fax: 616-788-5450

Founded: 1989.
Environmental services: Frequent real estate audits, design and analysis of remediation plans, regulatory and public policy analysis, UST management and removal, risk financing; occasional manufacturing plant audits, waste minimization plans, litigation support, public health risk assessment.
Other services: Frequent remediation activities; occasional consulting to insurers and public policy makers, general risk management consulting.
Staff: 170 total; 150 environmental professionals including three principal consultants, 40 consultants. Professional designations include three PEs, 20 CPGs, one CGWP.
Clients: 600 total; 235 environmental consulting clients, 23% with gross revenues less than $10 million, 13% with $10 million-$24 million, 32% with $25 million-$99 million, 21% with $100 million-$1 billion, 11% with more than $1 billion.
Specialties: Banking, legal, insurance, petroleum, manufacturing.
Branch offices: Atlanta; Bay City, Brighton, Grand Rapids, Kalamazoo and Marshall, Mich.; Bowling Green, Ohio.
Compensation: By the project; on retainer; by the hour: principal consultant, $95; consultant, $85.
1991 gross revenues: $10 million total, 30% from unbundled environmental risk management consulting services.
Officers: Jim Quince, president; Mark Stewart, vp; Vaughn Quince, vp-administration.
Contact: Mike Roder, vp-risk management or Jim Pratt, vp-business development.

Continued on page 44

Our environmental umbrella coverage is so extensive, you'd be surprised who could use the extra protection.

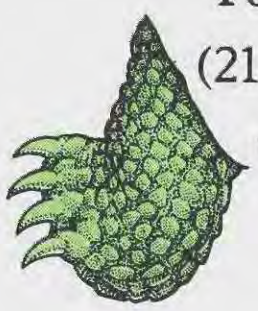




Just as there was a time when this turtle's shell was enough protection against most dangers, there was also a time when standard liability coverage was enough protection against environmental hazards. But with liabilities increasing, manufacturers, hazardous waste and material handlers, haulers and contractors are susceptible to severe financial losses just by the nature of their business.

At Commerce & Industry, we're the only company to offer environmental umbrella coverage over our primary casualty lines of business with combined limits of up to $11 million. As a member company of American International Group, one of the few insurance organizations to have earned the highest ratings from the major rating agencies, C&I has the strength to be there for you and your business.

For more information, contact Tyrone Hodges at (212) 770-7754. Although we can't offer this turtle a more protective shield, we can offer you one.



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Compensation: By the hour: principal consultant, $220-$350; consultant, $130-$250.

1991 gross revenues: $51.8 million total, 0.5% from unbundled environmental risk management consulting services.

Officers: Mike Tuohy, managing principal; W. James MacGinnitie, managing principal-property/casualty division; Robert W. Sturgis, vp/director; Thomas J. Wander, risk management leader; Howard Veit, managing principal-health division; Neil Anderson, managing principal-life division.

Contact: Amy S. Bouska, 4601 N. Fairfax Drive, Suite 1100, Arlington, Va., 22203; 703-527-7500; fax: 703-528-6814.

Tol Test Inc.

1916 N. 12th St., Toledo, Ohio 43624; 419-241-7175; fax: 419-241-1808

Founded: 1927.

Environmental services: Frequent real estate audits, manufacturing plant audits, design and analysis of remediation plans, UST management and removal, clean air act consulting, regulatory compliance, spec consulting; occasional litigation support.

Other services: Frequent remediation activities.

Staff: 175 total; 90 environmental professionals including 10 principal consultants, 80 consultants. Professional designations include six PEs.

Clients: 40 total; 50 environmental consulting clients, 10% with gross revenues less than $10 million, 20% with $10 million-$24 million, 40% with $25 million-$99 million, 25% with $100 million-$1 billion, 5% with more than $1 billion.

Specialties: Manufacturing, oil companies, pipeline companies, federal and state agencies.

Branch offices: Pittsburgh; Plymouth

Continued from page 42

T

Tiller Consulting Group Inc.

2833 N. Geyer Road, St. Louis, Mo. 63131; 314-567-7480; fax: 314-567-7480

Founded: 1986.

Environmental services: Frequent risk financing.

Other services: Frequent actuarial forecasting of environmental claims.

Staff: Two total; both environmental professionals who are principal consultants. Professional designations includes ARMs.

Compensation: By the hour.

Officers: Margaret W. Tiller, president; Michael H. Tiller, principal.

Contact: Margaret W. Tiller.

Tillinghast, a division of Towers, Perrin Forster & Crosby Inc.

245 Park Ave., New York, N.Y. 10167; 212-490-3460; fax: 212-351-4157

Founded: 1946.

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

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

Staff: 256 total; one environmental professionals who is a consultant. Professional designations include one PE, two attorneys, 17 ARMs, 13 CPCUs.

Clients: 1,438 total; 26 environmental consulting clients.

Specialties: Financial and policy analysis in all industries.

Branch offices: Arlington, Va.; Atlanta; Bloomington, Ill.; Boston; Chicago; Dallas; Denver; Hartford and Stamford, Conn.; Irvine and San Francisco, Calif.; Jacksonville, Fla.; Kansas City, Kan.; and Monroe, Mich.

Compensation: By the hour.

1991 gross revenues: $12 million total, 60% from unbundled environmental risk management consulting services.

Officers: William F. Boyle, president; Michael P. Boyle, executive vp; Patrick W. Boyle, vp.

Contact: David L. Richardson, sales account manager.

The Traverse Group Inc.

3722 Plaza Drive, Suite 5, Ann Arbor, Mich. 48108; 313-747-9300; fax: 313-747-9229

Founded: 1975.

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

Other services: Frequent remediation activities, environmental consulting to insurers and public policy makers, general risk management consulting, in-house analytical laboratory and geotechnical drilling services, research and development for remediation technology.

Staff: 75 total; 40 environmental professionals including 10 consultants. Professional designations include seven PEs.

Clients: 300 total; 200 environmental consulting clients, 30% with gross revenues less than $10 million, 20% with $10 million-$24 million, 20% with $25 million-$99 million, 20% with $100 million-$1 billion, 10% with more than $1 billion.

Specialties: Construction, automotive, manufacturing, utility, municipalities, federal and state governments.

Branch offices: Traverse City and Grand Rapids, Mich.

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

1991 gross revenues: $6 million total, 40% from unbundled environmental risk management consulting services.

Officers: John M. Armstrong, president/CEO, Laura A. Armstrong, vp.

Contact: Laura A. Armstrong.

Twin City Testing Corp.

737 Pelham Blvd., St. Paul, Minn. 55114; 612-645-3601; fax: 612-659-7515

Founded: 1938.

Parent: Huntingdon International Holdings.

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

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

Staff: 751 total; 180 environmental professionals. Professional designations include 46 PEs, 25 CPGs, five CGWPs.

Clients: 10,508 total; 5,000 environmental consulting clients, 35% with gross revenues less than $10 million, 25% with $10 million-$24 million, 20% with $25 million-$99 million, 10% with $100 million-$1 billion, 10% with more than $1 billion.

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

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

1991 gross revenues: $49 million total, 43% from unbundled environmental risk management consulting services.

Officers: Emerson E. Carr, president/CEO; Michael J. Costello, Craig D. Moritz, Marc D. Shannon, senior vps; Garry Hoden, controller.

V

Vista Environmental Information Inc.

5060 Shoreham Place, Suite 300, San Diego, Calif. 92122; 619-450-6100; fax: 619-450-6195

Founded: 1989.

Environmental services: Frequent risk screening reports for real estate and other transactions.

Staff: 80 total. Professional designations include three attorneys.

Clients: 2,500 total.

Branch offices: Exton, Pa.; Glenville, N.Y.

Compensation: By the project.

Officers: Tom Gay, president; Jerry Marani, vp-systems and operations; Chuck Cox, vp-sales; Ron Miller, vp-marketing; Dean Harriman, CFO.

Contact: Alicia Zonetti, marketing.

W

WW Engineering & Science Inc.

5555 Glenwood Hills Parkway S.E., P.O. Box 874, Grand Rapids, Mich. 49588-0874; 616-942-9600; fax: 616-942-6499

Founded: 1924.

Parent: Summit Environmental Group Inc.

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

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

Staff: 848 total; 386 environmental professionals. Professional designations include 85 PEs, 20 CPGs, one attorney.

Branch offices: Bloomington, Ind.; Columbus, Ohio; LaCrosse and Milwaukee, Wis.; Livonia, Mich.; Minneapolis.

Compensation: By the project; by the hour: principal consultant, $96-$110; consultant, $48-$88.

1991 gross revenues: $51 million total, 70% from unbundled environmental risk management consulting services.

Officers: S.S. Saless, president; G.M. Kienzle, executive vp; D.J. Gebben, R.R. Rediske, senior vps; R.J. Berner, vp.

Contact: William A. Stough, director of marketing-environmental services.

Roy F. Weston Inc.

1 Weston Way, West Chester, Pa. 19380-1499; 215-692-3030; fax: 215-430-3124

Founded: 1955.

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

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

Staff: 2,800 total. Professional designations include 100 PEs, 30 CPGs, four attorneys.

Branch offices: Burlington, Mass.; Chicago; Woodland Hills, Calif.

Compensation: By the project.

1991 gross revenues: $315 million total, 10% from unbundled environmental risk management consulting services.

Officers: A. Frederick Thompson, chairman; William J. Marrazzo, president/CEO; Steven Vorndran, executive vp/COO; Philip M. Chen, executive vp-marketing; Christine Murphy, executive vp-quality assurance and finance.

Contact: Kenneth Salamon, 215-430-7208.

Y

Yankus Associates

3820 Vardon Court, Woodridge, Ill. 60517; 708-416-1898

Environmental services: Occasional real estate audits.

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

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

Clients: Seven environmental consulting clients, 15% with gross revenues less than $10 million, 85% with $10 million-$24 million.

Specialties: Construction, manufacturing.

Compensation: By the project, by the hour.

Officers: Jerry Yankus, president. BI

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New municipal bond issues boost insurers' business

By JUDY GREENWALD

Municipal bond insurers are riding high these days.

New-issue volume for municipal bonds is at an all-time peak this year, and insurers are gleefully riding the crest of that wave.

Furthermore, the percentage of issues that is insured also is continuing to grow. This growth is largely due to the continuing market dominance of the individual investor, who likes the security that insured issues offer.

Refundings are spurring much of the volume gain. To take advantage of prevailing low interest rates, municipalities are refunding, or replacing their debt with issues that have lower interest rates.

However, observers warn the flood of refundings will inevitably slow next year, as those who are likely to refund their issues have already done so. And interest rates are unlikely to remain at today's low levels.

But observers predict that municipal bond volume still will be relatively high, spurred by the critical need for infrastructure repair that in many cases cannot be further delayed.

Meanwhile, with more than enough business to go around for everybody, competition among municipal bond insurers remains healthy but not cutthroat, with no material change in rates from a year ago.

And losses remain minimal. Despite some recent scares, there have been no major defaults.

At the same time, with an eye toward future expansion, municipal bond insurers are continuing to diversify into structured corporate and asset-backed securities. These securities are backed by assets that can include consumer receivables, like auto loans, home equity loans and credit card receivables, as well as corporate obligations like trade receivables (see story, page 45).

Financial guarantees cover municipal bonds and asset-backed securities in the event of a default, promising that bond purchasers will continue to receive timely payment of interest

Continued on page 46

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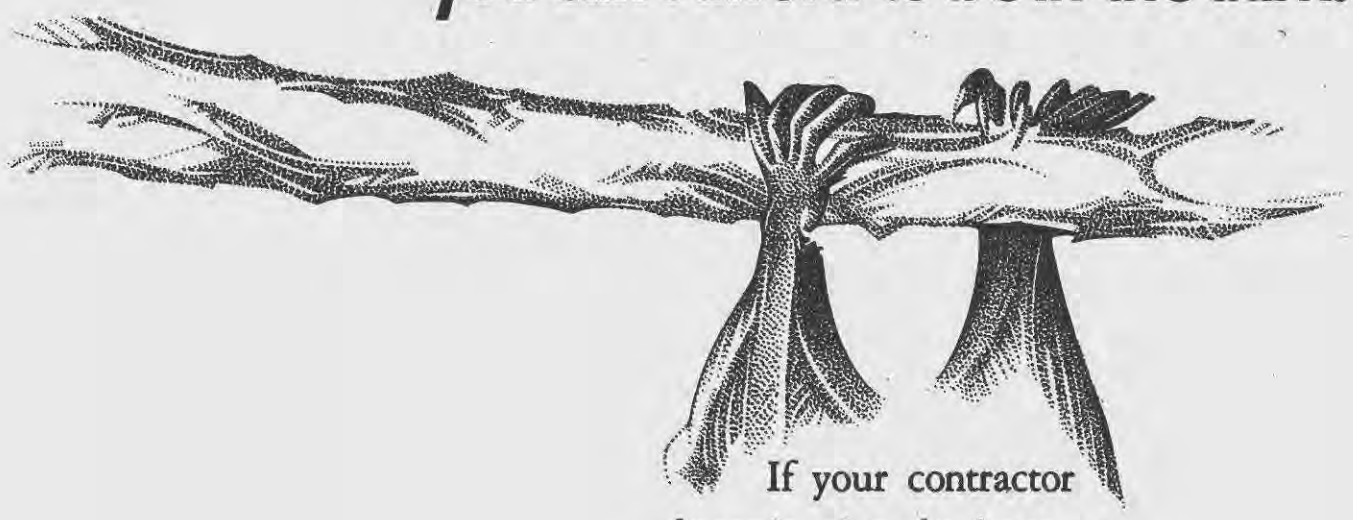

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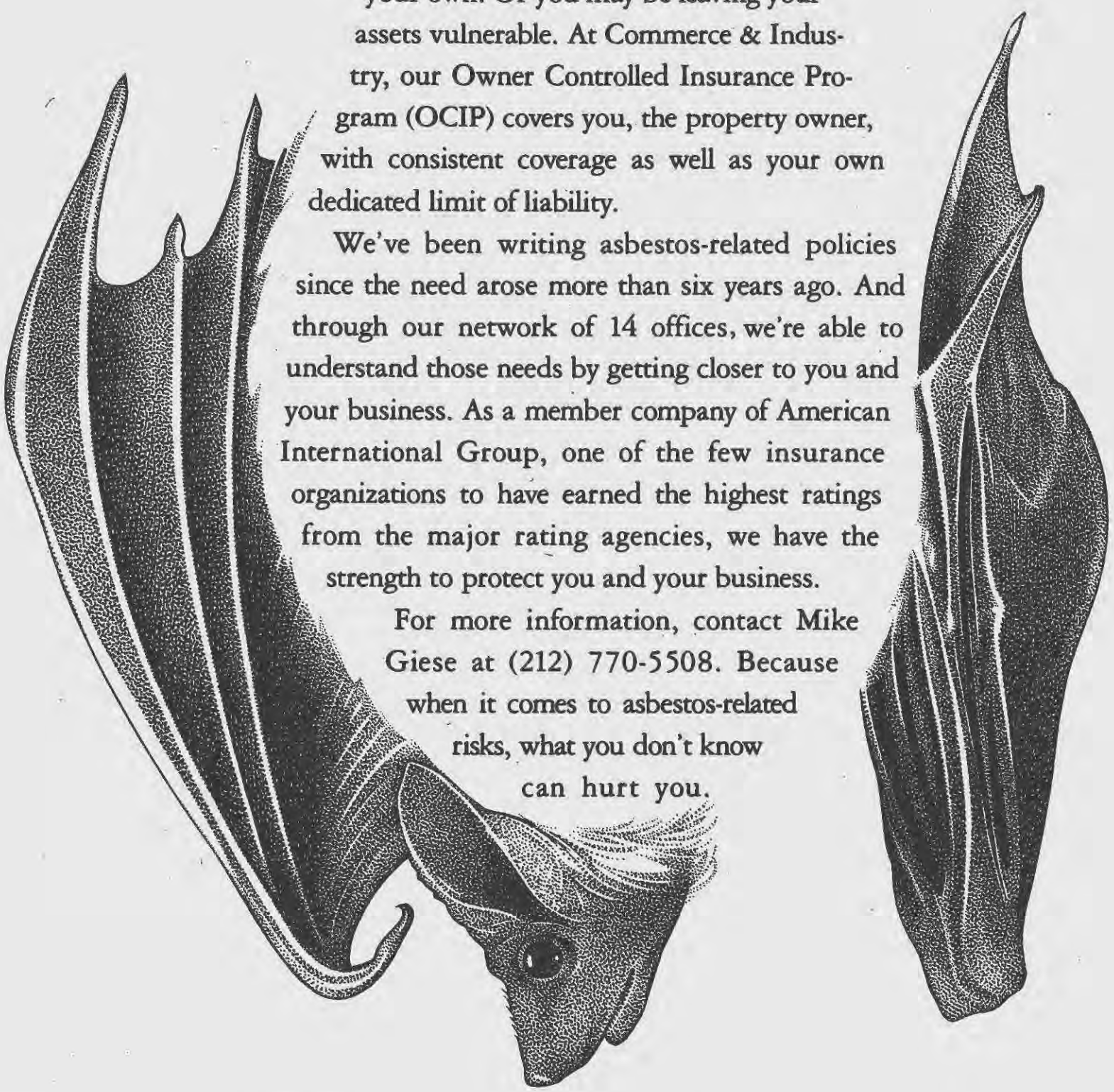

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New bond issues

Continued from page 44
and principal.

Insurers confer their own triple-A rating on the lower-graded issues they insure. To the issuer, the insurance cost is more than covered by the lower interest rate at which it can issue a bond with a triple-A rating. These "manufactured" triple-A issues tend to sell only at the level of uninsured double-A issues.

Business has been booming this year for municipal bond insurers. New-issue volume was $167.7 billion in the first three quarters of 1992, compared with $171.1 billion for all of last year, according to the New York-based Public Securities Assn.

The $167.7 billion includes $67.1 billion of refundings, compared with $31.4 billion for the comparable period a year ago. Refundings for all of 1991 totaled only $42.7 billion.

A total of 33.2%, or $55.6 billion, of this year's municipal bond volume was insured, up from 30% last year.

"That's good enough to make it a fabulous year," said Wallace O. Sellers, chairman and chief executive officer of Enhance Reinsurance Co. The New York-based company, as well as sister company Asset Guaranty Reinsurance Co., are units of Enhance Financial Services Group Inc.

"It's incredible," said Mr. Sellers, who is also chairman of the Assn. of Financial Guaranty Insurors, a trade group based in Albany, N.Y.

"It's been a big year for municipal bonds, and a big year for municipal bond insurance," said Howard Sitzer, head of municipal research at investment banking firm Greenwich Partners Inc. in Greenwich, Conn.

Observers also note another reason that the large number of refundings is benefiting municipal bond insurers' bottom line: Insurers can take unearned premium from these retired issues out of reserves and move it right into the profit column.

But volume is likely to decrease next year, although observers differ as to what degree.

"I think new-issue volume could be considerably less," said Harvey Bundy, director of research at William Blair & Co. in Chicago.

"Down slightly," projects Joe Beck, a principal with Cain Bros. Shattuck & Co. Inc. of New York, an investment banking firm specializing in health care.

And William F. Sante Jr., a managing director at Moody's Investor Service in New York, foresees a "modest decline."

Whatever the scale, the main reason behind the decline in new-issue volume will be an expected decline in refundings.

"Many of the issuers have already taken advantage of the lower interest rates this year," said Mark H.S. Cohen, executive managing director at rating agency Fitch Investors Service in New York. "I think we've seen the bulk of the refundings," although volume will still remain relatively high, he said.

Interest rates could also play a role in lower refundings next year. Rates are unlikely to be as low as this year, "which certainly will affect the refundings" and therefore total volume, said Enhance Re's Mr. Sellers.

Unless interest rates decline further, "I just don't think there'll be enough (refundings) there to keep total volume strong," said Joan Solotar, an analyst with Donaldson, Lufkin & Jenrette Inc. in New York.

If interest rates start to rise, though, she expects a responding wave of refundings as municipalities rush to lock in relatively low rates. Still, she predicts an overall decline in volume.

The need for infrastructure repair will still keep overall volume relatively high, say observers. This repair has been neglected so much over the past two decades that "in this decade, we must absolutely address it," said Ms. Solotar.

Another factor could be the new administration in Washington. A "whole change in attitude," plus a sense of optimism that may be ushered in with the Clinton presidency, will eventually ignite the economy and lead to more infrastructure spending, said Mr. Sitzer of Greenwich Partners. "There'll certainly be a need for borrowing."

Any volume decline could heat up competition among insurers.

"Next year is a concern," said Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New York. "Most people think there'll be a good-size drop-off in the amount of new issues next year."

Insurers could compete more vigorously to avoid volume declines, said Mr. Smith. "Our focus is more on the environment next year" and how insurers will respond to the lower volume.

'In this environment, there's no real downward pressure on pricing,' says Richard P. Smith.

Fitch Investor's Mr. Cohen agreed. When volume trails off, "you're going to see more spirited competition and some pressure on premium rates."

"I'm very concerned about it," said Ann C. Stern, president and CEO of Financial Guaranty Insurance Co. in New York.

At least for now, though, competition remains healthy. "In this environment, there's no real downward pressure on pricing," said Mr. Smith.

"Pricing over the last few years has been pretty flat" and is down significantly from the mid-1980s, said DLJ's Ms. Solotar. With volume as high as it has been, there has been no recent propensity to fight over market share, she said.

Premium rates over the last 18-24 months have been "relatively flat," said Michael E. Satz, chairman and CEO of Capital Re Corp. The New York company operates Capital Reinsurance Co., and is an affiliate of Credit Reinsurance Co. Ltd. of Bermuda, both financial guarantee reinsurers.

Rates have not continued the downward trend discussed quite openly three years ago, he said.

Meanwhile, the percentage of insured bonds may still rise, although no dramatic increase is expected. Observers note there is a limited universe of insurable bonds. Municipal bond insurers operate in the "middle ground," below the natural triple-A rated bonds, but above those that are non-investment grade.

"I think (the insured market share) could grow somewhat," although 40% would be "close to the maximum," said DLJ's Ms. Solotar.

