

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$2.00 a copy; \$75 a year

© Entire contents copyright 1990 by Crain Communications Inc. All rights reserved

California questions solvency of two workers comp insurers

DALLAS—Employers Casualty Co. is not opposing a California Insurance Department order to stop writing business in the state because of regulators' solvency concerns, but it disagrees with the department's findings.

The department last week ordered the Dallas-based insurer, which primarily writes workers compensation coverage, and subsidiary Employers National Insurance Co. to stop writing business pending the outcome of a hearing later this month.

Continued on next page

New Weavers investigation

Administrator says ceding commissions fraudulently diverted

By CAROLYN ALDRED

LONDON—The British government is investigating three former directors of H.S. Weavers (Underwriting) Agencies Ltd. for allegedly paying tens of millions of dollars of reinsurance commissions to individuals and companies in Liechtenstein and Germany instead of to Weavers.

Peter Lilley, British secretary of state for trade and industry, announced the investigation last week after the court-appointed administrators of London United Investments P.L.C., Weavers' parent company, filed suit in London's

High Court.

The lawsuit, filed on behalf of Weavers, names as defendants Peter Wilson, former chairman of LUI and former managing director of Weavers; Ronnie Driver, another former LUI chairman; Henry Weavers, a former Weavers director; two Liechtenstein residents; a Liechtenstein company; and two Frankfurt, Germany-based companies.

The lawsuit alleges that commissions from reinsurance ceded to Munich Reinsurance Co. and other reinsurers between 1976 and 1989 by insurance companies that participated on a line slip managed by

Weavers were improperly diverted away from Weavers, which had been the leading writer of U.S. liability insurance in the London market.

The money, according to the lawsuit, was paid to Graham Alan Pedder Smith and Isolde R. Smith of Liechtenstein; the Protega Agentur Anstalt of Liechtenstein; and Smith Agentur GmbH and Smith Agentur A.G. of Frankfurt.

Messrs. Driver, Weavers and Wilson and their "families, friends or associates had secret, undisclosed interests or associations" in or with these defendants, the lawsuit claims.

Moreover, payments made to these companies or persons were "procured" by Messrs. Driver, Weavers and Wilson "fraudulently and improperly in breach of (their) fiduciary, equitable, contractual and common law duties" to Weavers, the lawsuit alleges.

The payments were made "for the personal benefit (of the defendants) their families, friends or associates rather than for the benefit" of the Weavers agency, alleges the suit filed by LUI Administrators Colin Bird and Alan Barrett, partners of London accounting firm Price Waterhouse.

Messrs. Bird and Barrett were

appointed administrators of LUI on May 22. In March, Walbrook Insurance Co. Ltd.—the leading underwriter on the Weavers slip and an LUI subsidiary—stopped underwriting after it was discovered that Walbrook may have to increase reserves because six other LUI-owned insurers, which had at one time reinsured Walbrook, had stopped paying claims (BI, April 9; April 2).

An administration in the United Kingdom is similar to Chapter 11 bankruptcy proceedings in the United States.

The suit, filed Tuesday, seeks a *Continued on page 38*

Budget bill contains hidden costs for employers

By JERRY GEISEL

WASHINGTON—The deficit reduction pact Congress approved last week will both directly and indirectly increase employers' benefit costs by billions of dollars.

Some of those higher costs are obvious and will kick in almost immediately.

On Jan. 1, employers with defined benefit pension plans will be hit with double-digit increases in the termination insurance premi-

Congress—with little fanfare—approves Superfund reauthorization. Page 37

ums charged by the Pension Benefit Guaranty Corp.

On the same date, employers and highly compensated employees will be slapped with a huge increase in the amount of wages subject to the Medicare portion of the FICA tax.

Some increases laid out in the legislation already have taken effect. For example, the federal excise tax on pension plan reversions



AP/Wide World Photos

Legislators, including Sen. Lloyd M. Bentsen, left, and Rep. Daniel Rostenkowski assembled a budget pact that will raise benefit costs.

rose from 15% to as much as 50%, effective Oct. 1 (BI, Oct. 8).

Other provisions in the pact also will sharply raise employers' benefit costs in less obvious ways.

One example is a provision that will require states to pay group health care and COBRA premiums—if cost-effective—for low-income workers and their dependents eligible for Medicaid. This will make companies—not Medicaid—responsible for the bills of beneficiaries with chronic health care conditions.

And lower projected Medicare payments will encourage providers to shift costs to employers.

Other provisions boosting the Medicare Part B deductible and premiums will increase costs for

employers that coordinate their retiree medical plans with Medicare or pay the Part B premium for retired workers.

The legislation, aimed at reducing the federal deficit by \$500 billion over the next five years, also increases fines on employers that violate Occupational Safety and Health Administration rules and raises taxes on life and property/casualty insurers.

But the deficit pact does contain some good news for employers. The agreement retroactively restores the tax-favored status of educational assistance benefits and allows companies—with certain restrictions—to use surplus assets from overfunded pension plans to *Continued on page 37*

Plans to expand health coverage with taxes, fines rankle N.J. firms

By MICHAEL SCHACHNER

TRENTON, N.J.—New Jersey employers are blasting a state commission's plan to expand health insurance for residents by, among other things, fining employers without health care plans.

A report released in October by Gov. James Florio's Commission on Health Care Costs also recommends financing health programs with a special \$450 million payroll tax on all New Jersey employers—including those with health care plans.

That combined tab, according to the commission, would be less than what employers now spend to finance a state indigent care fund. But business lobbyists contend the tax and fines would create a steady stream of uncontrolled spending, leading to higher taxes and more penalties against employers.

"Businesses aren't interested in signing over a blank check," said Bill Healey, director of government relations for the New Jersey Chamber of Commerce, which has 4,000 direct members.

One lobbyist argues that employ-

ers faced with the rapidly rising health costs may just pay the fines and drop their health plans.

Many employers instead recommend retaining the state Uncompensated Care Trust Fund. That fund, which compensates hospitals for caring for the indigent, is financed by a 19% surcharge on all hospital bills.

Some businesses, however, support other commission proposals.

The panel listed about 90 steps it said regulators and legislators could take to make health care more accessible and affordable, including splitting the state Blue Cross & Blue Shield plan into two entities, one for small employer groups and individuals and the other for larger employers; eliminating health insurance premium taxes; supporting the development of more effective managed care programs; and reforming current hospital rate-setting methods.

Health care problems in New Jersey have reached crisis proportions, according to the 18-member commission composed of representatives of employers; doctors; at-

Continued on page 25

Banks now selling insurance downplay agent/broker fears
Page 3

Civil justice reforms praised, but insurers say more needed
Page 2

AIDS lawsuit against dentist may widen health care liability
Page 3

Update

Insurers' solvency questioned

Continued from previous page

The order cited poor performance on the insurers' California business. The insurers have been under administrative oversight by the Texas State Board of Insurance since August.

California was Employers Casualty's second-largest market in 1989. The insurer wrote \$19 million of direct premiums in the state last year.

Employers Casualty, which wrote \$446.5 million of net premiums and \$280 million of direct premiums nationally in 1989, is licensed in all states—except New Jersey—and Washington, D.C.

Employers Casualty, whose surplus decreased 33.7% to \$138.8 million in 1989 from \$209.4 million in 1988, reinsures all business written by Employers National.

In its most recent ratings, A.M. Best Co. had downgraded both insurers' ratings to C+ from A.

Employers Casualty Chairman and President Ernest L. Proud Jr. said the insurers' California business is a "relatively small part" of their total book of business and that the insurers had been planning to withdraw from the state anyway.

And, "we do disagree with some of the allegations in the order, including the department's assessment that the companies have performed very poorly on their California business in 1990," he said.

An Employers Casualty statement said the insurers have had heavy losses from Texas business during 1989 and 1990, which have forced significant strengthening of reserves.

Insurers settle in utility lawsuit

PHILADELPHIA—Two insurers of Philadelphia Electric Co. have agreed to pay \$34 million to settle a shareholders derivative lawsuit charging the utility's top officers with mishandling safety problems at the company's Peach Bottom nuclear power plant.

Federal regulators closed the plant in 1987.

Associated Electric & Gas Insurance Services Ltd. and Energy Insurance Mutual Ltd., two utility industry captives that wrote directors and officers liability coverage for Philadelphia Electric, are paying the settlement. Of the total, \$27.4 million will go to the utility and \$6.6 million will cover attorneys' fees, a utility spokesman confirmed.

As part of the settlement, A.C.E. Insurance Co. Ltd., Philadelphia Electric's excess D&O insurer, has agreed to pay an additional \$9 million if it loses an arbitration case now pending in a coverage dispute arising from the \$150 million shareholder action, according to Nicholas Chimicles, a Haverford, Pa., lawyer for the shareholders. Mr. Chimicles would not comment on the nature of the coverage dispute, and A.C.E. officials could not be reached.

If A.C.E. loses the arbitration case, the loss would be only the second for the facility. Settlements for a Texas school bus accident last year led to its first loss (BI, May 7).

Blues to cover test treatments

WASHINGTON—At least 15 Blue Cross & Blue Shield plans will be the first insurers to cover costs for a controversial experimental breast cancer treatment, according to the Blue Cross & Blue Shield Assn.

Beginning early next year, the National Cancer Institute will sponsor clinical trials of autologous bone marrow transplants at cancer research centers selected by BC/BS. About 1,200 women with advanced and early-stage breast cancer will be tested.

The plans say they will pay for treatment of 300 to 600 women.

Health insurers, including BC/BS, generally refuse to cover these transplants because studies are inconclusive about their effectiveness in treating breast cancer, said Douglas Peters, senior vp of BC/BS Assn. in Chicago. "But oncologists continue to recommend this therapy, and patients are demanding it."

By paying some experimental test costs, the Blues hope to "provide access to this treatment" and help determine its effectiveness, he said. The clinical trials are expected to last two to four years.

United, GE blamed for crash

WASHINGTON—The crash of United Airlines flight 232 in Sioux City, Iowa, last year probably occurred because of a crack in the jet's engine that went undetected by the airline and the engine's manufacturer, the National Transportation Safety Board concluded.

A crack in the disk that spins the engine blades widened, causing the DC-10 engine to explode, the NTSB said.

The Federal Aviation Administration last year said it strongly suspected a flawed disk caused the July 1989 crash, which killed 112 passengers and crew (BI, Nov. 6, 1989).

United and engine manufacturer General Electric Co., should have discovered the flawed disk, the NTSB said.

However, United Chairman and President Steven M. Wolfe said: "There is no evidence that a 1/2-inch crack... could have been detected during an April 1988 inspection using procedures specified by the fan disk manufacturer or approved by the FAA."

GE could not be reached for comment.

The NTSB also criticized McDonnell Douglas Corp. for the design of the jet's hydraulic system, which failed after the explosion, and the FAA for approving the system's design. The NTSB ultimately concluded, though, that McDonnell Douglas and the FAA were not at fault.

Updates continued on page 38

Errors & omissions

• Several Chubb Corp. subsidiaries were omitted from the geographical directory of global property/casualty insurers in the Oct. 22 issue. Chubb subsidiary Federal Insurance Co. also has branches in the United Kingdom, the Netherlands, Puerto Rico, Hong Kong, Taiwan, Japan and Singapore. Chubb Insurance Co. of Europe also has branches in the Netherlands, France, Italy, Spain, Ireland and the United Kingdom.

• Arkwright Mutual Insurance Co. was not listed in the directory of global property/casualty insurers in the Oct. 22 issue. The listing appears on page 38.

Civil justice reform bill expected to cut costs

By ADRIENNE C. LOCKE

WASHINGTON—Legislation awaiting President Bush's signature that is designed to help break the logjam of civil cases in 10 federal districts would help reduce litigation and insurance costs, observers say.

The bill would require each of 10 federal court districts to devise plans to expedite the judicial process in those districts. It also would add federal district and appeals court judgeships nationwide.

However, some observers contend that making the civil justice system truly efficient will require enacting tort reforms.

The Civil Justice Reform Act of 1990 is based in part on a 1989 study by a Brookings Institution task force. The task force consisted of defense and plaintiffs' attorneys, civil and women's rights lawyers, attorneys representing various other groups, insurance industry representatives, former judges and law professors.

Sen. Joseph R. Biden, D-Del., suggested that the research organization recommend ways to cut down court delays (BI, Nov. 13, 1989).

Rep. Jack Brooks, D-Texas, and Sen. Biden introduced identical bills—H.R. 3898 and S. 2027—incorporating some of the study's recommendations.

President Bush is expected to sign the legislation, according to a Senate Judiciary Committee staffer.

"It will help, in some instances, to expedite cases in the federal courts and will help reduce some cost," said Victor Schwartz, a partner with Crowell & Moring and counsel for the Product Liability Alliance, both in Washington, D.C.

"Litigation is very expensive. It's a part of our overhead and is reflected in our overall costs," observed David Pratt, vp of federal affairs for the American Insurance Assn. in Washington, D.C.

"Anything that we can do to

limit these expenses takes away another factor that puts upward pressure on premiums," Mr. Pratt said.

Tom O'Day, associate vp of the Alliance of American Insurers in Washington, D.C., agreed.

Mr. O'Day said administrative complications like late court dates and delays due to continuances or lengthy discovery periods can be just as costly as what business and insurers consider bad tort law.

"The changes are a good step forward that is long overdue," he said.

Despite supporting the bill, Messrs. Schwartz and O'Day said tort reforms are still needed to assure long-lasting results.

"You can expedite procedures as much as you want," but without substantive reforms "there will still be backups and logjams," Mr. Schwartz said.

"It's a good step, an important step, but there are other things that need to be done," such as tort

Continued on page 4

Recovers damages awarded failed surety insurer

Ruling favors guarantor

By MICHAEL BRADFORD

CHICAGO—A federal agency that guaranteed a large portion of surety bonds written by a now-insolvent insurer is entitled to the damages a court ordered a con-

tractor to pay the insurer for failing to fulfill its obligations.

As a result of the ruling by a U.S. District Court in Chicago last month, the Small Business Assn. will receive the net proceeds of a \$683,500 award directly, rather than having to make a claim against the estate of American Fidelity Fire Insurance Co., which is in liquidation in New York.

The SBA paid AFFI \$732,872 in guarantees on surety bonds the insurer underwrote after AFFI paid out \$803,500 on the bonds.

The court still must determine how much of the \$683,500 award the SBA will receive.

"The court found that the SBA was the equitable owner of American Fidelity's rights" against the contractor, General Railway Signal Co. of Chicago, said Sally Narey, general counsel for the SBA. The federal agency offers some insurers a program in which it will guarantee a portion of surety bonds they write.

Attorney William Goldberg of the Chicago law firm Holleb & Coff, who represents New York Insurance Superintendent Salvatore R. Curiale in his role as AFFI liquidator, refused to say whether Judge Ilana D. Rovner's Oct. 4 decision would be appealed.

He also would not comment on the judge's decision.

The ruling stems from a 1987 judgment against General Railway in a suit AFFI filed in 1984.

AFFI in 1979 wrote performance bonds for Transit Systems Technology Inc. of Kankakee, Ill., for work that company was contracted to perform for the Orange County Transit District in Orange County, Calif., and for Jamaica Buses Inc. in Jamaica, N.Y.

Transit Systems had contracted to install electronic fare boxes in buses operated by the Orange County Transit District and Jamaica Buses.

General Railway later acquired the contracts for the work when Transit Systems Technology encountered financial problems and was unable to complete the installations, according to court papers.

But in 1984, Woodbury, N.Y.-based AFFI sued General Railway in Cook County Circuit Court in Chicago, charging the company failed to live up to its obligation to perform the contracts and caused the insurer to honor the surety agreements.

Court papers say the insurer's payout on two bonds written for the Orange County Transit District and on one for Jamaica Buses amounted to \$803,500.

The SBA then paid AFFI \$732,872 under the guarantee

Continued on page 27

Inside

✓ Despite earlier lobbying successes, employers saw Congress return to its old tricks with the inclusion of far-reaching benefit measures in the budget bill, says this week's editorial. **PAGE 8**

✓ Risk managers can become more effective by developing top-notch communication skills and a positive self-image, says a communications expert during the American Society for Healthcare Risk Management's annual meeting. **PAGE 18**

✓ Mexico's insurance industry has benefited from improved trade relations with the United States, reports Douglas N. Smith of Johnson & Higgins in International Issues. **PAGE 23**

✓ Employee benefit managers with operations in Europe will face many changes in the 1990s, a Swedish risk manager predicts during the international benefits conference recently sponsored by Swiss Life. **PAGE 29**

Departments

Advertiser index.....	36
At issue.....	10
Benefit beat.....	6
Classifieds.....	34
Comings & goings: industry.....	27
Insurance services guide.....	35
International.....	29
International issues.....	23
Letters.....	8
Markets.....	4
Opinions.....	8
Perspectives.....	23

Vol.24, No.45—Business Insurance (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1990 by Crain Communications Inc.

AIDS patient sues PPO

Alleges she contracted disease from plan dentist

By CHRISTINE WOOLSEY

STUART, Fla.—A woman who claims she contracted AIDS from her dentist is suing a dental preferred provider organization for its role in directing her to that now-deceased provider.

If successful, the suit—which federal authorities say involves the first documented case of AIDS contracted from a health care professional—could lead to wider liability for managed care organizations and employers offering the plans, as well as increased AIDS testing for health care workers, experts say.

The complaint against CIGNA Corp.'s CIGNA Dental Health Plan, was filed Oct. 31 in St. Lucie County Circuit Court in Fort Pierce, Fla. It seeks damages of at least \$10,000.

Attorneys for Kimberly Bergalis, who alleges she contracted the virus that leads to

acquired immune deficiency syndrome from Dr. David J. Acer, say they actually will seek \$15 million to \$20 million in damages from CIGNA.

Ms. Bergalis' attorneys also plan to sue the dentist's estate. Part of that estate is a \$1 million medical malpractice policy from Continental Casualty Co., a unit of Chicago-based CNA Financial Corp.

Ms. Bergalis was diagnosed with AIDS in December 1989. She claims her former dentist, Dr. Acer, infected her with the human immunodeficiency virus during a tooth extraction two years ago. The dentist died of complications from AIDS on Sept. 3.

Among his patients were 370 state judicial and school employees and dependents who were members of the CIGNA Dental Health plan. Ms. Bergalis was a dependent under her father's coverage with the plan.

David Eaton, one of Ms. Bergalis' attor-

neys, said CIGNA is being sued for corporate negligence because of its role in directing Ms. Bergalis to Dr. Acer, and for failing to warn members that he had AIDS.

"In order to get the economic benefits of the insurance plan, you have to go to the (network) provider," explained Mr. Eaton of the West Palm Beach, Fla., firm of Montgomery & Larmoyeaux. This suit was filed because CIGNA refused to agree to a \$1 million out-of-court settlement of the claim, he said.

A spokeswoman, though, said the Philadelphia-based insurer had not been approached by Ms. Bergalis' attorneys regarding an out-of-court settlement. However, she said, "it is our understanding CIGNA Dental Health will be named in a suit."

Dr. Acer terminated his contract with the dental plan in September 1989 because of "health reasons," the spokeswoman said.

Continued on page 11



Photo by Donna Turner/NYT Pictures

Kimberly Bergalis has begun litigation stemming from her contraction of AIDS.

Banks sell commercial cover

By LOUISE KERTESZ

LOS ANGELES—Two state-chartered California banks are beginning to sell commercial property/casualty insurance amid protests by insurance agents and brokers that the insurance opportunities created for banks by Proposition 103 could hurt insurance buyers.

In addition, 13 other state-chartered banks in California now have licenses to sell property/casualty insurance in the state, though they are not currently selling commercial insurance.

California agents and brokers

fear that allowing banks to sell insurance will allow banks to take advantage of prospective loan customers and gain an unfair competitive edge by pressuring customers into purchasing their coverage from the banks as a condition of obtaining loans.

However, the banks say they have more to lose than gain by using such pressure tactics.

The two banks—Security Pacific State Bank, a subsidiary of Los Angeles-based Security Pacific Corp., and Fremont Bank—have begun selling coverages for small-to-medium-sized commercial risks through marketing programs tar-

geted at bank customers.

California banks can sell insurance under a provision in Proposition 103 that was upheld by a 1989 Superior Court decision (*BI*, July 3, 1989; Dec. 12, 1988).

Security Pacific's initial focus is commercial multiperil coverages for small to medium-sized businesses. But, "if we get the opportunity to sell small group (health insurance), we will," said Ray Lubien, executive vp of Security Pacific Insurance Group in San Diego, a subsidiary of Security Pacific Corp. The bank is selling insurance through the 643 branches of affiliate Security Pacific Na-

tional Bank.

The smaller Fremont Bank, which primarily has personal accounts, has begun a commercial insurance program at its 14 branches in Northern California that provides property/casualty coverage to owners of apartments and office buildings. The bank also is negotiating with a group health insurer to market its coverage.

In addition, both banks would like to implement a full range of commercial and personal insurance services for banking and non-banking customers.

But agents and brokers fear that

Continued on page 35

Leaders see work comp progress

By MEG FLETCHER

PIKESVILLE, Md.—Several national leaders in worker compensation are more optimistic than they were a year ago that problems in the field can be solved to benefit both employers and employees.

Increasing medical costs and other continuing problems made the outlook for reform "grim" last year, said Peter Barth, an economics professor at the University of Connecticut in Storrs.

Severe problems remain, but "the last 12 months have been an encouraging period for workers compensation—not only for the

legislative and regulatory actions taken in a number of states, but also for the renewed interest and attention paid to workers compensation by so many groups in so many ways," said Gary L. Countryman. Mr. Countryman is president and chief executive officer of Liberty Mutual Insurance Co. in Boston, a leading workers compensation insurer.

Representatives of labor, businesses and insurers "are talking to each other more, at each other less, and listening better, and that is a good thing," Mr. Countryman said.

James Ellenberger, assistant

director for the AFL-CIO department of occupational safety and health in Washington, D.C., said he is "encouraged" and "heartened" by recent widespread interest in workers compensation issues.

Mr. Ellenberger and Mr. Countryman were among the experts who discussed the prospects for reform at an October conference in Pikesville, Md.

The conference—"Continuing the Dialogue for the '90s,"—was the sequel to a 1989 event sponsored by the National Assn. of Manufacturers and the Alliance of American Insurers. The American Insurance Assn. also was a sponsor

this year.

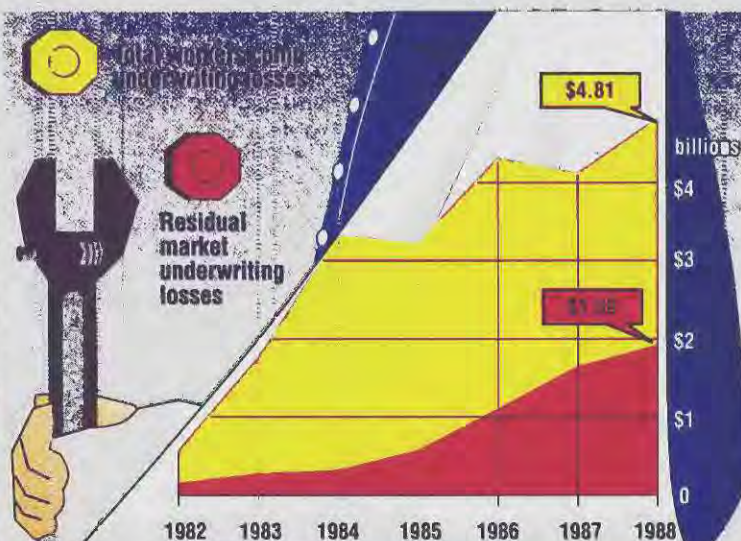
By coming to the conference, manufacturers, insurers, administrators and health care providers "have shown the resolve to rise above the politics of the workers compensation system and deal with the issues that all of us are worried about: runaway health care costs, increasing litigation, benefit levels, safety and health issues, and administrative reform," pointed out Jerry Jasinowski, president of the Washington-based NAM.

"I know you share our commitment to join together to identify

Continued on page 12

Residual markets' losses grow

Workers compensation residual markets in 46 states reported a combined underwriting loss of \$1.89 billion in 1988, or 39.2% of total workers comp underwriting losses.



Sources: Alliance of American Insurers

GRAPHIC BY JOHN SMITHER

Residual markets show huge deficits, Alliance report says

By MARK A. HOFMANN

SCHAUMBURG, Ill.—State residual insurance markets are continuing to run up huge deficits, a new report shows.

For instance, workers compensation residual markets in the 46 jurisdictions surveyed posted a record underwriting loss of \$1.89 billion in 1988, a 16.3% rise from the previous record of \$1.62 billion in 1987, according to a study by the Alliance of American Insurers.

Likewise, property insurance residual markets—including FAIR plans and beach and windstorm plans—reported an aggregate loss of \$10.6 million in 1988, down from a \$23.7 million gain the previous year, according to the study.

"The thing we continue to be

concerned about is that the residual markets have a direct impact on the financial performance of the insurance industry," pointed out Roger S. Lawson, senior vp of the Schaumburg, Ill.-based Alliance.

Although the study, "Residual Markets and Insolvency Assessments 1988," does not offer policy suggestions to improve the functioning of residual markets, through which insurers provide coverage to policyholders that cannot buy the coverage in the so-called voluntary market, Mr. Lawson said that financial data tallied "provides one of the best arguments" for allowing insurers to charge "competitive rates."

Alliance researchers, who prepared the report in-house, chose to

Continued on page 39

Most OB-GYNs hit with patient lawsuits

By COLLEEN JOHNSON

More than three-quarters of obstetricians and gynecologists have been hit with a malpractice suit, and the amount of time required to resolve a claim is getting longer, according to a recent survey.

Of 2,213 OB-GYNs surveyed earlier this year, 77.6% indicated they have had at least one professional liability claim filed against them—compared to 70.6% reporting at least one claim in a 1987 study. The survey was conducted for The American College of Obstetricians and Gynecologists by Opinion Research Corp. in Washington, D.C.

Respondents also said that an average of 2.6 years passed between the filing of a claim and its resolution, up from 1.9 years in the 1987 study. Statistics on the time between filing and resolution of claims in the latest study were based on 673 cases closed in 1988 and 1989.

A geographical district made up of New York and Bermuda reported the longest resolution period: four years.

The shortest period—1.7 years—was reported by a district composed of Arizona, New Mexico, Colorado, Utah, Nevada, Wyoming, Idaho, Oregon, Washington, Montana, Alaska, Hawaii, all U.S. possessions in the Pacific Ocean, Alberta, British Columbia, the Yukon Territory and the Northwest Territories.

"Our biggest concern was that the survey indicates the system is really broken" in terms of the time it takes for a claim to be resolved, said Penny Rutledge, a staff attorney for the Washington, D.C.-based ACOG.

The college, along with 30 other medical specialty societies and the American Medical Assn., promotes removing medical malpractice suits from the tort system and placing them in

Continued on page 12

Aetna reorganizes operations, sheds staff

Hartford, Conn.-based Aetna Life & Casualty Co. is reorganizing its corporate operations by disbanding its three domestic insurance divisions and realigning its major profit centers into two new groups.

Aetna expects to eliminate about 2,600 jobs, primarily through termination and attrition, as a result of the reorganization. The insurer reported a one-time, after-tax charge of \$60 million for severance benefits and other costs associated with the reorganization.

Despite the charge, Aetna reported third-quarter net income of \$89 million, which was a 51.4% decrease from \$183 million in net income in last year's third quarter.

The reorganization calls for the elimination of Aetna's three domestic insurance divisions—commercial insurance, employee bene-

Markets

fits and personal financial security. Aetna will then realign what it calls its "strategic business units" into two groups.

One group will include managed health care, group insurance, small business employee benefits markets, pension and financial services operations. The second group will encompass standard commercial markets, national commercial accounts, bonds, personal auto, homeowners and individual life operations.

The new structure will, among other things, help Aetna strengthen existing business units and scale down underperforming operations, said President Ronald E. Compton.

As part of the reorganization,

Aetna also plans to establish a new marketing department to redefine the way the insurer now delivers its products and services.

MetLife unit

Metropolitan Life Insurance Co. is forming a new business unit to enhance marketing of its services to small employers.

The Employer Financial Services unit will now serve the small employer market, specializing in companies with fewer than 200 employees. Previously, two separate organizations within the New York-based insurer addressed this market: Small Business Products, which was part of the company's personal insurance department, and MetPlans, which was under its group life and health insurance department.

John Falzon, senior vp, said "it is part of our long-term strategic plan to make inroads into this large and rapidly growing market." And, he said, the specialized focus will help MetLife offer more products to smaller employers.

The new unit will offer group life and health products, long-term care plans and managed health care networks to small employers. Investment products like mutual funds and annuities will also be available.

For more information, contact John Falzon, Senior Vp, Metropolitan Life Insurance Co., 1 Madison Ave., New York, N.Y. 10010.

New offices

New York-based **Buck Consultants Inc.**, the nation's seventh-largest benefits consultant based

on 1989 consulting revenues of \$132 million, established a consulting practice in Mexico City. The new office, Buck Actuarios Consultores S.A. de C.V. is headed by Rafael Trava, a consulting actuary. For more information, contact Mr. Trava at Alfonso Esparza Oteo 63, Guadalupe Inn., Mexico 01020, D.F. Mexico; 905-524-6375; 905-524-2074.

Lovett Associates, a claims consulting firm, has relocated from San Francisco to 560 S. Hartz Ave., Suite 361, Danville, Calif. 94526; 415-831-2661.

St. Paul, Minn.-based **Delta Environmental Consultants Inc.** opened a district office in Atlanta. The address is 5775 Peachtree-Dunwoody Road, Building E, Suite 200, Atlanta, Ga. 30342; 404-250-3285.

U.S. Re Corp., a reinsurance intermediary based in New York, opened a branch office in Atlanta. The address is 500 Northpark Town Center, 1100 Abernathy Road, Atlanta, Ga. 30328; 404-698-0894.

Mergers/acquisitions

Starkweather & Shepley Inc., an insurance agency based in Providence, R.I., purchased **C.A. Morgan Inc.**, an agency located in Westerly, R.I. The Morgan agency will continue to operate under its own name from its office in Westerly. ■

Court reforms

Continued from page 2
law reform, Mr. O'Day said.

Under the bill, 10 of the nation's 94 federal court districts would be required to develop and implement pilot plans meeting specific goals. The bill does not identify which 10 districts would have to develop the plans. However, it says at least five major metropolitan areas must be included within those districts.

The remaining 84 districts could voluntarily adopt similar policies.

Each district would develop its own plan, but each one must include:

- A policy of promptly assessing the nature of a case and the amount of judicial and other resources it will require.

- Ways to expand or enhance the use of alternative dispute resolution.

- Measures to control the length of time allotted for discovery in cases allowed to proceed to trial.