The insured volume will increase gradually, said George Gregorio, vp and portfolio manager for investment management firm Loews/CNA Corp. in New York. "I don't see any great, sudden increase unless a sudden debacle" makes insured bonds more attractive, he said.

"I don't know what the ultimate peak number is, but I do see it going up another percentage point or two next year," predicted Robert Genader, senior executive vp at AMBAC Indemnity Corp. in New York.

If tax rates go up, he said, individuals will be attracted to municipal bonds because of the limited number of alternative tax-free investments, and they will typically buy insured bonds.

"I don't see any signs it will tail off," said David Elliott, president and chief operating officer of MBIA Inc. and of its operating company, MBIA Corp.

However, "I don't think it is that likely to grow," said William Blair's Mr. Bundy, adding he is surprised the percentage has reached as high as it has.

Losses also remain minimal, say observers. Generally financial guarantee losses have been "very modest," and on the municipal side in particular "almost non-existent," said Enhance Re's Mr. Sellers.

"They've never had a real claim, so to speak," said Robert D. Hogue, an analyst with Firemark Consultants Inc. in Parsippany, N.J. "Nothing has happened to really shake them."

But Mr. Hogue contends that a major loss is inevitable. "Sooner or later, they're going to have to face that," he said. "In today's world, they have to make some mistakes along the way." Insolvencies are increasing, he noted, and municipal bond insurers cannot predict them all.

"It's hard to imagine we won't" have a major loss at some point, said S&P's Mr. Smith.

But Capital Re's Mr. Satz pointed out municipal bond insurers are not required to pay the entire principal and interest immediately upon a default, but only to make timely payments. Usually, this will involve no more than a temporary disruption of the insurer's cash flow, he said. In addition, most of the money is likely to be recovered eventually.

Some point out that plans are under way to form a new financial guaranty reinsurer, called Municipal Insurers Reserve Corp., or Muni Re. A spokesman for the venture could not be reached for comment.

But there are no plans to form additional primary monoline insurers, nor is one likely. "There's enough companies in there now," said Firemark's Mr. Hogue. "The capital requirements are very large, and I just don't see any other players getting in there."

"It would be difficult" to form a new insurer because of the amount of capital needed to obtain a triple-A rating from the rating agencies, said DLJ's Ms. Solotar. Plus, the three biggest municipal bond insurers—MBIA, AMBAC and FGIC—are "so firmly entrenched, I think it would be difficult," she said.

MBIA, AMBAC and FGIC have 33%, 29% and 28% shares of the new-issue, long-term municipal bond insurance market. New York-based Financial Security Assurance Inc. has a 6% share of the market; San Francisco-based Capital Guaranty Insurance Co. has a 2% share; and others, including Connie Lee Insurance Co. of Washington, have 1% shares. BI

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Financial guarantee market making public offerings

Strategy allows ready access to funds

By JUDY GREENWALD

Public ownership is becoming the norm in the monoline financial guaranty insurance industry, with two more companies launching initial public offerings this year alone.

Ready access to capital is the primary advantage of public ownership, and at least one other privately held insurer may eventually go public.

Among the companies considering such a plan is Capital Guaranty Corp., parent of San Francisco-based Capital Guaranty Insurance Co. "We are examining all the options," said Michael J. Djordjevich, president and chief executive officer of the privately held company.

Capital Guaranty's investors include Constellation Investments Inc., an affiliate of Baltimore Gas & Electric Co.; the Fleet/Norstar Financial Group Inc.; SAFECO Corp.; Sibag Finance Corp., an affiliate of Siemens A.G.; and United States Fidelity & Guaranty Co.

USF&G, Mr. Djordjevich noted, is interested in divesting its non-core assets and refocusing on property/casualty insurance.

Financial Security Assurance Inc. is also considering—though not acting on—a public ownership strategy. The New York company is owned by U.S. West Inc. and The Tokio Marine & Fire Insurance Co. Ltd.

"Obviously, it's something that we have looked at," said William I Jacobs, executive vp and chief operating officer at FSA. "At the present time, we have not made a decision as to whether we should be a public company, so we don't have a plan to do that."

Others anticipate staying with the status quo. Paul Palmer, managing director of New York-based Capital Markets Assurance Corp., said that with the insurer's June sale by Citicorp to a group of investors, "the ownership issue is resolved."

CapMac, which specializes in asset-backed securities, was sold

Continued on next page

Venturing into new growth markets

More municipal bond insurers explore corporate world

By JUDY GREENWALD

Municipal bond insurers are continuing to diversify into structured corporate and asset-backed securities.

And at the same time, Financial Security Assurance Corp., which had specialized in the corporate area, continues to be heavily involved in municipal bond insurance.

Some investors are concerned about municipal bond insurers reaching beyond their profitable niche, though the insurers say they are proceeding slowly and cautiously.

For now, municipal bond insurance continues to dominate the financial guarantee market. Since 1988, about 88% of total new insured exposure has been in the municipal area; only 12% has been in structured corporate and asset-backed exposures, according to the Assn. of Financial Guaranty Insurers, a trade group based in Albany, N.Y.

Asset-backed securities are backed by assets like consumer receivables—like auto loans, home equity loans and credit card receivables—or corporate obligations like trade receivables.

Diversification has left only one "pure" municipal bond insurer, AMBAC Indemnity Corp. of New York, among the largest insurers, and one "pure" asset-backed securities insurer, Capital Markets Assurance Corp. in New York.

All other insurers do "some degree of both," noted Wallace Sellers, chairman and CEO of Enhance Reinsurance Co. in New York.

"The trend is there. It's going to continue," commented Michael J. Djordjevich, president and CEO of San Francisco-based Capital Guaranty Insurance Co., which is also sticking strictly to municipal business.

It is the quest for continued growth that is driving municipal bond insurers to look beyond their traditional market.

"It is, after all, a finite market," said Michael E. Satz, chairman and CEO of Capital Re Corp., which operates Capital Reinsurance Co. in New York.

"Over time, I think the companies will increasingly seek ways to diversify" so they can achieve year-over-year increases in growth and profits, said Mr. Satz, who added that he remains optimistic about growth in municipal bond insurance.

That diversification will not be limited to asset-backed securities. Insurers may also move into areas like investment advisory services.

"I think there is an underlying motive to diversify," said Mr. Satz. "What form that diversification takes, I think, will vary from company to company.

"I think the situation of a few years ago of a 'pure' municipal bond insurer will die a slow death, if not a painful death, over the next few years."

Diversification may even spread to the only large "pure" municipal bond insurer—AMBAC. "We continue to study it, and we'll move marginally into that area, probably the mortgage-related area, but to date we haven't done anything," said Robert J. Genader, senior executive vp at AMBAC Indemnity Corp. in New York.

Increasingly, added Mr. Satz, the market will consist of financial guarantee, "rather than municipal bond insurers—period, end of sentence."

Not everyone is enthusiastic about diversification. Some "very serious questions" arise about municipal bond insurers' entry into the asset-backed securities area, "because they're not as familiar with that. This is new territory," said Robert Lamb, professor of municipal finance at New York University's Stern School of Business.

"I'd be real uncomfortable" if municipal bond insurers ventured outside their main business, said Harvey Bundy, director of research at William Blair & Co. in Chicago. However, the only insurer that he tracks closely is MBIA Corp., "and so far, I'm comfortable with what they've done."

MBIA will only write business that "meets our standards," said David Elliott, president and chief operating officer of the Armonk, N.Y.-based company. Its MBIA Corp. subsidiary has been involved in asset-backed business for several years, although it still represents only a small percentage of its total business.

Separately, MBIA has also diversified by developing a product with which it plans to confer its Triple-A rating on guaranteed investment contracts from Sun Life Insurance Co. of America.

But whatever other areas of business MBIA investigates, Mr. Elliott said, "98% is, and probably always will be, municipal bond insurance."

"I think in general municipal clients want to know what it is we're doing in the other area," said Ann C. Stern, president of Financial Guaranty Insurance Co. of New York, a municipal bond insurer that is also active in the asset-backed area. "(They) want to know we're writing that business up to the same expert standards we employ on the municipal side."

Regardless of the standards used, though, the new lines of business may be inherently more risky.

"There's no doubt that the asset-backed business has a higher risk component to it than the municipal bond business," said William IJacobs, FSA's executive vp and chief operating officer. "History has pointed it out, and I wouldn't for a minute deny that is the case."

Mr. Jacobs noted, however, that while asset-backed securities have more frequent losses than municipal bonds, the collateral can always be liquidated, so the losses are less severe.

FSA's book of business reflects the general booming municipal bond market: 60% of its 1992 business has been in the municipal bond area. Next year, though, if municipal bond volume falls as expected, asset-backed securities could again account for 60% of its business, said Mr. Jacobs.

Insuring asset-backed securities is simply different than insuring municipal bonds, which are "pretty well definable and homogeneous," warned Mr. Djordjevich. "It has very different nuances," and insurers must be careful how they approach it. He predicts that, at least in the long run, losses are more likely in the asset-backed area than in municipal bonds.

Because the asset-backed business is relatively new and has no track record, "there's a need to be cautious," said William F. De Sante Jr., managing director at Moody's Investors Service in New York. Moody's will be monitoring municipal bond insurers' involvement in this area carefully, he said.

Generally, the risks of losses are higher in the asset-backed area. But much depends on the individual deals.

For instance, deals where there is a strong historical performance record will be less likely to generate losses, said Mr. Satz.

Also, deals involving trade receivables, home mortgages or auto loans would be "fairly low risk," said Richard P. Smith, senior vp at Standard & Poor's Corp. in New York. These can be generally comparable to the average municipal risk. Other deals, like those involving commercial real estate, can be more risky.

In some ways, asset-backed deals may be less risky for insurers.

Asset-backed securities tend to be at most only five-year issues, which makes it relatively easy to predict the future, said Mark H.S. Cohen, executive managing director at Fitch Investors Service in New York. Municipal bonds, by contrast, more typically have a 15-year life.

Furthermore, unlike municipal bonds, most asset-backed securities have diversified pools of assets, which reduce the chance of a significant loss, he said.

Meanwhile, overall volume in the asset-backed area this year has been "pretty flat," noted Enhance Re's Mr. Sellers.

Paul Palmer, managing director at FSA, noted that home equity loan and credit card issues have been reduced this year, while automobile issues are up. Securities backed by trade receivables—which are in effect corporate IOUs—are a significant part of the business as well.

Overall, said Mr. Palmer, "The market just has not been quite as big as last year." He said consumer receivables like home equity loans could be down as a result of consumers trying to pare debt. Also, some deals are multiyear, so that a deal completed in 1989 will not appear in the market again until 1994.

In addition, several major issuers, including Sears Roebuck & Co., have not been in the market this year, noted Ernest Elsner, senior vp-structured finance at Duff & Phelps Credit Rating Co. in Chicago.

However, he foresees an expansion of insurance in the structured finance area, because the insurance will help in marketing. BI

Public ownership

Continued from previous page

earlier to a group including management and employees plus Dillon Read & Co. Inc.'s Saratoga Partners investment partnership and investors associated with Caprock Management. Caprock is an investment group comprised of members of the William Rockefeller family and related investors.

Public ownership also appears unlikely at Financial Guaranty Insurance Co. in New York.

Ann C. Stern, president and CEO of the General Electric Capital Corp. unit, considers its status "a positive over public ownership." She points out that it is supported by both parent G.E. Capital and "grandparent" General Electric Corp., both with triple-A ratings.

It is unlikely G.E. will decide to take the company public, said Ms. Stern. "They are delighted with their investment."

Among the publicly held insurers are:

- MBIA Inc. of Armonk, N.Y., holding company for MBIA Corp., which has been publicly traded since 1987.
- AMBAC Indemnity Corp. of New York, which went public in 1991.
- Enhance Financial Services Group Inc. of New York, parent company of Enhance Reinsurance Co. and Asset Guaranty Reinsurance Co., which went public earlier this year.
- Capital Re Corp. of New York, holding company for Capital Reinsurance Co., which became a public company earlier this year.

The other monoline insurer that remains privately held is The College Construction Loan Assn., the operating subsidiary of which is Connie Lee Insurance Co.

Connie Lee, which insures and reinsures higher education issues, is owned by the U.S. Department of Education; the Student Loan Marketing Assn., known as Sallie Mae; and a consortium of investors including Metropolitan Life Insurance Co., Kemper Corp. and Rockefeller University. BI

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Libel insurance

Continued from page 3

would drive the big newspapers to consider alternatives including self-insurance."

Cox purchases a libel policy for its seven television stations, 13 radio stations, 17 newspapers and 23 cable systems from Mutual Insurance Co. The Bermuda insurer is affiliated with the American Newspaper Publishers Assn.

While some observers believe libel is insulated from the property/casualty cycle, others say an overall hardening will force libel rates up.

"I expect rates to go a little higher," said Joseph Mallia, assistant vp-risk manager of Time-Warner Inc. in New York. "The reinsurance market is closing in. That will flow over to professional liability in general."

Libel insurance is readily available, but not in the capacity some large media companies prefer.

"You cannot reach a comfortable level with ease," Mr. Mallia said. "You have to scramble for limits beyond $15 million or $20 million."

Times Mirror Co. purchases a $15 million policy with a $100,000 deductible from Mutual Insurance for its newspapers, including the Los Angeles Times, said Ralph E. Gentry, director-risk management.

Its book and magazine operations are insured through Media/Professional Insurance, a managing general agent in Kansas City, Mo.

Mr. Gentry would like to purchase primary limits of $25 million with a $2 million deductible. "I would like to have that real coverage and not worry about the bottom dollars," he said. "I haven't found that readily available."

Because libel awards are unpredictable and generally unrelated to circulation, "high limits are really the key to protection," Mr. Rudkin of Employers Re said.

Cox takes a markedly different approach. Mr. Young believes libel insurance should be used mainly to cover defense costs, where the majority of money is spent. "We don't have a problem purchasing the limits we want," which are $10 million to $15 million, he said.

"Many large judgments are reduced upon appeal," Mr. Young continued. Lawsuits may "drag out for a long time, but I do not believe it's reasonable to buy all the limit you can because someone had a $50 million judgment."

Several of the primary libel insurers can provide excess coverage, either on their own or through other insurers.

And, some insurers now include libel coverage in umbrella policies.

"Typically, reinsurers and the casualty excess market don't want to have anything to do with libel. They don't know the business," Mr. Gentry said.

But insurers will respond as more risk managers express interest in higher limits. First will come additional excess layers, then, eventually, higher primary limits.

Large libel awards seem not to have affected either capacity or rates. Many of those awards are reduced by judges or overturned on appeal.

In one decade-long case, a jury ordered National Broadcasting Co. Inc. to pay Wayne Newton $22.8 million. The entertainer claimed NBC libeled him by linking him to organized crime.

A judge reduced the sum to $5.3 million, which was later overturned by a federal appeals court. The U.S. Supreme Court ultimately refused to hear the case (*BI*, Oct. 14, 1991).

Appeals can backfire, though.

Several years ago, the Philadelphia Inquirer appealed a $4.5 million libel award to a former city prosecutor who a jury ruled was libeled in stories that said he blocked a murder investigation to help a friend. The appeals court dismissed the verdict and remanded the case to trial court, where a jury in 1990 returned a $34 million award, believed to be one of the largest libel awards ever.

Now the Knight-Ridder Inc.-owned newspaper is appealing the second award (*BI*, Sept. 14).

More libel suits are filed now than two or three years ago, but there are more media outlets now, Mr. Rudkin of Employers Re noted.

"There is a growing concern about a number of significant judgments rendered," Mr. Gentry of Times Mirror said. "If the judgments become facts, there may be a need for a price adjustment upward. In the near term, (rates) are pretty level.

"Historically, media companies lose the majority of cases on a trial level but win on appeal. A $30 million judgment can be settled for $300,000," Mr. Gentry said.

That's why "underwriters haven't reacted severely to date" to large awards, he observed.

Large libel awards in the 1980s are "relatively old," said Time-Warner's Mr. Mallia. "They were factored into rates a long time ago."

"There are more monstrous claims than there used to be," said Chad Milton, vp and assistant general counsel of Media/Professional, which specializes in libel insurance. "A few years ago verdicts of $2 million or $3 million were rare."

In recent years five or six verdicts have hit or exceeded $10 million. Yet libel insurance prices have remained stable.

"The carriers have been able to accommodate" the market, said Mr. Milton. "The risk is spread out and there haven't been enough disasters. If it continues, the pool will have to get bigger."

The threat of large awards has also made the media more accommodating. The media have become more responsive to claims when they first come in, investigating stories to see if they are worth standing behind, Mr. Milton said.

Traditionally, journalists' desire to clear their names publicly impeded settlements, Mr. Rudkin said.

"Ten years ago, it was considered a sin to settle," Mr. Milton said. "That's not true anymore."

Even apparent victories can be costly. "*Westmoreland* cost us $7 million in legal fees, and we 'won' that case," said Dennis D'Oca, vp-risk management of CBS Inc. in New York.

CBS settled out of court with retired U.S. Army Gen. William C. Westmoreland in 1985 (*BI*, Dec. 16, 1985). Gen. Westmoreland had charged that he was libeled in a documentary about the Vietnam War.

That suit, as well as others, led CBS to self-insure its libel exposure in 1986 (*BI*, Oct. 27, 1986).

"I don't want to swap dollars with an insurance company," Mr. D'Oca said. "I know what our exposure is and our spending is consistent."

CBS still buys project libel insurance for some in-house productions, like movies and miniseries.

Despite the huge rate increases, few media outlets became self-insured during the last hard market. Today, insurers are competing for their business.

Media/Professional has targeted newspapers insured by Mutual, Cox's Mr. Young said.

"It's one of the first frontal assaults I've seen," he said. "Underwriters feel they have the ability to better control the defense of libel and slander than five years ago. They are making an earnest effort to get back into the big newspaper market."

"We are getting more applications from Mutual insureds than in previous years," Mr. Milton said.

In the next year, "I think you might see some rate competition, but the real competition will come in coverage terms and conditions," Mr. Young said. "The astute buyer should concentrate on the degree of control over defense. That's where the real battleground should be, not who can do the cheapest deal."

Media/Professional now offers defense outside the limits on some policies, Mr. Milton said.

"It's basically a trade-off," he said. Policyholders who opt for unlimited defense coverage cede control of defense to Media/Professional. The policyholder is consulted on selection of counsel and has the right to approve or reject a settlement offer.

While insurers are competing on accounts, "They will cut prices to a point, but they won't slash like on other property/casualty lines," Sedgwick James' Ms. Sligar said. "They'll walk away."

Despite some fluctuation, the number of players in the libel marketplace remains steady.

Volatile awards and a long-tail exposure make libel coverage unattractive to most insurers. "You may have a significant reserve on the books for seven to 10 years and suddenly it's a real loss or suddenly it's zero," said Mr. Wood of Employers Re.

The entire libel market comprises about $100 million in premium, about $70 million of which is paid by media companies, Mr. Milton said. Media/Professional commands about 60%, or $40 million, of the media market, he said.

Employers Re has about $20 million, Mutual has $10 million to $15 million, and assorted insurers, including Fireman's Fund Insurance Cos., National Union Fire Insurance Co. of Pittsburgh, Pa. and SAFECO Insurance Cos. share the remainder, Mr. Milton said.

"It's such a specialty, it's not a market where there are a lot of insurers coming and going," he noted. "There aren't a flood of new insurers in a hard market that are out in a soft market."

Until about 10 years ago, major networks and large media companies turned to Lloyd's of London underwriters, Mr. Milton said. But Lloyd's has ceased being a major player in the U.S. libel market.

In the past year, Media/Professional has changed its ownership, its insurer and its product.

Sold in April to Aon Direct Group, a unit of Aon Corp., Media/Professional now underwrites on behalf of Scottsdale Insurance Co., a Scottsdale, Ariz.-based unit of Nationwide Mutual Insurance Co.

Media/Professional previously served as managing general agent for SAFECO and, before that, for CNA Insurance Cos.

Media/Professional's coverage carries a $10 million maximum primary limit, with $5 million in excess coverage written by Gulf Insurance Co., a Primerica Corp. unit.

A typical premium for a small newspaper or small market broadcaster is $2,500 to $5,000 for a $1 million limit, Mr. Milton said. Retentions vary.

The MGA unveiled a new product this fall. Media Liability Plus offers defense costs outside the policy limits and no aggregate limit.

Punitive dâmages are not excluded. In fact, Media/Professional says it will try to provide coverage even in states where punitive damages are uninsurable.

"The theory of the First Amendment is that the media needs to be free from the chilling effect of large verdicts," Mr. Milton said. "We try to deal with the insurance department to get exceptions where we can. We are prepared to litigate the issue on behalf of our insureds."

A publisher's protection of a confidential source does not affect coverage, Mr. Milton said.

Media/Professional's policy also includes "contextual errors and omissions" which covers bodily injury, property damage or financial loss alleged because of mistakes and advice that are published or broadcast.

The new policy is becoming available as the forms are filed with states. The product will be available to current policyholders upon renewal.

Meanwhile, SAFECO is determined to remain a player.

"We are building back up a client base," said Pat Drummond, assistant vp of F.B. Beattie, a brokerage and underwriting subsidiary of SAFECO. The Seattle-based insurer has established an in-house libel underwriting unit to take over the business previously written by Media/Professional.

SAFECO offers an occurrence policy with $5 million primary and $5 million excess available, with defense outside limits.

The minimum deductible is $2,500 and minimum premium $1,500, although the average is $5,000 to $7,000, Ms. Drummond said.

After de-emphasizing libel during the last hard market, Employers Re is again active, Mr. Wood said.

"We had to correct technical underwriting results," he noted. "This line of business is very profitable now and we are very aggressive in marketing the product."

The insurer offers $15 million media liability limits available on either a primary or excess basis. Self-insured retentions begin at $5,000 and can exceed $1 million for media conglomerates, Mr. Rudkin said.

Along with insurance agents' errors and omissions, libel insurance is one of Employers Re's few direct products.

"It does not compete with our reinsured clients," Mr. Wood said.

What sets Employers Re apart is longevity and "the fact that we do it all ourselves," Mr. Wood said. "Of course we deal with producers and wholesalers, but we are not an MGA that has to go out and find a home for the business. We are the home," he added.

National Union insures primarily large risks, such as networks and newspaper chains, said Bob McDonald, senior vp and senior underwriting officer of the American International Group Inc. unit.

National Union can write a policy over a large retention or write indemnity-only so the policyholder self-insures defense costs.

National Union's libel policy is claims-made with $5 million limits, although "we can build higher limits with other AIG companies," Mr. McDonald said.

Minimum premium for a $1 million limit is $5,000 with a $5,000 deductible, Mr. McDonald said. BI

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Chamber survey

Continued from page 1
in 1990.

Meanwhile, retirement and savings plan costs, which had been fairly stable in the mid-and late 1980s, also rose sharply.

In 1991, retirement and savings plan costs soared 12% to an average of $1,991 from $1,778 in 1990. According to Chamber officials, much of that increase may have been caused by reduced investment income, forcing employers to boost contributions.

Still, despite a double-digit increase in retirement and savings plan costs for the second consecutive year, the gap between employers' costs of providing medical and medically related benefits and retirement and savings plan benefits continues to widen.

With last year's medical and medically related benefits' tab of $3,465 per employee, employers spent an average of $1,474 more per employee on these benefits than on retirement and savings plan benefits.

In 1990, that gap was about $1,200.

The continuing increases in employers' expenditures for medical, pension and other employee benefits are detailed in the Chamber's latest benefit costs survey, its 30th survey since the late 1940s and the 13th since it began conducting annual surveys in 1979.

The new survey is based on the responses of 1,008 employers, including 249 firms with fewer than 100 employees and 112 with more than 5,000 employees.

In all, the surveyed companies employ more than 3.2 million workers, making the Chamber survey the largest of its kind.

The Chamber also reports employers' total benefit expenditures as well as benefit expenditures in seven major categories and many additional subcategories.

Total benefits costs were highest among public utilities: an average of $19,375 per employee in 1991 up 18.6% from $16,330 in 1990. Employers in the department store industry had the lowest average benefit costs: $5,478 per employee in 1991, up 3.6% from $5,287 in 1990 (see chart).

Benefits as a percent of payroll were highest in the rubber, leather and plastics products industry at 50.5%, up from 48.6%. Wages in that industry are relatively low, but benefit costs, especially retiree health care expenditures, are high because of an aging workforce and a growing pool of retirees.

In fact, the rubber, leather and plastics products industry's 1991 retiree health care costs averaged $769 per employee, the highest of any industry and more than double the average cost of $343 per employee for employers in the 20 other industrial categories surveyed.

Other industries with high benefit costs as a percentage of payroll include food, beverage and tobacco, 44.8%, up from 41.9%; and public utilities, 44.6%, up from 41.9%.

At the other end of the spectrum, benefit costs as a percentage of payroll were lowest among banking, finance and trust companies at 30.9%, up from 29.4% in 1990; department stores, 31%, up from 28.2%; and chemical and allied products companies, 32.2%, down from 34.5%.

The survey also showed that medical and medically related costs have reached another milestone. At an average cost of $3,465 per employee, medical and medically related benefit costs moved up to tie payments for time not worked, like vacations, as the most expensive employer-provided benefit.

And, over the long haul, employers' health care expenditures have consumed a much bigger chunk of total benefit costs.

For example, last year's health and dental care expenditures of $2,811 per employee represented 21.4% of total benefit costs of $13,126. In 1980, employers spent an average of $860 per employee on workers' health and dental care benefits, or 14.1% of total benefit expenditures of $6,084

And if retiree health costs—which the Chamber includes in the broader medical and medically related benefits category—are added, health care-related benefits represent an even larger chunk of total benefit costs: 24%. Last year, employers spent an average of $3,154 per employee on workers' and retirees' health and dental care benefits.

While medical and medically related benefits have become the most costly employee benefit, the reasons for the continuing increases in employer health care expenditures have not changed, notes Martin Lefkowitz, the Chamber's director of special projects.

Basic reasons for higher medical costs include more expensive medical procedures, simple health care inflation and an older workforce, Mr. Lefkowitz said.

As those expenditures continue to spiral, employers are shifting more costs to employees. "Costs keep going up. But employers are trying to do something about it," Mr. Lefkowitz said.

Nearly three-quarters—73%—of the surveyed employers said they either increased or instituted medical plan deductibles last year, while 52% said they raised the percentage of the health care premium paid by employees.

Eighty percent of employers said they require employees to pay a portion of the health care premium. That portion is typically 11% to 30%, according to the survey.

Some other ways that employers try to hold down costs are arousing controversy and may be curbed by federal legislation. For example, 69% of employers report using some type of exclusionary clauses, like limiting coverage for pre-existing medical conditions.

Exclusionary clauses "appear to be the rule rather than the exception in company-furnished health insurance," the survey noted. "These provisions have been criticized for benefits lock-in for employees who may have costly illnesses. This, however, does protect employers from taking on a large financial burden with a new employee."

Although popular among companies, these exclusions have aroused powerful opposition. President-elect Bill Clinton has promised to limit them as part of the health care reform package that he says he will present to Congress next year.

Most companies also limit coverage by imposing waiting periods before a new employee is eligible to participate in a company-sponsored health care plan.

Twenty-eight percent of surveyed employers said they impose a waiting period of one to three months. Twenty-four percent have a three- to five-month waiting period, 4% have a five- to seven-month waiting period and 3% impose a waiting period of at least seven months.

In the retirement and savings plan area, there may be several reasons why employers' costs jumped 12% to an average of $1,991 per employee in 1991, Mr. Lefkowitz said.

One factor accounting for increased costs may be that pension plan investment performance may not have been as good as in previous years, he said.

At the same time, employers are boosting their contributions to defined contribution plans.

Industries that spent the most on retirement and savings plans in 1991 include: food, beverage and tobacco, an average of $3,829 per employee, up 58.9% from $2,410 in 1990; the petroleum industry, $3,489, up 4.9% from $2,348; and public utilities, $3,233, up 29.1% from $2,505.

Industries with the lowest retirement and savings plan costs in 1991 include: department stores, $448 per employee, up 14.6% from $391 in 1990; the wholesale and retail trade, $755, up 70.8% from $442; and hospitals, $893, up 9.3% from $817.

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Copies of "Employee Benefits: 1992 Edition" are available from the U.S. Chamber of Commerce, Publications Fulfillment, (RKVL), 1615 H St. N.W., Washington, D.C. 20062; 800-638-6582; 800-352-1450 in Maryland. The cost is $27.95 per copy. Discounts are available for bulk orders. Sales tax should be included for deliveries in California and the District of Columbia.

Benefit costs per employee

	1991	1990	% change
Public utilities	$19,375	$16,330	18.6%
Rubber, leather & plastic products	17,189	15,458	11.2
Transportation equipment	16,549	15,691	5.5
Petroleum industry	15,185	14,491	4.8
Machinery (excluding electrical)	14,587	13,787	5.8
Instruments & misc. manufacturing industries	14,564	13,025	11.8
Food, beverage & tobacco	14,434	12,682	13.8
Primary metal industries	13,725	13,526	1.5
Fabricated metal products	13,529	12,747	6.1
Electrical machinery, equipment & supplies	13,526	14,792	-8.6
Chemicals & allied products	12,937	13,158	-1.7
Insurance companies	12,671	11,471	10.5
Miscellaneous nonmanufacturing industries	12,297	12,553	-2.0
Pulp, paper, lumber & furniture	11,426	12,747	-10.4
Printing & publishing	11,185	10,809	3.5
Stone, clay & glass products	10,604	11,232	-5.6
Banks, finance companies & trust companies	9,797	8,963	9.3
Hospitals	9,398	9,665	-2.8
Textile products & apparel	8,210	6,368	28.9
Trade (wholesale & retail)	7,648	6,156	24.2
Department stores	5,478	5,287	3.6

Source: U.S. Chamber of Commerce

GRAPHIC BY RICHARD CARTON

Medical/dental costs per employee

	1991	1990	% change
Public utilities	$4,758	$3,598	32.2%
Transportation equipment	3,696	3,886	-4.9
Machinery (excluding electrical)	3,492	3,100	12.6
Fabricated metal products	3,427	2,957	15.9
Chemicals & allied products	3,373	3,081	9.5
Primary metal industries	3,330	2,986	11.5
Instruments & misc. manufacturing industries	3,326	2,824	17.8
Rubber, leather & plastic products	3,218	2,672	20.4
Stone, clay & glass products	2,966	2,848	4.1
Pulp, paper, lumber & furniture	2,771	2,766	0.2
Food, beverage & tobacco	2,769	2,446	13.2
Electrical machinery, equipment & supplies	2,605	3,491	-25.4
Printing & publishing	2,512	2,347	7.0
Insurance companies	2,425	2,052	18.2
Petroleum industry	2,407	2,575	-6.5
Miscellaneous nonmanufacturing industries	2,305	2,066	11.6
Hospitals	2,176	2,026	7.4
Trade (wholesale & retail)	1,779	1,410	26.2
Textile products & apparel	1,728	1,622	6.5
Banks, finance companies & trust companies	1,694	1,591	6.5
Department stores	928	706	31.4

Source: U.S. Chamber of Commerce

GRAPHIC BY RICHARD CARTON

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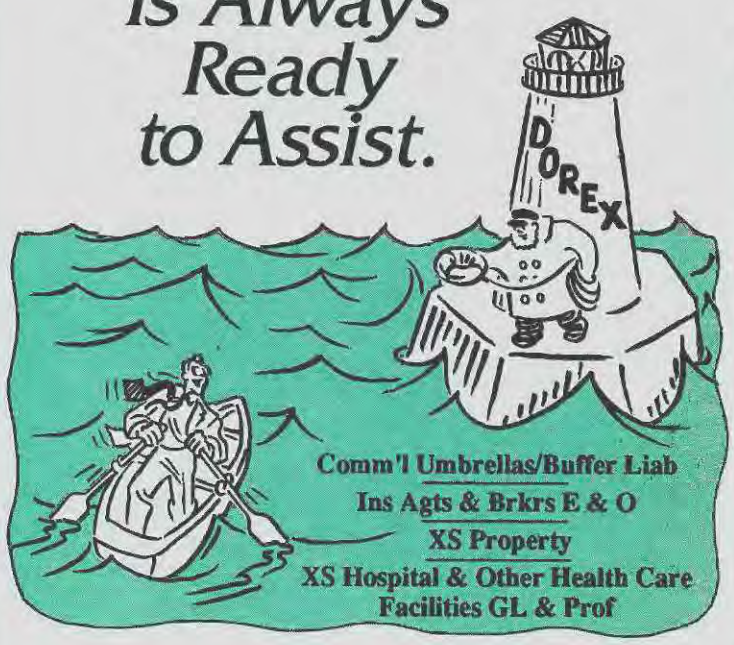

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Review of E.R. procedures urged—stat

By SARA J. HARTY

LAS VEGAS—Patients who visit a hospital emergency room remember the care they receive—as well as the usual long wait before being treated.

Making patients wait for care is one of the most dangerous emergency room practices, an emergency medicine expert contends.

Communication, outcome and documentation make up the key components of a patient encounter with emergency care, said Dr. B. Joshua Rubin, vp and regional medical director of the Emergency Physicians' Medical Group in San Francisco.

Communication—both good and bad—also has a huge impact on what a patient and the patient's family take away from their emergency room experience, he said at the annual American Society for Healthcare Risk Management conference, held Nov. 8-11 in Las Vegas.

Bad communication combined with a bad outcome can lead to a medical malpractice suit, though good documentation can contribute significantly to a successful defense, Dr. Rubin said.

Many of the practices he identified as dangerous relate back to communication, either between providers or between providers and patients.

"These are not instances of medical negligence, but systems problems that drag us down," Dr. Rubin said.

Among the practices he identified as dangerous are:

• Registering a patient before he or she is medically evaluated.

"It is inappropriate for a patient to go through the registration process before receiving medical evaluation," Dr. Rubin said.

"Letting registration clerks make triage decisions is nuts," he said. Health care providers "lose the perception of caring if they allow patients to sit before they are evaluated."

• Waits that are greater than two hours.

When forced to undergo a long wait, patient satisfaction suffers regardless of the quality of care that patients eventually receive. "People don't feel good about waiting. They feel better if they know why they're waiting" although that is still not ideal, Dr. Rubin said.

Studies indicate that patients who tire of waiting and leave the emergency department without being seen are just as sick as those who waited for care, he said.

Staffing levels and department organization should be considered when waits are typically long, Dr. Rubin suggested.

Health maintenance organizations and their pre-certification requirements can cause additional waits for patients, he added. Don't let HMOs run your emergency department, he advised. "You're not there to protect HMOs; you're there to provide quality care," he urged.

• Inadequate medical records.

Problems can range from illegible to incomplete records. Medical records should include a patient history and exam. Pertinent negatives should be noted.

The record also should include an "initial impression" rather than a "diagnosis," he said.

The patient's medical history taken by the physician should include chief complaints, history of current illnesses, past medical history, any medications the patient is taking and patient allergies.

"It is not unusual for the doctor to get different answers than the nurse got to these questions," Dr. Rubin said.

Documenting the medical record gives the hospital an edge in defending a malpractice suit, Dr. Rubin observed.

The plaintiff's argument in court is, "If it wasn't documented, it wasn't done," Dr. Rubin noted.

The defense counters with, "Just because it wasn't documented doesn't mean it wasn't done," he observed.

But, even if the hospital is correct, it is tough to prove if there is no record, he said.

• The doctor fails to review notes made by a nurse or paramedic.

"You can't go to trial" in situations when the nurse's impressions were right and the doctor's impressions were wrong, Dr. Rubin said. Doctors should be encouraged not only to read the nurse's notes, but also to address discrepancies.

In addition, doctors who initial a nurse's notes or write "thanks" next to the notes are taking steps to set up good morale in the emergency department, he said.

• No "real time" X-ray interpretation, which is a major cause of malpractice suits.

If it cannot be negotiated with radiologists on staff, hospitals should put a clause into their contracts that they must read X-rays at the time of care, not at their convenience, Dr. Rubin said.

• Delay in thrombolytic therapy in acute heart attack cases.

Thrombolytic therapy is a relatively new treatment that can dissolve a blood clot that forms in a heart attack, greatly reducing potential injury.

Some hospitals require a cardiologist, rather than an emergency room physician, to order the drug. But, this policy can result in hours of delay, which is "crazy," Dr. Rubin warned.

Ideally, the drug should be stored in the emergency room, which makes it available at the emergency physician's order.

• Inadequate discharge instructions.

"Even if all has gone wrong prior to discharge, the physician can save the day with the discharge instructions," Dr. Rubin said.

Patients should receive specific information to take with them—and should sign to show that they have received the instructions.

At discharge, the doctor should make the patient understand that this is just an initial impression, rather than a diagnosis, Dr. Rubin said. The physician should warn the patient of possible complications and provide specific aftercare instructions.

The written discharge orders should not include any abbreviations—especially medical abbreviations. Instead, the doctor should use lay terms, he advised.

For example, most patients would not read "F/U—4 days" as "follow-up in four days," Dr. Rubin observed dryly, adding that such instructions are all too common.

• Reluctance to observe or recheck patients in the emergency department.

Certain conditions should warrant an automatic instruction for the patient to come back, he said.

For instance, feverish infants should be brought back in "12 hours—or sooner if worse" so that the possibility of meningitis can be caught in its early stages, he said.

Patients with soft tissue infections should be rechecked without question in 24 hours, while patients with wounds should be told to return in 48 hours.

"Patients can't make a diagnosis of infection," Dr. Rubin said. These patients should be seen again at no charge or a minimal charge, he said.

Patients with abdominal pain should be seen again in eight hours in the event that appendicitis was not diagnosed during the initial visit.

Patients with chest pain should be told to return in 24 hours. Five to 10% of heart attack patients are sent home without a proper diagnosis, he explained.

"Patients need permission to come back so we have the opportunity to get it right the second time," Dr. Rubin said. "The patients who actually need the follow-up are the ones who will come back.'

From a risk management perspective, if a case ends up in court, it is tough for the plaintiff to argue when the defense can document that "we told him to come back," he said. BI

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There when it counts.

Safety measures help guard against medication errors

By SARA J. HARTY

LAS VEGAS—Doctors, nurses and pharmacists are just as human as anyone else: They can make mistakes, especially when administering medications.

The challenge facing health care providers and risk managers is to eliminate the most serious medication errors and catch less serious errors as early as possible, a health care safety expert says.

Protocols should be established that keep potentially lethal drugs in the hospital pharmacy and off patient floors where they are more likely to be administered incorrectly, said Michael R. Cohen, a pharmacist and president of the Institute for Safe Medication Practices in Huntingdon Valley, Pa.

Drugs that require more immediate access should be stored in non-lethal amounts or, if that is impossible, in clearly and boldly marked containers, he suggested.

Changes in medical practices have led to more frequent and more serious medication errors, Mr. Cohen said at the annual American Society for Healthcare Risk Management conference, held Nov. 8-11.

Drugs now are more likely to be administered intravenously or via an infusion pump, which gets the medication into the bloodstream faster than pills. However, when a drug is delivered to the wrong person or in the wrong dosage through these methods, damage from the overdose is caused much more quickly, he said.

"Errors occur when there is a lack of knowledge or a performance problem, like bad handwriting," Mr. Cohen explained.

Many adults have have trouble reading large numbers, Mr. Cohen noted. So vials of medicine should always be labeled in

Continued on next page

Continued from previous page
words: 5 million units rather than 5,000,000.

In one instance, a nurse thought such a label said 500,000 units and then proceeded to deliver a megadose of a potent drug to a child.

The patient went into cardiac arrest but was resuscitated. Unfortunately, no one knew what had caused the cardiac arrest and when it was time for the child to receive the next dose of medicine, the nurse made the same mistake. This time, the child died.

Bad handwriting is a big cause of medication errors, Mr. Cohen said.

In one instance, a nurse misread an order for 300 milligrams of Iodine as 300 milligrams of codeine. She had access to codeine on the nursing floor and proceeded to give the patient ten 30-milligram tablets, a huge overdose.

Health care providers "need a safety system to filter out errors" that will injure patients, Mr. Cohen said.

Many errors could be prevented if the hospital pharmacy was utilized as often as possible, Mr. Cohen said.

Hospitals that allow nursing supervisors to fill prescriptions in the pharmacy at night are sanctioning a dangerous practice, he said.

In addition, nurses stashing drugs on the floor or borrowing doses from other patients could indicate a problem with the pharmacy that should be studied, he said.

Pharmacists are in a position to catch many errors because they know proper dosages, he pointed out.

For example, when a nurse read an order for 300 milligrams of Iodine as 300 milligrams of iodine, a safety system prevented the mistake from injuring a patient, he said. Iodine was not kept on the hospital floor, and the pharmacist given the order knew that iodine is not administered in 300-milligram doses.

Many drugs that can cause serious problems do not need to be stored on the patient floor. If the drug does need to be readily accessible, "make it impossible to mix it up with other drugs," said Mr. Cohen.

Like any marketer, drug companies try to design their packages so that they are easily recognizable. The problem is when a package looks too much like some other drug: The health care provider assumes they have grabbed the correct package when in fact they have something else entirely.

For instance, potassium chloride and sodium chloride once were packaged very similarly. When confused for sodium chloride, potassium chloride can kill a patient.

Good health care risk management also requires redundant practices, Mr. Cohen said.

Health care providers must be trained to double check dose preparations, calculations and pump settings, he advised.

Any orders from a physician that would require more than two or three tablets or vials should be double checked with the doctor. Verbal orders should also be double checked—"at least for certain drugs and certain patients," according to Mr. Cohen.

When requesting a drug from the pharmacist, doctors and nurses should be required to write down the strengths and dosage ordered.

Requiring a brief explanation of why the drug is being ordered can also provide the pharmacist or nurse another opportunity to catch a mistake, he said.

Bad abbreviations also cause many accidents, Mr. Cohen said.

Instead of 6u, providers should be reminded to write "6 units," which cannot be mistaken for 66 or 64.

In addition, a hospital risk manager should remind providers to always use a 0 before a decimal point, but never after the decimal point, to help clarify orders.

Mr. Cohen also suggests implementing a program that encourages nurses to constantly review proper drug dosages.

For instance, tests could be administered to the nursing staff periodically requiring the identification of proper doses and for what reasons certain drugs are administered.

When an error does occur, nurses or doctors should not be disciplined for honest mistakes, though they should be disciplined for gross negligence or failure to follow established procedure, Mr. Cohen said.

And all medication errors should be reported to the Medication Errors Reporting Program by calling 800-233-7767, he said. Reporting errors enables information to be gathered that may prevent future errors.

For instance, drug companies will sometimes change packaging or labeling that contributes to errors Cohen explained. BI

Bad handwriting is a big cause of medication errors, Mr. Cohen says. In one instance, a nurse misread an order for 300 milligrams of Iodine as 300 milligrams of codeine. She gave the patient ten 30-milligram tablets, a huge overdose.

ASHRM meets in glittery Las Vegas

LAS VEGAS—The lights were flashing and slot machines rolling as nearly 1,200 health care risk managers paid a visit to the Las Vegas "Strip" earlier this month.

While enticed by the blackjack tables and roulette wheels, the risk managers attended sessions at the American Society for Healthcare Risk Management conference with equal enthusiasm.

The conference, which was held from Nov. 8-11 at Caesars Palace, included sessions on how good ethics can lower risk, directors and officers liability insurance and the HIV virus.

Next year's conference will be held Oct. 24-27 in Chicago. For more information contact the American Society for Healthcare Risk Management of the American Hospital Assn., 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6430.

St. Paul Surplus Lines

Continued from page 2
General Motors Corp. and San Antonio auto dealer Mission Chevrolet for damage to three of Mission Butane's trucks.

Mission Butane sought a total of $53,000 from the three companies, claiming that a design defect in the truck was responsible for accidents in which the trucks overturned. GM supplied the chassis for the truck that was manufactured by Dal-Worth; Mission Chevrolet handled warranty repairs.