- Goals for setting early and firm trial dates.

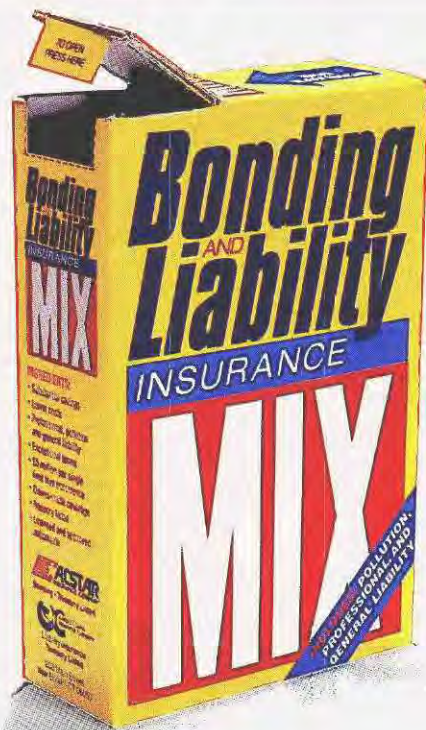
- Goals to reduce continuances.

The chief judge in each of the 10 federal districts would form a committee to develop or select a case management plan. The committee would consist of district court judges and others who represent major litigants in that particular district. For example, if a district handles a great deal of corporate litigation, the panel would include several corporate lawyers.

The chief justice of the U.S. appellate court circuit in which a federal district is located would head a committee to review the district plan to ensure it complies with the Civil Justice Reform Act. That plan review committee also would consist of the chief judges from all the federal districts within the appeals court circuit.

Congress would evaluate the pilot plans after three years and then either require other districts to adopt such plans or develop an alternative method to help reduce court delays.

The reform act also would add 74 judges to federal district courts with heavy caseloads. In addition, 11 additional federal appellate judges would be appointed. ■



The insurance and bonding mix that can save you money and give you better terms.

If you post collateral for bonding, there's now a way to reduce your costs. If you're happy with your bonding but would like a better liability program, our new mix is just the right package.

The ACSTAR and United Coastal Combination.

By blending your professional, pollution or general liability insurance in combination with your bonding, we can provide substantial savings and exceptional terms. Our real insurance provides up to \$5 million per single limit true occurrence or claims-made coverage.

This plan is specifically designed for construction companies; environmental, asbestos and specialty trade contractors; architects, engineers and consultants.

For those who do not have a collateral requirement but desire a better liability program, we can structure a plan that will provide savings and very digestible terms.

The ACSTAR and United Coastal mix can satisfy your needs, from soup to nuts. Call ACSTAR at (203) 224-2000 or United Coastal at (203) 223-5000.

Agents and Brokers contact:



Some companies wake up earlier than others.

It may not be the eleventh hour. But if you're trying to confront the explosive growth of health care costs, it's getting late.

The problem wasn't created overnight. And it won't be solved overnight. But the earlier you attack it, the sooner you can expect to

see positive results.

By combining our resources with those of EQUICOR, we have created the nation's leading employee life and health benefits company.

And one of the most extensive managed health care networks in the industry.

We can provide a menu of products and services that can help contain costs, maintain quality care and ensure employee satisfaction.

In health care, dental care and life and disability plans, as well.

Of course, we'll be bigger. But more important, as we complete our integration, we'll be better. After all, we're working with a group of people who are used to waking up just as early as we are.

See one of our local representatives or fax Bob O'Brien, President, CIGNA Employee Benefits Companies: 215-523-7915.



We get paid for results.SM **CIGNA**

3M finances kindergarten/daycare facility

By MICHAEL SCHACHNER
and ADRIENNE C. LOCKE

Benefit beat

Minnesota Mining & Manufacturing Co., as part of a pilot program with the St. Paul School District, is financing a combination kindergarten and daycare center located just minutes from the company's headquarters in Maplewood, Minn., and its main manufacturing plant in St. Paul.

The facility, which opened in September, is open to about 50 4- and 5-year-old children of 3M employees and other St. Paul residents.

The facility, known as Eastside Workplace Kindergarten, is part of the St. Paul School District's expanding worksite school program, under which corporations pay for a facility and its operating costs—like electricity and maintenance—

while the school district pays for teachers and education-related expenses.

The 3M program is the second such worksite school agreement between the district and a city employer. In 1989, First Bank System Inc. and the district opened the first worksite school, said Jerald Shannon, director of elementary curriculum and planning with the school district.

Eastside functions as a public school with 3M employees receiving enrollment priority, said Mr. Shannon. Because the city of St. Paul has open school enrollment, parents from all over the city can enroll their children in Eastside, he said.

Under the three-year pilot program, which stemmed from employee surveys conducted over the summer, 3M provides the space for the school, while the district pays the cost of the kindergarten program.

A 3M spokesman said employees must pay \$80 per week for the daycare portion of the program, called Discovery Club. The daycare center is managed through the school district's community education department.

The spokesman could not say how much it will cost 3M to maintain the facility.

"This is a real win/win situation," said Mr. Shannon. "The city is short on classroom space, so with corporations paying much of the cost for these schools, the taxpayers are saving money because the city doesn't have to build new

schools. And, employees of companies like 3M can put their kids in school right near their work."

Eastside has one full-time teacher for the kindergarten, and five part-time staffers who care for the children in the Discovery Club, said Bonnie Schwartz, a teacher at Eastside.

She said 25 children are currently enrolled in the facility, most of whose parents work for 3M.

Mr. Shannon said Eastside may soon be open to children in the first grade.

Cost containment

Hospital payments for Blue Cross & Blue Shield Assn. plan participants whose cases were subject to four utilization management programs were reduced by an average of \$53 in 1988, a new study

reports.

Requiring beneficiaries to undergo preadmission certification, concurrent review and retrospective review that can lead to denial of payment and case management also allowed BC/BS to reduce hospital admissions by 19.8% and reduce the average inpatient length of stay by 24.2% in 1988 compared with what those rates would have been without the programs, the study found.

The study, which examined hospital usage and costs from 1980 to 1988 at 56 BC/BS plans nationwide, is the "first major study that has proven that certain utilization management programs generate tangible reductions in hospital payments," said Douglas S. Peters, senior vp for BC/BS in Chicago. "It confirms employers' perceptions that these programs are effective."

Of the 56 plans that participated in the study, an unspecified number employed the utilization management programs, while others did not. Comparisons in 1988 were based on results from plans that used the procedures vs. those that did not, a BC/BS spokeswoman said.

According to the nine-year study, two combinations of utilization management programs resulted in "statistically significant reductions in hospital admissions, days and payments."

Over the course of the study, when preadmission certification was combined with concurrent review, the rate of admissions per 1,000 participants was reduced by 1.85 persons, or 5.3%. Precertification and concurrent review reduced days in hospitals by 9.85 days per 1,000 customers, or 4.8%. And, the combination reduced hospital payments by \$2,550 per 1,000 customers, or 4.2%.

Retrospective review with denial of payment cut costs by about \$2,000 per 1,000 people, or 1.6%. In addition, admissions were trimmed by 1.1 persons per 1,000, or 2%, while hospital days were reduced by 14.27 people, or 4.4%, according to the study.

Conversely, the study found that second surgical opinions, retrospective review without denial of payment, discharge planning and individual case management did not produce significant reductions over the entire nine-year period.

The study did not consider the cost of administering the utilization management programs or the possible shift of costs to non-hospital services.

Self-insurance

More than half of U.S. employers that provide workers with health care benefits self-insure their plans, according to a recent survey conducted by a large health insurer.

Marietta, Ga.-based Confederation Life Insurance & Annuity Co., through its survey of 150 employee benefit managers, found that 55% of all of the responding companies self-insure the cost of their health care plans, while 82% of the companies with between 1,000 and 2,000 employees self-insure and 76% of employers with more than 2,000 workers self-insure.

The survey found that 45% of the responding companies with 250 to 500 employees self-insure medical benefits, while 47% of those companies with between 500 and 1,000 workers self-insure.

The survey also questioned 130 independent brokers and consultants, who reported that between 25% and 49% of their clients self-insure the entire cost of employee medical coverage.

The survey also reports that nearly 78% of the surveyed benefit

Continued on page 10



K&K and Lincoln National: Growing Stronger Every Day.

The team of K&K Insurance Group, Inc. and Lincoln National Corporation continues to set new standards of innovation and leadership in the specialty risk marketplace. No one offers a stronger, more complete package of specialized insurance products and related services for the Sports, Leisure and Entertainment industry. K&K has been a leader in this industry for over 35 years by providing unique and innovative coverages to special risks. We are also supported by the financial strength of Lincoln National Corporation, one of America's leading insurance groups with more than \$26 billion in assets. Lincoln National has earned its reputation as a leader in life, health, property-casualty, reinsurance and investment products.

Together, we've got the strength and the skill to put it all together for you: innovative products and services, risk management expertise and a winning attitude. Give us a call at (219) 455-3000.



K&K INSURANCE GROUP, INC.

1712 Magnavox Way
P.O. Box 2338
Fort Wayne, IN 46801

An Affiliate of Lincoln National Corporation

**LINCOLN
NATIONAL
CORPORATION**

Opinions

Congress does it again

AFTER COMING ON STRONG earlier in the session, legislators faltered badly on benefit issues in the home stretch of the 101st Congress.

One year ago, employers had reason to celebrate as the first half of the session came to an end.

Legislators, responding to an effective lobbying campaign by employers, had repealed Section 89 (BI, Nov. 13, 1989). That law, with its horrendously complex non-discrimination rules, stood as the symbol of congressional staff insensitivity to the cost and administrative demands its proposals placed on employers.

Section 89's repeal was a powerful example that legislators can and do respond when employers make their voices heard.

There were other employer benefit victories as well. Employer pressure helped defeat a misguided proposal to require companies to share control of pension plan assets with employees (BI, Oct. 2, 1989).

At the same time, employer lobbying helped defeat a ludicrous proposal that companies pay hefty new fees for filing required pension and welfare plan reporting forms (BI, Oct. 9, 1989).

Given those victories, employers had good reason to be encouraged as the second half of the session began.

Unfortunately, Congress returned to its old habit on benefit legislation: passage of far-reaching proposals behind closed doors and without any discussion. Still worse, those proposals were attached to a broader bill, in this case a 1,600-page budget reconciliation monster, making it difficult for employers to get the attention of legislators.

One of those proposals, a true budget gimmick in the view of benefit lobbying groups, will substantially increase termination insurance premiums charged by the Pension Benefit Guaranty Corp.

As we said before, the premium hike, which is being implemented at a time when PBGC finances are improving, is no more than an 11th-hour sneak attack to bring revenue into federal coffers.

If legislators really were concerned about any financial problems at the PBGC, they would have passed a series of reforms suggested by the PBGC, such as clarifying the agency's status as a creditor in bankruptcy proceedings, to further reduce the PBGC's vulnerability to big pension claims.

And, as was the case with the original COBRA statute, legislators passed another expansion of COBRA's health care continuation provisions without giving employers the opportunity to comment.

Under the latest expansion, which also is included in the budget reconciliation legislation, states will be required to pay COBRA premiums—if cost-effective—for a company's employees and dependents that are eligible for Medicaid (BI, Oct. 29). States also would be required to pay the employee share of the premium for regular group care coverage for Medicaid-eligible employees and dependents if that is less costly than Medicaid coverage.

It is easy to see how this new requirement will



shift costs from government to employers. A state, for example, will find it a lot less costly to pay a several-hundred-dollar-a-month COBRA premium for a beneficiary with chronic health care problems than enroll that person in Medicaid.

The message this new provision gives is clear: If government can't control costs for its health care programs, it is going to try, wherever possible, to pass those costs onto employers.

The COBRA/Medicaid provision also will also cause problems on a practical level. What will happen, for example, if a state doesn't promptly pay the COBRA premium to an employer? Could the company drop coverage to a beneficiary? The legislation doesn't address such questions. And, the requirement goes into effect so soon—Jan. 1—that regulations interpreting the legislation are unlikely to be issued before then.

While the PBGC premium hike and the new COBRA expansion are now law, employers should not merely accept them. Employers should remember that it was their outcry that led to the repeal of Section 89. Benefit managers should let their legislators know—both through letters and phone calls and at the ballot box if appropriate—that businesses will rally against bad laws that are made behind closed doors.

The closing days of the 101st Congress were not all bleak. Legislators did retroactively restore the tax-favored status of educational assistance benefits.

At the same time, legislators gave employers a new, albeit limited, opportunity to fund their retiree health care liabilities with surplus assets in defined benefit pension plans. And, legislators also blocked a move to cut back on the ability of middle- and upper-income employees to finance dependent care expenses through flexible spending accounts.

And employers should be thankful that, in its drive to raise revenues, Congress did not resurrect proposals to tax employees' health care benefits.

Letters

Editorial reflected moral outrage of an industry

To the editor: Seldom have I read an editorial opinion that coincided so pre-

cisely with mine as your "Superficial Analysis" editorial in the Oct. 22 issue.

Your editorial reflected the irresponsibility of Public Citizen's study (BI, Oct. 29; Oct. 22), the hypocrisy of its belated concern for the solvency of the insurance industry, the political nature of its attack on five insurers and its utter lack of competence or sincerity in putting forward this report.

It also captured the sense of moral outrage that many of us feel at the unfairness of a misguided, inept organization such as Public Citizen, causing so much

unnecessary harm to these five insurance companies and to so many of their policyholders, who were made anxious by the hysterical trumpeting of their allegedly impending demise.

Thanks for expressing the views of so many of us who otherwise would not have access to many of the individuals who might have read or heard about the Public Citizen study.

Robert E. Vagley
President
American Insurance Assn.
Washington

Business Insurance®

Reporting weekly for corporate risk,
employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Associate Publisher/Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Managing Editor: James M. Burcke (Chicago)

Senior Editor: Jerry Geisel (Washington)

Assistant Managing Editor: Dave Lenckus (Chicago)

CHICAGO: Jeanne M. Bartels (Graphics Editor)
Karen Brown (Assistant to the Editor)
Meg Fletcher, A.R.M. (Associate Editor)
Sara J. Hartly (Staff Reporter)
Mark A. Hofmann (Associate Editor)
Colleen Johnson (Associate Editor)
Nancy Johnson (Copy Editor)
Kathryn M. Larrabee (Copy Editor)
Laura Mazzuca (Agent/Broker Topics Associate Editor)
Roger Schillerstrom (Editorial Cartoonist)
Deborah Shalowitz (Associate Editor)
Timothy Stanton (Copy Editor)
Paul Winston (Copy Desk Chief)
Christine Woolsey (Associate Editor)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)

Carolyn Aldred (Associate Editor)

LOS ANGELES: Joanne Wojcik (Bureau Chief)
Louise Kertesz (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)

Stacy Adler (Associate Editor)

Judy Greenwald (Associate Editor)

Michael Schachner (Associate Editor)

WASHINGTON: Adrienne C. Locke (Associate Editor)

Advertising Director: Martin J. Ross (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Margaret Hikido (District Manager/
Classified Sales)

Elmer Kerstowski (Production Manager)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Kathryn Premetz (District Manager)

Cynthia Bykowski (District Manager)

LOS ANGELES: Michael J. Sharpe (Western Advertising
Manager)

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

Promotion Manager: Michele Pierson (New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 71-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0140

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0228

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

Founder (1885-1973)

MRS. G.D. CRAIN

Chairman

S.R. BERNSTEIN

Chairman-executive committee

RANCE CRAIN

President

KEITH E. CRAIN

Vice chairman

MARY KAY CRAIN

Treasurer

MERRILEE P. CRAIN

Secretary

WILLIAM A. MORROW

Executive Vp-operations

WILLIAM STRONG

Vice president-circulation

ROBERT C. ADAMS

Vice president-production

H.L. STEVENSON

Corporate editor

PENELOPE A. GEISMAR

Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 71/430-2176. \$2.00 a copy. \$75 a year in U.S. Canada and all other foreign add \$32 for surface mail. Europe and Middle East only add \$88 for air delivery. First-class mail to U.S., add \$77; to Canada add \$87. Bermuda only, \$157 per year expedited delivery. SHEILA GORMLEY, circulation manager. LISA RIVERS, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0704.

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.

BPA

Member of Business
Publications Audit of Circulation

ABP

CITY HOSPITAL

Financial Peace of Mind.

It comes from a comprehensive managed care program that controls your costs while delivering quality health care to your employees.

The Travelers Managed Care System™ was specifically designed to provide quality health care for your employees while controlling your costs.

This innovative plan includes Taking Care, our unique health education program that has demonstrated a savings of 3 times the investment and helped reduce total medical visits by 17%. Also, our Utilization Management which could help your employees avoid a hospital stay entirely. And our Vocational and Rehabilitation Program which helps avoid recurrence and assists employees in returning to work quickly. All supported by a nationwide managed care network of physicians and hospitals.

This concern for both the financial success of your business, as well as the health and welfare of your employees, is just another example of what The Travelers ultimately offers in all our products and services. Your financial peace of mind.

The Travelers Insurance Company and its Affiliates, Hartford, Connecticut 06183

TheTravelers
You're better off under the Umbrella®

Benefit beat

Continued from page 6

managers said they believe managed care programs could save health care costs, while only 15% said managed care was ineffective. The remaining 7% were unsure.

Copies of the survey, which also includes information on what elements employers normally include in benefit plans, will be available in about two weeks through Confederation Life's group sales offices. For further information, call Trudy Brown at Confederation Life at 404-859-3264.

Baltimore study

The city of Baltimore is looking for ways to get more for its health care dollar.

The city, which spent about \$110 million last year on care for 27,000 employees and 10,500 retirees, believes its health plans could be more efficient, said William E. Brown, the city director of finance.

"There is a likelihood that we can provide the benefits that we provide now at a lesser cost," Mr. Brown said. Employee contribution increases have been in double digits for the past few years, he noted.

Benefit consulting firm A. Foster Higgins & Co. Inc. has been hired to determine whether the city could cut costs or improve services within its budget.

Active city workers and retirees

can now choose coverage from a self-insured indemnity plan administered by Blue Cross & Blue Shield of Maryland, a BC/BS preferred provider network, or one of six local and national health maintenance organizations.

The coverage available under the three plans varies:

- The indemnity plan pays 100% of costs above a \$150 individual deductible. There is a \$50 copayment per year. The deductible will be raised to \$200 effective Jan. 1.
- Under the PPO option, the city

pays 100% of costs above a \$50 copayment for hospitalization, up to an out-of-pocket maximum of \$1,500 per year, and 100% of costs for office visits within the network. The hospitalization copayment will be increased to \$100 in 1991. The city only pays 80% of fees for services obtained from non-network providers.

- The HMOs cover 100% of hospitalization and most medical costs, including office visits. One HMO requires a \$5 copayment per visit.

Mental health coverage is included in all three types of plans. Both the HMO and PPO plans include dental coverage. City employees also have access to vision care and prescription drug plans. The vision plan covers 100% of an exam and glasses or contact lenses every two years. The prescription drug plan pays 100% of costs above a copayment of \$2 per prescription, which will increase to \$3 in 1991.

Terms for retirees enrolled in any of the health care plans are the same as for active employees, until

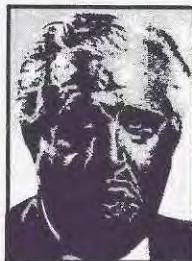
they reach Medicare eligibility. No long-term care coverage is offered.

Foster Higgins' one-year contract to review the health plan will cost the city \$230,000. The consultant's Washington, D.C., office will evaluate the benefit plan, review administration by providers, recommend changes and possibly assist the city with any future renegotiations, Mr. Brown said.

Expected savings could be used to expand some benefits, he said. Baltimore also may add a flexible benefits plan, he said. ■

At issue

How do you feel about the latest increase in PBGC premiums?



John K. McMahon
Director-Employee Benefits
TRW Inc.,
Cleveland

I've always been a strong advocate of risk-related premiums. If we've met our fiscal responsibility and our defined benefit plan is fully funded or close to it, I don't see why we should be penalized for other employers that haven't funded their pension plans properly.



Brad Doty
Director-Benefits Administration
Purulator
Products Co.,
Tulsa, Okla.

The escalation of PBGC premiums is one factor contributing to the complexity and costly compliance that employers face in administering defined benefit plans. Defined contribution pension plans offer companies a simpler, less-costly alternative. The latest hike in PBGC premiums will promote the propensity to abandon defined benefit retirement plans.



Joan F. Ingalls
Vp-Compensation & Benefits
Greyhound
Dial Corp.,
Phoenix

The impact on Greyhound Dial is substantial. We pay over \$700,000 a year in PBGC premiums and our plan is overfunded. It's unfortunate that everyone is painted with the same brush even though some plans are funded prudently. It would seem more appropriate if the PBGC's base premium rates were based on the funding of each employer's plan.



Terry R. Moulder
Pension & Risk
Manager
Teleflex Inc.,
Limerick, Pa.

All of these policies continue to drive employers away from defined benefit plans. It's the kind of measure that makes us think twice about expanding our defined benefit plan or putting a new one in place.

Compiled by Christine Woolsey

**GENERAL
REHABILITATION
SERVICES INC.**
THE FAST TRACK TO A COMEBACK

WIN-WIN RECOVERY MANAGEMENT

That's what we call our special brand of medical and vocational rehabilitation services. Because when injured workers recover fast and come back to work fast, everybody wins — employers, insurance companies, and claimants.



AIDS lawsuit

Continued from page 3

The insurer subsequently wrote to dental health plan members who were patients of Dr. Acer "suggesting they be tested (for AIDS) for their own peace of mind," she said. CIGNA paid for those patients to be tested by the Martin County Health Department. The spokeswoman did not know how many were tested.

Two more of Dr. Acer's patients did test positive for the virus that causes AIDS, but it is not certain whether they contracted it from Dr. Acer.

In the second suit, Ms. Bergalis' attorneys are taking the unusual step of indirectly suing Dr. Acer's medical malpractice insurer.

"CNA was given a demand to pay the (medical malpractice) policy limits by Nov. 1 and so far they've refused," Mr. Eaton said. He said the dentist's medical malpractice policy limit is \$1 million. CNA refused to confirm the policy limit.

Because CNA refused to settle, Mr. Eaton said he plans to sue the insurer to seek the \$1 million plus at least \$25 million in damages for bad faith. The insurer has 20 days to respond to the lawsuit after it is filed.

"We've received notice of the potential of a medical malpractice claim being filed three weeks ago," said a CNA spokesman. "We only learned an actual claim was made on Oct. 25."

"We are currently investigating the claim and preparing a response," he said.

Mr. Eaton said CIGNA and CNA

could be found liable based on a 1989 Florida Supreme Court decision that established "corporate negligence." In that decision, the court ruled that a hospital has an "absolute duty to screen and investigate the competency of its doctors," he said.

He also pointed out that in April 1989 a Missouri appeals court ruled that health maintenance organizations have a duty to make sure their physician members are competent.

This is the first documented case of a patient contracting AIDS from a physician or dentist, according to the Centers for Disease Control in Atlanta.

A CDC study found that Ms. Bergalis may have been infected with the virus during the procedure performed by Dr. Acer. The study could not establish another source for the infection based on behavioral or other risk factors. And the study pointed out that invasive dental procedures have been associated with the transmission to patients of hepatitis B virus, another bloodborne disease.

The strongest evidence for the link between Dr. Acer's and Ms. Bergalis' infection, according to the CDC, was the genetic similarity of the viruses.

In a statement, the American Dental Assn. claims the CDC report is "inconclusive." The ADA noted that since 1976 it has recommended dentists take precautions like using masks, gloves, eye coverings, sterilization of instruments and disinfecting office surfaces.

"More than 5,000 health care workers with AIDS, including 144 dentists, have performed hundreds of thousands of procedures on patients,

including invasive procedures. Yet there are no documented cases of (AIDS) transmission," the dental association claims.

An advisory opinion to the ADA's Code of Professional Conduct indicates that "a dentist who becomes ill from any disease or impaired in any way shall, with consultation and advice from a qualified physician or other authority, limit the activities of practice to those areas that do not endanger the patients or members of the dental staff," the group noted.

Some health law experts contend that Ms. Bergalis' suit could expose managed care organizations and some employers to greater liability.

Douglas Elden, a Chicago attorney specializing in managed care, said, "at this point, whether or not it is a credentialing issue, it's important for PPOs and IPA model HMOs to be aware that they stand to be held liable. The individual practitioner is no longer the only one liable for his actions."

"This is now a new cost of doing business for managed care networks and possibly malpractice insurers," he added.

Employers that are worried about managed care liability issues will have to wait to see how the issues are played out in the Bergalis case, said John F. Bunker, a health care consultant with The Wyatt Co. in Washington, D.C. "Employers could ask HMOs and PPOs what strategies they have in place to screen network physicians and dentists," but "in terms of negotiating with providers, it's an open book."

"The real exposure for employers

is in the litigation costs, which can be tremendous," noted George Lapiano, technical legal consultant with TPF&C, the benefit consulting arm of Towers, Perrin, Forster & Crosby Inc. in New York. "I'm advising clients to investigate managed care companies they are contracting with," he said.

"Don't rely on marketing materials," Mr. Lapiano warned. Instead, employers should require managed care companies to agree to a "comprehensive managed care contract" stipulating, among other things, what the managed care firm does to assure quality care, its credentialing process for physicians and any performance standards. He advised employers to make sure managed care companies require physicians to have malpractice insurance. The managed care company should have errors and omissions insurance for a second level of protection. And employers should request an "indemnification agreement" that would hold the employer harmless for the managed care company's "failure or negligence to provide what is stipulated in the contract," he said.

A managed care representative disagreed that this case could increase the liability of such organizations.

Jim Kent, chairman of the American Assn. of Preferred Provider Organizations in Chicago, said managed care organizations should not be responsible for medical malpractice or negligence claims filed against participating physicians. "Each provider is an independent contractor. The managed care company doesn't practice medicine," so holding it liable is not appropriate, he said.

Although what happened to Ms. Bergalis is tragic, her attorneys are merely "grasping at straws and looking for deep pockets," he said.

Meanwhile, plaintiff's attorney Mr. Eaton said Ms. Bergalis' lawsuits may open the door for wide-scale HIV testing of doctors and dentists. "If a provider has HIV, they have an absolute duty to tell their patients," Mr. Eaton said, adding that "insurance companies should test doctors for HIV before they provide them with" medical malpractice insurance.

But the AAPPO's Mr. Kent called testing doctors and dentists for AIDS "ridiculous." He pointed out that it can take up to seven years for the infection to show up, so testing would be ineffective.

Other experts say testing health care workers for AIDS would be impossible because of the tremendous cost and the frequency with which the tests would need to be given.

"You'd literally have to test every health care worker every week," said Wyatt's Mr. Bunker. "That rationale just doesn't make sense."

Health care workers with AIDS can now practice as long as they take the precautions necessary to prevent transmission.

Medical groups including the American Medical Assn. and the American Hospital Assn. have considered restrictions for health care workers infected with HIV. But the groups have concluded that the duties of infected health care workers should be determined on an individual basis after consultation with the worker's physician and employer. ■

Find out about win-win recovery management today.

Let me send you our information. Call, fax or write.

Telephone: 215-251-9510. Fax: 215-251-9518.

GENERAL REHABILITATION SERVICES INC.
1436 Lancaster Avenue ■ Berwyn, PA 19312

Malpractice study

Continued from page 3

state-run administrative claims resolution systems. The medical groups favor deciding the cases on the basis of fault and allowing appeals to state courts, she said.

Systems could be tested in one or several states, the groups say.

Removing malpractice suits from the tort system is one of several proposals in S.B. 2934, a bill introduced by Sen. Orrin Hatch, R-Utah, which would provide grants to states to experiment with tort reform programs. The bill was never passed by the Senate Labor and Human Resources Committee during the recent congressional

session.

Malpractice premiums for OB-GYNs remain high but have stabilized, according to the survey. Respondents paid an average of \$38,138 for professional liability coverage in 1989, up \$1,584—or 4.3%—from \$36,554 in 1988. The 1988 average, however, represented a \$461 decrease from the 1987 average premium of \$37,015.

However, insurance costs for OB-GYNs increased 248.4% from \$10,946 in 1982 to \$38,138 in 1989, the survey notes.

The survey found the highest average insurance costs in Florida and the district composed of New York and Bermuda, which reported average premiums of \$51,634 and

Average annual insurance costs for OB-GYNs rose 250% from 1982 to 1989, the study notes.

\$62,626, respectively. New York and Florida "tend to be more litigious" than many other states, Ms. Rutledge noted.

Overall, the survey found 96.9% of respondents were covered by professional liability insurance, though only 81.4% of the Florida respondents had coverage.

Ms. Rutledge attributes that figure to high insurance costs in Florida, adding that the survey reported only average premiums and that the costs can actually be much higher, depending on region, insurer and amount of coverage.

Surveyed doctors said they recently have cut down the number of high-risk procedures they perform in response to increased malpractice claims and higher insurance costs. That practice, however, has leveled off in the past few years, Ms. Rutledge observed.

Malpractice risks had forced some change in their obstetrical practice, said 39.4% of the respondents. Some 24.2% reduced the level of high-risk obstetrical care,

10.4% said they had cut down the number of deliveries, and 12.2% reported they no longer practice obstetrics. Those figures do not vary significantly from the 1987 figures, according to the college.

Some 9.8% of respondents said they changed their gynecological practice, while 8% reduced gynecological surgical procedures and 3.6% no longer perform major gynecological surgery. Again, the survey found no significant differences from 1987 results.

The survey also covered the method by which malpractice cases were closed in 1988 and 1989. Out of a total of 673 closed claims, 39.1% were dropped or settled without any payment by the OB-GYN. Out of 114 claims closed by arbitration or jury verdict, OB-GYNs won 68.6% of the cases.

Survey respondents reported on 314 cases that were settled or lost through arbitration or jury verdict. The average payment was \$211,320, while the district composed of New York and Bermuda had an average payment of \$744,236. The survey also found an average payment of \$311,378 for obstetrical claims, compared with \$92,478 for gynecological claims.

Of the doctors surveyed, 16.9% had been practicing for five years or less, 20.9% for six to 10 years, 32.6% for 11 to 20 years, 21.5% for 21 to 30 years and 7.8% for more than 30 years. The average number of years in practice was 15.7.

For a free copy of the survey, write Department of Professional Liability, The American College of Obstetricians and Gynecologists, Attention: Penny Rutledge, 409 12th St. S.W., Washington, D.C. 20024-2188.

Workers comp

Continued from page 3

the problems and formulate solutions so that the full rigor of this long-time successful system can be preserved and renewed," he said.

In an interview, Mr. Ellenberger of the AFL-CIO called such dialogue "long overdue." He added that he is "heartened" that sponsors plan to make the meeting an annual event and hopes that more businesses will participate in the future.

The "most encouraging" development is the willingness of a key employer and labor representative to jointly examine major issues, said Mr. Countryman, a leader in forming the group that has been discussing the issues (*BI*, Feb. 26). Mr. Countryman has relinquished the chairmanship of the group to Mr. Ellenberger and Alan Strohmaier, director of unemployment and workers compensation for General Motors Corp. in Detroit.

Insurance industry leaders hope frequent meetings with key constituency groups will produce a consensus on reforms that all can support before state legislatures.

"Those of us gathered here—labor representatives, employers, public policymakers and insurers—may have different points of view, but we do have a common interest: assuring fair and prompt benefits for injured workers at an affordable and stable price," said AIA President Robert E. Vagley in a statement.

Raising insurance rates is not the answer, he emphasized.

It is "imperative" that reforms benefit both employers and employees, Mr. Countryman said.

"Anemic" economic conditions lead to increased pressure to solve the systems' problems, Mr. Barth said.

"But the truth is I don't know where the process will lead or how productive it will be," Mr. Countryman pointed out.

"I am mindful of the delicate balance between business, labor and insurers," the NAM's Mr. Ja-

Continued on page 14



We can make you
the performer among performers.

Stepping into the entertainment insurance business can be a very rewarding experience. From amateur plays to TV productions, the opportunities are endless. The coverage also can be surprisingly easy to sell and service.

The CNA Insurance Companies and Aon Entertainment (formerly ANGA) have joined forces to take the fright out of insuring every stage, prop, performer, special event and venue under the stars. Now you can sell complete packages of production, property and casualty coverage tailored to a variety of entertainment businesses.

You'll be working with the best talent in the business: Aon Entertainment, expert underwriters in the entertain-

ment business since 1962; and CNA, known for A+* financial strength and a strong commitment to business.

If one of your insureds has a problem, you can count on us for fast, expert claims handling. We'll even help your customers control losses and reduce insurance costs by helping to create a safer workplace.

For an encore, we'll make sure you get quick and accurate quotes, competitive pricing, and even sales aids for a polished performance.

So, contact Aon Entertainment today about the opportunities in entertainment insurance. It could shed a whole new light on your business.

*Financial rating from A.M. Best Co.

Complete, customized entertainment insurance.

AON[®]

Aon Entertainment, Ltd. Insurance Services
Aon Entertainment, Ltd.

CNA

For All the Commitments You Make[®]

10 Universal City Plaza, Suite 2200 • Universal City, CA 91608-1002 • 818/506-1500 • (FAX) 818/509-7565 • (TELEX) 67-7088
711 Third Avenue, 18th Floor • New York, NY 10017 • 212/661-5700 • (FAX) 212/661-7262 • (TELEX) 75-00160

Coverage is underwritten by Continental Casualty Company and American Casualty Company of Reading, Pennsylvania, two of the CNA Insurance Companies/CNA Plaza/Chicago, IL 60685. This program is not available in all states.

In an industry that emphasizes statistics, it would be easy to lose sight of the importance of the human element. But at Intracorp, we believe the reason we're the leader in the healthcare cost control and disability management field is simply because of the caliber of our people. Dedicated and compassionate.

Tough and resourceful.

In truth, they

have to be. How

else could you in-

still confidence and

courage in a disabled

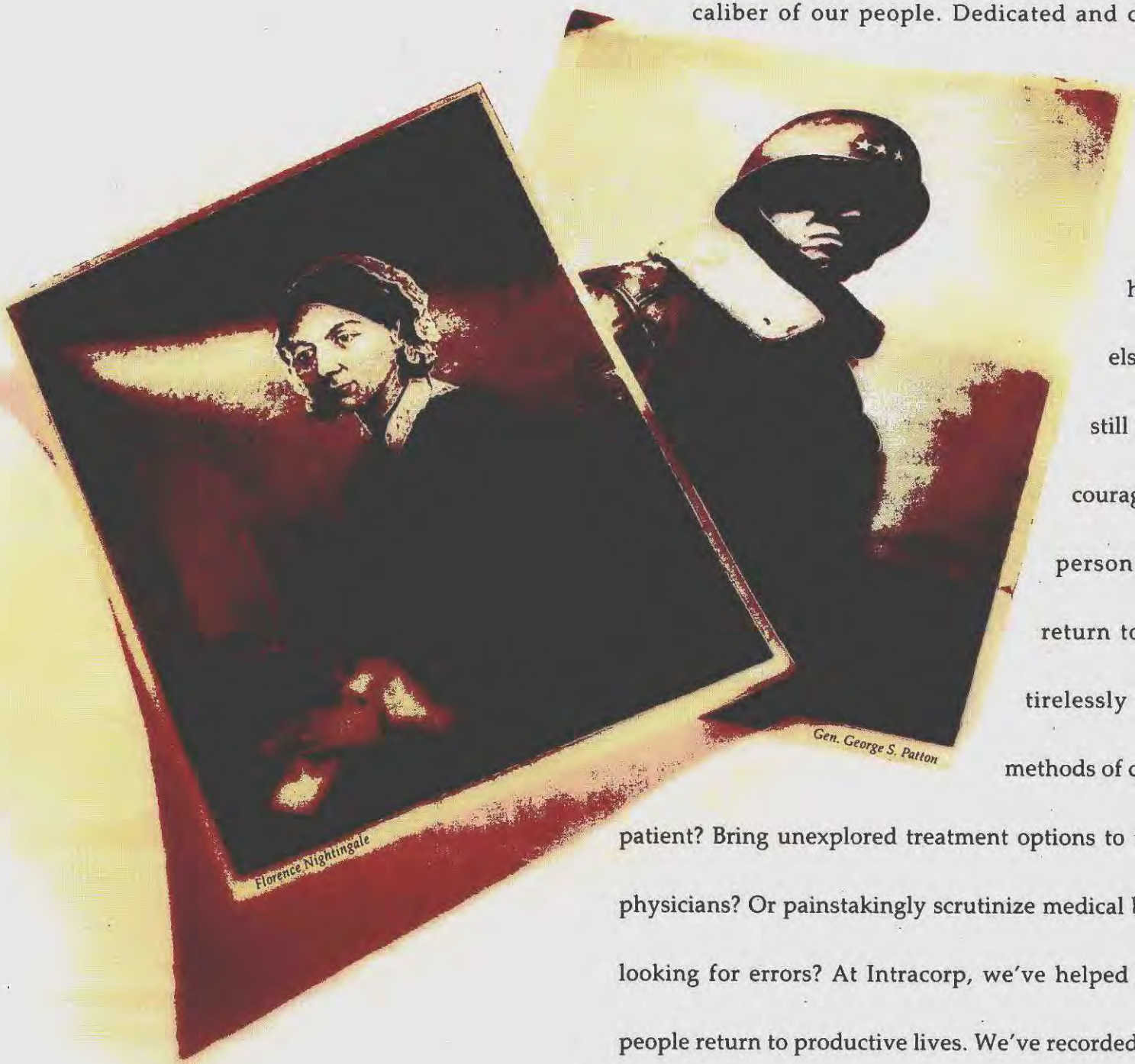
person attempting to

return to work? Search

tirelessly for alternative

methods of care for an AIDS

patient? Bring unexplored treatment options to the attention of physicians? Or painstakingly scrutinize medical bills line by line looking for errors? At Intracorp, we've helped nearly 500,000 people return to productive lives. We've recorded savings for our clients that total in the billions. We've pioneered new concepts in cost control. And who's responsible for these achievements? Just who you'd expect—the more than 4,000 healthcare professionals based in our nationwide office network. For more information, write Intracorp, Dept. I4, 1205 Westlakes Drive, Suite 300, Berwyn, PA 19312. After all, the logic is quite simple—the more we expect, the more you can expect.



**WE EXPECT OUR PEOPLE
TO BE A LITTLE OF BOTH.**



OSHA, insurers team up to improve safety

By MEG FLETCHER

PIKESVILLE, Md.—The federal Occupational Safety and Health Administration is making progress both in its own regulatory activities and in its new partnership with the insurance industry to improve workplace safety, the agency's chief says.

Representatives of OSHA and the insurance industry met formally this summer for the first time in 20 years (BI, Sept. 10). Since then, OSHA and insurers have begun to work toward common goals and to identify future areas for cooperation, said Gerard F. Scannell, assistant secretary of labor for occupational safety and health.

In fact, two joint OSHA-insurer task groups on small business and data retrieval are discussing ways to help improve safety at small businesses and to evaluate the feasibility of

data sharing, he said.

Mr. Scannell spoke at a workers compensation conference, "Continuing the Dialogue for the '90s," held Oct. 23-24 and co-sponsored by the National Assn. of Manufacturers, the Alliance of American Insurers and the American Insurance Assn.

Specifically, OSHA and the insurers hope that the small business task group will:

- Pinpoint types of safety and health information that small businesses need.
- Consider ways that organizations like trade associations can offer safety services for small businesses.
- Outline pilot projects to develop training materials, seminars and consultation services for small businesses.
- Discuss the feasibility of having insurers distribute existing safety and health literature to small busin-

esses.

"We are looking to these groups to provide creative, innovative approaches for our partnership," Mr. Scannell said.



Mr. Scannell

ton," he said.

OSHA officials want to speed up the issuance of workplace standards, Mr. Scannell noted. OSHA can do this by taking a "generic" approach, as it did with its hazard communication standard that applies to many

types of hazards, or by regulating groups of chemicals at one time, like it did with air contaminants, he said.

OSHA also hopes to increasingly use "mediated rulemaking," in which different groups are brought together to hammer out differences under the guidance of an administrative law judge from the Labor Department. "This process can shorten rulemaking and forestall legal challenges to standards," he said.

In the past 18 months, OSHA has issued final regulations concerning electrical hazards and excavation work. In addition, new rules for lift-slab construction should prevent a reoccurrence of the L'Ambiance Plaza tragedy in Bridgeport, Conn., where 28 workers died in a 1987 apartment project collapse (BI, May 4, 1987).

And, new "lockout/tagout" procedures to take effect in January should

prevent maintenance people from being injured by the unexpected startup of equipment, Mr. Scannell said. However, he noted that the NAM is suing OSHA over a "minor," mostly procedural part of the lockout rule.

Other rulemakings in progress aim to reduce motor vehicle accidents by requiring employees to wear seat belts and attend periodic safety discussions.

In addition, rules have been proposed to protect workers from hazards posed by chemicals like 1,3-butadiene and cadmium; asbestos; confined spaces; and falls.

And, OSHA is now analyzing comments about ways to improve material safety data sheets and labels required by its hazard communication standard. Most of the health and safety professionals responding to a Bureau of Labor Statistics survey said the data sheets—which provide information to workers using hazardous materials—are too complicated, he said.

Mr. Scannell also reported on two industries—the petrochemical industry and the construction industry—that his agency is targeting for enhanced workplace safety.

Last fall's explosion at the Phillips Petroleum Co. petrochemical plant in Pasadena, Texas, prompted OSHA to levy \$6.4 million in fines against Phillips and its service contractor (BI, April 23; Oct. 30, 1989).

OSHA also has launched several related activities to improve safety in the petrochemical industry. For example, the agency proposed a new standard on process safety management of highly hazardous chemicals; announced plans for special inspections of the largest U.S. petrochemical installations; and began a national study about the use of contract work in the petrochemical industry.

In addition, OSHA wants to improve safety in the construction industry by establishing a new administrative unit to oversee hazards as well as opening a new training unit in Des Plaines, Ill. OSHA also plans to publish final rules for protecting workers from the hazards posed by stairways, ladders and scaffolds.

Other areas that concern OSHA, according to Mr. Scannell, include:

- Ergonomics.

"During the 1990s, everyone involved in occupational safety and health—in both the private and government sectors—can expect to spend more time and effort coping with ergonomic hazards," he said.

OSHA has found that ergonomic-related injuries and illnesses, like cumulative trauma disorders carpal tunnel syndrome and tendinitis, are found across a wide spectrum of industries and types of workplaces.

"Almost one-half of the occupational illnesses in 1988 reported to the Bureau of Labor Statistics were cases of repeated trauma disorders. These disorders accounted for four-fifths of the total increase in occupational illnesses reported to BLS," Mr. Scannell said.

OSHA launched its first national special emphasis program on reducing ergonomic hazards by issuing voluntary guidelines that meatpacking employers can use to reduce those hazards (BI, Sept. 10).

In addition, OSHA intends to begin a rulemaking process that could lead to an ergonomics standard for all industries by asking the public for information, probably starting in December, Mr. Scannell said. He predicted that such a standard eventually would be developed, but it may take three to five years.

OSHA also has expanded its ergonomics training for its compliance officers and for the private sector. Beginning early next year, employers and employees who want to arrange for ergonomics training will be able to find local resources with the help of a new OSHA data base listing uni-

Continued on next page

GET WELL SOONER!



THE WHOLE IDEA BEHIND METLIFE'S LTD.

MetLife, one of the largest group Long Term Disability carriers in the industry, is also the one with the best idea about LTD.

Our good idea is a comprehensive rehabilitation program. One that gets people back to work sooner, back to normal and feeling better about themselves.

And, of course, when a worker is back on the job, employers benefit too. So our good idea helps both ways.

We also help get Social Security claims

through the system faster, and we service claims promptly and expertly.

MetLife's got the people: over 400 salespeople in fifty offices across the country. We've got the expertise: over two million individuals insured. And we've got the technology to make any LTD plan work the way you want it to.

Well worth looking into. For more information, contact Metropolitan Life Insurance Co., Group Insurance Marketing, Area 24-VW, One Madison Avenue, New York, N.Y. 10010.

GET MET. IT PAYS.
MetLife

Continued from previous page
 versity programs in ergonomics.

• Smoking.

OSHA is working with the federal Environmental Protection Agency to deal with the problems caused by smoking in the workplace, Mr. Scannell said.

He said he was surprised by two EPA draft reports that found that environmental tobacco smoke, which non-smokers involuntarily breathe, can cause non-smokers to develop cancer. The EPA estimates that passive smoking causes 3,800 additional lung cancer deaths annually in the United States, including the deaths of 2,250 adults who never smoked and 1,250 former smokers.

The EPA's findings will be reviewed by its Science Advisory Board before they are finalized and presented to OSHA for its evaluation. If OSHA finds there is sufficient evidence of risk, the agency probably will take steps toward issuing a rule on smoking in the workplace, beginning with a request for information, he said.

"I believe that if we take care of the smoking issue, a lot of complaints we receive now about workplace indoor air quality will disappear," he said, adding that he thinks many remaining complaints probably could be answered through mechanical means such as better ventilation.

However, Mr. Scannell anticipates that the tobacco industry probably would want to present its own studies and other data to downplay the hazards of tobacco smoke in the air.

• Drug abuse.

OSHA also is concerned about fighting drug abuse in the workplace, especially since "70% of all adult illegal drug users are employed," Mr. Scannell said.

OSHA is planning outreach programs to encourage employers to establish drug-free workplace policies. It already has conducted programs to gather information about successful drug prevention methods and strategies for combating workplace substance abuse and to assist employer and employee representatives in expanding or establishing anti-substance abuse programs.

• AIDS and hepatitis B.

OSHA expects to issue a final standard next spring outlining ways to protect workers from the hazards of acquired immune deficiency syndrome, hepatitis B viruses and airborne diseases. It issued a proposed standard in May of last year.

The proposed standard affects more than 5 million workers, including 4.7 million in the health care field as well as 600,000 in law enforcement, fire rescue and correctional facilities, research labs, blood banks and the funeral industry.

Overall, once any OSHA standard is established, OSHA will continue its policy of "strict, consistent and fair enforcement," Mr. Scannell said. That will include large dollar penalties against those employers that flagrantly abuse workplace safety rules. OSHA also will continue seeking corporatewide hazard abatement programs when such cases are settled.

OSHA will continue its emphasis on requiring employers to keep accurate records of occupational injuries and illnesses, he said. Accurate data is essential for pinpointing workplace hazards or weaknesses in safety programs.

OSHA will be working with the Bureau of Labor Statistics to improve its record-keeping analysis so OSHA can better target its resource to high-hazard areas, he said. However, those high-hazard industries are only fourth in OSHA's list of inspection priorities. Imminent danger situations are the agency's top priority, followed by catastrophes and em-

ployee complaints.

"We take formal complaints signed by employees very seriously," Mr. Scannell said. During fiscal 1990, about 10,800 inspections—or one-fourth of OSHA's 45,000 inspections—resulted from complaints, according to preliminary data. In investigating them, OSHA found 54,500 violations at 80% of the worksites that were the subject of complaints that were not in compliance with OSHA standards. More than 60% of those violations were serious, willful, a repeat incident or caused by a failure to abate previous safety violations, he said.

"When a complaint involves an establishment in a high-hazard industry, we usually conduct a wall-to-wall inspection," he said. "In other cases, our inspections are limited to the complaint items. However, on every inspection our compliance officers take at least a brief walk around the entire site. If we note additional problems, the inspection can be expanded," he said.

Brownyard is poised for the 90's:

Secure Markets for the Security Guard Industry



Strong Markets for Private Country Clubs



Stable Markets for the Pest Control Industry



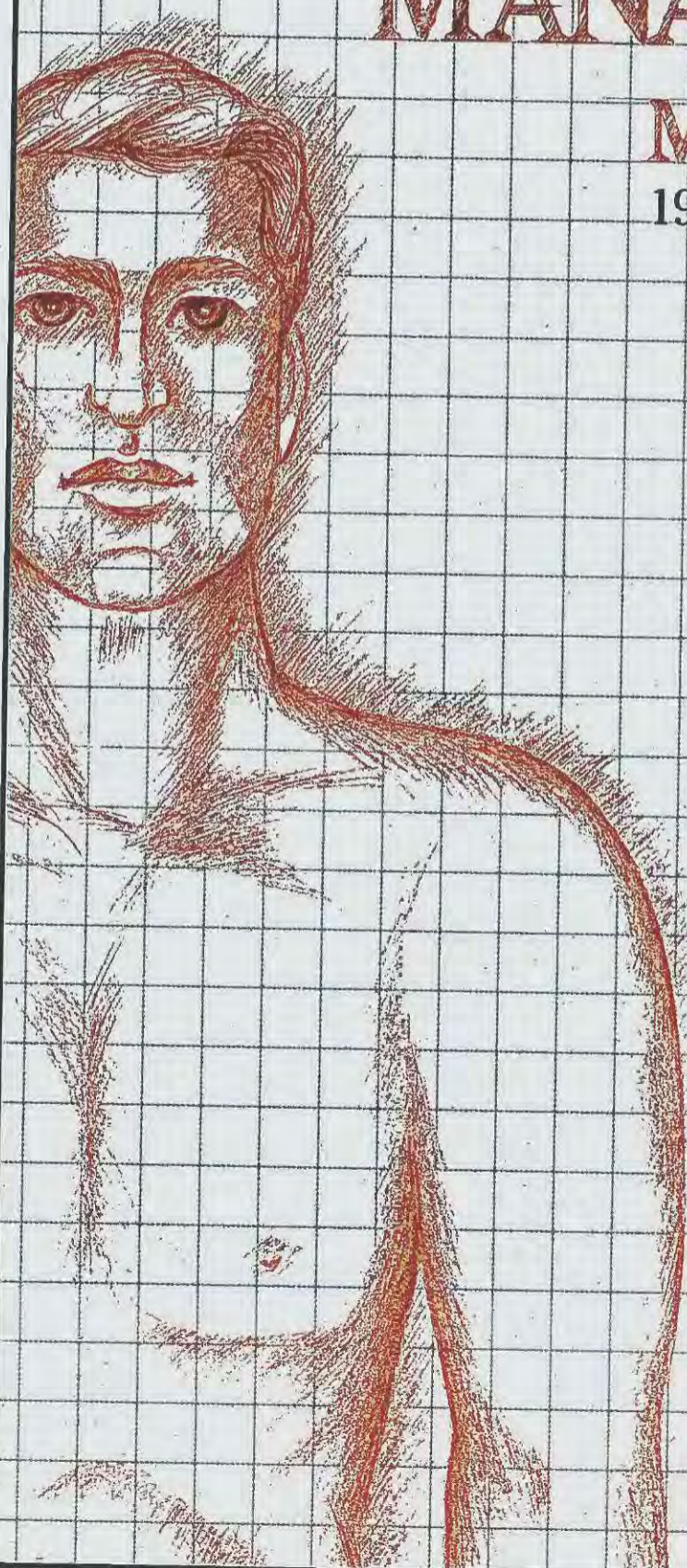
Another hard market? Renewal problems? No new submissions? That's what experts see on the horizon. However, for three decades, in soft and hard cycles, Brownyard has offered stability. And we are poised to continue in the 90's. Check us out on three of the toughest risks you'll be asked to cover. We'll respond with quotes from A+ (Class XV) companies.

THE BROWNYARD GROUP

21 Maple Ave., CN9175
 Bay Shore, New York 11706-9175
 In NY: (516) 666-5050, Outside: (800) 645-5820
 FAX: (516) 666-5723

MANAGED CARE MARKET REPORT

1991 Directory of HMOs & PPOs



Business Insurance newsmagazine will publish its Managed Care Market Report feature — including the 4th-annual Directory of HMOs and PPOs — as an extra issue this December.

This special issue will provide articles assessing the managed care market — including HMOs and PPOs. In addition, editors will track trends and opinions from benefit managers on these alternative systems and will rank the 10 largest general-service HMOs and PPOs.

BI's Directory of HMOs and PPOs will provide readers with a ready reference to over 1,000 HMOs and PPOs across the country.

Directory listings are geographically arranged and alphabetically indexed and include:

provider name, address, and telephone; date operational; profit/non-profit status; ownership/sponsorship; regions served; users; enrollment figures; listings of staff, officers and facilities; revenues; plus, specialized information.

Only Business Insurance provides more than 155,000* readers with a unique editorial mix of news, market conditions and directory resources. Advertisers will benefit greatly from this all-encompassing editorial menu.

Reserve space today in this extra 1990 issue and special directory — a unique and cost effective advertising vehicle that will be used throughout 1991.

*includes pass-along

Publishing: December 1990
Ad Closing: November 12

New York: 220 East 42nd St., NY 10017 • 212-210-0228
 Chicago: 740 Rush Street, IL • 312-649-5276
 Los Angeles: 6404 Wilshire Blvd., CA 90048 • 213-651-3710

Business Insurance
 a publication of Crain Communications Inc

Improving communication skills

Expert gives risk managers tips

By MICHAEL BRADFORD

DALLAS—Risk managers and other professionals can become more effective by developing top-notch communication skills and a positive self-image, says a communications expert.

In the corporate setting, professionals spend about 70% of each workday communicating over the telephone, in face-to-face conversations or through speeches, memos and reports, according to Susan Rocque, director of education at CPC Alhambra Hospital in Rosemead, Calif.

"It makes sense to refine your speaking, listening and writing skills," Ms. Rocque said at the American Society for Healthcare Risk Management's 12th Annual

Meeting and Educational Conference, held Oct. 17-20 in Dallas. ASHRM is an affiliate of the Chicago-based American Hospital Assn.

The first step toward becoming an effective communicator involves engaging in a "positive self-dialogue," according to Ms. Rocque.

"Communication begins within ourselves," she said.

Ancient Greek philosophers advised their audiences to "know thyself," said Ms. Rocque. "And the advice is just as timely today as it was (in ancient Athens). Each of us is special, with a unique combination of ideas and talents."

Despite this, "many of us allow ourselves to be programmed by the negative messages we receive from others," Ms. Rocque remarked. "After a while, if we don't replace the negative messages with positive messages, we begin to turn them into self-fulfilling prophecies."

Some people have been programmed since childhood with negative messages like: "You have no common sense" or "You're so lazy, you'll never amount to anything," she said.

Ms. Rocque advised her listeners to "push the stop button on your internal tape player" when recalling such negative messages.

She advised those who need a boost in self-image to give themselves positive messages like: "Every day, in every way, I'm getting better and better." Repeating this positive reinforcement several times a day will have an effect, Ms. Rocque says.

Self-image also plays a part in the proper delivery of a message, she said.

For example, when giving a speech, Ms. Rocque urged dressing "like a professional. But don't let your dress detract from your message."

She pointed out that speech-makers have to be aware that appropriate dress means different styles in different parts of the country.

In New York, for example, business attire is more formal than in southern California, Ms. Rocque said.

When preparing to speak before a group, Ms. Rocque said, speakers should remember that "other people do not hear you the way you hear yourself."

Taping is a good way for a speaker to identify vocal problems before going to the podium, she suggested.

"If you're going to tape your voice, don't stage it," she advised.

"I suggest that you keep the tape recorder close to the telephone. When you answer the phone, push the record button. This is a more natural conversation and you can pick up some of your verbal pitfalls."

Ms. Rocque suggested techniques to help speakers prepare their presentations:

- Do your homework.
- "You cannot explain to somebody an idea that you do not understand yourself. You may know the information in a general way, but you need to go back and verify facts and figures," she said.
- Write a script.

Some speakers like to prepare and read a text, while others prefer

speaking from extensive notes, said Ms. Rocque.

- Practice several times before delivering the speech.

Practicing before a mirror allows "you to see yourself as others see you," and gives the speaker the opportunity to modify any unattractive behavior, she said. This also gives the speaker an idea of the length of the presentation, she added.

Body language makes an impression on an audience, Ms. Rocque noted. "Remember when your mother told you to stand up straight? She was right."

By standing erect, a speaker shows confidence, she said.

It's important to maintain eye contact, Ms. Rocque added, because an audience that doesn't receive that contact tends to feel the

speaker is lying or avoiding something.

There are also some guidelines for communicating in the corporate setting, according to Ms. Rocque.

For example, timing is a crucial element in how a message is received, she remarked.

"The important thing is to deliver your message to the right person at the most opportune time," she said.

"You may have the most wonderful idea in the world" but it could fall on deaf or unsympathetic ears if it is delivered at the wrong time, Ms. Rocque warned.

To illustrate, she said it's a good practice to check with the boss' secretary before coming on strong with a new idea.

The boss who has just arrived

after an all-night flight is usually not a good candidate to hear enthusiastic presentations, Ms. Rocque pointed out.

When preparing a memo or report, writing should be clear, concise and correct, she said.

"Say what you mean and avoid the temptation to use jargon that nobody else will understand," said Ms. Rocque. "Use simple language that the layman will understand."

Because readers will be busy with other duties, "don't take longer than you need to make your point," she said. "Keep your remarks concise." She also recommended using reference books or computer programs to make sure sentence structure and grammar are correct. Spell checking features on a computer program are especially helpful, she said. ■



Meeting and Educational Conference, held Oct. 17-20 in Dallas. ASHRM is an affiliate of the Chicago-based American Hospital Assn.

The first step

toward becoming an effective communicator involves engaging in a "positive self-dialogue," according to Ms. Rocque.

"Communication begins within ourselves," she said.

Ancient Greek philosophers advised their audiences to "know thyself," said Ms. Rocque. "And the advice is just as timely today as it was (in ancient Athens). Each of us is special, with a unique combination of ideas and talents."

Despite this, "many of us allow ourselves to be programmed by the negative messages we receive from others," Ms. Rocque remarked. "After a while, if we don't replace the negative messages with positive messages, we begin to turn them into self-fulfilling prophecies."

Some people have been programmed since childhood with negative messages like: "You have no common sense" or "You're so lazy, you'll never amount to anything," she said.

Ms. Rocque advised her listeners to "push the stop button on your internal tape player" when recalling such negative messages.

She advised those who need a boost in self-image to give themselves positive messages like: "Every day, in every way, I'm getting better and better." Repeating this positive reinforcement several times a day will have an effect, Ms. Rocque says.

Self-image also plays a part in the proper delivery of a message, she said.

For example, when giving a speech, Ms. Rocque urged dressing "like a professional. But don't let your dress detract from your message."

She pointed out that speech-makers have to be aware that appropriate dress means different styles in different parts of the country.

In New York, for example, business attire is more formal than in southern California, Ms. Rocque said.

When preparing to speak before a group, Ms. Rocque said, speakers should remember that "other people do not hear you the way you hear yourself."

Taping is a good way for a speaker to identify vocal problems before going to the podium, she suggested.

"If you're going to tape your voice, don't stage it," she advised.

Half of our treat
been with us for m
more
a lifetime for m

If you survived the last hard market, you know that long term commitment means even more today than it did 20 years ago. Growing insolvencies, the accelerated cost of liability, and increased regulatory intervention have shaken the foundation of our business.

Since 1917, American Re has provided a stable and consistent market for reinsurance products and services.

And now, we have developed a flexible new system that gives all of our clients access to all of our services. The Whole Account Concept.

It begins with a Needs Analysis, in which your business is evaluated from the inside out to identify problems and opportunities. Next a Multidisciplinary Team is formed using specialists from across divisional lines: Facultative,

Humor lightens the load for risk managers

By MICHAEL BRADFORD

DALLAS—Risk managers need to lighten up and bring a little humor into the workplace to relieve the stress of all those heavy corporate decisions, says a hospital professional who practices what she preaches.

And the first way to begin reducing stress is for risk managers to stop taking themselves so seriously, advises Rebecca J. Fronczek, assistant administrator at York Hospital in York, Pa.

Ms. Fronczek addressed the subject of humor and risk management at the 12th Annual Meeting and Educational Conference sponsored last month in Dallas by the American Society for Healthcare Risk Management, an affiliate of the American Hospital Assn.

She noted that risk managers' jobs involve preventing people from mak-

ing mistakes. But despite that, making mistakes in the workplace is part of human nature, she said.

If risk managers feel personally responsible for every mistake that's made within their programs, she said, and "if we think we're in the center of the universe and it's our fault, we are really stressing ourselves out" unnecessarily.

Instead, risk managers should relax, look at themselves as a little less omnipotent and bring some laughter into the workaday world, Ms. Fronczek suggested.

While humor includes laughter and jokes, Ms. Fronczek noted that "more

importantly, humor includes a general sense of well-being. The idea here is to take yourself lightly and your job seriously."

Humor can be used by risk managers to achieve a number of goals, Ms. Fronczek said.

On the physical side, studies have shown that a good belly laugh actually reduces blood pressure, she said. "And that lasts for 45 minutes."

Mental benefits from the use of humor include greater retention of information, according to Ms. Fronczek. "Study after study has proven this," she said, explaining that if risk managers need to relay a concept or lesson to members of their department, doing it in a humorous fashion will help the message stick.

Ms. Fronczek also suggested risk managers use a lighter touch when compiling their training and education programs.

To demonstrate the power of humor and retention of information, Ms. Fronczek repeated a story that a keynote speaker at last year's ASHRM conference had used to make a point. Several members of Ms. Fronczek's audience remembered the humorous tale and the message it was intended to deliver.