Dal-Worth purchased $1 million of product liability and completed operations coverage from St. Paul for the 1987-88 and the 1988-89 policy years.

Mr. Topham confirmed that St. Paul Surplus Lines investigated a claim submitted by Dal-Worth but did not provide coverage because "there was never any evidence of liability on the part of Dal-Worth."

GM and Mission Chevrolet also refused to settle Mission Butane's demands, according to Phil Watkins, another attorney with Watkins & Brock.

Mission Butane filed suit against all three defendants in February 1989. GM eventually settled the case for $60,000, while Mission Chevrolet agreed to pay $200,000 to Mission Butane.

However, Dal-Worth did not defend the lawsuit because of an apparent communications breakdown between it and St. Paul Surplus Lines. As a result, the court entered an $800,000 default judgment against Dal-Worth.

In its suit against St. Paul Surplus Lines, which was filed in August 1991 when it also filed for bankruptcy, Dal-Worth argued that it delivered documents regarding the Mission Butane lawsuit to its agent, Shaffer Insurance Agency Inc. in San Antonio, which in turn sent them to St. Paul Surplus Lines.

However, Mr. Topham contends that St. Paul Surplus Lines never received notice of the lawsuit and therefore did not have a chance to determine whether it would defend Dal-Worth.

"The first notice we had of the suit was when we received notice of the default judgment," Mr. Topham said.

Dal-Worth's suit charged that St. Paul mishandled the original claim filed by Mission Butane and ignored its obligation to defend Dal-Worth in the subsequent lawsuit.

According to court papers, the jury believed that Shaffer Insurance sent the papers and that St. Paul received them.

Mr. Watkins pointed out that a Shaffer Insurance Agency employee testified of having a "four-minute telephone conversation with the St. Paul claims office in San Antonio. It was her impression that St. Paul had received the documents."

He added that "Dal-Worth thought they were being represented by St. Paul" and had discussions with the insurer regarding the suit.

The jury also found that the insurer was negligent in its handling of the underlying claim and breached its duty to act in good faith with its policyholder.

The jury also indicated that it believed the $800,000 default judgment could have been settled for as little as $17,000, or about one-third of the original $53,000 claim.

Mr. Watkins explained that the figure came from a comment made by a Mission Butane attorney after the default judgment was determined. "He didn't feel it would stand up on appeal." However, he added, "St. Paul never asked to set it aside."

St. Paul contends it received notice of the default judgment only after it was finalized.

Mr. Topham said the court had ruled before the trial started that there was coverage in place for the default judgment and the jury was informed of that decision.

"The court said that should be disclosed to the jury, against my objections," he noted. "I believe that prejudiced St. Paul before the jury" and was a "significant factor" in the outcome, Mr. Topham said. BI

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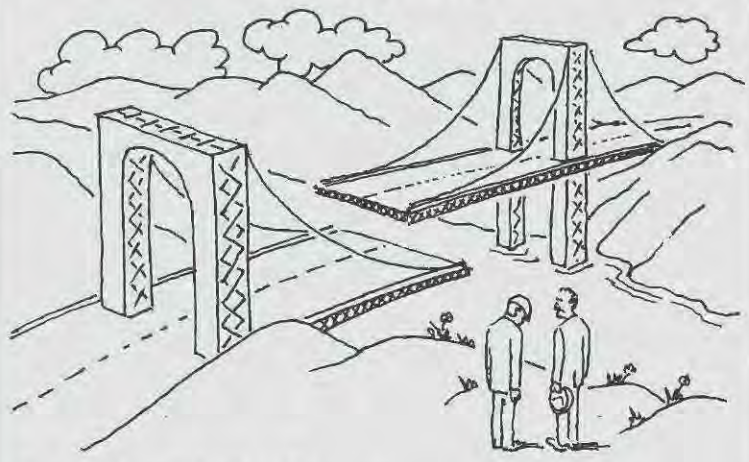

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Hurricane claims

Continued from page 2

to settle disputes over Andrew or Iniki claims.

The insurers are American International Group Inc.; Chubb Corp.; CIGNA Corp.; Fireman's Fund Insurance Cos.; ITT Hartford Group Inc.; Nationwide Insurance Cos.; State Farm Fire & Casualty Co.; Transamerica Insurance Group; Travelers Corp.; and Utica Mutual Insurance Co.

Policyholders would have the option of initiating mediation or arbitration to resolve coverage disputes.

"The insured holds the cards here," Mr. Murray said. "We're just hoping that much of the dancing that goes on between insurers and policyholders can be avoided. There's too much at stake here for all parties to not sit down and work these problems out."

Under the CPR proposal, participating insurers could go to court only if policyholder fraud is suspected or if there is a "fundamental" difference in contract interpretation.

"We have been a longtime advocate of ADR, and we have used CPR before and they have added value to the resolution process," said a spokesman for Novato,

'There's too much at stake here for all parties to not. . .work these problems out,' says Mr. Murray.

Calif.-based Fireman's Fund. "Florida is a complex claims situation, so whatever CPR can do will only help."

The Florida Insurance Department, with the assistance of the American Arbitration Assn., is also creating an ADR mechanism for disputed homeowners claims.

Almost immediately after Hurricane Andrew struck, causing more than $10 billion of insured damage in Florida, Insurance Commissioner Tom Gallagher by decree established claims resolution conferences as the primary way to handle insurer-homeowner disputes.

The Florida program would promote mediation. If that fails, the parties would be subject to nonbinding arbitration.

Under the Florida plan, when the department receives a policyholder complaint, it would give the insurer 10 days to settle the claim.

If the claim cannot be settled, the department would recommend that a mediator step in to help negotiate a settlement. If the claim still cannot be settled, the parties would enter into arbitration.

Policyholders would retain the right to have their claim heard in court.

In addition, both the policyholder and the insurer would retain the right to challenge a mediated or arbitrated settlement at a later date if for whatever reason they become dissatisfied with the ruling.

Attorneys would be allowed to counsel policyholders and insurers before the mediation process starts, but not during mediation sessions.

The insurance department already has received as many as 1,000 complaints that are eligible for mediation and arbitration, a spokeswoman said.

"What we're doing now is seeking attorneys willing to advise policyholders on a pro bono basis prior to their hearings," she said.

An official with the American Insurance Assn. called the two claims resolution programs "genuine." If successful, the programs will lead to quicker settlements at lower legal costs for all parties, she said.

"It would be preposterous to hear all disputes in court. There will no doubt be a large number of disputes, and it's everyone's desire to keep them out of the court system," pointed out Janet Bachman, vp-claims administration with the AIA in Washington.

Ms. Bachman said the most common disputes arising from the hurricanes will be the amount of damage; whether policyholders suffered an insured loss, like water damage, or an uninsured loss, like flood damage; and whether damage resulted from the hurricane or improper construction.

Many Miami-area residents are suing contractors who built their homes and condominiums, charging that shoddy construction exacerbated storm damage (*BI*, Sept. 7).

A Miami-area attorney who is a certified mediator in Florida as well as a member of the American Arbitration Assn. agreed that there will likely be a great number of coverage disputes between homeowners and their insurers.

He predicts that the disputes primarily will center on reconstruction costs, which are at an all-time high in South Florida due to a shortage of supplies and contractors.

"It's hard to say how successful these programs will be," said Samuel Leff of North Miami Beach, who could be called upon to mediate insurance-related disputes.

"Insurance companies have a price they look to pay, but reconstruction costs will often be higher than insured value because the builders here are charging so much," he pointed out.

Mr. Leff, who recently attended a hurricane-related mediation seminar sponsored by Florida regulators, said that it was his understanding that Mr. Gallagher wants homeowners to receive the full value of their policies.

"They're not looking for compromises. This could stall the mediation process," he predicted.

CPR is not exactly a newcomer to disaster-related disputes. After a brush fire did $1.2 billion in insured damage to expensive homes in the Oakland, Calif., hills last year (*BI*, Oct. 28, 1991), the group set up a similar program.

Only a handful of the nearly 9,000 claims from that fire were resolved with the organization's help, Mr. Murray said.

However, he noted that hundreds of disputed claims that never made it as far as mediation or arbitration were settled without lawsuits.

"The pressure to settle doesn't come from the threat of mediation, but the knowledge that the courts cannot process all these claims in a short period of time. For devastated homeowners with no place to live, reaching a settlement is the most important thing," Mr. Murray said. BI

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Products & Services Listing

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INTERNATIONAL

U.K. reinsurers exclude terrorist acts

By STACY SHAPIRO

LONDON—Billions of dollars in commercial property in the United Kingdom likely will not be insured for terrorist damage next year because reinsurers are excluding coverage for terrorist acts from U.K. treaties.

British risk managers are furious. The 300-member Assn. of Insurance & Risk Managers in Industry & Commerce is appealing to the U.K. government and the Confederation of British Industry to ensure coverage for terrorist damage.

The crisis has come amid a new bombing campaign in London by the Irish Republican Army, which as of last week had resulted in 15 small explosions and two foiled attempts.

Police say the bombing campaign will continue at least through Christmas.

Reinsurers earlier this month told U.K. insurers that they would exclude the automatic terrorist coverage available for commercial property risks beginning Jan. 1. The move followed the 800 million pound insured loss ($1.22 billion) from an IRA explosion outside Lloyd's of London in April (*BI*, April 20). Three-quarters of the loss was reinsured.

"Simply as an isolated loss event it could not have come at a worse time, on top of all the disasters we had in 1991," said Stephen Riley, deputy general manager of Swiss Reinsurance Co. (U.K.) Ltd.

The April explosion cost underwriters more than the damage from all IRA explosions in Northern Ireland in the last 20 years, Mr. Riley said. Damage in Northern Ireland is paid by a British government compensation fund.

"The issue of damage caused by terrorists raised all sorts of questions in one's mind about insurability, the role of the government and the ability of the market to provide a solution," said Mr. Riley. "I think there is now an understanding by (insurance) companies that this is a risk which should not be insured."

Still, the U.K. government is unwilling to extend the terrorist damage compensation fund to areas other than Northern Ireland, he said. "This leaves all of us with some very difficult decisions."

It is still unclear what type of terms reinsurers will offer ceding companies in 1993, Mr. Riley told a packed audience at the Insur-

Continued on next page

To err can be very costly

Report finds human error looms large in major P&I claims

By STACY SHAPIRO

LONDON—Human error is the leading cause of $784 million of major claims filed with one of the world's largest protection and indemnity clubs.

The faults of man caused 60% of major marine liability claims between 1987 and 1991, concludes a report by The United Kingdom Mutual Steam Ship Assurance Assn. (Bermuda) Ltd.

More than one-third of the property damage claims involve pilot error, which is leading the International Group of P&I Clubs to examine pilots' contribution to claims.

The 82-page report was unveiled recently by Hugo Wynn-Williams, a director of the U.K. Club's London agent, Thomas Miller P&I.

Miller's embarked on this exercise for the first time last year "as a result of the unprecedented frequency of claims" from 1987 through 1990, he said.

This latest study of "major" claims exceeding $100,000 adds 500 new claims to last year's total, bringing the number of major claims filed to 1,444 between Feb. 20, 1987, and Dec. 20, 1991. The claims total $784 million.

Of these, 1,380 claims totaling $724 million are categorized into cargo, personal injury, property damage, pollution and collision (see chart). The remaining 64 claims, which are not discussed in the report's detailed analysis, include wreck removal and fines.

The claims exceeding $100,000 account for just 2% of the total number of claims filed with the club in the last five years, but the other 85,000 "minor" claims only account for 31%—or $352 million—of the club's total claims exposure of $1.13 billion.

In its report, the U.K. Club concludes that human error was responsible for half of the cargo claims; half of the pollution claims; 65% of the personal injury claims; 80% of property damage claims; and 90% of collision claims.

These statistics are "a reminder that even a ship in perfect condition can, in a careless moment, become the vehicle of disaster," the report says.

The human error-related losses may be due to lack of knowledge or experience, says the report. "On the other hand, even well-informed and properly trained personnel can become over-confident, careless or even reckless in responding to commercial pressures," says the report. "Then there are temperamental factors such as fatigue, discomfort, boredom, anger, unhappiness, illness or confusion, which all make people more prone to mistakes than might otherwise be the case."

Pride is another factor, partic-

Continued on page 56

P&I clubs' claims experience

Cargo losses account for more than 40% of one protection and indemnity club's claims exceeding $100,000 between 1987 and 1991, but cargo claims comprise less than one-third of the total losses.

Type of Claim	Number of claims	Value (in millions)	% of claims	% of value
Cargo	602	$235	42%	30%
Personal injury	420	145	29	18
Property damage	156	160	11	20
Pollution	79	105	6	13
Collision	123	79	9	10
Other	64	60	3	9

Source: The United Kingdom Mutual Steam Ship Assurance Assn. (Bermuda) Ltd.

GRAPHIC BY JOHN HALL

Railway self-insured for crash in Germany

By DON LEWIS KIRK

NORTHEIM, Germany—Damages from a Nov. 15 train crash that killed 11 passengers are estimated at over 2 million deutsche marks ($1.3 million at current exchange rates).

The Bundesbahn, the German railway system, will pay personal and third-party property damage claims directly, said a spokesman. The railway is self-insured.

The railway's liability for the crash in north central Germany will depend on the outcome of the accident investigation. Barring negligence, German law caps liability at 30,000 deutsche marks ($18,825) for personal injury and 100,000 deutsche marks ($62,750) for property damages. In addition, the Bundesbahn must pay for all hospital and rehabilitation costs for the 52 people injured in the accident.

Neither material fatigue nor corrosion has been ruled out as a possible cause of the accident, said Rainer Bartsch, technical division director of the railway.

"The entire bumper broke off at a welding seam," said Mr. Bartsch. He added that bumpers are normally bolted on, but in this case the bumper was only welded.

The freight car that caused the accident was built shortly after World War II and had been used as a tool car since 1965. It was overhauled in September 1990, and the wheels were inspected in July 1992.

Germany's approximately 205,000 passenger- and freight-train cars undergo regular checks, according to Mr. Bartsch. Some 11,500 passenger cars are examined prior to each run. The examination includes a brake check and visual examination. Parts which support the train are examined for wear and damage.

Passenger trains undergo major inspections every five weeks. They are refitted every six years or every million kilometers (620,000 miles), which ever comes first.

The 193,000 freight and servicing cars, which included the damaged freight car in Northeim, get a visual check before they leave the station.

Political risk coverage program established for Russian projects

By MARIA KIELMAS

LONDON—A new political risk insurance facility for foreign companies investing in the Russian Federation is being launched by the European Investment Guarantee Agency in collaboration with the Russian Agency for International Cooperation and Development.

The facility is linked to an investor protection agreement signed by Russia and Britain earlier this month. It borrows the underwriting approach adopted by both the Overseas Private Investment Corp., the U.S. export credit and political risk insurance agency, and the Multilateral Investment Guarantee Agency, the World Bank's investment guarantee division, EIGA executives said.

The policies, which are being marketed now, will be underwritten by a panel of Lloyd's of London syndicates specializing in political risk insurance, said the EIGA, which is based in London. The EIGA has arranged the facility through two Lloyd's brokers that specialize in political and credit insurance: Fenchurch Insurance Group Ltd. and Berry Palmer & Lyle Ltd.

The facility is designed to cover business originating from European Community or European Free Trade Area states, but will also be available to investors that are domiciled in or have subsidiaries in countries with an investor protection agreement

Continued on page 55

Plan proposed to save members from ruin

Lloyd's should default: Rew

By STACY SHAPIRO

LONDON—Lloyd's of London should default on some of its insurance policies to save members, a prominent rebel member contends.

Lloyd's should only pay the portion of a policy that is backed by solvent members, and default on the portion that is backed by insolvent names, according to John Rew, chairman of the Society of Names.

Mr. Rew's radical idea, presented during a Society of Names one-day seminar on open years of account earlier this month, received a chorus of approval from angry members, many of whom have suffered large losses.

Lloyd's has always prided itself on paying all legitimate claims in full. Indeed, Chairman David Coleridge has said that if Lloyd's defaulted on even one policy, it would be "dead in the water."

Yet, Lloyd's is facing serious problems and many members say they are insolvent.

Lloyd's combined losses from 1988 to 1991 will hit 4.75 billion pounds ($7.22 billion at current exchange rate), predicts Mr. Rew. This includes estimated losses of 1.5 billion pounds ($2.28 billion) in the 1990 underwriting year, which closes at the end of this year, and 750 million pounds ($1.14 billion) for 1991.

"Take a billion here and a billion there and it adds up to a lot of money," he said.

Continued on next page

Terrorist cover

Continued from previous page

ance Institute of London.

But, "the broad lines are clear" on reinsurance treaties, he said:

- No automatic terrorist coverage will be available for U.K. commercial property policies, including business interruption coverage.
- There will be an automatic buy-back clause for terrorist coverage for an added premium, which many say will be exorbitant. Mr. Riley did not know how much capacity would be available.
- Insurers could buy excess-of-loss reinsurance to cover terrorist damage.

"This will reveal whether a large secondary market exists which will decide to absorb this risk for fairly substantial premiums," said Mr. Riley. Although many insurers have refused to buy this cover already, "we're prepared to offer some of this cover on a limited basis."

The reinsurers' decision will outrage the public, Mr. Riley predicted.

Indeed, the Assn. of British Insurers on Nov. 12 published a draft terrorist exclusion clause for industrial and commercial risks. The exclusion does not apply to personal lines like homeowners and auto insurance.

"Faced with the reality of reinsurance cover being unlikely to be available, ABI has prepared this model terrorism exclusion draft for use by insurance companies," stated Mike Jones, its chief executive.

An ABI spokesman said insurers cannot retain terrorist risks because the risk "is far too high and would affect insurers' solvency." Insurers can only afford to offer coverage to individual British residents and small businesses, not to major commercial property owners, he said.

There may be about 1 billion pounds ($1.52 billion) in reinsurance coverage available worldwide to cover terrorist risks in the United Kingdom, the spokesman said. "But U.K. commercial property is valued at 230 billion pounds ($349.6 billion), so there is a gap."

The ABI has talked to the British government about a solution to the problem, the spokesman said. Suggestions include having the government reinsure terrorist risks or extend the compensation fund now in use in Northern Ireland to other property owners.

"Neither received much favor," he said.

"The government regards this as a commercial matter between tenants and owners of commercial property and their underwriters and brokers," said a spokesman for the Department of Trade and Industry.

AIRMIC has reacted with unusual vigor, publicly appealing to the government and the Confederation of British Industry for support in its opposition to the terrorist exclusion for commercial property risks.

"This would leave British industry in a grievously exposed position," stated Elizabeth Taylor, association chairman and group risk manager for Harrisons & Crosfield P.L.C. in Suffolk. "It would also achieve a major objective for the terrorists by having a significantly adverse impact on the British economy. It will be impossible to protect assets and earnings against a real hazard exposure, and loans secured against property will be unprotected by adequate insurance —to the potentially critical detriment both of lenders and borrowers."

"We think it's rotten for insurance companies to drop us in the lurch," said Alan Fleming, director of Imperial Chemical Insurance Ltd., a subsidiary of Imperial Chemical Industries P.L.C.

While terrorist coverage will be excluded as of Jan. 1 in all new and renewal commercial property policies, he noted that coverage will be available under existing policies until they expire. For example, ICI will have terrorist coverage until its policy renews in July, Mr. Fleming confirmed.

AIRMIC is trying to put pressure on the government to do something, like organizing a pool to cover terrorist risks, said Mr. Fleming, who is the group's technical coordinator.

Jim Buckley, chief executive of the Baltic Exchange, which was damaged in the April bombing, is "dismayed and angered" that commercial property will no longer be insured for IRA attacks. Mr. Buckley, who currently is negotiating with insurers about repairs to the Baltic Exchange, said that "this would leave us totally exposed."

Some U.K. insurers are also annoyed with reinsurers for imposing the exclusion.

But, "You can't leave the whole of this problem on the backs of reinsurers," replied Brian Prevost, managing director of Swiss Re (U.K.). "Why doesn't the direct market—the insurers—make up their own minds what they want to do. If you want to write terrorist coverage, write it. . .Reinsurers are not going to be blamed yet again for withdrawal and taking on the decision-making of insurers."

"It is an industry problem and I can't say what our philosophy will be," said one insurer who complained to Messrs. Prevost and Riley at the IIL meeting. "We're in a situation where insurers are saying we'll try to sort the problem out. Meanwhile, we say let's keep the coverage. We're only looking at one terrorist claim. Let's work it out together. But it seems that reinsurers are coming to us" and stating what will happen.

"This doesn't seem to be the right way to do things," the insurer said. BI

Lloyd's problems

Continued from previous page

Member deposits only total 4.5 billion pounds ($6.84 billion), so by 1994 Lloyd's will need more capital to continue trading, said Mr. Rew. "Frankly, Lloyd's doesn't have the credibility to attract this."

Currently, 68 syndicates have left open 163 years of account, and 85% of Lloyd's membership is on at least one open year, said Trevor Bradley, managing director of underwriting agency group Knightstone Group Ltd.

At least 20 more syndicates will leave their 1990 year open at the end of this year, said Oliver Carruthers, syndicate analyst at Chatset Ltd.

"How many of you before you joined Lloyd's were told that if you were on an open underwriting year, you would have to pay indefinitely?" Mr. Bradley asked the audience of about 200. No hands went up. "I didn't expect too many of you."

David Springbett, former chief executive of brokerage PWS Holdings P.L.C., argued that open years distort Lloyd's true losses. The reported loss for 1989 was just over 2 billion pounds ($3.85 billion), but the true loss if all the syndicates had closed their 1989 accounts would have been two or three times that amount, he said.

A special levy on members earlier this year doubled the size of Lloyd's Central Fund to 1 billion pounds ($1.52 billion). Lloyd's recently imposed a moratorium on lawsuits for bad debts from 3,500 members and has earmarked 360 million pounds ($547.6 million) in its Central Fund to pay for losses.

This special levy means "we are in a mutual," said Mr. Springbett. "Every one of us here today is probably bankrupt."

Mr. Rew expects another special levy next year as more members become insolvent, leaving fewer members to pay claims. At the moment, 40% of Lloyd's membership has resigned but cannot leave because they are on open years of account, he added.

Mr. Rew said that if he were Lloyd's chief executive, he would do several things to make Lloyd's attractive to existing names and new ones that would help close syndicates. He said he would switch to one-year accounting from three-year; cut overhead; and build up a fund for prior-year claims totaling about 3 billion pounds ($4.56 billion) from those years' reserves and from loans.

In addition, Lloyd's policies should be allowed to default to the extent that syndicate members are insolvent, said Mr. Rew.

"Policyholders of Lloyd's should be put into the same position as policyholders of any other insurance company—where, if they burned the insurance entity, they suffer themselves," said Mr. Rew.

As chief executive, "I would (show) policyholders the harsh reality of life and say, 'I'm sorry boys, you are insured with a syndicate in which only half the names are solvent and you're only getting half your claim paid,' " said Mr. Rew. "It might get to a stage where only one-third of the claim was paid. There would have to be a limit when the Central Fund would step in."

If only a portion of claims were paid, members who have stop-loss policies and estate protection plans with insolvent Lloyd's syndicates would be affected, Mr. Rew acknowledged. "In that extent, we're policyholders like everyone else."

This attitude may be harsh, but it prevents solvent members from going bust trying to pay the claims that insolvent members can't pay, he said.

Referring to the U.S. asbestos and pollution claims overwhelming Lloyd's syndicates, he added, "It was never presented to us when we joined Lloyd's that we were all going to be paying losses on other syndicates (from) years before we were born.

"Lloyd's needs new names, but it's got to be profitable in order to get them. Lloyd's can't treat the members like mushrooms and keep them in the dark and cover them with manure. If Lloyd's cannot get to grips with these problems, it will not survive."

Mr. Rew said he hopes that David Rowland—the all-but-certain next chairman of Lloyd's—is the man for the job.

"But I fear he isn't," said Mr. Rew, pointing out that the task force Mr. Rowland chaired rejected one-year accounting and suggested that Lloyd's capacity balloon to 17 billion pounds ($25.8 billion).

During a feisty question-and-answer session following Mr. Rew's speech, one member drew applause when he said, "It would appear that Lloyd's is actually bust. If that's the case, then maybe it would be better to close it down and let the policyholders take their chances and get us all out of the system.

"We're told by Mr. Coleridge that if Lloyd's goes bust, we'll have debts around our necks for years to come. That's not the case because people who are policyholders won't bother to pursue every single claim because it will be far too expensive. On the other hand, if you want to continue Lloyd's, then the members who want Lloyd's to continue and the people who earn their salaries at Lloyd's should pay off the debts from the problems that have arisen in the past."

You can tell whether Lloyd's is bust or not by whether it can continue to pay policyholders, said Mr. Rew. "I believe it's getting perilously close to the point that it can't. I understand it is taking a very long time to collect reinsurance—longer than last year.

"But I don't think Lloyd's will go bust. I think Lloyd's is important to the City (London's financial district), and to allow it to go belly-up would be a terrific waste. On the other hand, politicians are not keen on bailing out Lloyd's—the Conservatives (in power) are not our friends."

Parliament could help Lloyd's members, suggested another member. It could pass a law saying that insurers do not have to pay claims on U.S. policies that are more than 25 years old. This would "protect us from the onslaught of (U.S.) litigation," he said.

"I can't really see how that would come into effect," said Mr. Rew, since U.S. policyholders would seek money from the Lloyd's American Premium Trust Fund if that happened.

"How do you see Lloyd's not going belly-up?" asked Alfred Doll-Steinberg, chairman of the Gooda Walker Action Group.

"I think that there are plans in the bottom drawer of the (Department of Trade and Industry) and the Bank of England to rescue Lloyd's if it gets to the stage where Lloyd's asks for help," said Mr. Rew. "I think it's got to the stage when it has to ask for help. I believe Lloyd's as an institution will be helped, but names as individuals will not."

"I was pleased that you challenged the dogma of the (grip) of policyholders over names because I think it's forgotten that this was a marketing gimmick dreamed up by Cuthbert Heath after the San Francisco earthquake," said Mr. Doll-Steinberg to some applause. Mr. Heath, a Lloyd's underwriter, paid all catastrophe claims from the 1906 earthquake, whether or not the policies covered the risk, giving Lloyd's its reputation of prompt claims payment.

Following this discussion, Graeme King, general manager of the regulatory services group of Lloyd's, spoke on behalf of Lloyd's officials.

Mr. Rew should be encouraged to continue voicing his concerns for Lloyd's future, said Mr. King. "But for God's sake, does he have to do it in public?" he asked.

Lloyd's Chief Executive Peter Middleton is a force for change as is Mr. Rowland, Mr. King noted.

It is very doubtful that the British government has a plan to bail out Lloyd's, Mr. King implied. "To the best of my knowledge and belief, the government couldn't give a damn."

It is true that at the moment Lloyd's knows from audited syndicate accounts that there will be a 1 billion pound ($1.52 billion) loss in 1990 and a 500 million pound ($760 million) loss in 1991, said Mr. King. It was the first time Lloyd's has admitted the extent of the 1990 and 1991 losses.

It is also true that as of year-end 1991, 28,938 names—or 85% of total active and inactive members —were on open years of account. This has become "a very mutual problem," said Mr. King.

Mr. Middleton has set up a committee to examine the open year problem and try to solve it.

But, open years have created no solvency problems, he suggested, though there have been challenges over who owns the members' deposits—Lloyd's or the members.

In the meantime, the entire capital base of Lloyd's is not depleted as Mr. Rew suggested, said Mr. King. Lloyd's returns at the Department of Trade and Industry prove this, he said.

In fact, said Mr. King, "There's a 2 billion pound ($3.04 billion) surplus of funds at Lloyd's. There are a hell of a lot of funds not at Lloyd's—some of you are trying to hold on to them and you're probably quite right in some cases. Some of you have sent them in. In fact, there's something like 1.5 billion pounds ($2.28 billion) of new funds that have been sent in during the last 11 months.

"So I'm afraid that John uses numbers for the wrong purpose. I assure you that Lloyd's is not bust, but if you want to, you can talk it into being bust."

Currently there is "no intent or need" to call another special levy to expand the Central Fund next year, he said, because this year's special levy took into account the deficits in 1990 and 1991.

"If there is a need, I assure you the council will think very hard and very carefully, balancing the society's interests as a whole and individual members' concerns as a whole before they make any additional levy," said Mr. King.

Robin Jackson, chairman of Lloyd's syndicate runoff reinsurer CentreWrite Ltd., added: "I've felt a slight undercurrent at the suggestion that claims were being paid that shouldn't be paid, certainly as far as the United States is concerned."

Some would say that Lloyd's underwriters fight U.S. claims too vigorously, said Mr. Jackson. "Cuthbert Heath's words of paying all the claims whether they're covered or not is not the way we're operating today," he said.

Mr. Jackson assured members that as far as the claims that really matter—involving U.S.-based asbestos and pollution "where I have intimate and personal knowledge" —Lloyd's underwriters are fighting when they have legitimate reasons to do so, he said.

"Please don't go away with the assumption that we pay claims and say, 'Stuff it to the names; we don't care.' All our major claims are handled through lawyers who recommend whether to pay or not, said Mr. Jackson. Lloyd's and the London company market are spending tens of millions of pounds "fighting these people," he said.

As far as pollution cases go, underwriters have so far won "5½ games out of six," Mr. Jackson added. BI

CentreWrite issues quotes to syndicates

By STACY SHAPIRO

LONDON—Underwriting agents for two syndicates with three open years of account each recently received quotes from runoff reinsurer CentreWrite Ltd., says Chairman Robin Jackson.

Although he would not identify the syndicates, he said one was large and the other small and that one was a marine syndicate and the other non-marine.

One underwriting agent has responded. The agent said he will send a letter to all members saying he has rejected the quote, but individual members can buy runoff coverage from CentreWrite.

Mr. Jackson had not heard from the other agent when he spoke to members at a recent Society of Names seminar.

However, he said: "My instinct tells me that of the three years, he might buy one or two of the years, but not the third. We'll see."

CentreWrite also is "actively working" on seven other syndicate quotes and hopes it can issue quotes to at least two or three of the syndicates by Christmas, he said.

Both CentreWrite and Mr. Jackson have been criticized for being slow in calculating premium quotes for runoff coverage to close the accounts of syndicates with open years.

Only one other quote has been published—for syndicate 12, managed by Langton Syndicate Management Ltd. But, the agent rejected it as too expensive.

However, Oliver Carruthers, syndicate analyst at Chatset Ltd., said the Langton quote may not have been so expensive, considering that the syndicate's overall loss deteriorated 36% from 1990 to 1991.

Mr. Jackson explained to the Society of Names that the delay in issuing quotes was caused by changing goals as CentreWrite was trying to obtain its insurance license from the Department of Trade and Industry. When CentreWrite was set up, there were only 40 open years of account at Lloyd's. Today there are 162, with more to come.

Mr. Jackson said CentreWrite must not be "slapdash" in underwriting runoff programs. The company is backed by a guarantee on Lloyd's Central Fund and bad underwriting could cost that fund—and Lloyd's membership—a lot of money, he said.

"You only have to look at those underwriters—not only in Lloyd's, but also in the company market—who have written runoffs of Lloyd's syndicates and what a disaster it has been. I think I can say that nobody who has written runoffs of insurance companies or Lloyd's syndicates in the last decade has done anything but lose a hell of a lot of money."

Within the next three years, CentreWrite plans to offer quotes to syndicates and individual members of 52 syndicates with 97 open years of account dating back to 1988 and before.

As soon as possible after that, CentreWrite will try to tackle the remaining open years from 1989 (*BI*, Aug. 31). If the quotes are not accepted, CentreWrite will offer renewal quotes every year after the first quotation.

In the meantime, a Lloyd's task force has recommended that there be a "claims center for excellence" that would administer all claims, especially for pollution and asbestos, filed against old policies. The center would pool the resources of the market in an attempt to reduce costs.

This proposal is being investigated "with great urgency" by a committee including Mr. Jackson, he said.

He asked to be a member of the committee because he said he knows "that CentreWrite will one day have 100% of the liabilities of old syndicates."

Mr. Jackson knows the debate rages in Lloyd's over how to solve the problem of open syndicate years. Before speaking to the seminar, he said he was interviewed by a consultant who is on a panel studying open years that was set up by Lloyd's Chief Executive Peter Middleton.

He knows, too, that his one-time colleague David Springbett, former chief executive of PWS Holdings P.L.C., disagrees with the concept of CentreWrite to close syndicate accounts.

"Robin, today you are going to be made redundant," said Mr. Springbett, also a speaker at the seminar.

The longtime Lloyd's critic alleged that Lloyd's officials knew in the early 1980s that asbestos claims were mounting and that the only solution to rising claims was to increase membership. That is why "mini-names" with smaller asset bases were allowed into the market, he said. "Anybody could become a member."

As of today, 96,000 asbestos claims that are unsettled have been lodged against Lloyd's underwriters, Mr. Springbett said. The legal costs for these claims—estimated at 100,000 pounds ($152,000) each—alone amount to 9.6 billion pounds ($14.6 billion).

Lloyd's can survive, but "every syndicate has to be closed right away," he said. "Robin must be made redundant. We can't wait for CentreWrite."

Mr. Springbett suggests that Lloyd's members set up a new syndicate called Syndicate 1993 into which all open years are closed.

Syndicate 1993 could be established offshore and hold the reserves of all the open years, he said. If the open years are underreserved, then the syndicate—through the Central Fund—could borrow, say, 5 billion pounds ($7.61 billion) from the Bank of England, of which half could stay on deposit with the bank. The funds would not come directly from the central bank, but from the major U.K. banks at its direction, Mr. Springbett said.

The loan can be repaid through the ongoing premiums of the market, he said. Then members would pay off their debts to Syndicate 1993 over 10 to 15 years.

"We can do something," Mr. Springbett said. "We can solve this." BI

Allocation of Outhwaite settlement due in January

By STACY SHAPIRO

LONDON—Five judges in the House of Lords are expected to decide by January how the settlement to members of syndicate 317/661 underwritten by Richard Outhwaite should be allocated.

This decision could affect all of the lawsuits filed by thousands of Lloyd's of London members over syndicate losses as well as the rest of the insurance industry, says Sir David Berriman, a litigating member and chairman of the Rose Thomson Young Action Group.

The 113 million pound ($171.8 million) settlement—excluding the 3 million pounds ($4.5 million) awarded for legal fees—earlier this year was expected to go directly to the 987 members who took 81 members agents to trial over losses they incurred on the Outhwaite syndicate (*BI*, Feb. 17).

However, some of the members' stop-loss underwriters objected, saying they should be paid before the members recover any of the settlement, which is held in trust by the members' law firm Richards Butler.

Members who buy stop-loss policies retain a certain amount of risk, known as the "excess," before stop-loss coverage kicks in. And members pay any losses exceeding the limits of their stop-loss insurance.

Members claim that the settlement should be paid out under the "sandwich" approach, whereby each member will be paid his share of the losses below and above his stop-loss coverage before stop-loss underwriters get any money, said Sir David, who chaired a Nov. 13 Society of Names seminar.

Stop-loss underwriters favor the "top-down" approach, under which the members are paid for losses exceeding their stop-loss cover, then stop-loss underwriters get their share, then members are paid for their "excess."

However, said Sir David, "If you haven't gone through the top of your policy, the first recovery goes to the stop-loss underwriter and therefore you would have very little interest in litigation."

Earlier this year, a High Court judge favored the sandwich approach supported by members. A Court of Appeal unanimously overturned that decision and favored the top-down approach of stop-loss underwriters.

The judges in the House of Lords, Britain's highest court, heard the case on Nov. 2.

Trial lawyer Anthony Boswood, who represents the Outhwaite names, "is quietly confident that the House of Lords will reverse it yet again and go for the sandwich," said Sir David, though others at the seminar weren't so sure.

If the House of Lords favors the members' approach, then every member should join the suit so that the settlement benefits everyone, said Sir David. Otherwise, the members are litigating just for the benefit of stop-loss underwriters.

"If they reinforce the top-down, there will be names who feel that it isn't worth litigating," Sir David said.

Before the House of Lords rules, litigating members are contacting the stop-loss underwriters to encourage them to join the litigation, said Sir David. Most of the stop-loss insurance is placed in Lloyd's, so members of stop-loss syndicates also would benefit from any recoveries, he said.

"We are writing to stop-loss underwriters to see if they would be willing in appropriate cases to bear the litigation costs on behalf of names to ensure that if there is recovery, it will benefit everybody equally," he said. BI

Russian political risk

Continued from page 53

with Russia.

The insurance is structured to cover the investor against the Russian government's failure to honor its obligations under an investor protection agreement. Such disputes will be adjudicated by the arbitration panel provided in the investor protection agreement.

While the coverage focuses on expropriation risk, the facility also can offer coverage for currency convertibility risks at the underwriters' option. However, the preference is to cover projects that generate hard currency cash flow.

The maximum exposure that can be insured per investor is normally $75 million. In cases that involve multiple investors, the maximum insurable amount for any one project is $150 million. Each investment is subject to review and approval by the Russian government or a duly authorized governmental body, the EIGA said.

Smaller investment risks and all trade risks can be covered through a separate facility underwritten by Black Sea & Baltic General Insurance Co., the U.K.-based subsidiary of Ingosstrakh, Russia's principal international insurer.

These policies will be reinsured in the international market, the EIGA said. U.S. broker Arthur J. Gallagher & Co. has been retained to provide reinsurance services worldwide.

Coupled with other arrangements, the new policy structure will provide at competitive prices a level of coverage equivalent to that offered by most state-sponsored investment insurance schemes, according to the EIGA. Premiums have not been disclosed.

The EIGA also says that it can offer limited credit insurance through a separate facility for transactions involving Russian public and private sector buyers.

The EIGA facility can insure investments sourced from multiple countries, including coverage against actions by a third-party government, provided that the countries involved have agreed and ratified investor protection agreements with Russia.

Temporary coverage may also be available to investors that are awaiting insurance from the MIGA or from government-sponsored insurance schemes, which may take up to several months.

Portfolio investments, like minority shareholdings in privatized Russian companies, also can be insured through the facility, subject to certain restrictions. Additionally, coverage can be provided for existing investments or be extended to goods shipped on consignment to a local or joint venture partner.

Charles Berry, director of Berry Palmer & Lyle, says that the new facility is a radical change from the normal practice of private sector political risk underwriting on two principal counts: The existence of the political risk policy is disclosed and the investment is inspected by the foreign government. Normal private sector practice is that political risk coverage is secret.

But Mr. Berry says that the facility does not signify an increase in market capacity for Russian political risk, but rather is a way for underwriters to use existing capacity more efficiently.

According to OPIC, inquiries have been made to political risk insurers regarding more than $40 billion in prospective investments in the former Soviet Union. The EIGA notes in its statement that current market capacity for insuring foreign investments in Russia is between $3 billion and $5 billion.

From the investor's point of view, there is an advantage and a disadvantage in the new facility, Mr. Berry explained. The disadvantage is that the investor must establish that its property has been expropriated under the investor protection agreement. As this could require a judgment under the IPA arbitration provisions, it could take some time before a claim is paid.

The advantage, says Mr. Berry, is that coverage is geared to the rights of the investor defined under the IPA. Any debate about expropriation becomes an issue for the IPA's arbitration panel, not the insurer.

Mr. Lyle, the EIGA chairman, explained that the new facility grew out of a study on political risk insurance in Eastern Europe that the EIGA conducted for the European Commission. The study highlighted that seven out of the 12 E.C. member countries do not offer coverage for political risk in Russia.

In addition, short-term coverage of Russian political risk for U.K. investors is scarce since the British government sold the Insurance Services Group, the short-term insurance arm of the state-owned Export Credit Guarantee Department, to Dutch credit insurer Nederlandse Creditvezekrings Mattschapij.

The Netherlands is one of the seven E.C. member countries that do not provide coverage for political risk in Russia, notes Mr. Lyle.

The second phase of the EIGA facility will be the creation of a specially dedicated insurance company, based in the European Community, for covering Russian political risk, Mr. Lyle says. He adds that similar political risk insurance facilities could, in theory, be extended to the other former Soviet republics and Eastern European nations. BI

Health cover mandated—in Russia

LONDON—Russian employers will be required as of Jan. 1 to provide health insurance for all their local employees.

A new law states that the coverage must be written by an approved health insurer.

However, insurers and lawyers in Moscow say that it is still unclear how the law will work in practice or how employer costs or employee contributions will be calculated.

Currently, Russian workers pay a tax of 33% of gross salary to the state, which in turn provides free medical care, explained Andrei Sazanov, chief representative of Willis Faber & Dumas Ltd. in Moscow, a unit of Willis Corroon Group P.L.C. The quality of the health care provided is generally low, he added.

Medical treatment may also be obtained in private clinics which, under the former Soviet Union, were exclusive medical centers for top officials from the Communist Party. These centers now provide comprehensive health care and services of a personal doctor for 100,000 rubles ($41,900) per person per year. In comparison, the average salary of a state employee is 10,000 rubles ($4,190) per month.

State-run health care services still are operating, and new private clinics are opening.

Russian insurance companies have been creating their own health and medical insurance affiliates to meet the demand created by the law, said Mr. Sazanov. Gosstrakh, which was the principal domestic insurer in the former Soviet Union, has formed a medical subsidiary called Medsstrakh. In addition, Rossiya Insurance Co. has formed a medical subsidiary named Ruslan, while Asko Insurance Co. has created a unit called Medasko.

The law states that only a Russian legal entity can be an approved health insurance company. However, Moscow insurers say that, in principle, there is no reason why a Western insurance company could not write the coverage if it operated through a locally registered entity or on a joint-venture basis.

Willis Faber's Mr. Sazanov says he is not aware of any Western insurer that has opted to write health insurance in Russia.

Medical insurance will be regulated by a set of insurance rules issued Oct. 12 by the State Insurance Inspectorate. Under these conditions, health insurance falls within specified categories of "personal insurance" subject to a licensing regime. However, the new Russian insurance law that defines the regime still is under discussion in the Russian parliament.

—By Maria Kielmas

P&I claims

Continued from page 53

ularly in the "macho" atmosphere of the offshore oil industry, especially in the United States, says the report. Workers in this climate would rather do jobs themselves than seek help. "Many injury claims seem to arise this way," the report says.

Simple confusion is a frequent cause of property damage claims. Fatigue causes many collision claims, especially just before dawn. Minor slips in mathematical calculations contribute to many cargo losses or to the instability of a ship.

"Such forms of human error, to the extent that they arise from the natural distraction of human temperament and mood are, by their very nature, not possible to completely eliminate," said the club's report. "At best, well-designed working environments and procedures can help to reduce them."

Ship maintenance also can contribute to human error, notes Mr. Wynn-Williams of Miller's. The report discovered that claims caused by human error peaked when vessels were between the ages of 10 years to 14 years, as did claims caused by ship failures.

"This lends support to the view that human error claims could have been avoidable if the ship was better maintained. . .a vital point to take on board for us," said Mr. Wynn-Williams.

Some of these human slip-ups are avoidable, however, the report states.

When surveying 832 ships covered by the U.K. Club between June 1990 and July 1992, the club found that some crew members were hardly familiar with their own ships. Some officers could not operate emergency machinery. A common fault was the failure to provide up-to-date navigational charts and nautical publications, which are available without charge at many ports.

'In the future, owners with larger fleets may expect to receive more routine visits,' warns the U.K. club.

"In the future, owners with larger fleets may expect to receive more routine visits than the single visit which they have received in the past," warned the U.K. club in the report. The inspectors will "spend more time on board ships in the future and may pay more attention to management control systems and standards of manning and training."

The report also found that 7% of major claims analyzed were caused by pilot error as were 36% of the property damage claims, a total of $60 million in gross claims. The claims primarily stem from the United States, where the U.S. Coast Guard plans to investigate pilot error, says Mr. Wynn-Williams.

The club plans to recommend procedures whereby the ship's master stays on deck when a pilot is on board and cooperates at all times with the pilot.

Historically, pilots have been employed by ships' masters to advise them when navigating in unfamiliar waters, the report says. But the masters continued to retain full responsibility for the safety of the ship.