Cartoons can help to get messages across and let people know the risk manager sees the lighter side of life, she explained.

Committees and boards that discourage any frivolity generally are less productive than those where there is some lightheartedness, she remarked. "Those people will click better, have better ideas," she said of the groups that use some humor.

Ms. Fronczek said humor can also be an effective tool in hospital professionals' discussions with patients and families, but she urged "a lot of

caution" in using such a tactic.

Light humor in discussions with a patient and family who have a complaint with a hospital can allow the health care professional to show a "human side," instead of being viewed as a bureaucrat eager to settle a gripe, Ms. Fronczek said.

"Of course, they don't think a whole lot of us by the time they get to us," she said, explaining that most complaints directed at a risk manager stem from unsatisfactory dealings with doctors and nurses.

As an example of how to use a light touch in dealing with patient-related complaints, she recalled an incident during which the conversation turned to family pets. After swapping a few pet stories, the family was in a much more agreeable mood and a complaint was settled satisfactorily for both sides.

A humorous touch can also be used to lighten the stress related to legal wranglings like deposition-taking, Ms. Fronczek remarked.

"You want people in depositions to be relaxed. You want them to be prepared," she said, and "deposition preparation takes a lot of time."

Ms. Fronczek suggested risk managers do as she does when readying staffers for a session with attorneys. "What we do is get them in a group, then we have them go through the exercise of writing down the positives of being deposed." This is done to relax the employees preparing for the deposition so they aren't tense and nervous while being deposed, Ms. Fronczek explained. "Getting out of work" is an often-mentioned benefit of being deposed, she said, as is "wearing nice clothes."

With one nurse who was particularly nervous about a deposition, Ms. Fronczek used some role-playing to ease the anxiety.

Ms. Fronczek said she jokingly told the nurse about the different types of plaintiffs attorneys—the seemingly nice ones who "zap you with the questions," attorneys who try to intimidate and others. "The game was that she was going to try and figure out what type she had by the middle of the deposition," Ms. Fronczek explained. "We had a code for this" so the nurse's answer could be signaled surreptitiously, she said.

During the deposition, the nurse tagged her inquisitor as "an intimidator," Ms. Fronczek said. "She did very well in the deposition," Ms. Fronczek said, pointing out the laughter in preparing for the session with the attorney was instrumental in helping the nurse overcome her fear. ■

ty clients have
ore than 20 years;
than
ost reinsurers.

ASHRM conference

DALLAS—The American Society for Healthcare Risk Management's 12th Annual Meeting and Educational Conference attracted about 1,000 attendees to downtown Dallas.

ASHRM, which is an affiliate of the American Hospital Assn., offered four days of seminars Oct. 17-20 that included special interest sessions focusing on specific health care facilities, like pediatric units and rural hospitals, and workshops on topics like "The Value of Humor in Risk Management" and "Winning through the Art of Communication."

The 1991 ASHRM annual meeting will be held Oct. 9-12 in Nashville, Tenn.

More information is available on the society and its next annual meeting from the American Society for Healthcare Risk Management, American Hospital Assn., 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6430.

Treaty, Claims, Underwriting, Actuarial, Financial and Data Processing. The result: a Customized Solution designed to meet your unique needs.

The Whole Account Concept from American Re. Because we believe that tradition and innovation go hand in hand.



**AMERICAN
RE-INSURANCE COMPANY**

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241, (609) 243-4200

Atlanta, Bermuda, Bogota, Boston, Brussels, Cairo, Chicago, Columbus, Dallas, Hartford, Kansas City, London, Los Angeles, Melbourne, Mexico City, Minneapolis, Montreal, New York, Philadelphia, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto

S E T Y O U R D A T E S

issue: November 19
 closing: November 6
 editorial feature: Benefits: Defined Contribution Plans — Directory: 401(k) Plan Administrators
 demographic section: Insurer Topics: Reinsurance Issues & Relations with Intermediaries

issue: November 26
 closing: November 14
 conference report: NAII

issue: December 3 Bonus Distribution: NAIC
 closing: November 19
 editorial feature: Insurance Regulation & Trends
 demographic section: Agent/Broker Topics: PIA Conference Report

issue: December 10
 closing: November 28

New York: 212-210-0228 Chicago: 312-649-5276 Los Angeles: 213-651-3710
 Fax: 212-210-0704 Fax: 312-283-3189 Fax: 213-655-8157 a publication of Crain Communications Inc

**Business
 Insurance**

Risk managers have role in hospital acquisitions

By MICHAEL BRADFORD

DALLAS—Risk managers play a significant role in hospital mergers and acquisitions, several experts say.

"The risk manager who does his or her job can be a hero for a variety of reasons," said Michael W. Peregrine, an attorney with the Chicago firm Gardner, Carton & Douglas.

Due diligence should be a particular concern for hospital risk managers, said Mr. Peregrine during a panel discussion at a meeting of the American Society for Healthcare Risk Management, an affiliate of the American Hospital Assn. The conference was held Oct. 17-20 in Dallas.

"Obviously, due diligence is a critical part of any type of transaction," he said. "You could have liability

when you least expect it."

Mergers and acquisitions are "often highly emotional, highly visible and fraught with risks," said Nancy J. Aque, managing director at Marsh & McLennan Cos. Inc. in Chicago.

Due diligence should focus on environmental risks, physical and catastrophic exposures, contractual liabilities and employee benefit obligations, said Ms. Aque.

Acquiring hospitals, she said, must decide whether they want to assume past liabilities and determine the potential for future ones.

Environmental liabilities, particularly risks involving hazardous wastes, are increasingly important for hospitals, Ms. Aque said. Risk managers should also study asbestos risks, she added.

Exposures to natural catastrophes like earthquakes and floods should be evaluated before completing a transaction, she said.

A hospital's contracts, including leases, should be evaluated in a merger or acquisition, she said. Risk managers should also examine employee benefit funding, she added.

Ms. Aque pointed out that employers often offer a range of benefits to attract experienced employees. "Obviously, the funding of these benefits is a major expense," she noted.

Only the well-qualified should carry out due diligence, Mr. Peregrine emphasized. He warned: "Don't let idiots do your due diligence. . . If you send somebody who doesn't know what he is doing. . . you get what you pay for."

Due diligence, he stressed, often will reveal liabilities that will kill a deal or significantly alter its terms.

"Due diligence is something you don't cheap out on," he advised. "You don't send in the second team. Too much is at stake."

Mr. Peregrine told hospital risk managers that they cannot rely on "the strict legal structure of a transaction to insulate you from liability. . . There will always be people who will try to pierce the veil, to sue everyone and attach liability to the deep pocket."

He urged risk managers to demand information on the types of liability the company and the risk manager could be exposed to during or after a transaction.

Ms. Aque explained that "a systematic approach is necessary to determine all potential liabilities."

Due diligence should be conducted by a team made up of loss prevention engineers, an insurance broker, a consultant, environmental consultants, a special liability analyst, benefit consultants, actuaries and claims specialists, Ms. Aque advised.

She recommended completing this discovery phase as early as possible. "Only then will there be time to design the necessary solutions."

The team must assess the adequacy of coverages and the funding of self-insurance, among other things, Ms. Aque said.

She advised that claims-made policies deserve a special look. The consistency of retroactive dates and policy conditions are important in such coverages, she said.

The financial security of a target company's insurers must also be considered, particularly in the wake of the failure of H.S. Weavers (Underwriting) Agencies Ltd., which was a major market for hospital professional liability insurance, she said.

Leslie A. Matuja, another lawyer with Gardner, Carton & Douglas, also participated in the discussion. ■



D&O PROTECTION for Non-Profit Community Association Boards

We are specialists in directors and officers liability insurance for community associations, condominiums, co-ops, homeowners' associations, etc.

Today we're a leader in placing this type of insurance, and with good reason: we offer professional service and fast turn-around on quotes and policies.

Because the program is underwritten by members of Chubb Group of Insurance Companies, our clients receive broad coverage and competitive premiums, as well as the prompt, fair and equitable claim service that Chubb is famous for.

Call IHG today for more information.



Ian H. Graham, Inc.
 INSURANCE
 ADMINISTRATOR

Offering

**DIRECTORS AND OFFICERS LIABILITY INSURANCE AND
 FIDELITY BOND COVERAGE FOR NON-PROFIT COMMUNITY ASSOCIATIONS.**

13245 RIVERSIDE DRIVE, SUITE 310, P.O. BOX 6058, SHERMAN OAKS, CA 91413
 818-985-2324 • 1-800-621-2324

HOW DOES A BUDDING BUSINESS BLOSSOM?

The beauty of growing a business.

All it takes is long hours, nurturing, and a firm financial foundation. If you've got the touch, Xerox Financial Services can help your business blossom.

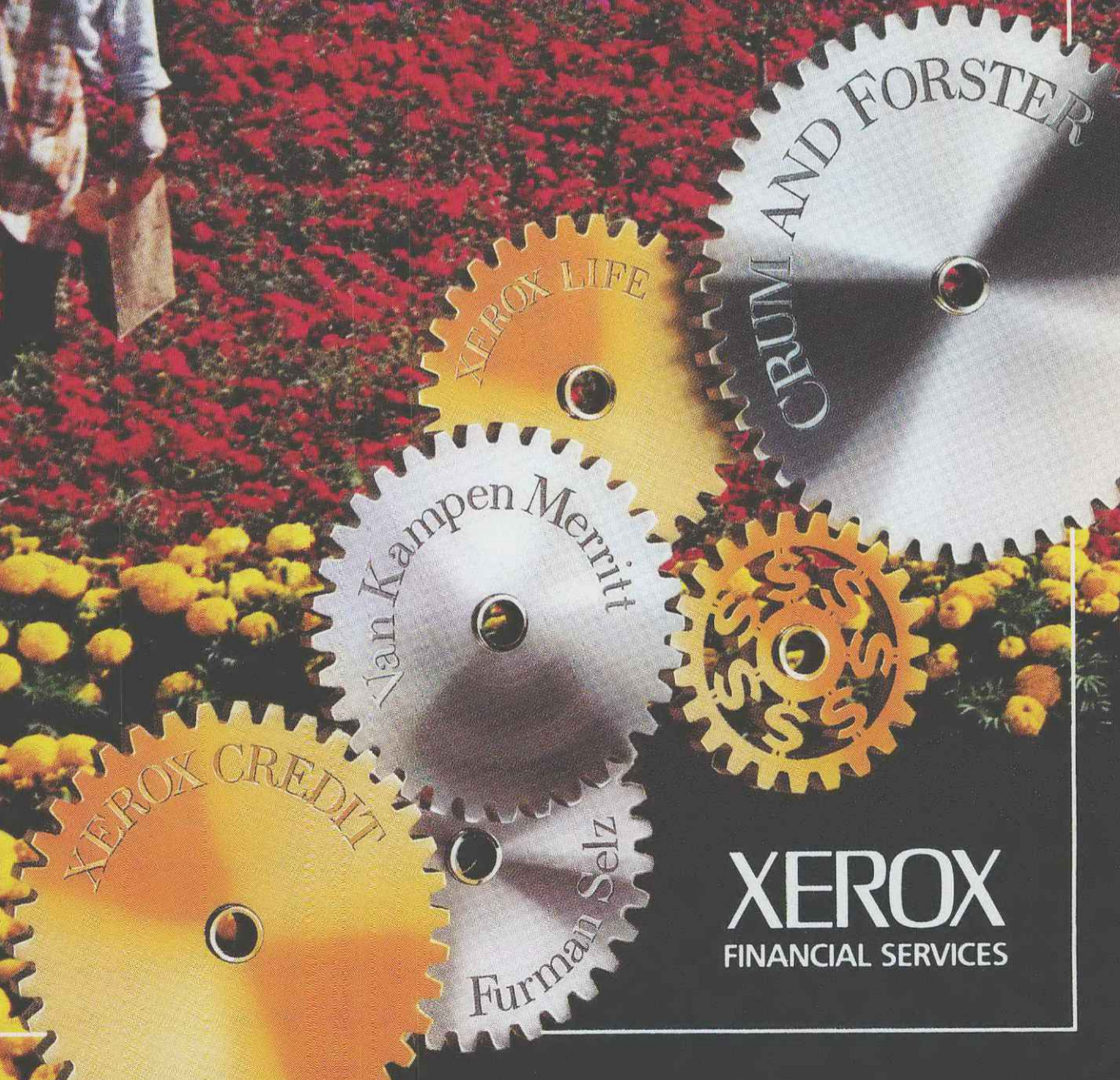
You can lease or finance a broad range of equipment from Xerox Credit. From enough equipment to run a nursery to a single Xerox copier. You can grow with investment banking and institutional brokerage from Furman Selz. Van Kampen Merritt offers prudent fixed income asset management capabilities to meet your long term goals. The annuities and life insurance of Xerox Life are geared to

help you harvest a healthy retirement. And for the kind of business insurance you can count on, you want insurance from Crum and Forster.

It's all part of Xerox Financial Services; a diversified group of financial companies with over \$19 billion in assets. So you can handle many financial needs with a singular standard of excellence.

No matter what field you're in.

To find out more about how we can help your business flourish, write Xerox Financial Services, P.O. Box 5000, Norwalk, CT 06856.



XEROX
FINANCIAL SERVICES



OUR
QUOTATION
POLICY

Of course we'll give
you a fast quote.
But we'll still take
the time to give you
an alternate approach
when necessary.



National Re
Our Policy Is Service.

National Reinsurance Corporation provides quality facultative and treaty reinsurance for property and casualty.
Rated "A" by A.M. BEST Company

Headquarters

777 Long Ridge Road, P.O. Box 10167
Stamford CT 06904-2167
Tel. 203-329-7700, Fax 203-329-9027

Facultative Branches

Atlanta: Tel. 404-399-7800, Fax 404-399-0899
Chicago: Tel. 312-372-3040, Fax 312-372-3234
Dallas: Tel. 214-231-9771, 800-345-7935
Fax 214-231-5449

Hartford: Tel. 203-724-1640, Fax 203-560-1814
Los Angeles: Tel. 213-385-0466, 800-447-4453
Fax 213-385-0711
New York: Tel. 212-385-9230, Fax 212-385-9239

Mexico enters global arena

Improved trade relations benefit insurance buyers

By Douglas N. Smith

AFTER YEARS OF economic and political isolation, Mexico is gearing up to position itself as a major player in the global economy.

With one of the world's largest oil reserves, Mexico in the past decade has become an increasingly important source of energy for North America. Now that the supply of Middle Eastern oil is once again being interrupted, Mexico is in an unusually good position to take advantage of the United States' desire to obtain more of its oil from non-Middle Eastern sources.

Mexico has come a long way from the anti-foreign business policies that dominated the political landscape under President Jose Lopez Portillo in the late 1970s and early 1980s.

The Mexican economy suffered a great deal as a result of the nationalization of its banks, its heavily regulated state sector and its massive foreign debt.

Fortunately, former President Miguel de la Madrid subsequently started a reformation process that began to turn the situation around, providing new direction for the Mexican economy and, ultimately, for the businesses that operate in Mexico.

Now that the economy is being re-privatized, deregulation is proceeding full force and Mexico has become a model for foreign debt renegotiation and reduction.

Current President Carlos Salinas has built on the changes resulting from Mr. de la Madrid's efforts to transform standard operating procedure in Mexico. After seven years of stagnation, the Mexican economy is growing again. Wages and employment are on the rise, non-oil exports are reaching record levels and factories cannot keep pace with new orders.

What made these changes possible has been a combination of:

- A 10% reduction in public sector spending since 1987.
- The denationalization of almost 800 businesses.
- Revised investment regulations permitting foreigners to own 100% of some Mexican firms, up to 49% of banks and insurance companies, and to invest in the Mexican stock market through mutual funds.
- Reduced import duties and licensing requirements.
- Reduced inflation.
- The removal of Mexico from the United States' "watch list" of foreign countries that inadequately protect U.S. intellectual property rights.

Apart from unilateral actions taken on behalf of the Mexican government, progress on U.S./Mexican trade negotiations have allowed U.S. and Mexican traders to benefit, as well.

Recent agreements between the two countries will allow Mexico to double its steel exports to the United States and gain greater access to U.S. technology and capital.

The United States, in turn, is gaining even greater access to Mexico's increasingly skilled yet inexpensive labor pool, as well as its abundant natural resources.

No single area of cooperation has come to epitomize the benefits of improved trade and investment relations better than the maquiladora industry.

That industry—otherwise known as the "twin plant" or "in bond" industry—consists of some 2,000 manufacturing and assembly operations along the U.S./Mexican border. Owned primarily by U.S. investors, these plants utilize raw materials or partially finished goods that are then re-exported to the states for duty-free sale.

International issues

The maquiladoras owe much of their success to inexpensive labor costs, enabling Mexico to compete with many of the Asian nations for labor-intensive foreign investment. The maquiladoras have been so successful that the industry now accounts for the second-largest percentage, after oil, of Mexico's annual foreign exchange.

It is clear that both sides already have benefited substantially from expanded trade ties. But will the anticipated U.S./Mexican Free Trade Agreement have a significant effect on the state of trade relations between the two nations?

The trade agreement probably will only have a limited effect on trade, at least initially, because import and export tariffs between the United States and Mexico have already been sharply cut. Today, the average tariff on Mexico's imports from the United States is just 11%, while the average U.S. tariff on Mexican goods is 4%.

One area that already has benefited, at least to a limited extent, from improved trade relations is insurance. Economic deregulation has bestowed benefits on the Mexican insurance industry as a result of:

- The elimination of tariff rates on property and casualty policies.

The U.S./Mexico Free Trade Agreement and the enhanced economic climate will result in more U.S. companies setting up and expanding their operations in Mexico.

- The establishment of a solvency margin system to promote the financial strength of local insurance companies.

- The ability of foreign investors to own up to 49% of local insurance companies—a percentage that is likely to increase.

Non-admitted insurance remains prohibited. But if the recent past is any indicator of what may happen when the trade agreement becomes a reality, the Mexican insurance industry stands to gain additional benefits.

There is reason for such optimism. The Mexican insurance market has experienced solid growth during the first half of 1990. Direct premiums in the Mexican market increased 36.7%, according to the Mexican Insurance Assn. The best growth was seen in the following sectors: health, up 84%; civil liability, up 55.8%; and group life, up 34%. Private sector underwriters saw premiums rise by 40% as a whole.

The Mexican operations of U.S. multinationals will be the first to enjoy the economic benefits of this growth in the Mexican insurance market.

Instead of strict and high tariff rates applied to property/casualty contracts, rates will now be dictated by the free market. Prior to deregulation, local property damage/business interruption policies could be issued only on a broad, named perils basis.

Now, after deregulation, the typical "all-risk" policy (covering all risks except those specifically excluded) that is commonly issued in the United States may be issued in Mexico.

Additionally, prior to deregulation, property contracts would only cover 75% of an earthquake shock property loss; business interruption resulting from an earthquake shock could not even be insured under local Mexican business interruption

contracts. Under the new rules, both property damage and business interruption losses resulting from earthquake shock may be covered under local Mexican insurance contracts.

For example, a Mexican factory that used to pay a rate of 60 cents per 100 units of value for limited perils and limited earthquake coverage before deregulation took effect will now pay approximately 20 cents for "all-risk" coverage with full earthquake coverage. In short, Mexican insurance purchasers will be able to buy broader coverage at a substantially lower cost.

In this equation, the policyholder is the clear winner, since rates are likely to come down as competition increases. Mexican insurance companies obviously will experience reduced profit margins due to free market competition. Brokers, too, will have reduced profit margins, since commission rates are being reduced.

U.S. companies and their risk managers will be able to reap immediate benefits from Mexico's improved economy. The U.S./Mexico Free Trade Agreement and the enhanced economic climate will result in more U.S. companies setting up and expanding their operations in Mexico. Risk managers will be able to rely more heavily on the Mexican insurance market for needed insurance protection and depend less on their non-admitted excess and difference-in-conditions policies.

Underwriters of controlled master programs will be able to cede a higher portion of reinsurance premiums from Mexican insurance placements. This will be of particular importance for U.S. multinationals whose Mexican operations have high property damage and business interruption values and whose insurance capacity in the local market is a primary concern.

While no one can predict the future with certainty, some educated guesses can be made about what will happen based on the Mexican government's actions to date. It is reasonable to predict that:

- U.S. investors, as well as those from other countries, will increasingly view Mexico as a powerhouse for trade, investment and development.

- Free competition in the Mexican insurance market will attract many new players in the short run. Foreign insurers will capitalize on the new freedom in the marketplace by taking equity positions in the Mexican insurance market. In the long run, however, only the most competitive firms will survive.

- Mexico will experience a substantial influx of foreign capital as foreign insurers take equity positions in Mexican insurers. This will further improve the solvency margins of the Mexican insurers and will provide greater capacity in the marketplace.

While the insurance market currently is soft, it will harden, mostly as a result of cutthroat pricing.

- Purchasers of insurance will be able to negotiate better coverage at more favorable prices. For the providers of insurance—underwriters as well as brokers—the good old days of "fat rating" are over. Competition will set in and a stronger, more effective industry will result. ■



Douglas N. Smith is vp and manager of the International Department of Johnson & Higgins in New York. His column appears the first Monday of every month.

Chookaszian named president, COO at CNA

Dennis H. Chookaszian has been named president and chief operating officer of CNA Financial Corp. and will likely succeed **Edward J. Noha**, who has served as chief executive officer since 1975, when Mr. Noha turns 65 in 1992.

Mr. Chookaszian, who had been vp of corporate finance and chief financial officer for the Chicago-based insurer, will be responsible for field operations, group benefits, specialty operations, national accounts and investments.

Mr. Noha has been chief executive officer of CNA since Loews Corp. bought a majority stake in 1975. He will be named chairman in 1992.

Also as part of a restructuring, CNA Financial Corp. announced that **Philip L. Engel**, formerly vp of corporate services and systems functions, was named executive vp

Comings & goings: industry



Mr. Chookaszian Mr. Noha

responsible for marketing, claims, underwriting, services and systems.

Other insurer changes:

Joseph J. Melone, president of Prudential Insurance Co. of America since 1984, resigned and was named president and chief

operating officer at the Equitable Life Assurance Society of the United States effective this week. **Richard Jenrette**, chairman and chief executive officer of New York-based Equitable, previously had also held the post of president.

At Newark, N.J.-based Prudential, **Ronald D. Barbaro**, formerly head of Canadian operations, was named to succeed Mr. Melone, effective Nov. 26.

David C. Stevens appointed vp and manager in the general surveillance department and **Beth Berman** joined as vp in the underwriting and policy review division of Municipal Bond Investors Assurance Corp. of Armonk, N.Y.

Continental Corp.'s Cranbury, N.J.-based Marine Office of America Corp. subsidiary announced these changes: **Roderic J. Wildish**, a Canadian regional manager since 1980, named executive vp in Cranbury; **Ron Thornton**, a vp since 1987, named senior vp and manager of the Atlantic region; **Richard J. Yeo** named vp and Canadian regional manager in Toronto; and **Greg Gutchigian** named vp and assistant regional manager in the Atlantic region.

Thomas C. Coppinger named senior vp of DPIC Companies Inc., an architects and engineers professional liability unit of Orion Capital Cos. in Monterey, Calif. He had been vp, controller and chief administrative officer since 1987.

Richard S. Andrews named president of Firemen's Insurance Co. of Washington, D.C., a unit of

W.R. Berkley Corp. Mr. Andrews had been vp-marketing at Montgomery Mutual Insurance Co. of Sandy Spring, Md.

Howard J. Lutz named vp-claims at Waite-Hill Holdings Inc., the Richmond, Va., parent of Colony Insurance Co., Cardinal Casualty Co. and Waite Hill Assurance Ltd.

William J. Hibberd named vp and actuary and **Roderick P. Hoover Jr.** named vp and finance officer at Royal Group Inc. of Charlotte, N.C.

Elizabeth F. Bennett appointed vp at Lincoln National Health & Casualty Insurance Co. in Fort Wayne, Ind. She was also named vp of K&K Insurance Group Inc. and Lincoln National Specialty Insurance Co., two other Lincoln National Corp. units.

Kevin P. Hilliard and **Anthony J. Vlach** promoted to senior vps of Associated Aviation Underwriters, a Short Hills, N.J., insurer owned jointly by units of Continental Corp. and Chubb Corp. Mr. Hilliard had been vp-product liability claims and Mr. Vlach director of reinsurance.

Elaine Trischetta appointed senior vp and **Ken Fekete** appointed vp at Reliance National Insurance Co., a Reliance Group Holdings Inc. unit in New York. Ms. Trischetta had been vp since 1987.

Walter D. Freeman and **Bruce R. Hess** named vps with Transamerica Insurance Co. of Woodland Hills, Calif. At the Transamerica Corp. unit, Mr. Freeman will continue as a commercial claims manager and Mr. Hess will continue as a commercial claims manager in Bethlehem, Pa.

EMPLOYEE BENEFITS BULLETIN: MAKE CNA YOUR PARTNER IN GROUP HEALTH CARE

CNA helps you hold down the cost of quality health care.

You can be confident of high-quality, cost-efficient health care for your employees with our Preferred Provider Organization, one component of the Managed Care Program from the CNA Insurance Companies.

With some PPOs, bigger is better. We concentrate on quality. Our providers are stringently screened before they're selected: facilities are assessed for their reputation, location, and ability to attract medical specialists and research personnel; medical staff credentials, hospital accreditation, affiliations and cost effectiveness are reviewed and evaluated to ensure

that our providers warrant the "preferred" name.

And, our integrated, patient-specific Utilization Review Program assures that all medical services are appropriate.

Finally, our Quality Assurance Program continuously evaluates and monitors our providers' performance and efficiency, to make sure that your employees continue to get the best care.

For the convenience of multi-site companies, our network locations include 40 major metropolitan areas.

For more information, call your CNA representative.

Reinsurance

Roger P. Milbert named vp and manager of a new Dallas branch of Bell Nicholson Henderson (USA) Inc., a New York-based reinsurance brokerage.

Frank Lorenzo named senior vp with North American Reinsurance Corp. of New York. Mr. Lorenzo, formerly a vp with Munich American Reinsurance Co., will manage the facultative property underwriting department at North American Re.

Kenneth J. Rutkowsky has been named executive vp and chief operating officer with North Star Reinsurance Corp. of Parsippany, N.J.

Joseph P. Brandon promoted to vp at General Reinsurance Corp. in Stamford, Conn.

David L. Adams named vp with Reliance Reinsurance Co., a Reliance Group Holdings Inc. unit in Philadelphia. Mr. Adams is in charge of East Coast casualty facultative operations.

William L. Sandoe promoted to senior vp-claims and **Neal J. Schmidt** promoted to senior vp-actuary at St. Paul Reinsurance Management Corp., a unit of St. Paul Cos. Inc. in New York. Mr. Sandoe had been vp-claims, and Mr. Schmidt had been vp-actuary.

Lee G. Eltringham joined Aon Reinsurance Agency Inc., an Aon Corp. unit in New York, as senior vp.

Michael P. Blivess joined Prudential Reinsurance Co., a Prudential Insurance Co. of America unit in Newark, N.J., as vp in the actuarial department. Mr. Blivess had been a vp and senior actuary with CIGNA Corp.

Louis A. Papastrat named vp of the medical/rehabilitation department in the claims division at American Re-Insurance Co. of Princeton, N.J. Also, **John J. Alfieri** named vp of Am-Re Managers Inc., an American Re-Insurance unit.



CNA

For All the Commitments You Make®

New Jersey

Continued from page 1
attorneys; labor; the governor; the state Senate and Assembly; and government agencies including the departments of Health, Human Services and Insurance.

Approximately 1 million state residents have no health insurance, and about two-thirds of those are workers and their dependents, according to Brenda Bacon, commission chairwoman and chief of Gov. Florio's office of management and planning.

The panel estimates that \$17 billion to \$25 billion a year is spent on health care in New Jersey. That figure includes out-of-pocket costs and insurance premiums.

"We spent \$25 billion on health care last year, and there are a million people uninsured in the state. We have a crisis here," said Ms. Bacon. "What we really need is national reform, but it doesn't appear like that will happen."

Recommendations in the 50-page report "significantly address issues of access, quality, cost containment and the affordability and availability of health insurance for the majority of those who are currently uninsured," Ms. Bacon added.

In an introduction, the commission wrote: "The people of New Jersey have long since determined that no one should be denied health care coverage on the basis of inability to pay. Fiscal strains on the Uncompensated Care and Medicaid system, however, threaten the ability of the medically indigent to gain access to appropriate care, causing unnecessary suffering and, perversely, forcing them into higher cost health care settings."

Under the panel's plan, employers would be fined \$1,000 per full-time employee and \$750 for every part-time employee not covered by a company health plan. The commission did not estimate how much revenue such a penalty would generate.

The commission also recommends taxing each employer 1% on the first \$14,400, or \$144, of payroll per employee. The tax would generate an estimated \$451.7 million.

A new agency, the New Jersey Health Care Fund, should administer that revenue, says the commission. The fund would replace the state's Uncompensated Care Trust Fund and would compensate hospitals that cared for indigents.

The state commission also recommended using the tax revenue to:

- Partially subsidize health insurance premiums of individuals earning up to 300% of the poverty level and employees of companies that do not offer health insurance.
- Support preventive care and early identification and treatment of illnesses in non-hospital settings.
- Expand Medicaid eligibility to people with incomes of up to 185% of the poverty level.
- Increase funds for treating AIDS patients and people with the virus that causes AIDS.
- Finance child wellness programs.
- Support local health planning processes.

Employers argue that the proposals are flawed.

"We are concerned that the commission is taking a punitive approach to those not providing health care or those that have recently dropped coverage," said Mr. Healey, the Chamber's lobbyist.

"They should instead look at why employers have gone this route. Employers shouldn't have to provide coverage. For some it's too costly. New Jersey's societal commitment to uncompensated care with no help from general revenues as well as mandated coverages have made health care cost too

much," he contends.
New Jersey requires insured health care plans to include at least 14 specific benefits.
The New Jersey Business & Industry Assn., which represents more than 13,000 employers, "absolutely hates" the play-or-pay proposal, said Maureen Lopes, vp-health affairs.
"It's a mystery to us why this recommendation hasn't been more of a major controversy. It's a bad idea and it won't solve the problem of people not having coverage. It hasn't worked in Massachusetts," she said, referring to the state's landmark 1988 universal health care law.
Massachusetts Gov. Michael Dukakis has vetoed amendments—attached to broader budget legislation—that would have delayed employer taxes called for by the statute (BI, Aug. 13).
Some New Jersey employers may actually drop their health plans
Continued on next page

Your life just got easier!

If you're not seeing Business Insurance every week — or are merely catching a dated pass-along copy now and then...you're missing important news and new developments in corporate risk and employee benefits management. Risky!
Make sure you have the business insurance news you need.