"The pilot, being a seaman with local knowledge, was there to assist," says the report. However, "the incidents analyzed confirm that there is a need to improve communication between the master and pilot" and a need for them to understand who is responsible for what task at each stage of the voyage.

The U.K. Club is now working with the other clubs in the International Group of P&I Clubs "on a 'live' study into major property damage cases to identify precisely the relevant factors in each case," the report points out.

Training experience will also be examined in the ongoing study into pilot error, since there is no standard method of training pilots. BI

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Reinsurer advocates private health cover

By STACY SHAPIRO

LONDON—Mercantile & General Reinsurance Co. P.L.C. is trying to interest insurers in offering "major medical expenses" coverage in the United Kingdom.

M&G currently does not reinsure these types of plans because few insurers offer the coverage, "but we'd certainly like to," said Peter Maynard, M&G research officer. "We're talking to an insurance company right now" and hope others will be interested.

To stir interest, M&G recently published a short guide for U.K. insurers that explains major medical expenses coverage.

The U.K. National Health Service provides every resident with free government-backed medical coverage for a whole gamut of services from the cradle to the grave, including emergency and major operations.

Private medical insurance has also been offered in the U.K. over the years, primarily as an employee benefit to avoid the delays common in the NHS system. Currently, approximately 12% of the British population is covered by private medical insurance, said M&G.

The private coverage offered by British employers usually covers a full gamut of medical services with few limits, much like indemnity health care plans offered in the United States.

Major medical expenses coverage, however, "pays specified benefits," Mr. Maynard said. The policy provides a lump sum of up to 12,000 pounds ($18,258 at current exchange rates) per major operation.

Private U.K. medical coverage sales have slowed recently, "owing to sharp increases in premiums," the guide notes. Insurers "have endeavored to ameliorate the influence of medical inflation on premium rates by introducing budget plans which either cover a restricted range of procedure or which pay for private treatment only if the NHS is unable to treat the insured within a specified period—typically six weeks."

Major medical expenses coverage can complement private medical insurance by filling the gaps or stand alone as "a simple, cheaper alternative," M&G says. It can be written on a group basis, either as an employee benefit or as a voluntary scheme sponsored by an employer.

The proposed major medical expense policy outlined be M&G would offer, subject to the 12,000-pound limit:

- 100% coverage for open heart surgical procedures.
- 75% coverage for major arterial surgery to head, neck, thorax, abdomen and peripheral arteries; hip or knee replacement; and intracranial procedures.
- 50% coverage for surgeries including mastectomy; insertion of permanent pacemaker; surgery to alimentary canal; surgery to liver and other digestive organs; prostatectomy; spinal laminectomy; and hysterectomy.
- 25% coverage for surgery on eyes, ears, bladder and lesser orthopedic surgery.

Benefits can be reduced by 50% if surgery is carried out under the NHS.

The benefits, offered to people aged 18 to 65, increase 5% per year.

Suggested premiums for the five-year renewable policy vary by policyholder age from 16 pounds ($24.34) per month for a 25-year-old single male to 40 pounds ($60.86) per month for a 65-year-old person.

The policy excludes certain non-emergency surgeries, like cosmetic surgery, Caesarean section, organ donation and exploratory surgery. It also excludes surgery following "hazardous pursuits" like horseback riding or race car driving.

The plan does not cover treatment for alcohol or drug abuse or mental disorders. AIDS and HIV infection are also excluded, and if HIV antibodies are discovered, the coverage can be canceled, though a small payment may be made following cancellation.

LONDON

Weir windup petition

Provisional liquidators have been appointed for Andrew Weir Insurance Co. Ltd., which stopped paying claims on Nov. 6, one year after it ceased underwriting.

The liquidators, Colin Bird and Richard Boys-Stones, are partners in Price Waterhouse. Mr. Bird is also one of the administrators for London United Investments P.L.C., though not for its insurance subsidiaries.

A petition to wind up Andrew Weir was presented to the High Court when the provisional liquidators were appointed. However, the petition has been postponed and likely will be postponed again when it comes up for hearing again in January.

The provisional liquidators are recommending a scheme of arrangement, rather than liquidation, for Andrew Weir's creditors. A scheme allows a quicker payment schedule for creditors than liquidation. It will take at least six to nine months to develop a scheme to present to creditors, said Paul Evans, senior manager of Price Waterhouse.

Andrew Weir has net reserves of 50 million pounds ($76.1 million), but total liabilities aren't clear in light of major pollution claims pending in the United States.

In the meantime, the provisional liquidators at Price Waterhouse of Trinity Insurance Co. Ltd. hope to publish and distribute to creditors a scheme of arrangement by the year end and call a creditors meeting in the first quarter of next year, said Mr. Evans. If Price Waterhouse meets this time schedule, it will be unusually quick since provisional liquidators were only appointed nine months ago. It can take years to formulate scheme of arrangement.

Minet acquires Bell

Minet Group P.L.C. will merge the New York and Dallas offices of London-based reinsurance broker Bell Nicholson Henderson Group with Intere Intermediaries Inc. after Minet purchased Bell last week for an undisclosed sum.

Minet plans to keep Bell's London office separate until after the year-end reinsurance renewal sea

Continued on next page

INTERNATIONAL

Continued from previous page
son, but will merge it with Minet's headquarters after March 1993, said Bryan Hayes, chairman of Minet Reinsurance Brokers International Ltd.

Bell's Copenhagen office will remain independent, said Mr. Hayes.

The acquisition boosts Minet's expertise in marine reinsurance, which constitutes 70% of Bell's business, and enlarges Minet's non-marine base, Mr. Hayes said.

Bell's 1991 gross revenues totaled 9.5 million pounds ($17.8 million at applicable exchange rates), including: 7 million pounds ($13.1 million) in brokerage fees and commissions; 1.5 million pounds ($2.8 million) in investment income; and 1 million pounds ($1.9 million) in underwriting agency fees from representing Lloyd's of London syndicates in Copenhagen.

Seeking solutions now

New Lloyd's of London's Chief Executive Peter Middleton is calling for fast results from three panels he formed earlier this year to investigate problems of loss-riddled members and the underwriting market.

When Mr. Middleton joined Lloyd's, he set up three committees to examine new ways to close 163 open underwriting years; to discover the availability of underwriting agencies' errors and omissions insurance to pay members' losses if negligent underwriting is proved; and to reduce cost and increase efficiency in the Corporation of Lloyd's and the market.

In light of criticism from members, Mr. Middleton has told the committees, "Please, work as fast as you can."

Each topic is being examined by: an external consultant to bring "dispassionate brainpower" to the problem; five or six external members; and consultants from the market and the Corporation of Lloyd's.

Next month, the E&O committee should reach a "substantive stage" on finding the actuarial value of the total claims against members and managing agencies by the thousands of members suing to recover their losses, and the total availability of E&O insurance to cover those potential losses, according to Mr. Middleton.

"First prize in this (study) would be to get people to agree—and the legal profession won't thank me for this—that the less people pay in legal fees to secure a settlement, the more money will come directly to them," said Mr. Middleton. "The more people we can get together in arbitration, the better it's going to be for everybody."

Next month, Mr. Middleton will also detail to the Council of Lloyd's the corporation's cost estimates for the next year, which are expected to be lower than current costs, he said. "Over time, the head count of the corporation will decline" from its current 2,100, he said.

Separate management

Lloyd's of London's large underwriting agencies must separate their members agency from their managing agency under new amendments to existing bylaws.

Lloyd's syndicates are managed by managing agencies and members' affairs are governed by their members agencies. Some underwriting agency groups currently combine members agencies with managing agencies.

Since the passage of the Lloyd's Act 1982, however, many members have asked that Lloyd's "divorce" members agencies from managing agencies to avoid any conflicts of interest. Lloyd's task force earlier this year said formal separation was not necessary, but there should be rules to ensure that there aren't any conflicts.

Earlier this month, Lloyd's Council decided that as of Jan. 1, 1994, underwriting agents will only be permitted to act as combined members/managing agents if they are given consent by council and:

- The agent has no more than 100 members to manage.
- The members agency is "sufficiently autonomous" from the managing agency.
- It is in the members' interest in the case of a combined members agency that is in runoff.

In the meantime, the council has widened the category of individuals entitled to have access to the market. Until now, only Lloyd's brokers have been allowed to deal directly with Lloyd's underwriters, except in certain classes of business where policyholders can deal directly with underwriters.

The council passed an amendment this month to extend this privilege to representatives running off the business of ex-Lloyd's brokers.

Risk manager honored

Peter Rosier, risk manager of Pearson P.L.C., has been elected U.K. & Ireland Risk Manager of the Year 1992 by CIGNA Insurance Co. of Europe S.A.-N.V.

Mr. Rosier has been with Pearson, a conglomerate with holdings in media, investment banking and other fields, for 16 years.

In the inaugural year of the award in 1991, Mr. Rosier and two other risk managers were awarded certificates of distinction.

Merrett's masterpiece

Lloyd's of London underwriting group Merrett Holdings P.L.C. now owns a Renoir painting that was stolen in 1987.

The painting, "Peonies in a Green Vase," was valued at $540,000 when it was stolen from Wildenstein, the London gallery of international art dealers. Lloyd's syndicate 418, managed by Merrett, led the coverage on the painting.

No trace of the painting was found until September 1991, when it was taken to Wildenstein's Tokyo branch for valuation. "The client was a representative of a finance company who was offered the picture (as collateral) for a loan," said a Merrett spokesman.

Wildenstein recognized the painting and contacted Interpol and Merrett. London law firm Clyde & Co. represented the insurers in negotiation with Wildenstein about the ownership of the painting.

"I was absolutely delighted to hear that the painting had been recovered," stated Tim Jonas, Merrett's fine art underwriter. "However, it has taken over a year to complete all the legal requirements to comply with Japanese law and to establish our interests as underwriters."

Merrett would like to sell the painting back to Wildenstein—a "long established client"—at "market value," according to Mr. Jonas. The price has not yet been established. BI

1992 1993

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The New York City Housing Authority is issuing this RFP for the purpose of inviting parties to submit proposals for loss control services which will involve the annual inspection of the interior common areas including but not limited to laundry rooms, recreation areas, hallways, elevators and exteriors including but not limited to buildings and common grounds to identify all hazardous and dangerous conditions. The firm will also analyze Authority abstracts and other data with regard to losses arising from these kinds of conditions.

Documents must be picked up in person, Monday through Friday between 9:00 AM and 5:00 PM from Contact Person:

Alma Cave
Assistant to the Deputy
General Manager For Operations
New York City Housing Authority
250 Broadway, Room 902
New York, New York 10007

Proposals must be received no later than Dec. 7, 1992 at 2:30 PM.

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Chief Financial Officers and Vice-presidents of Finance	2,637
Secretaries, Treasurers, contollers and other Financial Personnel	3,822
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	14,998
Sub-total	**28,089**
Associations	416
Government, Unions and Educational Institutions	1,148
Commercial Consumers	
Sub-total	**29,653**
Insurance Agents and Brokers	8,947
Insurance Companies	8,080
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Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,748
Others Allied to the Field	904
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* Source Business/Occupational breakdown of qualified circulation, May 25, 1992 issue, as submitted to BPA for June 1992 BPA Publisher's Statement.

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No. 182 of 1985

IN THE MATTER OF THE COMPANIES ACT, 1981
and
IN THE MATTER OF CAMBRIDGE REINSURANCE LIMITED IN LIQUIDATION

NOTICE OF INTENTION TO DECLARE DIVIDEND

Notice is hereby given that a Fifth Interim Dividend of 3% is intended to be declared in this matter.

Dividend warrents will be distributed on or after 1 December, 1992 to those Creditors whose claims have been agreed.

Dated this 10th day of November, 1992.

David E. W. Lines
Michael A. Jordan
Joint Liquidators
Cambridge Reinsurance Limited
(In Liquidation)
P.O. Box HM 2079
HAMILTON
Bermuda HM HX

Creditors requiring further information should contact the Joint Liquidators at the above address.

IN THE SUPREME COURT OF BERMUDA

NO. 282 of 1992

IN THE MATTER OF LONDON UNITED REINSURANCE COMPANY (BERMUDA) LIMITED - IN LIQUIDATION
and
IN THE MATTER OF THE COMPANIES ACT 1981
and
IN THE MATTER OF THE INSURANCE ACT 1978

(Under an Order for Winding-Up the above-named Company, dated 4th day of September 1992)

NOTICE TO CONTRIBUTORIES OF FIRST MEETING

NOTICE IS HEREBY GIVEN that the First Meeting of Contributories in the above matter will be held at the offices of Cork Gully, Dorchester House, 7 Church Street, Hamilton, BERMUDA on the 15th day of December, 1992 at 10:30 a.m.

Proxies to be used at the Meeting must be lodged with me not later than 5:00 p.m. on the 11th day of December 1992.

Dated this 4th day of November, 1992.

Peter C.B. Mitchell
Joint Provisional Liquidator
Cork Gully
Dorchester House
7 Church Street
P.O. Box HM 1171
Hamilton
BERMUDA HM EX

NOTE

(The Company's Statements of Affairs has not been lodged.)

At the First Meetings of the Creditors and Contributories they may amongst other things:

1) By resolution determine whether or not an application is to be made to the Court to appoint a Liquidator in place of the Official Receiver.

2) By resolution determine whether or not an application shall be made to the Court for the appointment of a Committee of Inspection to act with the Liquidator, and who are to be the members of the Committee if appointed.

NOTE: If the Liquidator is not appointed by the Court the official Receiver will be the Liquidator.

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA

NO. 282 of 1992

IN THE MATTER OF LONDON UNITED REINSURANCE COMPANY (BERMUDA) LIMITED - IN LIQUIDATION
and
IN THE MATTER OF THE COMPANIES ACT 1981
and
IN THE MATTER OF THE INSURANCE ACT 1978

(Under an Order for Winding-Up the above-named Company, dated 4th day of September 1992)

NOTICE TO CREDITORS FOR FIRST MEETING

NOTICE IS HEREBY GIVEN that the First Meeting of Creditors in the above matter will be held at the offices of Cork Gully, Dorchester House, 7 Church Street, Hamilton, BERMUDA on the 15th day of December, 1992 at 11:00 a.m.

Proofs and Proxies to be used at the Meeting must be lodged with me not later than 5:00 p.m. on the 11th day of December 1992.

Dated this 4th day of November, 1992.

Peter C.B. Mitchell
Joint Provisional Liquidator
Cork Gully
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7 Church Street
P.O. Box HM 1171
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NOTE: If the Liquidator is not appointed by the Court the official Receiver will be the Liquidator.

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EXT. 5340

Multiemployer plans commonly offer retiree care

By JERRY GEISEL

Most multiemployer welfare plans offer post-employment health care coverage but require retirees to pick up a share of the costs.

Sixty-six percent of 483 multiemployer welfare plans surveyed by The Segal Co. provide health care coverage to retired workers.

Fifty-three percent of the surveyed plans offer coverage to all retirees, while 12% offer coverage to only retirees who are under age 65 and not yet eligible for Medicare and 3% offer coverage to only retirees who are eligible for Medicare.

The findings are based on the 1990 plan year. Coverage varies considerably by industry.

For example, 80.3% of surveyed multiemployer plans in the construction industry offer retiree health care coverage, but just 34.3% of multiemployer plans covering manufacturers and 44.6% of the plans covering service firms offer retiree health care coverage.

Coverage also varies by plan size.

For example, 82% of plans with between 2,000 and 4,999 active workers offer retiree health care coverage, and 78% of plans with at least 5,000 active workers offer coverage. But, only 47% of plans with fewer than 250 active workers offer retiree health care coverage.

Most multiemployer welfare plans require retirees to pay at least a certain portion of the premium.

For example, among plans that cover retirees eligible for Medicare, 58% require retiree contributions, while 31% do not. Eleven percent of plans did not respond.

Among plans that require contributions, the average monthly contribution for retirees was $99.71.

For retirees under age 65, the average monthly contribution was $123.21, while the average contribution for retirees eligible for Medicare was $69.74.

These required contributions from retirees are likely to increase as health care costs rise, said Segal President Robert Krinsky.

But few plans will likely eliminate retiree health care coverage, said Stephen Meskin, a vp in Segal's Washington office. That is because the plans are set up as part of collective bargaining agreements.

In a separate survey, Segal found the percentage of multiemployer pension plans that are fully funded for vested benefits slipped slightly in the last year but still is substantially higher than in the early 1980s.

Last year, 79% of 462 surveyed multiemployer pension plans were fully funded, down from 82% in 1990. But, the 1991 figure is still a big improvement from 65% in 1983 and still better than 75% in 1984.

In addition, the plans' average funded ratio—the ratio of assets to promised benefits—remained unchanged at 97% in 1991, but that is considerably higher than the 90% average funded ratio in 1983.

The survey also found that 290, or 63%, of plans improved benefits since the previous survey.

•

Free single copies of "Survey of Multiemployer Post-Retirement Health Care Plans" and "Survey of Funded Position of Multiemployer Plans" are available from Mary Feldman, The Segal Co., 1 Park Ave., New York, N.Y. 10016; 212-251-2029.

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For the Record

Interstate liquidations supported by NCOIL

CHARLESTON, S.C.—The National Conference of Insurance Legislators formally endorses the establishment of an interstate commission to oversee the rehabilitation or liquidation of all types of insurers as well as interstate guaranty fund protection for their policyholders.

A single, national commission would provide more efficient and uniform treatment of troubled insurers and their policyholders, according to the resolution NCOIL's Executive Committee formally adopted Nov. 15.

States currently rehabilitate or liquidate troubled insurers independently, though they usually cooperate if a multistate insurer is involved.

The Executive Committee also authorized members of NCOIL's State-Federal Relations Committee to discuss the concept with officials in individual states and encourage them to enact "interstate compacts" (*BI*, June 1).

Health care coalition receives $2.25 million

NEW YORK—The National Business Coalition Forum on Health has received a three-year, $2.25 million grant from the John A. Hartford Foundation in New York to become an independent organization.

The Hartford Foundation funds grass-roots health care reform projects nationwide.

The NBCFH will serve as the "coalition for coalitions" in an effort to expand and assist the employer coalition movement and reform the purchase and delivery of health care in various areas.

More than 50 independent employer coalitions will be represented by the new organization, which is based in Washington. Employers interested in either finding out whether there is a coalition in their area or starting a coalition can call the NBCFH for information and technical support.

Sean Sullivan, formerly executive vp of New Directions for Policy, a health care research and consulting firm, will serve as president and chief executive officer of the new organization.

For more information, write P.O. Box 65875, Washington, D.C. 20035-5875; or call 202-289-3907.

9-month profits fall at Sedgwick, Willis

LONDON—Pretax profits at Sedgwick Group P.L.C. and Willis Corroon Group P.L.C. fell during the first nine months of 1992.

Sedgwick's pretax profits fell 24.6% to 55.8 million pounds ($99.3 million) from 74 million pounds ($128 million) in the first nine months of 1991. Revenues also fell 2.5% to 503.1 million pounds ($895.5 million) from 516.1 million pounds ($892.9 million).

"Results for the remainder of this year will continue to reflect the difficult conditions which exist in many markets," said Sedgwick Chairman David Rowland, who will be succeeded by Lord Fanshawe when he becomes chairman of Lloyd's of London.

Willis Corroon's pretax profits fell 31.6% to 60.9 million pounds ($108.4 million) from 89 million pounds ($154 million) in the first nine months of 1991. Gross revenues dipped 1.7% to 496.3 million pounds ($883.4 million) from 504.8 million pounds ($873.3 million).

"In the last quarter of this year, we are likely at best to break even," Willis Corroon officials say.

Kemper Corp. to quit primary P/C market

LONG GROVE, Ill.—Kemper Corp. intends to leave the primary property/causalty insurance market by selling two Illinois subsidiaries—Economy Fire & Casualty Co. in Freeport and Federal Kemper Insurance Co. in Decatur—that write mostly personal auto and homeowners insurance.

The operations of Kemper Reinsurance Co., also owned by Kemper Corp., remain unchanged.

The changes do not affect units of Kemper National Insurance Cos.

Campbell sentenced to 6-year prison term

NEWARK, N.J.—Insurance con man Robert R. Campbell has been sentenced to nearly six years in prison following his guilty pleas to separate charges of wire fraud and interstate transportation of fraudulent securities.

Mr. Campbell pleaded guilty in U.S. District Court in Newark last year to a wire fraud charge stemming from his overvaluation of an asset capitalizing Apex Placement Insurance Co. of Anguilla, British West Indies. He agreed to liquidate Apex and more than a dozen other offshore insurers responsible for millions of dollars of unpaid claims (*BI*, Dec. 16, 1991).

Separately, Mr. Campbell also pleaded guilty to a charge in federal court in Tampa, Fla., that he issued 29 worthless checks totalling $926,678 from Union Commercial Bank Ltd., a fraudulent bank he created in Montserrat in the British West Indies.

Mr. Campbell was sentenced in Newark last month to 71 months in jail on the Florida charge and 60 months on the New Jersey charge, with the sentences to run concurrently. He also has been ordered to pay $42 million in restitution.

Attorney questions Pfizer settlement

PHILADELPHIA—The development of a diagnostic test to detect

Continued on next page

The IRI Difference:

IRI Responds Quickly to the Violent and Destructive Forces of Hurricane Andrew

Pre-emergency Plans, Post-storm Followup Assist IRI Insureds

ORLANDO, FL—Within minutes after Hurricane Andrew devastated Florida and Louisiana on August 24, 1992, IRI staff members were enroute to the ravaged areas to visit customers.

"Most of our insureds were amazed at how quickly we were at their facilities," said Kevin Morris, Manager—District Loss Prevention, Orlando. "They were surprised that they didn't even have to call us. We just appeared at their doorstep ready to do what we could to assess damage, mitigate further loss and help in any way possible."

Kevin attributed the speedy service to good pre-emergency planning. "Before the storm hit, we called insureds to review their hurricane and flood pre-emergency plan, which generally was based on OVERVIEW, IRI's total management program for loss prevention and control."

Within four days, loss prevention and claims staff had visited virtually all IRI customers in the stricken areas.