ENTER YOUR SUBSCRIPTION TO BUSINESS INSURANCE TODAY!
It will make your life a lot easier.
CALL TOLL-FREE on 1-800-992-9970. Fax your order in on 1-313-446-1650. Use the card in this issue, or if it's gone, use the coupon below.

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

(Check here:)

USA	Surface Mail	By Air
Canada	<input type="checkbox"/> \$75	<input type="checkbox"/> \$152
Bermuda (air only)	<input type="checkbox"/> \$107	<input type="checkbox"/> \$162
United Kingdom		<input type="checkbox"/> \$157
Europe/Middle East		<input type="checkbox"/> \$163 or £105
All other foreign	<input type="checkbox"/> \$107	<input type="checkbox"/> \$163
		Rates on request

new subscription. renewal. payment enclosed.
 bill me. bill company.
 Please send information on your special 20%-off group rate for five or more subscriptions.

name _____ (please print)

title _____ telephone _____

company _____

nature of business _____

business or home address

city _____ state/country _____ zip/postal code _____

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

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

4C0US

Do You Have Good Answers To These 7 Risk Management Questions?

- 1 How can I determine loss trends when I don't know the full financial impact of recent years' accidents?
- 2 Do the commonly used indicators accurately reflect how my company's approach to risk management is working?
- 3 How do I know which cases could benefit from medical management or medical coordination services?
- 4 How can I be sure my organization won't outgrow our RMIS?
- 5 What can a risk management department do to ensure the quality of a RMIS?
- 6 How can subrogation activities contribute to the control of my claim dollar?
- 7 I am concerned about the financial exposure of an environmental spill...How can I prepare for one?

The answers to these questions (plus another 130 like them) are now available in a free booklet from Crawford & Company entitled "137 Questions to Ask Yourself Before You Next Renew." The most popular offering in Crawford's history, this completely revised series of questions and answers is designed to help you improve the service component of your risk management program.

Covering the key elements of effective risk management, the booklet includes pointers on...

- claims administration
- vocational/medical rehabilitation
- risk control
- risk management information systems
- finance



For all of the 137 Questions and their answers, send for our free booklet today!

Name: _____

Title: _____

Company: _____

Address: _____

Phone: _____

Barry LaFleur
Vice President
Risk Management Services
Crawford & Company
5620 Glenridge Drive, N.E.
P.O. Box 5047
Atlanta, GA 30302

New Jersey

Continued from previous page
and pay the \$1,000 per employee fine, said Ms. Lopes. "This plan could actually encourage employers offering coverage to drop it and pay a much smaller price. It's not uncommon to see health care premiums averaging \$2,500 per person."

Nationally, total health care costs—including medical indemnity plans and health maintenance organizations, as well as dental and vision plans—shot up 16.7% in 1989 to \$2,748 per employee, according to an A. Foster Higgins & Co. Inc. survey (BI, Jan. 29).

Opponents of the plan also criticize the final commission report for not saying how much should be allocated to each target area. Such estimates in earlier drafts were "lowball" figures, critics charge.

"We are concerned that this would just create another funding stream without controls," said Ms.

Lopes of the NJBIA. "We have heard no discussions regarding exactly how much money would be used for what programs and at what rate the tax could increase in future years. This is a typical case of placing the cart before the horse," she said.

"We oppose the payroll tax and penalty system because all it would do is create a stable funding plan without knowing what exactly would be funded," said Melanie Willoughby, president of the New Jersey Retail Merchants Assn., which represents 1,400 businesses.

"This report is too nebulous, and many of the entitlements suggested are brand new and quite costly," said the Chamber's Mr. Healey.

Opponents of the commission proposals say they favor retaining the Uncompensated Care Trust Fund, which is scheduled to be discontinued in December. That system, business groups acknowledge, badly needs an audit.

"The crux of the matter is that

controls on the current system are needed," Mr. Healey said. "Before we go to another funding mechanism, let's extend the uncompensated fund for another 15 months and conduct a thorough audit of the number of people who use it. We think that an audit would show that many of the people who use the fund could have paid all or some of their bills," he said.

"Are the users really charity cases? Or are the hospitals simply remiss in collecting bad debts? We think they are," says Ms. Willoughby of the retailers group.

The New Jersey Hospital Assn., though, favors terminating the Uncompensated Care Trust Fund.

"With the 19% surcharge, the hospitals have been acting like tax collectors," a spokeswoman said. "The cost (of indigent care) is paid mostly by insurers and businesses now, so we'd like to see a broader funding mechanism for indigent care."

Ms. Bacon, the commission

chairwoman, said the \$451.7 million that a broad-based tax would generate is less than the amount generated by the 19% surcharge on hospital bills used to pay for indigent care. The surcharge is expected to generate \$618 million this year; and it generated \$500 million in 1989, she said.

"The business community has not been aware up until now that they have been paying a 19% tax on all hospital charges. (The tax and penalty proposal) is simply a replacement that will actually save employers money, especially larger employers who pay a lot of hospital bills," she said.

Benefit consultants say that in its current form, the tax proposal will probably be defeated when the state Legislature convenes this month.

"I don't think the payroll tax has a chance," said Eileen Settineri, a consultant with Buck Consultants Inc. in Secaucus, N.J.

"Massachusetts' Health Securi-

ties Act has failed, which makes this type of proposal a difficult one to pass. I think the lawmakers will look to Massachusetts and fight this thing," Ms. Settineri said.

"More taxes just aren't in the cards. The governor can call it alternative financing all he wants, but everyone sees it as another tax," said Gerry Bell, of Fort Lee, N.J.-based Kwasha Lipton.

Jane Majcher, a state affairs associate with the Health Insurance Assn. of America, a health insurer trade group in Washington, D.C., warned employers not to become complacent in believing the tax has little chance of passage. "Don't drop your vigilance on this."

A spokeswoman for Gov. Florio, who has not publicly embraced the proposals, said the governor "re-viewing the proposal as a whole" and is "seeking community input."

Ms. Lopes of the NJBIA said the employer tax proposal has overshadowed what she considers positive aspects of the report. "There are a lot of good things in the report, but it could get all bogged down around the funding issue. The tax is drawing a lot of attention," she said.

Saying "all unnecessary barriers to sensible, cost-effective insurance products should be eliminated," the commission also recommends:

- Breaking Blue Cross & Blue Shield of New Jersey Inc. into two separate entities: One unit would cater to employer groups with 10 or more covered lives, and the other group would cater to smaller employer groups and individuals.

"This make sense to us," said Donald Daniels, chief executive officer of BC/BS of New Jersey. "It would offer a dramatic, flexible method to make coverage more available."

- Permitting the insurance commissioner to enforce a minimum loss ratio of 80% on health insurers to ensure that 80% or more of the premiums health care insurers generate are paid out in benefits.

- Eliminating premium taxes to reduce premiums and foster competition among insurers.

- Replacing experience rating of employer groups with community rating to make products more affordable for small employers.

- Re-examining mandated benefits.

Ms. Bacon said a "re-examination" of mandated benefits means "looking further into the cost implications" of benefits like substance abuse treatment and mental health coverage, which New Jersey currently requires.

"We heard testimony on mandated benefits. The insurance companies say the costs from mandated coverages are too high. Others say the costs are relatively small. We need an analysis of costs," Ms. Bacon said.

- The "development of managed care insurance vehicles for the small business and individual markets that are priced at roughly half the cost of current products."

- Requiring hospitals to set rates once a year on a prospective basis to prevent monthly rate increases.

Prospective hospital rating would allow "hospitals to better plan for the year because they know what their budget is up front," Ms. Bacon said.

This would eliminate frequent rate changes and hospital appeals to the state Department of Health for permission to charge payers additional amounts for previously billed services. Hospitals made 1,700 such appeals in 1989 and will make about 2,000 this year, Ms. Bacon said.

The Hospital Assn. spokeswoman opposes this proposal. "We always encounter several unforeseen circumstances during the course of a year. That would be covered by a 2% adjustment that is being proposed, but that's not even enough of an operating margin." ■



IF YOU'RE INTO HIGH RISK D&O BUSINESS, MAKE SURE YOU'VE GOT A GOOD NET.

From a broker's standpoint, the riskiest thing about writing high-risk D&O business isn't the clients.

It's the carriers.

Unfortunately, it seems that the companies most willing to take on the toughest risks are the toughest ones to find when it comes time to pay a claim.

There is one exception, however. It's the Executive Liability Division of Agricultural Excess

and Surplus Insurance Company (AESIC).

Our Non-Standard Risks Department can provide your high-risk clients with coverage up to \$5 million. And it comes with a couple of features many carriers can't touch.

Like an A.M. Best Rating of A+. And a reputation for responsive, cooperative D&O claims handling that's second to none in the industry.

So if you have D&O clients who are flying in high-risk territory, don't be afraid to go along for the ride. Just make sure they've got a good carrier to fall back on.

Like AESIC.

For more information, please call or write Agricultural Excess and Surplus Insurance Company, Executive Liability Division, P.O. Box 66943, Chicago, IL 60666, (708) 330-6750.

AESIC
Agricultural Excess and Surplus Insurance Company
A subsidiary of Great American Insurance Companies.

Bond dispute

Continued from page 2
agreements it had provided the insurer.

In 1985, the insurer was declared insolvent and liquidation proceedings began in New York.

However, in 1987, the Cook County Circuit Court ordered General Railway to pay AFFI's liquidator, then-New York Insurance Superintendent James Corcoran, \$683,500. General Railway lost its appeal of that decision last year.

The SBA last year notified General Railway that it was seeking to claim AFFI's 1987 award as partial reimbursement for the \$732,872 in bond guarantees the federal agency had paid the insurer.

"The SBA asserted that if GRS paid the amounts to AFFI, GRS might still be directly liable to the SBA," court papers state.

The SBA wrote to General Railway that it was putting the company "on notice" that debts the company pays before a government claim is settled do not relieve it of obligations to the government.

"Therefore, General Railway Signal could be liable for any funds paid out which are in fact owing to the United States," the SBA stated in the letter.

In bankruptcy proceedings, government claims for taxes generally have priority over other claims. However, government claims for amounts other than taxes are not always given priority.

In response to the SBA letter,

liquidation proceedings," the judge wrote.

Judge Rovner further stated that the superintendent had a valid but unimportant argument that the SBA's motion for summary judgment in the case was an effort to avoid presenting its claim in the liquidation proceedings.

"Although the court agrees that such an effort is apparent, it is not clear why the motion for summary judgment should be denied on that basis," the judge wrote.

Judge Rovner stated that the SBA's "desire to avoid immersion in those proceedings is perfectly understandable. It is entitled to the 'net proceeds' and forcing it to wait until the proceeds have wended their way through the liquidation proceedings would undoubtedly raise the costs of collection and diminish the eventual amount collected—with no corresponding benefit to anyone but the attorneys who have managed to prolong the process."

Who benefits? asks the judge. Only 'the attorneys who have managed to prolong the process.'

General Railway filed an interpleader action in U.S. District Court in December 1989, claiming it was being subjected to "multiple liability on the same funds," said court papers in the filing.

The SBA in the case relied on language in its surety bond agreement with AFFI. Court papers say the SBA contends it is "entitled to recover... the salvage recovered by AFFI on each bond" up to the amount the SBA paid in guarantees to AFFI.

AFFI's liquidator argued that the language in the agreement between the SBA and AFFI "contends that the SBA's rights in the proceeds do not vest until the superintendent has received the proceeds," court papers say.

The liquidator also argued for a summary judgment on grounds of abstention, "requesting that the court dismiss this case in deference to the liquidation proceedings in New York," according to court papers.

In her ruling, Judge Rovner granted the SBA's motion for summary judgment and ruled that the \$683,500 award was payable to the government agency.

Referring to the 1987 judgment against General Railway, Judge Rovner ruled that "the proceeds do not become part of AFFI's estate, but may be collected directly by the SBA."

Judge Rovner also ruled that this case was different from typical abstention cases because the SBA's claim does not represent a "claim against the existing estate of AFFI."

In addition, the judge pointed out: "The superintendent does not dispute that the SBA is eventually entitled to its... share of the net proceeds."

A lack of "any substantial dispute that the SBA is eventually entitled to its claim diminishes any effect that the exercise of federal jurisdiction would have on the liq-



Business Insurance

DIRECTORY

of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

The 1990/91 Directory is updated and expanded — it includes information on more than 13,000 executives from over 2,100 companies of all sizes located throughout the U.S. Plus vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of CFO
- names and titles of executives directly responsible for: employee benefits; pension/retirement plans; personnel; risk and insurance management; property/casualty insurance; international employee benefits and/or risk management

Order the 1990/91 Business Insurance Directory of Corporate Buyers today — gain access to the executives who are directly responsible for the purchase of commercial insurance, employee benefits and risk management.

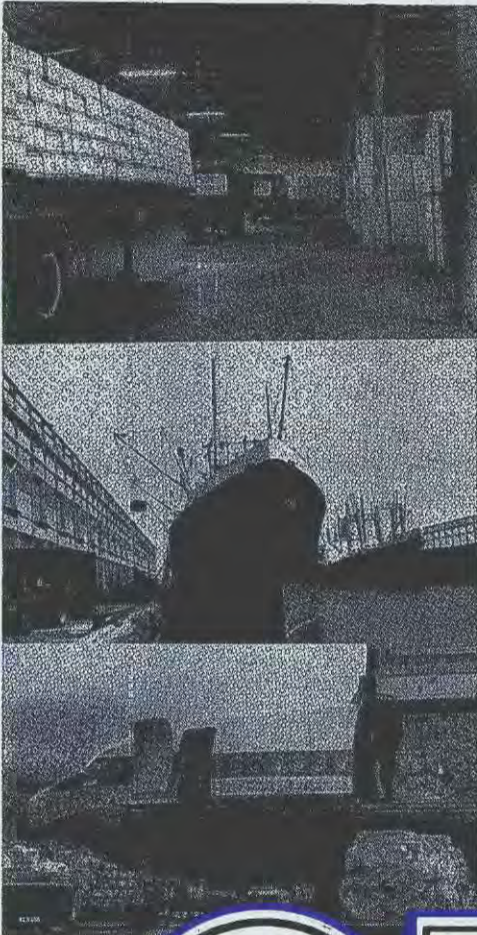
To order your copy phone: 313-446-1623.
For tape sales or information call: 313-446-1625.

Or, complete the coupon and mail to:
Business Insurance Directory
Single Copy Sales
965 East Jefferson Avenue
Detroit, MI 48207

Reserve _____ copies
\$85 each (15% discount when you order 5 or more). All orders must be prepaid.
Make check payable to:
Business Insurance Directory
Total enclosed: \$ _____
or charge my Visa Mastercard
 American Express Optima

Account # _____
Exp. Date _____
Signature _____
print name _____
title _____
company _____
address _____
city _____ state _____ zip _____
phone _____

**FOR
WORLDWIDE
COVERAGE
ON
LAND
SEA
OR
AIR**



...See

MCGEE



WORLDWIDE INSURANCE COVERAGE FROM
Wm. H. MCGEE & CO., INC.
UNDERWRITING MANAGERS SINCE 1887

Atlanta • Baltimore • Boston • Charlotte • Chicago • Clifton • Columbus • Dallas
Detroit • Hamilton, Bermuda • Hato Rey, P.R. • Houston • Melville, L.I.
New Orleans • New York Regional • Pasadena • Philadelphia • Pittsburgh
San Francisco • Seattle • Syracuse • Montreal • Toronto • Vancouver

Four World Trade Center, New York, N.Y. 10048
Telephone: 212-775-1300 • Telex: 12-9249 • Fax: 212-524-6805
Correspondents throughout the world

N As an entrepreneur, you see opportunities in the single European Market. You have plans which extend across borders.

But establishing operations in foreign countries also means coping with cross-border insurance issues.

Not to worry. The Zurich Group can now solve these issues through a new pan-European service concept.

Through Zurich International in the United States, UK, Belgium, France, Germany, Italy and the Netherlands, a multilocal concept ensures on-site risk analysis wherever your operations are located. This internationally coordinated service enables you to control, reduce and insure your risks... all in English and you won't even have to leave your office!

This concept, together with a full range of products and services, underlines our objective to be a professional market leader.

The Zurich Europolicy provides coordinated coverage for all your risks in Europe. It complies with EC and domestic regulations and specifically

U addresses EC market needs. Should your requirements extend beyond EC borders, you can still stay with us. The Zurich is one of the world's leading insurers. We serve all major industries in some 80 countries. ZURINET, our computerised worldwide data network, gives us instant access to crucial information.

Even if your interests are still primarily national, we are the ideal partner. The Zurich Group is backed by capital investments worth nearly U.S. \$ 33 billion – just one of the reasons why all major financial analysts regularly give us an AAA rating. Another is the commitment to personal service given by all our 33,000 employees.

For U.S. multinationals, Zurich International-United States, a member of the Zurich-American Insurance Group, arranges the Zurich Europolicy as safely and easily as any other of the international products we provide.

United States. Europe. Worldwide. Wherever you are planning your future, make it more secure through Zurich International.



ZURICH
INTERNATIONAL
GLOBAL SECURITY

INTERNATIONAL

Foreign investors eye Latin American market

By MARIA KIELMAS

Radical policy changes in several Latin American nations have triggered a modest but growing interest in the region's insurance sector.

Chile, Mexico and recently Colombia each have recently allowed increased foreign investment in domestic companies.

Although foreign interest in Latin America is only a fraction of that shown for Europe, insurers there argue that the region offers a huge potential for growth and has the advantage, at least in the short term, of being geographically the farthest away from volatile events in the Middle East.

Insurers, however, remain wary. Economic deregulation in Latin America could prompt unattainable aspirations among the populations and subsequently social unrest, companies fear.

Recent changes in its insurance laws have made Mexico a hot target for foreign investors. Among other things, Mexico now allows foreign insurers to buy up to 15% of a Mexican insurer or reinsurer, and up to 49% with the approval of the economics ministry (see related

story, page 23).

"Mexico has excellent prospects... especially with a possible tripartite trade agreement with the U.S. and Canada, it has a great development potential and is open to foreign investors," summed up Jose Manuel Martinez, chairman and chief executive officer of Spain's largest insurance group, Corp. Mapfre.

Madrid-based Mapfre has by far the largest presence in Latin America among foreign insurers and is regarded as a leader in identifying profitable new prospects there. It currently has interests in Argentina, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Panama, Paraguay, Puerto Rico, Uruguay and Venezuela, according to A.M. Best Co.

The company has capitalized on Spain's historic and cultural links across the Atlantic.

"A Spanish company cannot expand internationally first to Taiwan or Japan, but in Latin America," Mr. Martinez noted.

Mapfre's name has been familiar in the region since the 1960s when its Editorial Mapfre unit began publishing Spanish-language in-

urance texts. In Spain, Mapfre has long been a leading insurance education organization, publishing texts and offering courses.

In 1985, when the Latin American debt crisis had reached its nadir, Mapfre opened a reinsurance office in Mexico and also bought a share in Seguros del Caribe, an insurer in Bogota, Colombia.

This year, Mapfre bought 90% of Puerto Rico's largest insurer, Puerto Rican American Corp. of San Juan, for about \$100 million, which is the company's largest foreign investment. It also acquired a 49% stake in Seguros Tepeyac S.A., a Mexico City insurer, earlier this year.

Mr. Martinez said Mapfre also intends to open a safety research center in Mexico, similar to its facility in Avila, Spain. The safety center will conduct auto, building, fire and workplace safety research.

Other insurers also have taken advantage of the opening Mexican market.

This spring, Commercial Union Assurance Co. P.L.C. of London acquired 43% of Cia. de Seguros la

Continued on page 35



GRAPHIC BY JOHN HEILAND

Arnold steps down as Mentor liquidator

By ROGER SCOTTON

HAMILTON, Bermuda—London-based liquidator Michael Arnold is resigning from the Mentor Insurance Ltd. liquidation after severing his ties with the international accounting firm Ernst & Young as of the end of November.

Nigel Hamilton, Ernst & Young's national insolvency director in the United Kingdom, has been nominated to replace Mr. Arnold, who was appointed joint liquidator of Mentor with Charles Kempe, of Bermuda-based Kempe & Whittle, in June 1985.

The proposed change, which has yet to be approved by the Bermuda Supreme Court, was to have been

put before the annual meeting of Mentor creditors in Bermuda late last week.

Mr. Arnold's unexpected resignation was announced at the same time that the Mentor liquidators filed what they described as a "streamlined statement of claim" in their legal action against Mentor's parent, Ocean Drilling & Exploration Co. of New Orleans, and Bermuda-based Pinnacle Reinsurance Co.



Ltd.

ODECO and Pinnacle are two of 11 defendants being sued by the liquidators for mismanagement of Mentor and fraudulent concealment of the company's insolvent financial condition prior to its collapse (BI, Aug. 21, 1989).

The statement, a legal document setting out the causes of action on which the liquidators are seeking "very substantial damages" against the defendants, had been the subject of extensive legal argument between the parties, leading to an agreement that a new document should be drawn up.

In the new statement of claim, filed in the Supreme Court on Oct. 12, the liquidators have cut as

many as eight causes of action from their original complaint against Pinnacle. The liquidators' case against the reinsurer now rests on two allegations: that it breached the fraudulent trading rules of Bermuda's 1981 Companies Act and that it had a fiduciary responsibility to Mentor as "a constructive trustee," which under British common law means that because it had a contract with the company, it is responsible to Mentor and its shareholders.

Pinnacle is no longer being accused of—among other things—fraudulent misrepresentation, breach of duty or conspiracy.

The statement of claim against ODECO has also been reduced, al-

though specific details of this claim were not released. Explaining the changes, which were drafted before his resignation, Mr. Arnold said: "We have taken the opportunity to eliminate the minor causes of action so as to simplify things and get this into court as quickly as possible. The principal causes are still firmly there."

Mr. Kempe was also quick to point out that the reasons for the changes should not be misinterpreted.

"There has been no real diminution of our claims and it would be wrong to read any weakness whatsoever into the reformulated statement. This is more of a technical

Continued on page 32

Europe in the 1990s

Mobility to alter benefits: risk manager

By CAROLYN ALDRED

MONTREUX, Switzerland—Employee benefit managers with operations in Europe will face many changes in the 1990s, a Swedish risk manager predicts.

Greater mobility among young employees and reduced emphasis on social security systems will force companies to change the way they offer benefits to workers in Europe, warned Per Wetterqvist, group risk manager of Gothenburg, Sweden-based manufacturer SKF A.B.

Mr. Wetterqvist spoke at an international benefits conference, sponsored recently by Swiss Life Insurance & Pension Co. in Montreux.

Young employees, especially Europeans, will become more mobile in the 1990s, he said at a workshop. "We support this, and we want them as part of their training to take up positions in

International Benefits Conference other countries."

Corporate benefit programs also will have to replace weakening social security systems in many countries, he noted.

Meanwhile, European Community directives affecting freedom of trade and services will force risk and benefit managers to "increasingly look at pan-European and global risk coverage," he said, predicting that companies will eventually adopt pan-European pension funds.

Mr. Wetterqvist also predicted that companies would emphasize loss prevention in their health and medical plans to a greater degree, and attempt to reduce the administrative costs of their benefit plans.

In an effort to contain its own benefit costs, SKF is increasing the amount of employee benefit-

related risk it retains, Mr. Wetterqvist said.

The company in 1984 began reinsuring some of its benefit-related risks into a captive reinsurer—Gothenburg-based SKF Reinsurance Co. Ltd.—and has been increasing its exposure ever since, said Mr. Wetterqvist, who is managing director of the captive.

SKF, a multinational engineering company, manufactures 25,000 different kinds of bearings. Its 1989 revenues totaled 25 billion Swedish krona (\$4 billion at year-end exchange rates). It has 200 subsidiary companies in 50 countries; 100 factories in 18 countries; 7,000 distributors in 130 countries; and a total of 54,000 employees.

Employee benefits for the company are coordinated country-by-country. Local managers are required to design plans that offer a level of benefits at least compara-

Continued on next page

Benefit plan audit nets Union Carbide \$500,000 annually

By CAROLYN ALDRED

MONTREUX, Switzerland—Union Carbide Corp. says it expects to save about \$500,000 a year by making its multinational employee benefit arrangements more efficient.

Those savings will come only from non-U.S. operations, since its U.S. benefit plans were not included in an extensive review completed last year, said Anthony J. Annoni, associate director of international compensation and benefits for the Danbury, Conn.-based chemical and manufacturing concern.

Mr. Annoni outlined Union Carbide's benefit arrangements during a session at the international benefits conference sponsored by Swiss Life Insurance & Pension Co. in Montreux.

Union Carbide audited its benefit plans and studied alternative financing tools and plan designs, he said. "We think that additional savings in one form or another, when everything is implemented, will be in the order of \$500,000 a year."

About 35,000 of its 59,500 employees are located in 40 countries abroad, he said. About 60% of the company's \$8.7 billion in revenue last year came from manufacture of chemicals and plastics; 30% from industrial gases; and 10% in carbon products.

Union Carbide's benefit plans, said Mr. Annoni, "rest on two pillars": worldwide coordination and design standards set by affiliates.

Continued on next page

INTERNATIONAL

Mobility

Continued from previous page
ble to local averages, he said.

The company gives preference to local insurers belonging to one of the employee benefits networks SKF contracts with, or an insurer that is willing to front coverage that can be reinsured by SKF's captive, Mr. Wetterqvist said.

The group began monitoring its employee benefit costs in 1979. In that same year, SKF contracted with a benefits network operated by Zurich-based Swiss Life. It signed a contract with a second benefit network provider—the John Hancock International Group Program, a unit of John Hancock Mutual Life Insurance Co. of Boston—in 1982.

In 1984 the group began reinsuring some of its employee benefit risks into its captive, and in 1986 SKF appointed a consultant to

survey its benefit arrangements worldwide.

In 1987 SKF appointed Multinational Insurance Arrangement—a division of Hartford, Conn.-based Travelers Corp.—as a third network provider, and conducted another benefit survey last year.

Joining the Swiss Life network—the first of SKF's three networks in 1979, gave the company several advantages, according to Mr. Wetterqvist, including:

- Access to basic insurance information for its subsidiaries.
- An incentive to analyze the structure and experience of other plans that were not covered by the Swiss Life network contract.
- A vehicle to promote coordination of benefits within the company.
- The opportunity to receive an international dividend.
- A system making it easier for employees to move between coun-

tries.

Meanwhile, appointing a second network in 1982 allowed SKF to compare services offered by the two network providers and obtain the better quality information and service, Mr. Wetterqvist said.

Reinsuring employee benefits through its captive has increased SKF's access to information on such factors as exposure in different countries, age groups and rating structures.

It also has enhanced the provision of claims information and has "triggered dialogue with SKF subsidiaries that inform us of claims more quickly now, which has led to better risk management," said Mr. Wetterqvist.

Using a captive has given the company better cash flow and investment opportunities, and has decreased the incidence of "double coverage" being provided within the group, he said. ■

Union Carbide

Continued from previous page

Benefit plans are centrally coordinated, he stressed. Local companies can use financing alternatives such as a group captive or self-funding either locally or centrally, but final authority rests with the corporate coordinator.

Each plan is designed to fit in with local benefit practices and to be competitive with benefits offered by other local employers, Mr. Annoni said. Plans should be mid-range—neither much worse nor much better than others available locally, he added.

Plans are integrated with social security or other local statutorily provided or required benefits.

In 1988, a consulting firm audited 20 operations in 14 countries where Union Carbide had its largest and most expensive benefit plans. The audits, he said, pro-

duced immediate benefits for the company, including:

- Providing up-to-date summaries of each plan in one package—which is invaluable for the company's benefit coordinator.
 - Improved the knowledge and education of local management and human resources divisions.
- "We made an assumption—erroneously—beforehand that they were familiar with all of their plans," he said, noting that management "was much better informed after the audit."
- Improved the education and information of management.
 - Provided data to back up man-

**'Pooled insurances
require constant
review and attention,'
says Anthony
J. Annoni.**

agement decisions on proposed plan changes, said Mr. Annoni.

- Stimulated modifications in financing arrangements.

A 1989-1990 study of Union Carbide's multinational insurance pools also aided the company, he said. Union Carbide picked one of its two network providers as a lead network and began placing most of its through that firm.

Studying networks worldwide, he said, allowed the company to:

- Learn more about its insured benefit plans.
- Cut costs worldwide.
- Obtain "much better cost data" on the profit and loss accounts provided in the plans.
- Improve the service from local providers.
- Realize that "pooled insurances require constant review and attention," said Mr. Annoni, adding that firms "need to tend the pool composition all the time and to review changes in national law and employee composition." ■

AM-RE BROKERS HAS THE RIGHT CONNECTIONS.

AM-FE BROKERS gives you access to the capacity of over 300 reinsurers worldwide. Plus the benefit of expertise in Actuarial, Claims, Balance Sheet Protector, Finance, Tax Consulting, Underwriting

and Data Processing. With the financial strength and stability to carry you well into the next century. Take advantage of our connections. For more information, call (309) 243-4926.



AM-RE BROKERS, INC.

Reinsurance Intermediaries

685 Collage Road East, Princeton, NJ 08543-5241 (609) 243-4300

Atlanta, Bogota, Boston, Cairo, Chicago, Columbus, Dallas, Hartford, Kansas City, London, Los Angeles, Melbourne, Mexico City, Minneapolis, Montreal, New York, Philadelphia, Princeton, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto

From The Reprint Department Of:

**Business
Insurance**

Reporting weekly for
corporate risk, employee benefit
and financial executives

Reprints/Permission

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

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

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3.50 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

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

INTERNATIONAL

Swiss Life expanding benefits network

By CAROLYN ALDRED

MONTREUX, Switzerland—Swiss Life Insurance & Pension Co. is expanding the services of its international benefits network.

Last month the insurer launched products including an employee benefits network contract designed for companies that use captives.

Zurich-based Swiss Life also introduced an affiliated employee benefits consulting firm and a financial and investment information service.

Meanwhile, the company is strengthening its United Kingdom operations to enforce its presence in the European Community. Switzerland is not an E.C. member.

Swiss Life announced these developments at an international benefits conference it recently sponsored in Montreux. Every five years, the company organizes a conference in Switzerland for multinational clients as well as brokers and consultants.

The insurer's new Master Captive Treaty is aimed at corporations that own a captive insurer and insure at least 5,000 lives through their employee benefit arrangements, said Stephan Beit, a vp in Swiss Life's international department in Zurich.

A corporation and its subsidiaries can insure their employee benefit risks through the local network members. Affiliates then cede 75% to 100% of the risk to Swiss Life in Zurich. Swiss Life then reinsures up to 100% with the client's captive company, he explained.

Reserves will be retained and managed by the captive and the amount of reserves will be determined by the business plans decided with each local insurer. At the end of each year, Swiss Life will provide the client with a profit-and-loss account of the contract, Mr. Beit added.

"A lot of the details will have to be negotiated with each client, but the contract has a lot of flexibility," he said.

Another product introduced at the conference was Swiss Life's Master Financial Report.

The report provides information about the investment performance of the savings portion of the premium subsidiaries pay into their employee benefit plans, Mr. Beit said.

Swiss Life will obtain this information from its local network partners and consolidate the material so that it is comparable on a country-by-country basis.

The MFR is to deliver information on fund development; total return on investment; distribution of funds; and asset distribution. The MFR is available for corporations that have had a pooled benefit plan with Swiss Life for more than a year and that have worldwide funds of at least 500,000 Swiss francs (\$390,300 at current exchange rates), said Mr. Beit.

Fees vary by size and the number of funds included. The minimum fee charged will be 3,000 Swiss francs (\$2,342) and the fee for a 30 million Swiss franc (\$23.4 million) fund probably will be about 8,000 Swiss francs (\$6,245), Mr. Beit said.

Swiss Life also has launched an employee benefit consulting firm. "Advisory Services Network has been created to coordinate services previously offered locally," said Andreas Buergi, international manager of ASN in Zurich.

The organization will provide actuarial services; administration services; plan design; investment planning; legal and tax services and computer system services, he said.

The company also will advise on international coordination of services; international accounting; and international product analysis. It also will conduct international employee benefit surveys and advise on plans for expatriate employees, Mr. Buergi said.

Zurich-based ASN is an international association of employee benefit and pension fund advisers. Its members are "local advisory services companies, well-integrated in their domestic markets, with a record for successfully providing tailor-made solutions to both local and international firms," according to a Swiss Life brochure on the new consulting network.

In another recent development, Swiss Life has established its U.K. office as its E.C. center and changed the status of its U.K. operation—Swiss Life (U.K.) P.L.C.—from a branch office to a subsidiary company.

The United Kingdom was chosen for several reasons, said Executive Vp Karl Muehlebach. It has the European Community's least onerous in-

urance supervision, the cheapest premium structure and the most advanced financial structure, he said. And, with the building of the tunnel under the English Channel, the British people finally "seem to have accepted that they are part of Europe," he quipped.

Establishing "an E.C. center doesn't mean moving international business from Swiss Life's head office in Zurich. Zurich will remain the international headquarters," Mr. Muehlebach said.

"What we can offer is correspondence from the U.K. and the ability to serve companies through a pan-European policy from the U.K.," he said.

"Product compatibility will be a consequence of the single European market but it will not necessarily

mean uniform products," he predicted.

Competition keeps U.K. life insurance premiums the cheapest in Europe, said Chris Ide, general manager of Swiss Life U.K.

The U.K. life insurance market is quite different from other European markets, Mr. Ide noted.

For example, U.K. insurance companies tend to place more than 50% of their investments in equities compared with an average of 10% by most European insurers.

There are also "radical differences in product design (in the United Kingdom) arising from a long-term policy by the supervisory authorities of minimum regulation with maximum publicity and because of the skills of U.K. insurance companies," he said.

In January, Swiss Life U.K. plans to acquire Liverpool-based life insurer Pioneer Mutual Insurance Co. Ltd., which will increase Swiss Life's funds under management in the United Kingdom to 400 million pounds (\$780 million) from 250 million pounds (\$488 million), Mr. Ide said.

PROPERTY INSURANCE
FOR
OIL, GAS & CHEMICAL
RISKS
FLOYD WEST & COMPANY
HOUSTON, TEXAS
1-800-873-6300
Call for Free Brochure

Too Many U.S. Firms Are In The Dark About Their Foreign Exposures.



A lot of American businesses have foreign exposures they don't even know about. Consider the many businesses without a single office in a foreign country. But the staff travels. So do the products. International risks—and potential coverage gaps—may result.

The fact is, domestic coverage doesn't travel well, if it travels at all. And insuring certain foreign exposures under a domestic policy can be expensive. Even worse, arranging foreign coverage without the right guidance can lead to bigger—and costlier—surprises.

That's why you should rely on Hartford Fire International—a company that understands both domestic and international markets.

HFI can provide a complete line of primary property/casualty products along with excess and umbrella coverages. All tailored to meet special needs. All from a single source.

And between our wholly owned foreign operations and correspondent companies, our customers get the stability and worldwide service they expect from The Hartford.

If you're in the dark about foreign exposures, let us shed some light on the subject. For the HFI Office nearest you, call James Leber, Senior Vice President, at 1-800-533-STAG (In Connecticut, 547-3030).



HARTFORD FIRE INTERNATIONAL, LTD.
The Insurance People of **TTT**

INTERNATIONAL

Mentor liquidator

Continued from page 29
change than anything and is intended to be more expedient in terms of time and costs," he stressed.

Mr. Kempe said that rather than continue to argue over the contents of the complaint, "we decided to re-draw the statement of claim with a view to getting this thing into court." He said that certain "duplicative" causes of action had been removed from the complaint to reduce the potential for "interlocutory delays."

Mr. Arnold's proposed replacement as a joint liquidator of Mentor is Nigel Hamilton, the national director of Ernst & Young's insolvency practice in Britain and the man whose current case load includes some of the United Kingdom's more prominent corporate collapses.

Mr. Hamilton is the joint liquidator of the Barlow Clowes group, a Gibraltar investment firm that failed in 1988—leaving millions of dollars owed to about 18,500 investors and its founder, Peter Clowes, facing criminal charges.

Mr. Hamilton is also acting as receiver for several prominent British insolvencies, including: British & Commonwealth Holdings P.L.C., Coloroll Group P.L.C. and Lowndes Queensway, which that went into receivership in August.

Although Mr. Hamilton says he has still to familiarize himself with the Mentor insolvency, he stressed that it was highly unlikely that the course of the liquidation will change after Mr. Arnold's departure.

"There's no reason that I can see why it should," he said. "My views on the Mentor liquidation are no different to Michael's, so as far as I'm concerned, it's going to be business as usual after he goes at the end of November."

Despite the number of companies he already oversees, Mr. Hamilton said he will have no difficulty finding time to attend to the failed Bermuda reinsurance company.

"These other cases I'm working on don't involve continuous work. They tend to have sporadic outbursts of work. I imagine that I'll spend a certain amount of time on the Mentor liaising with our senior legal team in London."

Mr. Arnold, who was director of insolvency with Arthur Young in

Bermuda, said he declined to accept a partnership when the firm merged with Ernst & Whinney last year to become Ernst & Young. Instead, he decided to stay on in the role of insolvency consultant.

"I had the time and willingness to see Mentor through, but Ernst & Young decided they wanted to put a partner in," said Mr. Arnold. "I had already decided that, after 23 years as a partner, I was not prepared to continue in that capacity, which requires a 110% commitment. Having recently gotten married, I simply wasn't keen to give it that kind of time, so I'll be severing my links with the firm at the end of November."

Mr. Arnold described the Mentor insolvency as being on course and in better shape than ever, "provided they don't take their eye off the ball." But he added: "My only regret is that I'm not going to be around to see it all through."

Asked what he planned to do after leaving Ernst & Young, Mr. Arnold replied: "I'm considering several options ranging from farming in Gloucestershire (England) to joining another accounting firm, but what I can tell you is that I don't think I'll be going hungry."

In addition, Mr. Arnold will be involved in the formation of a British investment fund for business recoveries. The multimillion-pound fund is being set up in the United Kingdom by the Electra Investment Trust, which has retained Mr. Arnold as a consultant. ■

Latin America

Continued from page 29
Republica, Mexico's sixth-largest insurer with total premium volume last year of 55.6 billion pesos (\$20.7 million at year-end exchange rate).

"We had been thinking about Mexico for two years," said Michael Miles, deputy group overseas manager in London. Like other insurers, Mr. Miles said, Commercial Union is bullish about the economic restructuring introduced by President Carlos Salinas. "We don't see too much downside in the market. On the basis of our studies, we have a very good purchase."

Liberalized insurance rules are part of a large-scale financial deregulation that in effect reverses Mexico's bank nationalization law passed in 1982, during the tenure of former President Jose Lopez Portillo.

In addition to increased foreign investment, government reforms introduced last December allow the creation of a new entity, called a "non-banking financial holding company."

The entity has to offer at least three different operations: insurance, factoring, and leasing. Shareholders must be Mexican citizens. Neither banks nor at the moment foreigners are allowed to hold stakes in the entities.

As change comes relatively gradually in Mexico, Colombia is restructuring its financial services sector in one "big bang."

The country plans to reform its insurance law to allow full foreign ownership of insurance operations, Superintendent of Banking Nestor Humberto Martinez Neira said last month at a conference in Cartagena. That will apply to both insurers and brokers and will not require preapproval by the planning department, Planeacion Nacional.

Further changes in Colombia's insurance regulation will include:

- Insurance companies may be created without prior approval of the banking superintendent.
 - Banking officials will issue operating licenses on an indefinite rather than annual basis.
 - Policy wording will no longer require prior approval.
 - Premiums will have to be paid in 30 days or the contract will automatically terminate.
 - Insurance companies will have 30 days to pay claims.
 - State-owned insurer La Previsora will no longer have a monopoly on insuring state-owned companies. It now will have to compete with private insurers.
- Under the new law, the Colom-

bian government will regulate companies through solvency requirements. Minimum technical reserves for companies writing motor, fire, earthquake, business interruption and other lines of coverage will be 1 billion Colombian pesos (\$1.9 million at current exchange rate) for insurers and 1.4 billion pesos (\$2.7 million) for reinsurers. The limits will be progressively lower for companies writing fewer lines of coverage.

Companies with written premiums of up to 7.5 billion pesos (\$14.3 million) will need to maintain an additional nine pesos (1.72 cents) in technical reserves for each 100 pesos (19 cents) of premium they write. Companies with more than 7.5 billion pesos on premium need between 8.99 and 8.5 pesos (1.72 to 1.63 cents) of additional reserves for every 100 pesos of premium written.

These changes are meant to replace and update Law 105, the 1927 statute governing the insurance industry in Colombia. As the ruling Liberal party led by President Cesar Gaviria has a majority in both houses of the National Assembly, the new law is expected to be adopted with little difficulty.

Despite their sweeping nature, the changes are not likely to produce chaos in the Colombian market, contends Graciela Arellano, a partner in AIS Limitada, a brokerage in Bogota. "There will not be a free-for-all. There is not enough know-how or expertise in the market to support this," she said.

Because fixed rates will also be removed, some insurance executives in Colombia believe that in the short term, insurers will suffer as competition increases.

But Ms. Arellano stressed that one advantage of increased competition is that rates will sink to where most people can afford them.

Huge growth potential remains in Colombia, she said. "There is very little insurance here; only 10% of the motor vehicles are insured and group life and hospitalization policies hardly exist."

Foreign insurers hope that the opening of markets in Colombia and Mexico will lead to the development of professional expertise like that in Chile, where the insurance market was deregulated several years ago.

Mapfre's Mr. Martinez said Chile is an example of good long-term economic prospects in Latin America. Mapfre owns 90% of Caja de Reaseguradora de Chile S.A., which has a 40% share of the Chil-

Continued on next page

WHO KNOWS MORE
ABOUT
**WEATHER
INSURANCE?**
NO ONE!!

WORLD'S LARGEST
COMPUTER DATABASE
FOR UNDERWRITING
THE WEATHER

POLICIES ISSUED
FOR PROTECTION
FOR OR AGAINST
RAIN — SNOW — WIND
— TEMPERATURE

CALL US TO QUOTE:
— EVENTS —

ROCK CONCERTS
COMMERCIALS
FILMINGS
VIDEO SHOTS
AD AGENCIES
AIR SHOWS
FAIRS
PARADES
RODEOS
CONVENTIONS
FISHING TOURNAMENTS
TRACTOR PULLS
BASEBALL GAMES
GOLF MATCHES
TENNIS MATCHES
SOCCER MATCHES
AUTO RACES
MOTORCYCLE RACES
WATER SKIING
BOXING
WRESTLING
PICNICS
ONE DAY STORE SALES

BUSINESS
INTERRUPTION
DUE TO WEATHER

WATER DISTRICTS
PUBLIC UTILITIES
MUNICIPALITIES
SKI RESORTS
RESTAURANTS

— AGRICULTURE —

RAISINS TOMATOES
CITRUS ALMONDS
STRAWBERRIES AVOCADOS
BLUEBERRIES SEED CORN
CHERRIES NURSERIES

AND MANY MORE EVENTS
AND CROPS THAT LEND
THEMSELVES TO A WEATHER
EXPOSURE.

ADMITTED AND NON-ADMITTED
MARKETS ARE AVAILABLE.

ALL AGENTS/BROKERS SHOULD
WRITE, CALL OR FAX TO:

WORLDWIDE
WEATHER

CUSTOMIZED WORLDWIDE WEATHER INSURANCE AGENCY, INC.

488 Great Neck Road · Great Neck, New York 11021

Telephone (516) 466-5757

FAX (516) 466-5754

FINALLY,
A COMPLETE RESOURCE
FOR MEDICAL CLAIMS PAYORS.

HOSPITAL AUDITING
& DRG VALIDATIONS

INDEPENDENT
MEDICAL EXAMINATIONS

OUTPATIENT SURGICAL
FACILITY FEE U & C

PHYSICIAN BILL
PEER REVIEWS

UTILIZATION REVIEW
& CASE MANAGEMENT



THE CLAIMS
NETWORK

CALL TOLL-FREE FOR
NO-OBLIGATION INFORMATION
ON ANY OF THESE SERVICES
1-800-638-7170

P.O. BOX 68548 INDIANAPOLIS, IN 46268



ILLINOIS
DOMICILE OF CHOICE

- * PURCHASING GROUPS
- * RISK RETENTION GROUPS
- * PURE AND GROUP CAPTIVES
- * SELF-INSURANCE PROGRAMS

FOR INFORMATION CALL: 312 / 558 - 3133

ILLINOIS CAPTIVE INSURANCE ASSOCIATION
3 First National Plaza, Suite 4200
Chicago, Illinois 60602

GLOBAL BRIEFS

Four E.C. nations sued over product rule

BRUSSELS, Belgium—The European Court of Justice next year will hear legal proceedings the European Commission recently launched against four nations that have yet to implement the E.C.'s 1985 product liability directive.

Actions were begun against Belgium, France, Ireland and The Netherlands. Spain may yet be included in the suit.

E.C. nations were required to include the measure in their national laws by 1987.

The product liability measure has caused more dissent than most other E.C. directives, said the commission official.

Nations agreed in principle to the directive in 1985, but "getting this language through their national parliaments has proved to be much more difficult than anticipated," said an E.C. spokesman.

Britain, Greece and Italy included the E.C. measure in their national laws in 1988. Luxembourg, Denmark and Portugal followed suit in 1989, and the law took effect in Germany on Jan. 1, 1990.

Commissioners initially feared that the laws enacted in Germany, Italy, Denmark and Luxembourg did not reflect the terms of the directive. But commissioners took no legal action after an investigation.

Of the seven nations that have adopted the directive, only Luxembourg included primary agricultural products in its national law. It is also alone in excluding a development risk—or state-of-the-art—defense.

Germany, Greece and Portugal each capped liability claims.

—By Denise Claveloux

French broker group

PARIS—French brokers are bracing for the single European insurance market by forming a new group to coordinate the efforts of existing brokerage associations.

"We have to prepare for Europe by creating an entity which can transcend purely regional contingencies," said Patrick Lucas, president of Paris-based Gras Savoye S.A. and the driving force behind plans to bring together brokerage associations.

Mr. Lucas is a past president of the Syndicat National des Courtiers d'Assurance et de Reassurance, a Paris-based association that represents 800 insurance and reinsurance brokers, which in turn produce about 90% to 95% of the brokerage revenues generated in France.

Latin America

Continued from previous page
ean reinsurance market.

Chile now allows 100% foreign ownership of domestic insurers, reinsurers and brokerages.

One Chilean insurance executive sounded a note of caution, though. "There is a lot of foreign investment here, and there are a lot of bidders for companies, but we don't know what the position of the government is," he said.

The executive was expressing widespread concern about the direction that the new democratic government of President Patricio Aylwin will take.

The insurance sector, and basically the entire economy, was opened during the dictatorship of Gen. Augusto Pinochet, which effectively stifled any political backlash from the radical economic change.

"Now the people have very high expectations of the government in a democracy," said another Chilean insurance executive. "It could be a difficult time."

SNCAR "fulfills perfectly its role both as a partner of the authorities and as a partner of the insurance companies within the context of a general reflection on the profession and its evolution," Mr. Lucas said.

SNCAR's shortcomings, however, include being too centralized and not adequately representing brokers in other regions of the country, he said. Three other brokerage associations are headquartered in Lyon, Bordeaux and Marseille.

"The current structure of the SNCAR offers a picture of our profession which is neither united enough nor homogenous enough," Mr. Lucas said. "We need to review its organization."

The new federation should be formed early next year, according to Mr. Lucas. The general membership of the existing brokerage associations in France have already voted to accept the principle of the new federation. All existing brokerage associations in France will

be allowed to join the new federation, plus any new ones that represent at least 10 members.

The reform of the French insurance code, passed by Parliament in December 1989, acknowledged for the first time insurance brokerages by devoting a whole chapter to them—a sure sign, according to Mr. Lucas, of the industry's growing development.

Mr. Lucas also said policyholders are increasingly aware of the difference between agents, which

generally represent a single insurer, and brokers, which can place business with several markets.

"I am deeply convinced that in all large French towns the insurance market is undergoing a change away from a general agent's market to an insurance broker's market," he said. "Over the last 30 years, all major French companies have left agents to turn to insurance brokers for coverage."

—By Isabelle Berglas



A promise to keep a disabling injury from hurting them in the pocketbook.

A promise to make something like braces for the kids little more than paperwork.

A promise to make all the hours they put in now, pay off later.

When the people who work for you give so much, they're keeping a promise. That's why it's important for you to keep your promises to them. We can help.

MassMutual

We help you keep your promises.

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$116.75 per column inch, minimum of one inch. Straight classified is \$10.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$17.50 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.

Over Ten Years of Exclusive Concentration in Insurance Safety Recruitment. Personal attention with a Professional approach. Our Excellent Reputation Proceeds Us.

PAT ALLEN ASSOCIATES
P.O. Box Q
Goldens Bridge, N.Y. 10526
(914) 232-1545

TRUCK AGENTS
Stop Wasting Your Time
Improve Your Hit Ratio
Increase Your Market Share
We Sell Truckers X-Dates
"NATIONWIDE"
800-288-XDATES (9328)
Not Available In All States

RISK MANAGER

Responsible for the effective management of risks of property and casualty losses. Risk management functions include identifying and evaluating risks, recommending most cost effective ways of reducing risks, coordinating insurance activities, monitoring loss control programs and processing claims and settlements. Reporting to the Associate Vice President for Business Services, this is a stand-alone position with no permanent support staff.

Requirements:

- ★ Candidates should have a Bachelor's degree, and
- ★ Several years of progressively responsible experience in risk management

SMU offers excellent working conditions, comprehensive benefits package, and tuition benefits for employee and family. Submit resume postmarked by November 30, 1990 to:

Risk Manager, SMU
Box 232, Dallas TX 75275

SOUTHERN METHODIST UNIVERSITY

An Equal Opportunity Employer



HELP WANTED

ACTUARIAL ANALYST REPUBLIC WESTERN INSURANCE PHOENIX, ARIZONA

Republic Western is a national property and casualty insurance company, headquartered in Phoenix, Arizona, seeking an individual who has experience working in the actuarial department of an insurance company or actuarial consulting firm.

Prefer degree in Math, statistics, or Insurance. Individuals pursuing or interested in the Actuarial exams will be considered very desirable.

This position offers a real opportunity. Excellent benefits. Relocation package. Salary is competitive and dependent on level of experience. Drug testing is a condition of employment. Smoke free working environment. EOE.

Please send resume with salary history: **Republic Western Insurance Company, Attn: Donna Noel, Personnel Administration, 2727 N. Central Avenue, Phoenix, Arizona 85004**

NOTICES

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION FEDERAL TRIANGLE PROJECT OWNER CONTROLLED WRAP—UP INSURANCE PROGRAM

The Pennsylvania Avenue Development Corporation (PADC), Washington, DC, a wholly-owned government corporation and agency of the federal government, created pursuant to Public Law 92-578, as amended (40 U.S.C. 871-885), plans procurements to implement an Owner Controlled Insurance Program (OCIP) covering the design and construction of the International Cultural and Trade Center and Federal Office Building at the Federal Triangle Development site. Insurance coverages to be provided include: workers' compensation, commercial general liability, builders' risk, excess liability, and professional liability, including design professional errors and omissions. Also, apart from the OCIP, insurance coverage for directors and officers may be required. PADC has retained Johnson & Higgins of Washington, DC, Inc. to represent PADC as Insurance Broker/Consultant. PADC shall follow Federal Acquisition Regulations except where insurance industry solicitation procedures differ. PADC is distributing copies of requests for proposals (RFP) to insurance companies meeting the requirements set forth below. RFPs will be available for the following four components: (1) professional liability; (2) workers' compensation, commercial general liability, and excess liability; (3) builders' risk; and (4) directors' and officers' liability. If you wish to be certain that your company receives the applicable RFP, please prepare a written expression of interest addressed to PADC with a duplicate (mandatory) to Johnson & Higgins. Carriers and underwriters must meet the following minimum requirements to receive an RFP. For workers' compensation, employers' liability, commercial general liability, and excess liability: (1) Current A.M. Best's and Co. rating of A-VIII or better (or equivalent if non-U.S.); (2) Experience in writing OCIP programs for large-scale construction projects (\$200 million direct construction cost minimum) for at least five years. For builders' risk and property insurance: (1) Current A.M. Best's and Co. rating of A-VIII or better (or equivalent if non-U.S.); (2) Experience in underwriting complex property insurance for large-scale construction projects (\$200 million direct construction cost minimum) for at least five years. For professional liability: Current A.M. Best's and Co. rating of A-VIII or better (or equivalent if non-U.S.). PADC reserves the right to modify these requirements prior to the due date of proposals. For workers' compensation, employers' liability, builders' risk, and excess liability, a pre-proposal conference (not mandatory) shall be held on November 7, 1990 at PADC's offices, and written proposals shall be due by 4:00 p.m., e.s.t., December 10, 1990. A summary (but no transcript) of the conference shall be made available to recipients of the RFP. For professional liability, no pre-proposal conference shall be held, though interested parties may attend the pre-proposal conference of November 7, 1990, and proposals shall be due by 4:00 p.m., e.s.t., November 27, 1990. PADC shall negotiate final terms, conditions and pricing from those companies submitting bona fide proposals in the competitive range. The directors and officers liability RFP has not been prepared and is subject to further notice. Interested parties meeting the requirements stated above should forward a written expression of interest to Ms. Eliza Berlow, Federal Triangle Project Manager, Pennsylvania Avenue Development Corporation, Suite 1220—North, 1331 Pennsylvania Avenue, NW, Washington, DC, 20004 with a duplicate (mandatory) to Mr. William Eric Meyer, Insurance Broker/Consultant, Johnson & Higgins of Washington, DC, Inc., 2445 M Street, NW, Suite 350, Washington, DC 20037. Expressions of interest shall not be accepted over the phone.

HELP WANTED

UNIVERSITY OF ALASKA FAIRBANKS JOB VACANCY ANNOUNCEMENT

Director of the Risk Management Department

The Director of Risk Management for UAF is responsible for the following: Development, implementation and management of cost effective liability, loss prevention and safety programs for UAF. Coordination and review of loss data, contract, lease and purchase order sign-off. Review of policy statements, manuals and procedures. Development of comparison for allocations to actual claims experience and risk management costs as well as schedules by line of property, vehicles, watercraft and maximum retention levels.

Applications must meet education/experience requirements sufficient to perform responsibilities of risk management-related administrative position and have acquired the necessary management knowledge, skill and abilities. Knowledge and experience in insurance and risk management fields within diverse operations of a multi-campus higher education system. Proven experience in management and operation of cost effective system to limit exposure, and assessing and minimizing loss exposure. Ability to design, implement and manage loss prevention programs.

Salary is DOE. Closing date 19 November 1990. Send resume, three references and other supporting material to: **Employee Relations, Epsilon Building, UAF, Fairbanks, Alaska 99775.**

UAF IS AN EO/AA EMPLOYER AND EDUCATIONAL INSTITUTION

INSURANCE

You Expect Excellence... So Do We.

OUCH (Occupational Urgent Care Health Systems, Inc.) is a leader in providing comprehensive cost containment programs in workers compensation and group health to insurance companies, self-insured employers and third party administrators. Today we're growing faster than ever, and there's plenty of room for new ideas. Apply now for one of the following positions in our Detroit or Tampa locations:

Regional Vice President of Marketing

Assume total responsibility for sales and service for all clients, within a defined geographic region. This person will lead the Sales & Service groups in the region. Requires a proven sales track record and experience managing people. Knowledge or workers compensation is essential.

Regional Sales Manager and Account Managers

Service and problem solve for established clients; assists in new account sales; and analyze existing client needs for additional OUCH services. Must have an understanding of workers compensation insurance industry, have work experience with insurance companies, self-insured employers, third party administrators or National insurance brokers. Strong communication and problem solving skills are required.

Operations Manager

Responsible for a variety of tasks including: establishing and maintaining production levels and departmental goals; developing and maintaining work flow process; and acting as a liaison with other department managers. Must have workers compensation billing experience, previous management/supervisory experience, and knowledge of fee schedule rules. In addition, excellent organizational, motivational, and communication skills are essential.

OUCH is a Sacramento-based company with more than 300 employees. We offer competitive salaries, excellent benefits, including 401K and profit-sharing plan, and outstanding opportunities for career advancement. Qualified candidates send resume, indicating position desired to: OUCH, 2400 Venture Oaks Way, Sacramento, CA 95833, Attn: Human Resources. EOE.



PRODUCER ACCOUNT EXECUTIVE

Our consulting firm is on retainer with a very select group of brokers who offer serious and unique opportunities in the following vibrant locations:

- Las Vegas
-
- S.E. Florida
-
- San Diego
-
- Seattle

For the above locations, our clients will consider proven producers from outside the area.

We also have excellent clients looking for local candidates in the following locations:

- Phoenix/Tucson
-
- Chicago
-
- Suburban Philadelphia
-
- Suburban Pittsburgh

Our clients range from privately held firms offering equity possibility to national brokers with large resource centers.

They are not like the typical "looky-loos" you may have encountered that just like to talk. These firms invested in a unique retainer program available only to serious firms with specific, aggressive growth plans.

In addition to general commercial producers, we would particularly like to hear from those with expertise in construction, transportation, and marine.



Please contact Richard Shoemaker, President, IR Group Companies, 7844 Madison Avenue, Suite 106, Fair Oaks, CA 95628, or call (916) 965-5511 and ask for the Project Leader for the city of interest.

Insurance

ACCOUNT EXECUTIVE

Gallagher Bassett Services, Inc., a national risk management service firm, is seeking experienced Account Executives to be based in Georgia (Atlanta). Qualified applicants should have a risk management services background, knowledge of loss control, property and casualty claims handling and risk management information systems. Previous sales experience is desirable. The diverse duties of this position include prospecting for and selling of service only accounts. GB offers a quality working environment with professional staff, good benefits and a competitive salary. For confidential consideration, please send your detailed resume, professional references and salary history to: H. Roberto.



2250 W. Golf Road
Rolling Meadows, IL 60008
equal opportunity employer m/f

HELP WANTED

Insurance

GUARDSMARK Claims Manager Up to \$60,000

Guardsmark, a Memphis based national business services corporation, is seeking an experienced Claims Manager. Responsibilities will include the development of programs and procedures to process workers compensation and other casualty insurance claims on a nationwide basis, the review and analysis of reserves and settlements to ensure proper claims handling, administration of self-insured claims, internal record keeping for risk management decision making and forecasting and planning for insurance and other risk related costs.

Qualified candidate will have a minimum of 8 years hands-on experience in claims management with broad based knowledge of worker compensation claims, claims adjustment and evaluation, causation analysis and claims prevention. Minimum of a 4 year college degree is required along with excellent communication and presentation skills. I.I.A. and/or CPCU coursework would be helpful.

Our company has revenues exceeding \$100,000,000. We service customers in 42 states servicing 400 cities with over 7000 employees coast to coast. For prompt and confidential consideration, send resume stating salary history to:

Human Resources
GUARDSMARK, INC.
P.O. Box 45
Memphis, TN 38101
EOE M/F

The Professional Marketplace TARGETS your BEST JOB Candidates

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents, and Owners 2,670
Vice-Presidents, General Managers and Other Administrative Personnel 4,438

Financial:
Chief Financial Officers and Vice-presidents of Finance 3,149
Secretaries, Treasurers, controllers and other Financial Personnel 4,505

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 10,830

Sub-total 25,592

Associations 511
Government, unions and Educational Institutions 1,289

Commercial Consumers
Sub-total 27,392

Insurance Agents and Brokers 9,815
Insurance Companies 7,891
Accountants, Actuaries, Attorneys & Consultants 3,377
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,218
Others Allied to the Field 1,693

TOTAL 51,386

* Source Business/Occupational breakdown of qualified circulation, May 28, 1990 issue, as submitted to BPA for June 1990 BPA Publisher's Statement.

Banks

Continued from page 3
banks marketing insurance through their own insurance departments or through agencies they acquire will exert "leverage" on bank customers that could threaten independent agencies, said Michael O'Brien, senior vp of Johnson & Higgins in Los Angeles. That leverage is what agent and broker groups are concerned about.

The National Assn. of Insurance Brokers in Washington, D.C., is "not afraid of competition from banks or other entities, but we want to ensure a truly level playing field," said Michael Mullen, the NAIB's executive director.

"Our primary concern is that we have a level playing ground," agreed Leonard E. Freeman, president of the Professional Insurance Agents of California and Nevada, which joined with the Independent Insurance Agents & Brokers of California in challenging the interpretation by state officials that a Proposition 103 provision overturned state law prohibiting insurance sales by banks.

Both Mr. Mullen and Mr. Freeman want safeguards against a bank pressuring its loan customers to purchase insurance from the bank. The safeguards "may be for our benefit, but it would be for the consumer's benefit as well," Mr.

And, "we have been contacted by a number of insurers, including two well-known insurers who work through independent agencies, that are interested in offering homeowners and commercial insurance through banks," he said.

"Financial institutions are going to be major distributors of insurance products in the future," Mr. Chandler predicted.

Concerns by agent and broker groups that banks might coerce loan customers into buying insurance are "largely unfounded," said Security Pacific's Mr. Lubien.