"Most of IRI's insureds located in Louisiana were well prepared," said Bill Leach, Manager—District Loss Prevention, Houston office. "They weren't about to take any chances."

"We just appeared at their doorstep ready to do what we could." – Kevin Morris, IRI

"At times like these," Bill added, "insureds want to know that IRI is ready to respond to their needs and do what it can to make a difficult situation easier."

Some of the members of the Orlando office who responded to customer needs are, left to right, first row, Dave Hendon, Daryl Fincher, Doug Grant, Chris Rowe, Jack Acoca; second row, Kevin Morris, Hal Bailey; third row, Mary Roth, Suzanne Brouillette, Jean Batcheller, Donna Cotton, Ralph Miller.

For information concerning IRI's loss prevention, claim handling and underwriting capabilities, contact your servicing IRI office or IRI Marketing (800) 582-9889 (in Connecticut call Trish Sasso (203) 520-7412).

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IRI℠

can make a difference

For the Record

Continued from previous page
defective heart valves has prompted a plaintiffs' attorney to question the adequacy of a $215 million class-action settlement reached in August with Pfizer Inc.

The $75 million research fund established under the settlement will not be enough to pay for screening all 55,000 living heart valve recipients, said Gary Green of Sidkoff, Pickus & Green in Philadelphia, who represents 10,000 Pennsylvania plaintiffs.

The scientists who developed the screening technique estimate it will cost $2,000 per patient per year, bringing the total annual screening cost to $110 million, he said.

The new screening procedure uses X-ray equipment to detect microscopic cracks in the valves.

Under terms of the settlement approved in August by a federal judge, Pfizer has no obligation to pay for screenings after the $75 million research fund is depleted.

American Reliance considering offers

LAWRENCEVILLE, N.J.—American Reliance Group Inc. is considering a possible sale with several potential buyers after massive third-quarter losses from Hurricane Andrew.

The Lawrenceville, N.J.-based property and casualty insurer posted a third-quarter loss of $28.9 million, compared with net income of $1.2 million a year earlier.

Third-quarter revenue rose 15% to $24.5 million from $21.3 million.

American Reliance's decision to sell is "directly related to losses from Andrew," said Dennis Bandish, senior vp and chief financial officer. He would not elaborate on potential buyers.

A.M. Best Co. suspended American Reliance's rating on Oct. 22, after first lowering its rating to A− from A+.

But, although the insurer announced a 15% upward revision of its Hurricane Andrew gross loss estimates to $574 million from $500 million and a corresponding 23% increase in the pretax net of reinsurance loss to $80 million from $65 million, Best has determined that American Reliance is not in danger of insolvency and will have approximately $30 million in statutory surplus at year end.

Transamerica IPO

Continued from page 1
in its core financial and life insurance businesses. While it will initially retain 49% of Transamerica Insurance Group's stock, it eventually will sell those shares, too.

Transamerica Insurance Group will receive a minimum of $100 million of new capital as a result of the public offering "and we expect significantly more than that," said Mr. Rotenstreich, who said he is developing a two-year strategic plan with other Transamerica Insurance Group officials.

As part of the deal, Transamerica Corp. will retain a "very, very limited" book of assumed reinsurance that Transamerica Insurance Group wrote prior to 1987, said Richard J. Olsen, vp-corporate relations.

In addition, Transamerica Corp. also will provide limited reserve guarantees on certain still-unspecified lines of business, he said.

Transamerica Corp., which owns 25% of Sedgwick Group P.L.C., will buy the Sedgwick shares now controlled by its property/casualty unit and will retain a 51% interest in River Thames Insurance Co. Ltd., a London reinsurer 49% owned by Sedgwick.

All this is intended to make Transamerica Insurance Group look like a simple entity, with no complications, Mr. Olsen explained.

Standard & Poor's Corp. last week said Transamerica Insurance Group's AA− claims-paying ability rating remains on CreditWatch, where it was placed in July when Transamerica Corp. announced it would sell the insurer.

Transamerica officials, as well as other observers, say an initial public offering was Transamerica's best option for divesting its property/casualty insurance arm.

"We have gone through a very elaborate process" of considering the options, said Frank C. Herringer, Transamerica Corp.'s president and CEO.

Despite several proposals to buy the insurance group, Transamerica decided an IPO "is the best alternative for our shareholders" and holds the best potential, he said.

Analyst Michael Morrissey, a principal with Firemark Inc. in Parsippany, N.J., agreed the IPO probably is Transamerica's best option. Property/casualty stock prices are up 20% compared with a year ago, while other insurer stocks are up only 10%-11% and the rest of the market is flat, he noted. Mr. Morrissey explained that Transamerica can get more value for its shareholders through a public offering than by sale to another company.

And, he said, the IPO does not indicate that the insurance group "is so deeply flawed they couldn't sell it."

Russell R. Miller, chairman of insurance industry investment banker Russell Miller Inc. in San Francisco, said that Transamerica believes "that the public will be more willing to pay the price they want than those knowledgeable insurance pros who made them offers that they have rejected."

"Undoubtedly, Transamerica thinks their shareholders will be better off" by selling the insurance group to the public, he added.

"The advantage to selling it to the public is that no one's going to come in and do harsh due diligence," commented Charles Ronson, an analyst with Balestra Capital Corp. of New York.

The company is "somewhat less than sterling," he said. "They would probably have a more difficult time selling it privately."

Jack Snyder, senior vp at A.M. Best Co. in Oldwick, N.J., said the decision to have an IPO is an indication "no bona fide offers for the company surfaced" and if they did, they did not meet Transamerica's expected price.

Observers pointed to the anticipated reserve guarantee as an important element in Transamerica's plan.

This is a "critical issue," said Mr. Miller.

Transamerica Insurance Group "has been writing some of its business through managing general agencies, some specific niche business that is traditionally hard to write. When underwriting decisions are made at the MGA level, the issuing company tends to get high cash flow and low operating expense ratios. That kind of business needs very close scrutiny. The reserve setting needs great sophistication and accuracy," he said.

Nobody wants to buy a property/casualty company without assurance on its reserves, said Mr. Morrissey. "It looks like Transamerica Insurance will emerge without a lot of anxiety about reserve development in its old business, and that's good."

Before joining Torchmark in 1986, Mr. Rotenstreich was vp, treasurer and chief financial officer at International Business Machines Corp. and previously was an investment banker. He has never headed a property/casualty insurer.

Mr. Rotenstreich, though, pointed to Mr. Hutson's 30 years of experience in the property/casualty industry. Mr. Hutson served as chairman and CEO of Maryland Casualty Co. before it was acquired by Zurich Insurance Group.

Noting Mr. Isom has agreed to remain with the company until the IPO, Mr. Herringer said, "There's only room for so many people at the top of an organization like this."

However, Mr. Miller said, "By sweeping out the senior management, (Transamerica) is saying implicitly that they don't have confidence in the team (that) built the company they are selling."

A.M. Best's Mr. Snyder said Transamerica decided to bring Mr. Rotenstreich and his team because they were recognized Wall Street "golden boys" whose backgrounds did not have to include property/casualty insurance experience.

"I think there's a certain sex appeal in Rotenstreich & Co." that Transamerica thought "would really be a critical factor when they go to market this IPO," said Mr. Snyder.

Mr. Rotenstreich is "universally loved and admired" by the Wall Street analytical community, said Mr. Ronson, who added that he has more confidence in Mr. Hutson.

Mr. Morrissey said he is a "little puzzled" by the management change because he thought Mr. Isom was one of Transamerica's strengths. However, he noted Mr. Rotenstreich brought a new perspective to the life insurance industry as head of Torchmark. "I think Jon's going to shake the business up," bringing a "unique perspective" on financial performance benchmarks.

Many successful property/casualty companies are run by financial rather than insurance executives, he said, pointing to Joseph W. Brown Jr., chairman of Crum & Forster Inc. "If (Mr. Rotenstreich is) supported by good line people, there's no reason to think he wouldn't do a good job."

Transamerica is being advised on the divestiture by Morgan Stanley & Co. and Donaldson, Lufkin & Jenrette Inc. BI

AT&T suit

Continued from page 1
As defined by the Insurance Services Office Inc.'s commercial general liability form, "personal injury" includes mental anguish, discrimination, humiliation, invasion to the right of privacy and slander.

Discrimination has been expressly excluded from the standard CGL form only since 1989, though individual insurers may have excluded it earlier. The exclusion bars coverage for personal injuries resulting from an employer's refusal to employ, wrongful termination and other discrimination, an ISO spokeswoman said.

But, AT&T committed its discriminatory acts between 1964 and 1977—long before the ISO employer practices endorsement was added to the standard CGL form, said Matthew Boylan, a lawyer representing AT&T.

"We feel very strongly about the coverage," said Mr. Boylan, who is with Lowenstein, Sandler, Kohl, Fisher & Boylan in Roseland, N.J.

Policyholder attorney Irene Warshauer agreed that AT&T may prevail. "Most policies provide for personal injury coverage and discrimination is a personal injury," said Ms. Warshauer, who is with Anderson, Kill, Olick & Oshinsky in New York. "These are all-risk policies."

Several court decisions support this argument, though court decisions are not unanimous on this point, she observed.

For example, a Texas federal court, applying Oklahoma law, also found coverage for discrimination in 1980 in *Lee Way Transport Insurance Co. vs. Lee Way Motor Freight.*

In *Appalachian Insurance Co. vs. Liberty Mutual Insurance Co.*, the 3rd U.S. Circuit Court of Appeals in 1982 granted coverage.

And, a Washington state court in 1986 found coverage for discrimination in *Castle & Cook vs. Great American Insurance Co.*

But, a federal district court in Georgia in 1978 did not award coverage in *Union Camp Corp. vs. Continental Insurance Co.*

Insurer attorneys were divided on whether AT&T will prevail.

"It's not a coverage that I am aware of," said James Otto of Cummins & White in Los Angeles. "Cases that have come down involving wrongful termination and discrimination were not usually covered."

If AT&T had manuscript liability policies, they may provide some coverage for the company's discriminatory acts under the policy's personal injury provision, Mr. Otto said.

Mr. Boylan would not comment on whether any of AT&T's policies were manuscript.

Many insurers typically exclude coverage for discrimination, pointed out Peter Mear, in-house counsel for Aetna Casualty & Surety Co., one of the insurance companies named in the AT&T suit.

"We have discrimination exclusions written into our liability coverage," he said, referring to current policies and the policies written for AT&T. He said he will seek Aetna's dismissal from the suit.

The underlying suit, filed in 1978 by the Equal Opportunity Commission on behalf of 13,000 women, charged that AT&T's maternity leave policies from 1965 to 1977 violated civil rights law.

That suit, later certified as a class action, alleged that the policies violated the Civil Rights Act of 1964 in three ways:

- Pregnant employees were forced to begin their maternity leave at their sixth or seventh month of pregnancy regardless of their ability to keep working.
- Women on maternity leave were not automatically reinstated in their jobs upon request.
- Women on maternity leave did not accrue any seniority for the period of their disability, except for the first 30 days.

A U.S. District Court in Chicago ruled for the women in 1987, finding that AT&T discriminated by not treating pregnant women like other disabled employees.

Four years later, AT&T agreed to pay the women $66 million, which includes $1.5 million for attorneys fees. However, post-judgment interest will boost the settlement amount.

The amount each woman receives will be determined by a point system that takes into account the number of days lost due to AT&T's discriminatory maternity policies, the wage rate that would have been earned had those policies not been enforced, and interest that has accrued since the discriminatory events occurred.

Seniority credit was not included in the settlement because so many years have passed since the policies were in effect.

The insurance companies named in the AT&T coverage suit are: Allstate Insurance Co., as successor to Northbrook Excess & Surplus Co.; Aetna Casualty & Surety Co.; American Home Assurance Co.; American Reinsurance Co.; Boston Old Colony Insurance Co.; Continental Casualty Co.; Employers Liability Assurance Co. Ltd.; and Fidelity & Casualty Co. of New York.

Also, Fireman's Fund Insurance Co.; First State Insurance Co.; General Reinsurance Co.; Gerling-Konzern Allgemeine Versicherungs A.G.; Granite State Insurance Co.; Great American Insurance Co.; Highlands Insurance Co.; Lexington Insurance Co.; National Union Fire Insurance Co. of Pittsburgh, Pa.; and North River Insurance Co.

Also, Prudential Reinsurance Co.; Puritan Insurance Co.; St. Paul Fire & Marine Insurance Co.; United States Fire Insurance Co.; and Zurich Insurance Co.

The New Jersey Property Liability Insurance Guaranty Assn. was named as successor to insolvent Midland Insurance Co. BI

Transamerica Re buys Skandia rights

STAMFORD, Conn.—Transamerica Reinsurance Co. is obtaining renewal rights on Skandia America Reinsurance Corp.'s alternative risk transfer business, which totals $30 million in annual premiums.

Contracts now in force with Skandia Re will remain with the reinsurer until they expire, when Transamerica Re will review them with the intent of writing the renewals.

Some of the business will be written with Discover Reinsurance Co., with which Transamerica Re has a joint venture, said Mark W. Hinkley, Transamerica Re senior vp.

"It's just strengthening of our alternative risk business strategy," said Mr. Hinkley.

Skandia America, a unit of Skandia Group, has recently announced plans to cut back on its business (*BI*, Nov. 2). In October, NAC Re Corp. said it had reached an agreement to assume about $25 million of Skandia America's surety bond business on a prospective basis.

—By Judy Greenwald

Lost policies

Continued from page 1

son noted: "VTI produced sufficient evidence to prove that insurance policies had existed during the relevant time period," including testimony from insurance agents who said they would have recommended the coverage at the time. "However, no one testified as to the actual provisions contained in the lost policies."

The appellate opinion, which did not address coverage issues, remands that case to the trial court "for further proceedings consistent with this opinion."

Policyholder attorneys say the case sets little precedent because of its unusual circumstances. However, they point out that the case is indicative of the problems policyholders face when seeking coverage under old, missing policies.

The case centers on a series of CGL policies with $500,000 limits written for VTI by Bituminous between 1959 and 1965.

The lower court ruled that Bituminous had a duty to defend VTI against claims arising under the Comprehensive Environmental Response, Compensation & Liability Act of 1980.

Under that ruling, Bituminous was ordered to pay $59,843 for the cost of defending claims stemming from VTI's dumping at three sites in the Houston area between 1959 and 1965, said Norman Riedmueller, a Houston lawyer who represents the disposal company.

In suits brought by property owners and the federal Environmental Protection Agency, VTI was found to have only minimally contributed to the pollution and "managed to escape the lawsuits with minimal liability," the appellate ruling noted.

VTI notified Bituminous of the CERCLA claims, but the insurer refused to defend because it could not determine coverage. Neither Bituminous, VTI the agent that sold the policy could produce copies, though VTI was able to gather information about the policies from records kept by the Texas Railroad Commission.

The lower court ruled that Bituminous had a duty to defend based on the terms of the specimen policy. It was reasonable for VTI to expect coverage under a CGL policy and such a policy "at least arguably would have covered the claims," the court said.

However, "The specimen policy was not the policy at issue in the case," insists Beverly B. Godbey, an attorney representing Bituminous. "There were many forms used during that time period. Without knowing which form was used, it's impossible to say that the specimen was the one that was used."

Ms. Godbey, who is with Gardere & Wynne in Dallas, also said she believes that the specimen policy would not have provided defense coverage for VTI even if it had been the policy purchased by the company.

For his part, VTI attorney Mr. Riedmueller said he believed the specimen policy showed Bituminous had a duty to defend. There were other reasons that he objected to its introduction as evidence during the trial.

"There were other things in the policy they would have used against me," said Mr. Riedmueller, though he added that "it's hard to remember what troubled me."

The district court sustained the objection, allowing the specimen policy to be introduced only to show Bituminous' good faith effort in reconstructing coverage. But, in an odd twist, the court relied on the policy to show that Bituminous had a duty to defend VTI.

That left Mr. Riedmueller in the position of having won a case because of the introduction of a document to which he objected, only to see the victory struck down by the appellate court.

The 5th Circuit said the district court's "use of this evidence for purposes other than evidence of Bituminous' good faith was improper given that the evidence was offered and admitted for that limited purpose."

Policyholder attorneys say specimen policies routinely are used to prove coverage in policy disputes, but that a link must be shown between the specimen policy and the standard coverage written during the period of time in question.

In the VTI case, they say, that link was not sustained.

"To the extent that the insured has to prove the material terms and conditions, that is consistent with settled law," said William Greaney of Covington & Burling in Washington. However, VTI "didn't really produce evidence of the terms," he noted.

"The decision doesn't change the law about missing policies," said Stephan G. Weil of Anderson, Kill, Olick & Oshinsky in Washington. "It points to the missing link in the evidentiary showing (by VTI)."

If VTI is allowed to use discovery proceedings to find evidence to use when the case is retried, it may be able to establish a link with a specimen policy, Mr. Weil noted. And it would be "highly unusual" for the court not to side with the policyholder if that link is made, he remarked.

"The court of appeals said you can prove the terms by secondary evidence," he explained. "VTI just does not seem to have made that showing. They didn't make the link that the standard form was used during that period."

Mr. Riedmueller declined to reveal his strategy for establishing the terms of coverage during the retrial. "My trial tactics I ordinarily keep to myself," he said.

Mr. Greaney pointed out that the case is just one example of many legal battles, some for high stakes, being fought over lost policies dating back to the 1950s and '60s that could possibly cover pollution incidents.

The fact that policies written during the 1950s and early '60s generally did not contain pollution exclusions makes them extremely valuable, Mr. Greaney observed.

"They are incredibly valuable," agreed Sheila Mulrennan, president of IAG Ltd., a firm that specializes in tracking down missing policies. BI

S&P ratings

Continued from page 2

solvency reviews last year based on 1990 and 1989 data (*BI*, Nov. 11, 1991).

The new two-volume review lists claims-paying ability rates for 661 large property/casualty and life/health insurers and "qualified solvency ratings" for another 2,279 insurers.

Unlike the voluntary claims-paying ability ratings—for which insurers pay a fee—S&P assigns qualified solvency ratings after reviewing insurer financial data filed with state regulators.

For the first time this year, S&P has also assigned "R" ratings to 392 companies subject to state regulatory actions like rehabilitation proceedings.

Overall, 55% of the 1,776 active property/casualty insurers reviewed by S&P were considered "adequate or better," carrying AAA to BBB claims-paying ability ratings or BBBq qualified solvency ratings. S&P found that another 30.5% "may provide adequate" financial strength, assigning them BB claims-paying ability ratings or BBq qualified solvency ratings.

About 14.5% of property/casualty companies, though, were classified vulnerable and carried B claims-paying or Bq qualified solvency ratings.

On the life/health side, 48% of the 1,164 insurers reviewed were considered "adequate or better," while 34% were rated BB or BBq and 18% were considered "vulnerable" with B or Bq ratings.

Since Jan. 1, 1991, 59 insurers with qualified solvency ratings have become insolvent, including 38 life/health and 21 property/casualty companies. Of the total, 52 were rated Bq, or vulnerable, while all but one of the remaining seven were rated BBq, according to S&P.

A total of 1,007 companies have been rated "vulnerable" since Jan. 1, 1991, meaning that only about 5% or 6% of those have actually failed since being rated by S&P, observed Steven Dreyer, S&P's ratings project leader.

However, Mr. Dreyer defended the predictive value of the ratings, noting that insurers rated Bq have failed at much higher rates than those rated BBq or higher. Only 19 months have passed since S&P's first ratings were released, and more of the Bq-rated insurers may fail in coming years, he added.

Hurricane Andrew contributed to the collapse of six of the insurers, four of which were rated Bq. One was rated BBq and the other was not rated, S&P said.

The latest S&P review includes claims-paying ability ratings of the property/casualty units of several large insurance groups, among them:

- Aetna Life & Casualty Co., assigned an AA rating.
- Allstate Insurance Co., recently downgraded to AA- from AA+ because of Hurricane Andrew claims.
- Continental Corp., downgraded to AA- from AA.
- Crum & Forster, whose A+ rating is on CreditWatch with negative implications because of the group's recently announced $444 million restructuring.
- Hartford Insurance Group, whose AAA rating was recently affirmed.
- Travelers Corp., rated AA-.

S&P last week also lowered the claims-paying ability ratings of Prudential Insurance Co. of America and four life insurance affiliates to AA+ from AAA. S&P cited Prudential's lower-than-expected capitalization levels and hurricane losses suffered by its Prudential Property & Casualty Insurance Co. subsidiary.

The rating agency affirmed the AA claims-paying ability ratings of PRUPAC and Prudential Reinsurance Co. BI

Update

GM tort claims predicted

DETROIT—General Motors Corp. could face up to $400 million in product liability claims now that it has released engineering documents on its pickup truck models with so-called side-saddle fuel tanks, a consumer group says.

GM released 70,000 pages of documents last week after media and consumer groups alleged that its 1973-1987 C/K pickup trucks, whose gasoline tanks are outside the trucks' steel frame, are susceptible to explode in side-impact crashes. The documents may show that GM knew the trucks could be constructed more safely.

GM has already paid more than $200 million in product liability claims from accidents involving the pickups, estimates the Center for Auto Safety, an independent group founded by Ralph Nader. That figure is based on attorneys' reports of an average $2 million payment in more than 100 lawsuits. More suits involving about 200 fatalities and injuries have not yet been litigated.

GM would not comment on the number of lawsuits filed or settled.

A spokesman said GM agreed to make the documents public because the company has "nothing to hide." He said plaintiffs' attorneys have "created hysteria."

GM moved the tank inside the steel frame beginning with 1988 models. "We do not consider the introduction of new technology in the '88 models as indictments of our past models," he said.

Legal malpractice case settled

PHILADELPHIA—Insurance will fully cover a $3 million settlement that law firm Pepper Hamilton & Scheetz of Philadelphia has agreed to pay a former client the firm dropped so it could represent several of the client's competitors.

Maritrans Partners L.P. sued the firm in 1988 for breach of duty. Maritrans said it was dropped so the law firm could represent seven competitors of the tug and barge company. The law firm had represented Maritrans for 10 years.

Although there was never any evidence that the law firm misused client information, Maritrans obtained an injunction barring the law firm from representing its competitors.

The law firm would not release details of its coverage.

U.S., Avianca's insurers settle

NEW YORK—The U.S. government will pay a substantial portion of any damages eventually awarded to the survivors and families of passengers killed in the 1990 crash of an Avianca Airlines jetliner.

The government and Avianca's reinsurers, led by British Aviation Insurance Group, last week agreed on the percentages of compensation that each will pay to the victims and their families. Details are still being hammered out, but the government is expected to pay a substantial portion of the loss.

A trial to assess damages already has begun.

At the time of the crash, Avianca had $600 million of liability insurance written by La Nacional de Seguros in Colombia and reinsured through world markets (*BI*, Jan. 29, 1990).

The jetliner, en route from Bogota, Colombia, crashed in January 1990 on approach to Kennedy Airport when it ran out of fuel. Foul weather forced the Boeing 707 to abort an earlier landing attempt. Seventy-three of 149 passengers died in the crash.

Investigators found that poor communication between the flight crew and New York air traffic controllers contributed to the crash.

Briefly noted

U.S. reinsurers' combined ratio for the first nine months climbed to 113.8%—from 106% a year earlier—because of Hurricane Andrew, says the Reinsurance Assn. of America. Forty-one reinsurers reported gross Andrew losses of more than $1.8 billion and net losses of $540.6 million as of Sept. 30. . . .The U.S. Supreme Court has refused to hear El Paso Natural Gas Co.'s appeal of a 10th U.S. Circuit Court of Appeals ruling that the **pollution exclusion clause** bars coverage for gradual pollution under commercial general liability policies (*BI*, May 11). . . .Severe weather, dubbed Catastrophe No. 35, caused an estimated **$25 million of insured property damage** in portions of Louisiana Nov. 3 and 4. . . .Moody's Investor Services Inc. **lowered the financial strength ratings of Aon Corp.**—to A2 from A1 for senior debt and to A3 from A2 for preferred stock—after reviewing Aon's acquisition of Frank B. Hall & Co. Inc. Moody's also cited Aon's "somewhat aggressive financial leverage". . . .Amwest Insurance Group Inc. President and Chief Operating Officer **John E. Savage** will assume the additional post of co-CEO. The other co-CEO is Mr. Savage's father, Richard H. Savage, who remains chairman. . . .A federal jury in Binghamton, N.Y., awarded $1.2 million to a woman whose **Ford Bronco II** rolled over. Two days earlier, in the first Bronco II verdict, an Arkansas state jury found in favor of Ford Motor Co. . . .Aetna Life & Casualty Co. is closing its **Axia Services Inc.** unit and will move Axia's third-party administration business to other Aetna units by March 31. . . .A federal grand jury in Orlando has indicted five people in an alleged health insurance fraud scheme involving the defunct **International Forum of Florida Health Benefit Trust** and another insolvent multiple employer welfare arrangement. The alleged scheme has left more than 40,000 employees with more than $29 million in unpaid medical claims (*BI*, July 1, 1991). . . .Florida Insurance Commissioner Tom Gallagher rejected an **18.5% workers comp rate hike** sought by insurers but approved an 8.9% rate hike effective Jan. 1. . . .The Chicago Board of Trade has received Commodity Futures Trading Commission approval to trade **catastrophe insurance futures and options** (*BI*, Nov. 2). . . .The Minnesota **Workers Compensation Reinsurance Assn.**, which has had better than expected returns on investments, has been ordered to refund $100 million to insurer members by Dec. 25.

Pension plan shortfalls increase, PBGC says

By JERRY GEISEL

WASHINGTON—The net liabilities of the nation's 50 largest underfunded pension plans continue to increase.

The Pension Benefit Guaranty Corp. reported last week that 1991 unfunded guaranteed benefits of the 50 largest underfunded defined benefit plans—which continue to be concentrated in the auto, steel and airline industries—increased 13% to $24.2 billion from $21.4 billion in 1990.

As was the case in 1990, a good chunk of the $2.8 billion rise in liabilities among the Top 50 plans was due to increased pension benefits promised, but not funded, by General Motors Corp. GM's unfunded pension liabilities increased in 1991 to $9.29 billion from $7.15 billion in 1990.

GM's plans are relatively well-funded, though, with a "funding ratio" of 80%. A funding ratio refers to the percentage of liabilities that are matched by assets.

A GM spokesman cited lower than anticipated investment returns on plan assets as among the reasons for the rise in liabilities. GM has and will continue to meet plan obligations, he added.

Since the PBGC began publishing its Top 50 list four years ago, pension liabilities of companies on the list have increased faster than plan assets. Between 1988 and 1991, plan assets for companies on the list rose 52.4% to $70.4 billion from $46.2 billion, while guaranteed unfunded benefits rose 58.4% to $94.6 billion from $59.7 billion.

Guaranteed unfunded liabilities are benefits that the PBGC would have to pay if an underfunded pension plan collapsed.

The total amount of benefits promised to participants is typically larger than what the PBGC guarantees because the PBGC does not, for example, guarantee recent benefit improvements.

The PBGC uses its list to pressure companies to improve funding. "The list helps workers, retirees and creditors put more pressure on these companies to better fund their pension plans and treat pensions as a real debt," said Executive Director James B. Lockhart III.

Some corporate lobbyists disagree.

"It is a gimmick and a sound bite, which, in and of itself, will not change company funding patterns," said Ellen Goldstein, director of communications for the Assn. of Private Pension & Welfare Plans in Washington.

In addition, the list is unfair to some companies that cannot contribute more to their plans because of federal funding restrictions which effect collectively bargained plans, said Dominick Cardace, a partner with Kwasha Lipton in Fort Lee, N.J.

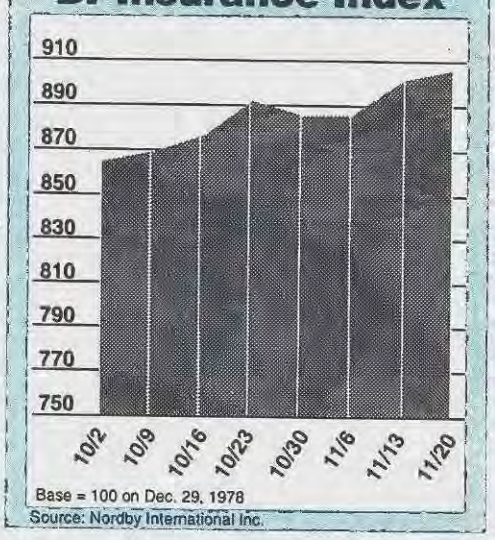
Aside from GM, other companies on the PBGC list, their unfunded guaranteed benefits, and their funding ratios in 1991 include:

- Chrysler Corp., $3.58 billion, 58%.
- LTV Corp., $2.82 billion, 13%.
- Bethlehem Steel Corp., $1.59 billion, 69%.
- Navistar International Corp., $571 million, 78%.

According to the list, Trans World Airlines Inc. had $344 million in unfunded guaranteed liabilities in 1991. However, the PBGC has since conducted a more detailed analysis of TWA's three plans and estimates that as of this October the plans had $800 million in unfunded guaranteed benefits and $1.2 billion in total unfunded liabilities.

The Top 50 is based on Standard & Poor's Compustat Service's data base of 1991 annual report data. Information only includes underfunded plans and does not offset liabilities in underfunded plans with surpluses in other employer plans that may be overfunded. BI

BI Insurance Index



Insurance industry stocks inched ahead last week, as the *Business Insurance* Index climbed 3.8 points to 904.4 on Nov. 20 from 900.6 on Nov. 13. Advancing issues for the week were led by Sierra Health Services, up 12.5%; Seibels Bruce Group, up 11.1%; and FHP International, up 9.4%. Declining issues for the week followed US Facilities Corp., down 6.7%; Reliance Group Holding, down 6.5%; and Chandler Insurance, down 5.4%. The most active issue was U.S. Healthcare, 3.5 million shares traded. The *Business Insurance* Index was up 0.4%; the NYSE Composite was up 0.9%; the Standard & Poor's 500 was up 1.0%; and the Dow Jones 30 Industrials fell 0.2%.

British Issues

Nov. 19 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	577	N/M	31.5	5.5	577—564	
Genl Accident	579	N/M	35.7	6.2	579—549	
Gdn Royal Exch	170	N/M	10.0	5.9	170—163	
Royal	262	N/M	7.0*	2.7	264—256	
Sun Alliance	338	N/M	19.0	5.6	338—328	
Brokers						
Bradstock	119	13.3	6.3	5.3	119—119	
CE Heath	308	17.9	21.3	6.9	308—297	
Hogg Group	149	14.0	10.9	7.3	153—149	
JIB Group	155	11.9	10.0	6.5	155—155	
Lloyd Thompson	232	18.8	7.5	3.2	233—232	
Lowndes Lmbrt	282	11.0	16.8	6.0	282—282	
PWS Holdings	40	4.6	5.3	13.3	40—40	
Sedgwick Grp	145	11.6	8.0*	5.5	158—145	
Steel Brrl Jones	202	9.9	17.7	8.8	202—201	
Willis Corroon	176	11.1	17.6	10.0	189—174	

Source: Philip Olsen, London * Estimated

Antitrust brief

Continued from page 2

to the appellate court's decision, domestic insurance defendants did not forfeit their immunity under the McCarran-Ferguson Act because they participated in the state-regulated business of insurance with "non-exempt" foreign reinsurers.

"The legislative history of the act demonstrates that Congress understood the critical and customary role of foreign reinsurers in the business of insurance in the United States and clearly intended that domestic insurers and foreign reinsurers would be able to engage in joint activities exempt from antitrust challenge," the brief says.

The defendants also argued that they did not engage in a boycott, which would not be protected under the McCarran exemption.

In no instance cited by the appellate court "did the alleged action involve anything but the making or implementation of protected agreements," the defendants argue in their brief.

Foreign insurers say it would be 'perverse' to hold them 'to the U.S. antitrust laws from which domestic insurers were exempt.'

In their brief, the foreign defendants addressed comity.

"To hold foreign insurers subject to the U.S. antitrust laws from which domestic insurers were exempt, as the court of appeals decision permits, would be perverse," their brief says. "Congress could not have intended a result so wholly inconsistent with principles of international law."

In addition to the briefs filed by the domestic and British defendants, briefs supporting the industry defendants were filed by:

- The American Insurance Assn.; the National Assn. of Independent Insurers; the National Council of Compensation Insurance; and the Surety Assn. of America.
- The British government.
- The Independent Insurance Agents of America; the National Assn. of Casualty & Surety Agents; and the National Assn. of Professional Insurance Agents.
- The National Conference of Insurance Legislators.
- The Washington Legal Foundation, a conservative public interest group. BI

BI Industry Stock Report

NOVEMBER 16, 1992, THROUGH NOVEMBER 20, 1992

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	26.25	-2.78	28.05	27.38	18.00	314	1.00	3.81	94	13.10	2.00
Gallagher Arthur J. & Co.	NYS	28.25	-2.59	26.26	29.00	20.00	373	0.64	2.27	19	5.88	4.80
Frank B. Hall	NYS	2.88	0.00	-32.35	5.50	2.63	0	0.00	0.00	-3	1.95	1.47
Hilb, Rogal & Hamilton	NYS	14.75	1.72	11.32	15.63	11.00	45	0.44	2.98	22	3.56	4.14
Marsh & McLennan	NYS	90.63	-2.29	11.37	94.50	70.75	554	2.68	2.96	21	28.00	3.24
Poe & Associates	OTC	14.25	-1.72	18.75	16.00	11.25	81	0.40	2.81	18	3.05	4.67
BROKERS	AVERAGE		-1.3	10.6					2.1	25		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	45.00	-2.96	47.54	47.75	27.25	121	0.36	0.80	17	36.95	1.22
Berkshire Hathaway Inc.	NYS	10075	2.81	11.33	********	257.81	0	0.00	0.00	40	7270.00	1.39
ITT (Hartford Group)	NYS	70.75	3.47	22.51	70.75	50.00	1870	1.84	2.60	17	112.05	0.63
Sears (Allstate)	NYS	42.88	-0.58	13.20	48.00	32.50	3176	2.00	4.66	42	34.50	1.24
CONGLOMERATES	AVERAGE		0.7	23.6					2.0	29		
INSURERS/REINSURERS												
AEGON N.V.	NYS	41.25	-1.20	17.86	42.75	32.50	61	2.68	6.50	7	N/A	N/A
Aetna Life & Casualty	NYS	43.00	0.29	-2.27	47.00	36.50	748	2.76	6.42	14	87.60	0.49
Allied Group Inc.	OTC	29.75	3.48	75.00	31.13	16.25	136	0.64	2.15	9	19.85	1.50
American General	NYS	52.00	0.24	16.85	52.75	39.25	593	2.08	4.00	11	60.00	0.87
American Heritage Life Ins.	NYS	30.13	1.26	-1.63	32.50	22.13	4	0.84	2.79	14	N/A	N/A
American Indemnity/Fin'l	OTC	5.75	0.00	21.05	9.25	4.63	4	0.08	1.39	3	12.93	0.44
American International	NYS	110.50	-4.12	12.33	116.75	82.00	2372	0.56	0.51	15	99.30	1.11
Aon Corp.	NYS	49.88	0.76	25.87	51.13	35.50	420	1.68	3.37	13	39.70	1.26
Argonaut Group	OTC	28.00	0.90	17.89	30.00	21.75	34	0.84	3.00	8	20.96	1.34
AVEMCO Corp.	NYS	23.88	-1.06	-4.50	28.00	21.50	18	0.40	1.68	26	9.55	2.50
Baldwin & Lyons Inc.	OTC	33.75	-1.46	31.07	35.00	25.00	18	0.48	1.42	8	24.29	1.39
Chandler Insurance	OTC	4.38	-5.41	34.62	7.63	3.19	11	0.00	0.00	20	5.95	0.74
Chubb Corp.	NYS	86.25	-1.71	12.01	88.75	62.38	916	1.60	1.86	14	42.67	2.02
CIGNA Corp.	NYS	54.38	3.33	-11.04	61.75	47.13	792	3.04	5.59	11	117.15	0.46
CNA Financial Corp.	NYS	94.00	-0.40	-4.08	104.50	78.50	65	0.00	0.00	11	70.23	1.34
Continental Corp.	NYS	27.63	-0.90	0.00	34.75	20.00	682	2.60	9.41	20	40.00	0.69
EXEL Ltd.	NYS	45.75	0.00	22.00	46.38	30.00	485	0.92	2.01	9	N/A	N/A
Fund American Corp.	NYS	73.38	3.16	5.01	73.50	62.50	56	0.68	0.93	17	36.11	2.03
Fremont General Corp.	OTC	26.38	-0.47	8.21	27.25	17.00	145	1.00	3.79	6	45.55	0.58
Frontier Insurance Group	NYS	35.75	-3.38	32.41	40.50	21.91	50	0.60	1.68	13	26.65	1.34
Gainsco Inc.	ASE	15.25	2.52	63.39	15.63	7.47	277	0.04	0.26	21	3.37	4.53
General RE Corp.	NYS	108.25	-4.52	6.26	117.00	77.50	1072	1.80	1.66	15	78.65	1.38
Guaranty National Corp.	NYS	17.38	-1.42	19.83	20.38	13.00	44	0.48	2.76	11	N/A	N/A
Hanover Insurance Co.	OTC	48.75	-0.26	36.36	49.25	33.00	97	0.44	0.90	8	37.44	1.30
Harleysville Group	OTC	26.13	0.00	22.94	28.25	16.75	183	0.64	2.45	11	22.99	1.14
Hartford Steam Boiler	NYS	55.13	0.23	-4.13	59.25	45.13	154	2.12	3.85	21	35.50	1.55
Kemper Corp.	NYS	26.25	-2.33	-31.15	46.13	20.75	338	0.92	3.50	19	50.00	0.53
Lawrence Insurance Group	ASE	8.00	0.00	-28.09	11.13	7.00	4	0.48	6.00	18	4.71	1.70
Liberty Corp.	NYS	26.00	0.97	17.51	32.88	20.13	31	0.48	1.85	10	29.35	0.89
Lincoln National	NYS	70.63	1.07	29.00	70.63	49.38	362	3.04	4.30	11	81.00	0.87
Markel Corp.	OTC	28.13	0.45	27.84	29.25	18.00	57	0.00	0.00	7	15.59	1.80
Mutual Risk Mgmt. Ltd.	NYS	37.50	0.33	6.76	40.00	25.75	52	0.24	0.64	22	-	-
NAC Re Corp.	OTC	41.13	2.49	30.56	42.00	21.75	618	0.16	0.39	37	18.90	2.18
National Re Corp.	NYS	29.38	0.00	N/A	31.00	17.00	198	0.12	0.41	14	N/A	N/A
Navigators Group	OTC	34.25	-2.14	-16.46	48.25	28.50	10	0.00	0.00	24	13.52	2.53
Nobel Insurance LTD.	OTC	5.25	2.44	31.25	6.00	3.75	290	0.00	0.00	3	7.76	0.68
NWNL Companies	NYS	43.25	3.90	38.96	43.75	26.00	184	1.48	3.42	11	62.65	0.69
Ohio Casualty Corp.	OTC	61.75	1.23	24.75	66.63	46.25	129	2.68	4.34	12	18.00	3.43
Old Republic Int'l	NYS	24.88	0.00	40.14	26.50	16.00	375	0.40	1.61	8	33.09	0.75
Orion Capital Corp.	NYS	37.88	-0.98	19.76	41.00	29.00	80	1.00	2.64	6	43.50	0.87
Phoenix RE Corp.	OTC	13.50	0.93	28.57	13.75	8.75	94	0.20	1.48	-20	13.30	1.02
Provident Life	NYS	26.25	0.96	12.90	28.00	19.75	71	1.00	3.81	11	39.50	0.66
Re Capital Corp.	ASE	15.38	-2.38	6.96	16.38	12.25	7	0.24	1.56	27	16.07	0.96
Reliance Group Holdings	NYS	5.38	-6.52	30.30	5.88	3.50	201	0.32	5.95	3	6.40	0.84
RLI Corp.	NYS	23.38	2.19	41.67	23.63	15.50	22	0.52	2.22	10	17.92	1.30
St. Paul Companies	NYS	72.00	2.31	-1.20	80.75	65.13	425	2.72	3.78	11	86.60	0.83
SAFECO Corp.	OTC	55.88	-1.32	14.62	57.00	41.75	549	1.64	2.94	14	51.65	1.08
SCOR U.S. Corp.	NYS	19.00	2.01	23.58	19.13	13.13	17	0.28	1.47	18	11.19	1.70
Seibels Bruce Group	OTC	1.25	11.11	-77.27	6.50	0.38	256	0.36	28.80	0	10.60	0.12
Selective Ins. Group	OTC	21.00	-1.75	25.37	23.50	16.00	78	1.12	5.33	9	30.75	0.68
Statesman Group Inc.	OTC	9.75	-3.70	69.57	10.25	5.00	804	0.00	0.00	5	2.48	3.93
Tokio Marine & Fire	OTC	45.75	5.78	-11.17	55.25	32.25	10	0.00	0.00	92	70.93	0.65
Torchmark Corp.	NYS	50.63	-5.37	31.21	54.50	34.00	670	1.04	2.05	15	40.95	1.24
Transamerica	NYS	46.13	6.34	15.67	46.75	35.63	958	2.00	4.34	21	55.00	0.84
Transatlantic Holdings	NYS	51.50	-0.72	32.48	52.38	29.38	57	0.24	0.47	18	18.38	2.80
Travelers Corp.	NYS	22.88	-0.54	5.78	23.75	17.13	1080	1.60	6.99	-13	59.00	0.39
Trenwick Group Inc.	OTC	40.25	1.90	41.23	42.00	25.00	204	0.80	1.99	16	21.71	1.85
United Fire & Casualty	OTC	39.00	0.00	30.00	42.50	29.16	1	1.00	2.56	16	35.39	1.10
Unitrin	OTC	36.75	-0.68	2.80	39.50	31.00	101	1.20	3.27	11	37.23	0.99
UNUM Corp.	NYS	49.88	1.27	23.15	49.88	32.00	633	0.64	1.28	14	37.70	1.32
US Facilities Corp.	OTC	8.75	-6.67	-41.18	19.00	7.00	164	0.00	0.00	9	9.58	0.91
USF&G Corp.	NYS	13.75	0.00	89.66	15.00	5.63	1040	0.20	1.45	-26	12.30	1.12
USLICO Corp.	NYS	16.75	-4.96	-9.46	20.38	16.75	23	1.00	5.97	24	33.15	0.51
USLIFE Corp.	NYS	49.63	2.06	3.66	52.50	39.00	171	1.80	3.63	9	84.55	0.59
Washington National	NYS	22.88	1.10	44.09	23.63	14.00	46	1.08	4.72	19	33.50	0.68
Zenith National Ins.	NYS	16.88	0.00	0.00	19.50	13.75	32	1.00	5.93	12	13.14	1.28
INSURERS/REINSURERS	AVERAGE		0.0	16.3					3.5	15.1		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	21.88	9.38	53.51	21.88	10.00	1645	0.00	0.00	21	15.50	1.41
Pacificare Health Sys.	OTC	45.50	0.55	15.19	45.75	11.13	299	0.00	0.00	27	28.25	1.61
Safeguard Health Enter.	OTC	9.25	0.00	-1.33	14.75	6.75	58	0.00	0.00	11	3.53	2.62
Sierra Health Services	ASE	40.50	12.50	337.84	40.50	13.63	149	0.00	0.00	19	1.78	22.75
United Healthcare Corp.	NYS	53.75	2.87	-27.85	54.75	29.50	1508	0.01	0.02	35	43.60	1.23
United Medical Corp.	ASE	6.63	0.00	-5.36	8.75	6.50	4	0.20	3.02	60	8.79	0.75
U.S. Healthcare	OTC	45.25	0.00	63.55	51.25	22.34	3541	0.52	1.15	27	20.55	2.20
HMOs	AVERAGE		3.6	62.2					0.5	25		
ALL COMPANIES	AVERAGE		0.8	28.2	2.9					17		

System design: Nordby International Inc.

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