"The idea that we wield this kind of power over a customer" is not valid, he asserted. "If someone is not already a bank customer, and he doesn't like how he's being treated, he can walk right out the door to our competition."

"If we already have a relationship with a customer, we have a lot more to lose than to gain" by attempting coercion, he said.

In addition, bank holding company laws "prevent coercive ties, even if we were stupid enough" to consider coercing loan customers into buying insurance, Mr. Lubien said.

"People always have a choice," he said. Government agencies have done studies showing that even in the area of credit insurance—which banks have traditionally been allowed to market—bank cus-

We do. We also do no red-lining. A lot of our business is in so-called 'poor' parts of town," he said.

Unifax also will write a policy for a business that has been operating for less than one year or is in a new location, he said, contending that the standard market will not touch that business.

"Crusader may not always have the lowest quote or accommodate all risks" banking with Security Pacific, but the insurer will issue policies to start-up companies "and that's important in California," Mr. Lubien said.

Crusader issued its first policy in 1985, Mr. Adler said.

The insurer, which reported \$11 million of surplus in 1989, recently received its first rating from A.M. Best Co. of A-

Mr. Adler and Mr. Lubien said they have "no idea" how much premium Security Pacific's insurance business will generate.

However, response to an inquiry sent to businesses with Security Pacific checking accounts was good, Mr. Lubien said.

"We think it has the potential to be significant because Security Pacific National Bank has a very substantial small-business client base," he said.

There is "a good fit between Unifax/Crusader's products and the needs of our customers that we typically see in our branches," Mr. Lubien said, noting that an affiliate of Crusader writes life/health insurance.

Mr. Lubien said Security Pacific also has formed a "strategic alliance with a large commercial brokerage," American Business Insurance Inc. of San Francisco, to "make expert advice and access to markets" available to Security Pacific's larger business clients.

ABI ranks as the 12th-largest U.S. broker, based on \$57 million of gross revenues in 1989 (BI, June 18).

"It would take us a long time and a great deal of resources to (establish) an ABI program for our customers," Mr. Lubien explained.

The bank provides the referrals, and ABI brings its expertise and markets, he explained.

The startup program with ABI already has resulted in "one or two closed deals."

Georgia Novak, Fremont's insurance department manager, also dismisses agents' and brokers' fears about unethical business practices by banks with insurance operations.

"For us, the insurance is such a secondary part," she said. "We wouldn't want to ruin a good loan relationship with threats. That doesn't make too much sense to me."

In addition, "we have our loan customers sign a disclosure stating they are aware they do not have to have insurance from the bank," Ms. Novak noted.

The disclosure statement serves to remind the customer that buying insurance from the bank is not a condition of obtaining a loan, "and it's also to remind our loan officers," she said.

The 2-month-old commercial insurance program at Fremont Bank has sold "four or five policies," Ms. Novak said.

The bank has not set up marketing channels yet to target non-bank customers but "absolutely" plans to do so "in the near future," she said.

Selling insurance at the bank "makes sense," Ms. Novak said. The bank intends to offer "one-stop financial services" to its customers, building on "the high level of trust in a banking relationship."

The coverage Fremont offers is placed through Chandler/Burd.

"Fremont acts as a subagent of Chandler/Burd," Mr. Chandler explained. Chandler/Burd is an agent for Civil Service Employees Insurance Co. of San Francisco, a subsidiary of CSE Corp., which is

owned by La Garantie Mutuelle des Fonctionnaires of Paris.

However, CSE is not approaching banks to produce business.

"We deal with independent agents only. We do not deal directly with any bank," said Steven Balodimas, CSE's marketing vp.

"We are committed to supporting the independent agency system. How our agents market is their business," he said.

CSE's niche is small commercial risks like apartments and office buildings valued at less than \$1.2 million, said Mr. Balodimas.

Fremont Bank offers its customers up to \$1 million of property coverage, with an aggregate limit of \$2.5 million per location.

CSE also writes up to \$1 million of occurrence-based liability limits/\$2 million aggregate, Ms. Novak said.

However, CSE does not currently write coverage for any "Main Street" business, so "we're work-

ing on an arrangement with another carrier" to offer property/casualty to small businesses such as retail stores and gas stations, Ms. Novak noted.

Best has assigned CSE and affiliate CSE Safeguard Insurance Co., which have a pooling arrangement and reported \$32.9 million of surplus for 1989, an A rating.

Fremont Bank also is negotiating with a third insurer to produce group health coverage for small businesses, she said.

Many other banks are interested in developing their "insurance profit centers," Mr. Chandler said.

For example, Chandler/Burd recently completed a project with "a major bank" in California—"one of the Top 20 in the U.S."—that is considering developing insurance programs for its construction industry customers.

The bank is considering offering course-of-construction property and liability coverage and surety and fidelity bonds. ■

The idea that banks might coerce loan customers into buying insurance is not valid, says Security Pacific's Mr. Lubien. If someone doesn't like how he's being treated, 'he can walk right out the door to our competition.'

Freeman said.

"There should be strict safeguards and government oversight to ensure that banks are not coercing customers" into buying insurance from the bank, Mr. Mullen said.

Agent and broker groups say those safeguards are necessary because of an expected boom in insurance operations by banks throughout the state.

The California Department of Insurance has issued fire and casualty agent licenses to 15 state-chartered banks, according to information provided by Sid Gauthreaux, chief of the department's license bureau.

"You can see where they're headed" by the number of banks that have obtained licenses, said a spokesman for the IIAB of California. "The condition of the market is holding them back, but that shows you what will happen when the market settles down," said the IIAB spokesman, referring to a continuing soft property/casualty market in California.

In addition, the entry of banks into the commercial insurance market is "not a widespread problem" now only because banks are holding back from launching commercial insurance programs while the IIAB's case is on appeal, said Stephen Young, IIAB's counsel.

But a spokesman for the PIA of California and Nevada said he believes many banks are gearing up to sell commercial insurance because "it would help them in their court fight if they already had programs in place. They could say, 'We already have all these programs.'"

"I know of at least 10 to 12 banks either currently soliciting commercial insurance or planning to do so in the next few months," said Michael Chandler, chairman and chief executive officer of Chandler/Burd Insurance Marketing Services Inc. of Burlingame, a consultant for banks considering getting into the insurance business.

"Close to 20" of Chandler/Burd's clients have filed for agent licenses, Mr. Chandler said.

tomers did not believe they were being coerced by banks into buying insurance, Mr. Lubien said.

He also pointed out that Security Pacific's test program in commercial insurance is targeted at business customers with checking accounts, not loan customers. "We have no plans to go out of our way not to talk to people who have loans" from Security Pacific, he said.

Coverage offered by Security Pacific is placed by managing general agent Unifax Insurance Systems Inc. with Crusader Insurance Co. Both Unifax and Crusader are units of Unico American Corp. of Woodland Hills, Calif.

Crusader writes "all forms of small business packages," said Walt Adler, assistant vp and general manager for Unifax. The "vast majority" of Crusader's policyholders are small retailers, including grocers and coin laundry operations, he said.

Crusader also will write coverage for specialty risks such as liquor stores and older apartment buildings, Mr. Adler said.

Crusader will write up to \$1 million of property limits, covering the building, its contents and business interruption, with aggregate limits of \$1.5 million.

Crusader also will write up to \$1 million of occurrence-based liability limits with no aggregate limit.

Crusader's liability premiums start at \$500 for \$100,000 of coverage, Mr. Adler said.

Premiums for coverage available through the bank are higher than the standard market would charge but "not anywhere near" the premiums charged by surplus lines markets, he said.

And, some of Crusader's programs, such as those for artisan contractors—such as plumbers and electricians—"are competitive on any scale."

"We think we have a niche and fill an area between the standard and surplus lines markets," Mr. Adler said. "Everyone wants the 10-year-old building. No one wants one over 20 or 45 years old.

Insurance services guide

Advertise in The Insurance Services Guide

FAX your advertisement for the next issue

FAX: 312/280-3189

PHONE: 312/649-5340

Contact Margaret Hikido
to reserve space.

ALIEN INSURER SEEKS U.S. GENERAL AGENTS/BROKERS FOR DOMESTIC & INTERNATIONAL MARKETS.

REPLY IN CONFIDENCE TO:
INTREPID REINSURANCE GROUP LTD.
P.O. BOX 55 MOLD, CLWYD, U.K.
CH 71 XW

TEMPORARY CLAIMS EXAMINERS



- Exclusively Medical/Dental Claims
- Nationwide Service
- 10 Years Service to Over 800 Clients
- Proven Performance Record
- Rapid Start Up
- Effective Quality Control Program

CLAIM SERVICES RESOURCE GROUP • 800-331-5039

The Claims Productivity People®

AUTOMATED HEALTH CARE CLAIMS MANAGEMENT SYSTEMS

- Claims Processing
- Billing & Administration
- PPO Management
- Utilization Review
- Section 125/Cafeteria Plan
- Cobra Administration

For Self Insureds, TPA's, Associations, Insurance Companies



EL DORADO
COMPUTING
INC.

2880 East Northern Ave. Suite 4
Phoenix, Arizona 85028
(602) 493-0288

REDUCE WORKERS' COMPENSATION MEDICAL COSTS UP TO 30%

State-of-the-Art Computer Technology + Medical Staff Expertise =
The Most Comprehensive Cost Containment Review of
WORKERS' COMPENSATION & MEDICAL CLAIMS

National Services Include:
Provider Medical Bill Review
Chiropractic Bill Review
Hospital Bill Review

Board Certified Medical Consultants Available To Assist In Complex Bill Reviews

Try Our Services RISK FREE!!

IBD REVIEW

A Division of INSURANCE SOFTWARE PACKAGES, INC.

5118 N. 56th Street, Tampa, Florida 33610 (800) 237-8133 US (813) 621-6069 FL

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

When the important players in the commercial insurance industry ask...

Why is customary state regulation of insurance under scrutiny? What will be the federal role for future insurance regulation? Can the burden on workers comp markets be reduced? Is the confidentiality of workers comp records adequate? Are state premium taxes fairly allocated to the state? Will the McCarran-Ferguson Act be amended or repealed? Will NAIC certified programs improve the state regulation of insurance?

Regulation continues to play an important role in our business. In the December 3 feature issue, BI editors will present the hows and whys — taking a hard look at the questions surrounding insurance regulation. This feature, distributed at the National Association of Insurance Commissioners conference, will be in the hands of the movers and shakers when they need information the most.

BI's feature on Insurance Regulation Trends is an exceptional advertising vehicle for you. There is no better editorial environment reaching decision makers. Reserve your ad space today.

Issue:
December 3
Ad Closing:
November 19



...They turn to BI.

Insurance Regulation Trends Distribution: NAIC

Business Insurance
a publication of Crain Communications Inc.

New York: 212-210-0228
Chicago: 312-649-5276
Los Angeles: 213-651-3710

Norwest dismisses agent fears

By LOUISE KERTESZ

MINNEAPOLIS—The experience of one of the country's few national banks with a large insurance agency operation shows that insurance agents' fears about banks with insurance sales operations are unfounded, say officials of the bank.

Agents are concerned that banks that sell insurance could gain an unfair market advantage by pressuring prospective loan customers into buying insurance as a condition of obtaining loans.

But such a policy would backfire, says James Schneider, president of Norwest Commercial Insurance Services, the commercial insurance group of Norwest Bank in Minneapolis.

Insurance agents' fears have been raised since recent court and Federal Reserve Board rulings and Proposition 103 in California have opened up the insurance sales field to some banks.

For example, in California, two banks are selling commercial insurance after a Superior court judge last year upheld state officials' interpretations that Proposition 103 overturned state statutes prohibiting banks from selling insurance (see story, page 5).

And, while Title 6 of the Garn/St Germain Act of 1982 prohibits expanded insurance activities by bank holding companies or their non-bank subsidiaries, one of several exemptions allows bank holding companies—including Norwest Corp., the parent of Norwest Bank of Minneapolis—to continue the insurance activities they had to Jan. 1, 1971.

Norwest operates in 12 Midwes-

tern states.

Total insurance premiums generated by Norwest's insurance operations will total more than \$200 million in 1990, and all insurance business will generate about \$65 million of gross revenues this year, said Stephen Byrnes, president of Norwest Insurance Inc., the holding company for the bank's insurance operations.

Half of the gross revenues and premium generated by the bank's insurance operations is attributable to commercial business, Mr. Schneider said.

Based on that estimate, Norwest's insurance operations would be larger than the 18th-largest U.S. broker, Robinson-Conner Inc., which reported \$30.8 million of gross revenues in 1989 (BI, June 18).

"We're very conscious" of charges by insurance agents that banks attempt to coerce loan customers into buying insurance, he said.

But, "a consumer would pick you up and throw you out of his office" if the bank made any such attempt, he observed.

"The consumer is allowed a clear choice," Mr. Schneider asserted. "There's a clear separation" between Norwest's banking services and its insurance services, he pointed out.

Norwest attracts insurance clients primarily through referrals by current bank and insurance customers and by loan officers informing Norwest customers that the bank offers commercial and personal lines insurance, Mr. Schneider said.

Norwest's policyholders include huge corporations, as well as em-

ployers with one or two employees, he said.

And, Mr. Byrnes, noting that Norwest's "corporate moniker" includes the words "investments, insurance, banking," said "there's a growing awareness that we're in the insurance business."

Norwest, though, does not advertise its insurance services, Mr. Schneider said.

In the past few years, Norwest has made "a special effort" to bolster its commercial insurance sales services, especially for large insurance buyers, he said.

This is done by attracting staff from alphabet insurance brokers, Mr. Byrnes explained, noting that Mr. Schneider is from "a major alphabet house" and "his entire staff is made up of recruits from the top 10 agencies."

The bank sells coverage in "any and all commercial lines," including workers compensation, professional liability and surety bonds, Mr. Schneider said.

Norwest has licenses with 350 insurance companies, "the same as any independent agent" might have, he observed.

"We go out and find the best company for our customers," who may or may not be Norwest banking customers, he said.

Norwest also owns managing general agent, Crop Hail Management Inc. of Kalispell, Mont., which offers crop insurance through 300 agencies.

COBRA SOFTWARE

The most popular Cobra Software System in use today.



If you're not using Corporate Cobra Manager, you don't know how easy Cobra administration can be! Over 2,000 employers have chosen Corporate Cobra Manager from Travis Software.

The system automatically produces up to 29 letters, forms and documents required by COBRA. Easy-to-use and automatic, it performs record-keeping, correspondence generation and premium billing. Includes COBRA amendments passed November 1989.

Travis Software Corp. supports and updates Corporate Cobra Manager as new regulations arise and new features are added.

Phone: 1-800-324-7129 or in Houston, call (713) 496-3737

Other Employee Benefit Systems Include: TravisFlex, Group Premium Billing Manager, Retiree Premium Billing Manager, TravisHR and TravisComp

NAME _____

TITLE _____

COMPANY _____

STREET _____

CITY, STATE, ZIP _____

TELEPHONE _____

Travis Software
1001 S. Dairy Ashford, Suite 206 • Houston, Texas 77077
Phone: 1-800-324-7129 or in Houston, call (713) 496-3737

PLEASE SEND MORE INFORMATION ON:

Corporate Cobra Manager Travis/HR

TravisFlex Retiree Premium Billing Manager

Group Premium Billing Manager Travis/Comp

Advertiser Index

Issue of November 5

Advertiser	Page #
Aestar Insurance	4
American Reinsurance	18-19
Am-Re Brokers	30
Argonaut Insurance Co.	7
Business Insurance	17,36
Blue Cross/Blue Shield—Ct.	16C,D
Brownyard Brothers	17
Chubb	20
CIGNA	5
Claims Network	32
CNA Insurance	12,24
Crawford & Company	25
General Rehab. Service	10-11
Great American Insurance Co.	26
Hartford Insurance Co.	31
Health Chicago	16A,B
Illinois Captive Insurance	32
Intracorp	13
K&K Ins/Lincoln National	6
Mass Mutual Insurance	33
Maxicare Health Plans	14-15
William H. McGee	27
Metropolitan Life	16
Mutual of Omaha	40
National Reinsurance	22
Travelers Insurance Co.	9
Travis Software	36
Floyd West & Company	31
Worldwide Weather	32
Xerox Financial Services	21
Zurich Insurance Group	28

Business Insurance

Deficit reduction

Continued from page 1

pay for current retirees' health care expenses.

That good news is far overshadowed by the billions of dollars in higher benefit costs that employers face.

"Some major increases in benefit costs are in store for employers," said Frank McArdle, a Hewitt Associates consultant in Washington, D.C.

Higher PBGC premiums—which the agency did not request—will cost employers with defined benefit plans more than \$600 million over the next five years.

The premium for employers with fully funded and overfunded plans will climb 19% next year to \$19 per plan participant from \$16.

Surcharges paid by employers with underfunded plans also will increase substantially.

A 1987 law set the per-participant surcharge at \$6 per \$1,000 of unfunded benefits with a maximum of \$34. As a result, the maximum total premium for an employer with an underfunded plan now is \$50 per plan participant.

The budget deficit pact increases the surcharge to \$9 for each \$1,000 of unfunded benefits, up to a maximum of \$53. As a result, the maximum total annual PBGC premium for an employer with an underfunded plan will increase to \$72.

Business lobbying groups decry the premium increase as a "gimmick" intended to reduce the federal deficit rather than meet any immediate PBGC financial need.

"It is completely a budget gimmick and bears no relationship to the financial status of the PBGC, which is improving," said James Klein, deputy executive director of the Washington, D.C.-based Assn. of Private Pension & Welfare Plans. The PBGC's deficit has declined to about \$1 billion over the last several years.

James B. Lockhart III, executive director of the pension agency, has defended the premium hike. He notes that the agency could face \$7 billion to \$8 billion in liabilities if a number of financially troubled companies with underfunded plans fail in the next few years.

Meanwhile, by raising excise taxes of pension asset reversions, the budget pact eliminates an employer's ability to terminate an overfunded pension plan and obtain most of the surplus assets.

Reversions are now taxed at 15%, but retroactive to Sept. 30, the excise tax:

- Increases to 50% for companies terminating an overfunded plan and not setting up a qualified re-

placement plan:

- Increases to 20% for companies setting up a replacement plan. In addition, 25% of the reversion generally would have to go toward the replacement plan.

- Increases to 20% for companies that give 20% of the reversion—in the form of a one-time benefit increase—to plan participants.

Higher excise taxes mean that "reversions are essentially dead," said Steve Vernon, a Wyatt Co. consultant in Sherman Oaks, Calif.

The provision affecting asset reversions ends a nearly decade-long debate on whether surplus asset reversions belong to employers or participants.

Employers argued that once their benefit obligations were met, any remaining amounts belonged to them. Pension activists countered that because plan assets were intended to provide benefits any surplus belonged to the participants.

While this debate dragged on, employers terminated hundreds of

'Major increases in benefit costs are in store for employers,' says Hewitt's Frank McArdle.

overfunded pension plans, obtaining more than \$21 billion in surplus assets. A number of major property/casualty insurers, for example, terminated overfunded plans in the mid-1980s and used the excess assets to help rebuild policyholder surplus that had been battered by fierce underwriting wars.

With the stiff new restrictions and taxes on reversions, companies will no longer terminate overfunded plans to gain control of assets quickly and inexpensively.

"Reversions are far less attractive," said the APPWP's Mr. Klein.

However, the budget pact will allow employers—on a tax-free basis and without terminating their pension plan—to transfer surplus pension plan assets to a special account to fund retiree health care.

For each of the next five years employers will be able to transfer surplus assets to a so-called 401(h) account to pay current retiree medical expenses for that year.

"In other words, this will not be an opportunity to prefund retiree medical liabilities on a long-term basis," noted a bulletin from TPF&C, the benefit consulting di-

vision of Towers, Perrin, Foster & Crosby Inc. in New York.

Other restrictions in the budget pact—including a requirement that pension plan participants be vested before a transfer is allowed—will reduce the appeal of retiree health asset transfers.

"Selected employers will find this a new and appealing opportunity, but most employers probably will not avail themselves of it," said Hewitt's Mr. McArdle.

Employers' benefit costs also will rise by \$13.5 billion through a provision that increases to \$125,000 from \$51,300 the amount of an employee's wages subject to the 1.45% Medicare portion of the FICA tax. Employee Medicare contributions will be raised similarly.

Other, more subtle measures will boost many employers' benefit costs.

One obscure provision, for example, will shift hundreds of millions of dollars in annual health care costs for the nation's poor to employers from federal and state governments.

That provision requires states, beginning Jan. 1, to determine if it is cheaper to pay the employee share of the premium for regular group health care coverage than to cover Medicaid-eligible individuals and dependents in their Medicaid programs (BI, Oct. 29). States also could pay the COBRA premium, which is set at a maximum of 102% of the group rate, for former employees eligible for Medicaid.

In addition, states could—but would not be required to—pay COBRA premiums for former employees not yet eligible for Medicaid if those individuals had incomes below the federal poverty level and relatively few assets. This provision only would apply to companies that have at least 75 employees.

These provisions are projected to save federal and state governments nearly \$2 billion over the next five years—at the expense of employers.

Benefit experts earlier noted that it would make good economic sense for a state to pay a \$200 or \$300 monthly COBRA premium for a beneficiary with chronic health problems rather than have its Medicaid program face medical bill liability that could total tens of thousands of dollars.

"A sizable share of health care costs are being shifted from government to employers," Mr. McArdle said.

Other provisions also will indirectly shift health care costs to employers.

Projected Medicare payments to

Budget bill includes Superfund renewal

WASHINGTON—Insurance lobbyists are calling it Congress' "Midnight Surprise."

Tucked into the massive budget reconciliation bill is a simple three-year reauthorization of the federal Superfund law, officially known as the Comprehensive Environmental Response, Compensation and Liability Act.

Including a reauthorization of the Superfund law, which was due to expire next September, surprised observers because the measure was not included in earlier budget bills approved by the House and Senate.

Congressional conferees, trying to iron out differences in House and Senate versions, rarely add material that originally did not appear in either.

"Congress can do many amazing things," said David Pratt, vp-federal affairs of the American Insurance Assn. in Washington, D.C., referring to the last-minute reauthorization of Superfund.

Reauthorizing the law through September 1994 has little practical significance, lobbyists say.

That is because legislators next year were likely to pass a two- or three-year general reauthorization rather comprehensively revamp the law, Mr. Pratt said.

Insurers, however, still hope for changes in the law, such as eliminating joint and several liability for hazardous waste cleanups, he said.

"We will remain active on Superfund for a long time as we look for solutions to problems the law has caused," Mr. Pratt said.

—By Jerry Geisel

hospitals and doctors will be cut by \$28 billion over the next five years. Benefit experts expect providers to make up for that lost income by raising charges for patients with employer-provided health care coverage.

"If Medicare reimbursements are cut, employers would likely face higher benefit costs for active employees as physicians and hospitals seek to recoup lost Medicare income from non-Medicare patients," said Lawrence Leisure, a

Higher excise taxes mean that reversions are essentially dead,' says Wyatt's Steve Vernon.

vp with TPF&C in San Francisco.

Under another cost-shifting provision in the budget bill, the annual deductible for Medicare Part B, which covers physicians' expenses, will rise to \$100 from \$75, effective Jan. 1. This will increase costs for employers that coordinate their retiree medical plans with Medicare since to the extent that Medicare pays less, employer plans automatically pay more.

Costs also will rise sharply for employers that pay retirees' premiums for Medicare Part B. Under the budget agreement, the monthly Part B premium, now \$28.60, will gradually rise to \$46.10 in 1995.

About 9% of employers now pay Part B premiums, according to TPF&C.

Other provisions in the budget agreement will:

- Sharply increase OSHA fines. Maximum penalties will increase for both serious violations—to \$7,000 from \$1,000—and willful violations—to \$70,000 from \$10,000.

- Restore educational assistance benefits. Employers, through Dec. 31, 1991, will be able to provide up to \$5,250 in tax-free tuition reimbursement benefits.

Section 127, which gives educational assistance benefits their tax-favored status, had expired on Sept. 30.

In addition, for next year only, reimbursement for graduate studies will be tax-free.

- Low-income workers with children will receive a tax-credit—up to a maximum of \$426—to offset the portion of the premium their employers charge for family health care coverage.

The tax credit would not be available for pretax premium contributions, such as contributions made to a flexible spending account.

In addition, businesses' life/health and property/casualty insurance costs could rise because of provisions in the budget pact that will increase insurers' taxes.

Life insurers will be required to pay about \$8 billion in new taxes over the next five years under a provision requiring the insurers to amortize over 10 years certain policy acquisition costs, like agent commissions. Such costs can now be immediately deducted.

And property/casualty insurers will have to pay about \$600 million in new taxes over the next five years. They will be required to reduce tax deductions taken for loss reserves by the amount they expect to receive through subrogation and salvage. Under current law, income from subrogation and salvage does not have to be recognized until actually received.

Congress' last act—the passage of the deficit reduction legislation—brings to an end one of the most action-filled sessions for benefit plans.

During the 101st Congress, legislators repealed Internal Revenue Code Section 89, the despised and complex non-discrimination rules for health care plans.

Legislators also repealed the Medicare Catastrophic Coverage Act of 1988, a law that many retirees said imposed too great a tax bite on them.

In addition, legislators defeated efforts to impose special filing fees on employers with pension plans and allow employees to share control of pension plan assets with their employers.

However, Congress approved legislation overturning a controversial 1989 Supreme Court decision that had made it easier for companies to provide discriminatory benefits to older workers. In passing the so-called Betts bill, legislators removed a provision that would have complicated employers' efforts to reduce their workforces by offering older workers enriched benefits through early retirement window programs.

Congress also passed parental leave legislation that would have given employees up to 12 weeks of unpaid job-protected medical and family leave, but legislators were unable to override President Bush's veto.

"It has been a memorable session," summed up Mr. Klein of the APPWP.

Deficit law restricts some FSA use

WASHINGTON—Deficit reduction legislation approved by Congress would preserve maximum use of flexible spending accounts by middle- and upper-income employees for dependent care.

But the legislation—also known as a budget reconciliation measure—would prohibit employees from using FSAs for most elective cosmetic surgery.

The deficit reduction pact includes portions of sweeping child care bills passed earlier by the House and Senate.

As conferees were putting the final touches on the deficit reduction bill, they dropped a provision in the child care bill passed by the House that would have limited highly compensated employees' use of FSAs to fund dependent care expenses. The child care bill passed by the Senate did not include such a restriction on dependent care FSAs.

Current law lets all employees make annual pretax contributions of up to \$5,000 to their FSAs for dependent care expenses.

A child care bill the House passed in March would have reduced maximum contributions by \$250 for each \$1,000 of income exceeding \$70,000. As a result, dependent care FSAs would have been eliminated for employees with adjusted gross incomes exceeding \$90,000.

After vigorous employer-led lobbying, conferees dropped the proposed cutbacks on dependent care

contributions, benefit experts say.

"There was a lot of lobbying on this issue," said Frank McArdle, a Hewitt Associates consultant in Washington, D.C.

Meanwhile, under the deficit reduction bill, employees, effective Jan. 1, could no longer use health care FSAs for most elective cosmetic surgery.

A provision says cosmetic medical surgery no longer will be a tax-deductible medical expense. Only tax-deductible expenses can be funded through a health care FSA.

However, cosmetic surgery needed to "ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease" still would be considered a bona fide tax-deductible medical expense and thus could continue to be funded through an FSA.

Benefit experts advise employers to immediately notify employees about the upcoming restrictions. That way an employee considering cosmetic surgery could move up his or her date of surgery before the new restrictions take effect next year.

The new restrictions on cosmetic surgery, though, would have little impact on regular group health care plans since employers typically exclude coverage for such procedures, benefit experts say.

—By Jerry Geisel

Weavers

Continued from page 1

declaration that the defendants are liable for the payments and also seeks the "restitution of all such payments (and) damages or other compensation for fraud and deceit practiced" by the defendants.

No monetary amounts are disclosed in the lawsuit. However, Munich Re was the largest reinsurer of the Weavers line slip for many years.

For example, Walbrook Insurance Co. Ltd., LUI's principal insurance subsidiary and the leading insurer on the Weavers line slip in recent years, paid reinsurance premiums totaling 94.7 million pounds (\$184.3 million at current exchange rates) to Munich Re for the years 1987, 1988 and 1989 alone, according to statutory returns filed by Walbrook.

Commissions paid to ceding companies by reinsurers on quota-share reinsurance programs usually total about 2.5% or 5% of premium, brokers estimate. As a result, commissions owed to Weavers from reinsurance placed with Munich Re since the mid-1970s could total tens of millions of dollars, sources estimate.

Roger Borley, managing director of Weavers, would not comment on the commission payments due from Munich for 1989 and prior years. However, commission payments had "recently" begun to be received from Munich by Weavers following the administrators' investigations, he noted. He would not say when the payments began.

Messrs. Wilson and Driver could not be reached for comment and Mr. Weavers would not comment while litigation is in progress.

Mr. and Ms. Smith also could not be reached for comment. Neither could the companies in Liechtenstein or Germany.

Mr. Borley would not comment on the identity or involvement of the Smiths. However, sources say that Mr. Smith formerly worked for an accounting firm that had once acted as an auditor of LUI and Weavers. The firm, Billsons Cullen, is no longer in existence following several accounting firm mergers.

Officials at Munich Re in Germany could not be reached for comment late last week because Thursday and Friday were public holidays in Germany. Officials at Munich's London office could not comment on the matter since the reinsurance transactions were handled by Munich Re's headquarters.

Meanwhile, Mr. Lilley, the British secretary of state for trade and industry, announced Wednesday that Angus Hugh Gilroy, a partner of London accounting firm BDO Binder Hamlyn, has been appointed as an inspector to investigate and report on LUI's affairs. A lawyer soon also will be appointed as an inspector to work with Mr. Gilroy, Mr. Lilley announced.

"The secretary of state will be asking the inspectors to look in particular at the circumstances surrounding payments of commission on reinsurance contracts relating to the company's underwriting subsidiary, H.S. Weavers (Underwriting) Agencies, Ltd.," according to an announcement from the Department of Trade and Industry, which regulates insurers in the United Kingdom.

The DTI would not comment on whether the Serious Fraud Squad—a

British police unit that investigates financial fraud—is examining the matter. The SFO said it never comments on possible investigations.

Mr. Gilroy said that it was too early to comment in detail on the investigations, but he confirmed that "tens of millions of pounds" of commissions could be involved.

He said that the investigation was not limited to Weavers' reinsurance arrangements with Munich Re but he could not specify what other areas he may investigate.

This is not the first time that officials of Weavers and LUI have been accused of improperly profiting from their positions.

Messrs. Driver, Weavers and Wilson last year were accused of collecting dividends from a Michigan-based underwriting agency that arranged "substantial" reinsurance protection for Walbrook without disclosing their ownership interest in the agency to LUI shareholders (*BI*, May 22, 1989).

The three LUI directors held a 66.7% interest in Southfield, Mich.-based Russell Reinsurance Services Inc. and had earned dividends of \$300,000 from the company.

Following disclosure of the shareholdings, Messrs. Driver, Weavers and Wilson transferred their interest in Russell Re, valued at \$950,250, to LUI and also gave the \$300,000 in dividends to LUI without taking any profit.

Meanwhile, LUI's administrators announced last week that the investigations and litigation will not affect the "strategies for the administration" of LUI. The administrators are preparing "schemes of arrangements," or court-approved runoff plans, for four insurance subsidiaries of LUI that have suspended claims payments because of uncertainties in the adequacy of their reserves.

Also, the LUI administrators are seeking to strengthen the financial position of Walbrook, LUI's principal insurer, by negotiating commutation plans with some of Walbrook's major policyholders. Walbrook, meanwhile, is continuing to pay claims.

For the year ended Dec. 31, 1989, Walbrook's net liabilities totaled 460.2 million pounds (\$742.8 million at the appropriate exchange rate) and its assets totaled 465.4 million pounds (\$751.2 million), according to the company's latest returns filed recently with the DTI.

This leaves the company with just a 5.2 million pound (\$8.4 million)—or less than 1%—margin for error in estimating its outstanding liabilities.

Under DTI regulations, Walbrook needed at least a 31 million pound (\$50 million) surplus to continue trading, leaving it 25.8 million pounds (\$41.6 million) short of the minimum solvency margin at year-end 1989, according to the DTI returns. Moreover, the provision for outstanding liabilities is discounted according to their anticipated settlement period, the DTI returns note. The mean term of the liabilities discounted is 5.61 years at a rate of 7.5% per annum.

Under the discounting formula, Walbrook anticipates investment income of 195.8 million pounds (\$316

million), the report notes.

The provision for outstanding claims and incurred-but-not-reported claims was estimated on the basis of a report commissioned from actuarial firm Tillinghast, a unit of Towers, Perrin, Forster & Crosby Inc.

However, according to the DTI report, Tillinghast points out that "no provision has been made for potential future claims arising from loss causes not recognized in the historical data." And "there is an additional risk that the timing of the future payment of the liabilities will differ from the estimated pattern and that the future yield on the underlying assets will differ from the assumed discount rates," Tillinghast warned.

Walbrook's gross liabilities—before reinsurance—on a discounted basis are estimated to total 913.8 million pounds (\$1.47 billion), according to the DTI report. As a result, on an undiscounted basis Walbrook's gross liabilities probably total about 1.35 billion pounds (\$2.18 billion), observers note.

Other recent moves made by the LUI administrators include the sale of Weavers' tangible assets, like furniture and automobiles, in September to a sister company, Southwark Run-Off Services Ltd., a Walbrook subsidiary (*BI*, Sept. 24).

Southwark is offering to provide runoff services to insurers that formerly participated on the Weavers underwriting line slip. Under the original agreements between Weavers and the insurers that participated on the slip, Weavers is obliged to handle the runoff of business written on the slip.

However, at least one former Weavers' line slip participant has decided to administer the runoff of its Weavers' business itself. Winterthur Swiss Insurance Co. of Winterthur, Switzerland, which participated on the slip from 1967 to 1983, has formed Antropus Management Services Ltd., to manage the runoff of its Weavers-related liabilities.

Winterthur has recruited former Weavers Claims Manager Barry Seymour and former Weavers Director Alfie Bettis and is advertising for additional staff to work for Antropus, confirmed Andrew Fleming-Williams, managing director of Winterthur Insurance Co. (UK) Ltd.,

The Swiss insurer has decided to manage its own runoff because "we take our responsibilities for our clients very seriously and we want to entrust the runoff to a company we know will be in existence for the long term," said Mr. Fleming-Williams.

Throughout the summer Winterthur had been negotiating with several other insurers that participated on the slip and with Weavers management about forming a runoff management company to handle the entire Weavers runoff, feeling that it was important to maintain the runoff with one organization, said Mr. Fleming-Williams.

However, in the midst of the negotiations, Walbrook announced the formation of Southwark.

Because of the uncertainty surrounding the future of Walbrook and any of its subsidiaries, Winterthur has decided to establish its own runoff capability in-house, according to Mr. Fleming-Williams.

Antropus will be prepared to provide runoff services, for a fee, to other insurers that participated on the Weavers slip, he said. ■



Mr. Wilson

Update

Black lung case in high court

WASHINGTON, D.C.—The U.S. Supreme Court has agreed to decide how much latitude federal regulators should allow coal companies in challenging employees' work-related disability claims under the federal Black Lung Act.

"The legal question is whether coal companies may avoid liability for disability claims by showing either that a man was able to work or that his inability to work has nothing to do with his coal dust exposure," said John Bagnato of Spence, Custer, Saylor, Wolfe & Rose in Johnston, Pa., an attorney for BethEnergy Mines Inc., a Bethlehem Steel Corp. unit.

The case involves claims filed between 1973 and 1980 by workers or their survivors who contend they were disabled by lung diseases caused by job-related exposure to coal dust. The U.S. Department of Labor administered those claims.

At stake, said Mr. Bagnato, is the eligibility of at least 2,000 miners for an estimated \$150 million in benefits.

Several federal appeals courts have interpreted the intent of Congress differently. The 4th U.S. Circuit Court of Appeals in February essentially curtailed employers' ability to contest disability claims by restricting their ability to introduce additional medical evidence that an illness was not work-related. However, the 3rd U.S. Circuit Court of Appeals last year allowed employers to present such evidence.

Alcoholism compensable injury

LANSING, Mich.—The Michigan Court of Appeals has upheld a state workers compensation appeals board decision that a Stroh Brewery Co. policy contributed to an employee's alcoholism and therefore alcoholism is a compensable injury.

Michigan Mutual Insurance Co. of Detroit confirmed that it insured Stroh's workers comp risks until 1982, several years after Detroit-based Stroh fired the employee.

Stroh, which did not return phone calls, has about two weeks after the Oct. 26 ruling to appeal.

The case, which has bounced between the Michigan Workers Compensation Appeal Board and Michigan courts since 1977, centers on Stroh's policy of providing workers free beer during breaks as long as their consumption does not impair them.

In 1974, Stroh fired Casimer A. Gacloch, a 27-year company veteran, charging that his drinking habits hurt his job performance.

In 1977, Mr. Gacloch filed a workers comp claim seeking about two years of benefits, claiming that Stroh's policy contributed to his alcoholism and that, therefore, his addiction was compensable.

The workers comp appeals board has agreed with Mr. Gacloch all along, and a three-judge panel of the appellate court agreed with the workers comp board last month.

"While plaintiff was predisposed to alcoholism before he was hired by defendant, he was not an alcoholic when he was hired. The unique circumstances of the employment shaped the course of plaintiff's disease," and therefore Mr. Gacloch's addiction to alcoholic beverages is compensable, the court ruled.

The amount of workers comp benefits has not been determined. The importance of the ruling is that the court agreed that alcoholism is a compensable job-related disease, said attorney Norton J. Cohen of Miller, Cohen, Martens & Ice of Southfield, Mich., who represented Mr. Gacloch's widow. Mr. Gacloch died in 1982 after accidentally setting himself on fire while smoking during hospital treatment for an alcohol-related disease, Mr. Cohen said.

C&B stock value effort wanes

NEW YORK—The portion of outstanding Corroon & Black Corp. shares involved in a Bear Stearns & Co. effort to rally other C&B shareholders against a merger with Willis Faber P.L.C. fell to 4.4% from 11.8%, says Willis Corroon P.L.C., the merged company.

The law in Delaware, where C&B was incorporated, allows a stockholder of a company planning a merger to request a fair market valuation of shares. The acquiring company would then have to pay that price for the shares.

Investment bank Bear Stearns opposed the C&B-Willis merger, which involved a stock swap. It instead favored an \$840 million Aon Corp. bid that C&B rejected (*BI*, Sept. 24). After Aon withdrew its cash bid, Bear Stearns urged C&B shareholders to seek appraisal rights (*BI*, Oct. 1).

Robert Steinberg, the Bear Stearns executive who lead the effort, would not comment.

The merger was completed last month (*BI*, Oct. 15).

Group defends warning on AIG

WASHINGTON—Public Citizen says it stands by its finding that American International Group Inc. failed four of the consumer group's six solvency standards and thus would be financially vulnerable and potentially at risk in a severe economic downturn.

AIG Chairman Maurice Greenberg had sought a retraction, charging that, among other things, the group understated the insurer's surplus, causing AIG to fail a "meaningless" test comparing surplus to losses (*BI*, Oct. 29; Oct. 22).

Last week Joan Claybrook, president of the consumer group, said its financial analysis was correct. "Despite AIG's heated assertions... your complaints simply are not persuasive," she wrote to Mr. Greenberg.

Public Citizen admitted errors in calculating the surpluses of Hartford Insurance Group and Aetna Life & Casualty Co. and says it should not have raised solvency concerns about the two insurers.

Briefly noted

The U.S. Supreme Court last week let stand a federal appellate court's decision to throw out a \$20 million jury verdict against Merrill Dow Pharmaceuticals Inc. in a product liability suit involving anti-nausea drug **Bendectin**. . . **Maxicare Health Plans Inc.** reported its first quarterly net profit in four years. Third-quarter net income was \$22.1 million on revenues of \$95.5 million on the strength of an extraordinary gain of \$21.4 million from the June 1989 sale of its Michigan plan assets to Health Alliance Plan of Detroit.

Global insurer omitted from directory

The following insurer was omitted from the directory of global property/casualty insurers that was published in the Oct. 22 issue.

Arkwright Mutual Insurance Co.

225 Wyman St., Waltham, Mass.
02254; 617-890-9300; fax:
617-890-6610

	1989	1988
Int'l premiums...	\$68,330,000	\$65,560,000
Offices: Claims...	6	6

Underwriting...	5	5
Employees...	348	326
U.S.	109	96
Non-U.S.	239	230
Foreign countries...	44	44
Owned offices...	1	1
Combined ratio...	144	106

Year international operations began: 1950.

Specialties: Fire, boiler, difference in conditions, marine, fidelity and crime.

Services: Provides international captive programs, international loss control services, worldwide retroactively rated programs, world-

wide loss statistics in support of international programs.

Subsidiaries: FM Insurance Co. Ltd., London; Hobbs Group Inc.

Principal officers: Frederick J. Caumpus, president/chief executive officer; Ronald L. Jones, executive vp/director-regional operations; W. Glenn Yancey, executive vp and president/chief executive officer of Hobbs Group Inc. and HPR Mutual Ltd.; Robert J.M. O'Hare Jr., senior vp/secretary/legal counsel; Richard J. Roth, senior vp-marketing.

U.S. contact: Wolfgang Friedel. ■

Residual markets

Continued from page 3
examine 1988 because it is the most recent year for which complete data is available.

The report's introduction lists three major reasons for the Alliance's concern about the growing losses in various residual markets:

- In many instances, insurers are required to participate in these entities as a condition of doing business in a particular state.
- The relation of the residual market to the voluntary market.

"In some states, the residual markets have grown because inadequate rates in the voluntary market have made profitable marketing to all risks impossible," the report noted.

- So-called cross-subsidies inherent in these processes.

"A number of the residual markets do not charge a price sufficient to cover the costs of their services. This failure to cover costs results in subsidies from other lines of business and other customers and lines covered in the residual market," said the report.

Thus, insurers required to participate in the residual markets—whether for workers compensation, commercial and personal automobile, medical malpractice or other lines of coverage—must carry an additional financial burden that can put them at a competitive disadvantage, Mr. Lawson said.

"If companies have to subsidize these residual markets, the money has to come from somewhere," he said.

In some cases, commercial insurance buyers will turn to alternatives like self-insurance to save money and thus increase the subsidy burden on commercial insurers, Mr. Lawson said. In other cases, the policyholders will pay higher rates, which in turn drives more people into the residual market, he said.

Mr. Lawson pointed to the residual market for workers comp insurance as one of the most troubled. The overwhelming majority of states with workers compensation residual market mechanisms reported underwriting losses in 1988, he pointed out.

The \$1.89 billion in workers comp residual market underwriting losses in 1988 comprised 39.2% of the \$4.81 billion in total workers compensation losses that year, including both losses from the voluntary and the residual market.

By contrast, in 1986 workers comp residual market losses comprised just 24.9% of total workers compensation losses.

In 1988, 36 states reported total workers comp residual market underwriting losses of nearly \$1.9 billion, while the 10 other states surveyed reported a collective underwriting gain of only \$17.7 million.

One state—Texas—accounted for 20.9% of the

nation's residual workers comp underwriting losses in 1988, with \$399.1 million in losses. Florida, with a \$228.7 million 1988 loss, ranked second with a 12% share.

Massachusetts ran a close third, with \$220.7 million, or 11.6%, of total workers comp residual market losses. Rounding out the five worst were Louisiana, whose \$201.8 million in losses accounted for 10.6% of the national total, and Maine, whose \$181.7 million loss accounted for 9.5% of the total.

In all, those five states accounted for 64.6% of the total national residual workers comp underwriting loss in 1988.

Residual market workers compensation combined ratios increased in 1988 in eight of the 10 states with the largest ratios.

While Maine, which had the worst 1987 ratio—283.91%—showed the greatest improvement to 191.55% in 1988, it remained the state with the worst workers comp residual market combined ratio.

Second-ranking Louisiana had a 1988 residual loss combined ratio of 175.92%, a significant increase from 1987's 150.57%. Third-place Rhode Island's ratio rose to 168.74% from 155.27% during the same period. Fourth-ranking New Mexico's residual loss reached 129.70%, up from 123.74% a year earlier, while fifth-place Massachusetts' ratio rose to 127.03% from 117.96% in 1987.

Other than Maine, only South Dakota, which had the 10th worst combined ratio in 1988, showed a relative improvement in 1988 compared with 1987: 114.08% compared with 117.20%.

The report also noted that more than one-quarter of workers compensation premium volume was written in the residual market in 10 states in 1988.

In Rhode Island, 51.8% of the state's workers compensation premiums were written in the residual market in 1988. Other states with more than 25% of workers comp premiums written in the residual market include Louisiana at 42.9%, New Mexico at 30.2%, Massachusetts at 29.9%, Mississippi at 28.2%, Vermont and Arkansas both at 27.9%, South Dakota at 27.1%, New Hampshire at 26.7% and Missouri at 25.2%.

The report also found a skewed spread of loss in the 41 residual markets for commercial automobile risks surveyed by the Alliance. These residual markets posted a total of \$347 million in underwriting losses in 1988. The report does not cover commercial auto losses in previous years.

Two states accounted for more than half of the national commercial auto residual market operating loss in 1988, Mr. Lawson pointed out: New Jersey, with \$107.9 million in losses and California, with \$73.9 million in losses.

Altogether, commercial auto residual markets in 28 states reported losses totaling \$357.9 mil-

lion, while the markets in the 13 remaining states surveyed reported a collective operating gain of \$10.9 million.

While structured differently from other residual markets, medical malpractice joint underwriting associations also are posting big losses, the Alliance report noted.

The report notes that seven of the 12 medical malpractice JUAs in operation at the end of 1988 "were technically insolvent"—with liabilities outweighing assets. New York's JUA was more than \$1 billion in the red, Mr. Lawson said.

But Mr. Lawson pointed out that all of the JUAs—even New York's—reported positive cash flows for 1988, a fact that gave the Alliance executive no comfort because of the long-tail nature of medical malpractice exposures.

The report noted that up to 15 years may elapse between the incident that leads to a claim and the settlement of that claim. "The practical effect is that a malpractice insurer (including the JUA) may pay out in any given year an amount which is much less than the size of that year's ultimate liabilities," says the report.

The New York JUA's deficit of slightly more than \$1 billion was nearly twice as large as the deficit of the Massachusetts JUA, which had the second-worst deficit at \$523.8 million. Other states with deficits in their medical malpractice JUAs were Rhode Island with \$166.8 million, New Hampshire with \$30.3 million, Wisconsin with \$17.4 million, South Carolina with \$14.6 million and Minnesota with \$175,139.

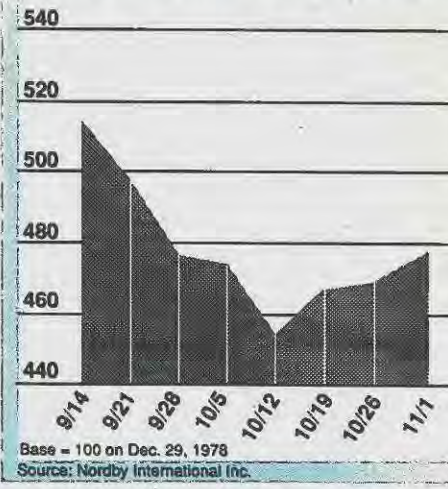
Assets were equal to liabilities for the medical malpractice JUAs in Texas, Florida and Kansas, while the Virginia JUA reported a surplus of \$2.7 million and the Pennsylvania JUA had a surplus of \$2.9 million.

In four of the states, the medical malpractice JUA controlled more than 50% of the medical malpractice insurance market. The highest percentage was in Massachusetts, where the JUA accounted for 87.6% of medical malpractice premiums. Rhode Island was close behind with 85.1% of premiums in the JUA, while New Hampshire and South Carolina reported their JUAs accounted for more than half of the state medical malpractice premiums with 63.1% and 55.4%, respectively.

Besides reporting on commercial insurance residual market plans, the Alliance survey also includes data on personal automobile residual market plans, JUAs and reinsurance facilities, and industry-subsidized FAIR and beach and windstorm property insurance plans.

Single copies of "Residual Markets and Insolvency Assessments 1988" are available at no charge by writing to: Customer Service, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60173

BI Insurance Index



Insurance industry issues continued their climb last week as the Business Insurance Index rose 9.5 points to 478.8 on Nov. 2, from 469.3 on Oct. 26. Advancing issues for the week were led by Sierra Health Services, up 27.2%; Continental Corp., up 15.9%; and Fremont General Corp., up 14.6%. Declining issues for the week followed American Indemnity Financial Corp., down 19.0%; Belvedere Corp., down 11.1%; and Poe & Associates, down 8.1%. The most active issue for the week was Travelers Corp., with 5.1 million shares traded. The BI Index climbed 2.0% for the week; the Standard & Poor's 500 rose 2.4%; the Dow Jones 30 Industrials were up 2.3%; and the New York Stock Exchange Composite climbed 2.0%.

British Issues

Nov. 1 Companies	Price	P/E	Div. %	Yield %	High-Low
Comml Union	434	19.8	28.7	6.6	445-434
Genl Accident	434	13.1	33.4	7.7	446-434
Gdn Royal Exch	168	14.7	15.3	9.1	173-168
Royal	365	19.5	34.0	9.3	373-365
Sun Alliance	291	10.5	16.7	5.7	309-291

Brokers	Price	P/E	Div. %	Yield %	High-Low
Bradstock	218	15.2	10.0	4.6	219-209
CE Health	419	12.3	34.5	8.2	424-402
Hogg Group	153	10.1	9.7	6.3	153-143
Lloyd Thompson	275	18.4	10.0	3.6	275-275
PWS Holdings	72	11.0	3.3	4.6	72-72
Sedgwick Grp	215	16.2	16.0	7.4	215-211
Steel Brl Jones	245	14.6	14.7	6.0	245-240
Willis Coroon	223	16.5	16.0	7.2	224-222

Source: Philip Olsen, Insurance Industry Specialist
London

BI Industry Stock Report

OCT. 29, 1990 THROUGH NOV. 2, 1990

BROKERS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value	
				High	Low							
Alexander & Alexander	NYS	19.83	2.59	-37.70	34.00	16.13	897	1.00	5.10	16	9.18	2.14
Corroon & Black	NYS	32.50	0.00	-15.03	41.00	0.13	0	1.36	4.18	16	12.73	2.55
Gallagher Arthur J. & Co.	NYS	20.38	1.22	-17.68	25.88	19.75	30	0.60	2.94	16	5.33	3.82
Frank B. Hall	NYS	2.75	4.56	-8.33	4.25	2.25	101	0.00	0.00	-4	-2.80	-0.98
Hibb, Rogal & Hamilton	OTC	12.38	1.02	-33.56	20.63	11.25	47	0.28	2.26	17	4.60	2.69
Marsh & McLennan	NYS	71.50	4.76	-8.33	88.88	59.75	733	2.60	3.64	17	10.56	6.77
Poe & Associates	OTC	8.50	-8.11	-35.85	13.00	7.75	6	0.40	4.71	12	1.93	4.40
BROKERS	AVERAGE		0.9	-22.4					3.3	13		

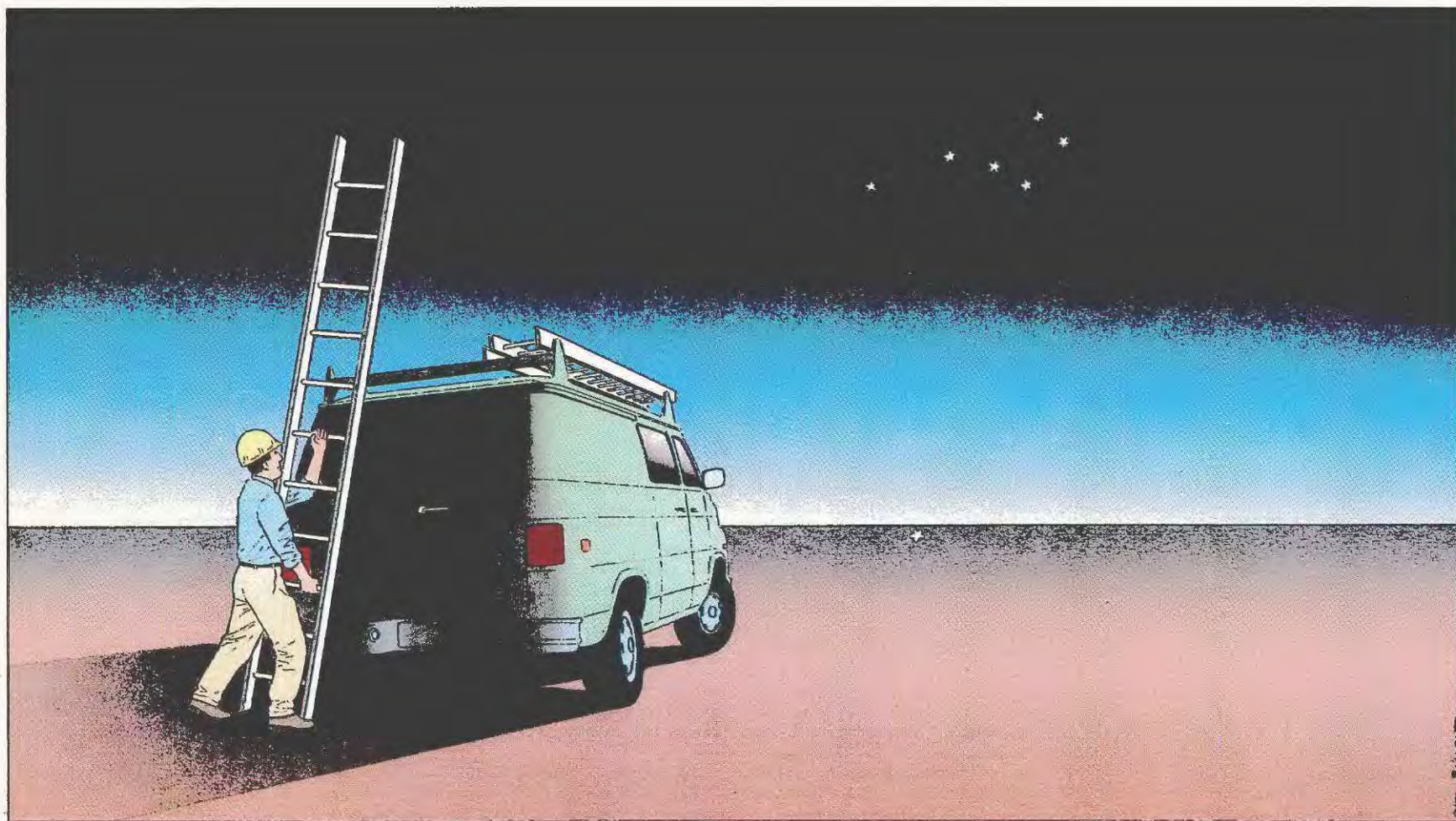
CONGLOMERATES & HOLDING COMPANIES	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value	
				High	Low							
Berkley W.R. Corp.	OTC	33.25	2.31	-20.12	46.50	28.50	47	0.44	1.32	7	25.06	1.33
Berkshire Hathaway Inc.	NYS	5875.00	-0.42	-31.88	8900.00	5675.00	0	0.00	0.00	-19	2869.00	2.05
ITT (Hartford Group)	NYS	44.63	2.87	-25.47	61.38	40.25	1540	1.72	3.85	5	56.33	0.79
Sears (Allstate)	NYS	25.63	6.20	-33.87	41.88	22.00	2703	2.00	7.80	8	37.75	0.68
CONGLOMERATES	AVERAGE		2.7	-27.8					3.2	0		

INSURERS/REINSURERS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value	
				High	Low							
Aetna Life & Casualty	NYS	32.75	6.50	-43.53	62.00	29.00	3939	2.76	8.43	6	58.11	0.56
Ambase Corp.	NYS	0.63	-28.98	-95.05	14.00	0.63	456	0.00	0.00	0	29.08	0.02
American General	NYS	28.63	3.60	-12.60	50.63	23.50	2488	3.20	11.18	6	34.68	0.83
American Heritage	NYS	20.00	1.27	-29.82	24.63	19.63	3	1.00	5.00	9	22.60	0.88
American Indem (Ity)Fin	OTC	3.75	-19.01	-53.13	8.75	3.38	14	0.08	2.13	-2	17.38	0.22
American International	NYS	67.00	2.48	-20.62	89.63	57.00	2208	0.44	0.66	10	41.92	1.60
Aon Corp.	NYS	30.63	-2.00	-27.73	43.25	26.75	280	1.52	4.96	8	19.62	1.56
Argonaut Group	OTC	57.00	0.00	-17.24	78.00	53.00	44	1.60	2.81	7	36.83	1.55
AVEMCO Corp.	NYS	21.88	0.57	-10.26	30.13	20.38	8	0.44	2.01	15	9.52	2.30
Baldwin & Lyons Inc.	OTC	18.25	0.00	-15.12	24.00	18.25	2	0.28	1.53	7	20.80	0.88
Belvedere Corp.	ASE	2.00	-11.11	-63.64	5.63	1.75	16	0.04	2.00	-3	8.03	0.25
Chandler Insurance Co.	OTC	5.50	-6.46	-53.19	13.25	4.50	98	0.00	0.00	3	9.53	0.58
Chubb Corp.	NYS	44.25	8.91	-53.85	51.38	34.63	1685	1.32	2.98	8	55.49	0.80
CIGNA Corp.	NYS	37.00	4.23	-38.59	66.75	33.25	1484	3.04	8.22	11	66.64	0.56
CNA Financial Corp.	NYS	54.88	2.57	-45.13	108.75	49.50	159	0.00	0.00	9	54.87	1.00
Continental Corp.	NYS	19.13	15.91	-39.04	34.63	15.75	959	2.60	13.59	14	41.36	0.46
Durham Corp.	OTC	26.50	-6.19	-13.82	34.25	23.00	11	0.92	3.47	13	26.32	1.01
Fund American Corp.	NYS	45.00	1.12	27.66	51.88	29.50	199	0.68	1.51	113	32.74	1.37
Fremont General Corp.	OTC	15.75	14.55	-21.74	22.50	10.13	266	0.80	5.08	4	19.09	0.83
Frontier Insurance Group	NYS	20.25	3.85	9.46	33.00	14.13	27	0.00	0.00	9	7.29	2.78
General RE Corp.	NYS	81.25	4.17	-9.72	96.25	69.00	1123	1.52	1.87	12	29.04	2.80
Hanover Insurance Co.	OTC	21.50	-3.37	-29.51	32.25	21.75	44	0.44	2.05	7	32.03	0.67
Hartfordville Group	OTC	16.25	-1.52	-40.91	27.38	13.50	18	0.64	3.94	5	18.94	0.86
Hartford Steam Boiler	NYS	45.38	-5.23	-16.36	62.13	43.50	193	1.80	3.97	12	18.94	2.40
Kansas City Life Ins.	OTC	30.25	0.83	-15.68	36.50	30.00	75	1.12	3.70	7	39.22	0.77
Kemper Corp.	NYS	19.13	-4.38	-59.52	51.00	17.13	562	0.92	4.81	68	29.97	0.64

HEALTH MAINTENANCE ORGANIZATIONS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value	
				High	Low							
FHP International	OTC	13.00	10.64	-38.82	26.38	9.75	503	0.00	0.00	11	3.54	3.67
HMO America Inc.	OTC	5.00	2.46	-35.48	8.13	4.25	69	0.00	0.00	6	1.12	4.46
Pacificare Health Sys.	OTC	15.00	5.26	-42.31	29.13	12.00	42	0.00	0.00	11	6.35	2.36
Safeguard Health Enter.	OTC	4.38	-7.89	-48.53	9.50	4.00	25	0.00	0.00	10	2.99	1.46
Sierra Health Services	ASE	8.75	27.18	-1.41	9.63	5.50	331	0.00	0.00	109	0.62	14.11
United Healthcare Corp.	OTC	18.00	6.64	-46.94	20.13	7.88	2234	0.12	0.67	21	0.34	52.94
United Medical Corp.	ASE	6.75	-1.89	-12.50	11.38	6.00	2	0.20	2.96	9	5.70	1.18
U.S. Healthcare	OTC	22.13	13.46	55.26	22.75	9.63	0	0.36	1.63	20	3.07	7.21
HMOs	AVERAGE		7.0	-6.5					0.7	25		
ALL COMPANIES	AVERAGE		1.6	-26.3					4.1	11		

Performance Without Consistency Isn't Enough. Any group insurance company

can promise fast claims service, but we guarantee it. ♦ We're confident enough about the quality of our claims service to put our high standards in writing, guaranteeing to meet our promised



turnaround time. We're comfortable offering this guarantee because we routinely exceed industry standards in turnaround time of claims processing. Our resources include an advanced cost-management technology in processing systems -- a Personalized Claims Administration system which provides flexible, adaptable administration of any benefits program. ♦ Clients who depend on your advice want to know what group insurance companies promise. Now you can tell them what we *guarantee*. For more information, call Tom McKellar at 1-800-877-1052.

**Mutual
of Omaha.** 
Companies
Group Operation

The Managed-Cost Professionalssm